UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

[Check one]

[ ] **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

[X] **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2016 **Commission File Number 001-34244**

HUDBAY MINERALS INC.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English (if applicable))

Canada

(Province or other jurisdiction of incorporation or organization)

1000

(Primary Standard Industrial Classification Code Number (if applicable))

98-0485558

(I.R.S. Employer Identification Number (if applicable))

25 York Street
Suite 800
Toronto, Ontario
M5J 2V5, Canada
416 362-8181

(Address and telephone number of Registrant's principal executive offices)

Corporation Service Company
2711 Centerville Road, Suite 400
Wilmington, DE 19808
302 636-5401

(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common Shares, no par value	**The New York Stock Exchange**
Common Share Purchase Warrants	**The New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act.

N/A
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

N/A
(Title of Class)

For annual reports, indicate by check mark the information filed with this form:

[X] Annual Information Form [X] Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: As at December 31, 2016, 237,271,188 common shares were outstanding.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13(d) or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements in the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes [ ] No [ ]

EXPLANATORY NOTE

Hudbay Minerals Inc. (the "Registrant") is a Canadian issuer eligible to file its annual report ("Annual Report") pursuant to Section 13(a) of the Exchange Act, on Form 40-F pursuant to the multi-jurisdictional disclosure system under the Exchange Act. The Registrant is a "foreign private issuer" as defined in Rule 405 under the Securities Act of 1933, as amended, and Rule 3b-4 under the Exchange Act. The equity securities of the Registrant are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3 under the Exchange Act.

The Registrant is permitted, under the multi-jurisdictional disclosure system adopted by the United States and Canada, to prepare this Annual Report on Form 40-F in accordance with Canadian disclosure requirements, which are different from those of the United States.

This Annual Report contains references to both United States dollars and Canadian dollars. All dollar amounts referenced, unless otherwise indicated, are expressed in Untied States dollars, and Canadian dollars are referred to as "Canadian dollars" or "C$".

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant's Annual Information Form ("AIF") for the fiscal year ended December 31, 2016 is incorporated herein by reference as Exhibit 99.1.

The audited consolidated financial statements (the "Audited Annual Financial Statements") of the Registrant for the years ended December 31, 2016 and 2015, including the reports of the Independent Registered Public Accounting Firm with respect thereto, are incorporated herein by reference as Exhibit 99.2. The Audited Annual Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Registrant's Management's Discussion & Analysis for the year ended December 31, 2016 is incorporated herein by reference as Exhibit 99.3.

The Registrant's Disclosure Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act is incorporated herein by reference as Exhibit 99.4.

The Registrant's amended Code of Business Conduct and Ethics is incorporated herein by reference as Exhibit 99.5.

DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this Annual Report for the Registrant's fiscal year ended December 31, 2016, an evaluation of the effectiveness of the Registrant's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) was carried out by the Registrant's management with the participation and supervision of the principal executive officer and principal financial officer. Based upon that evaluation, the Registrant's principal executive officer and principal financial officer have concluded that as of December 31, 2016, the Registrant's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Registrant in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in Commission rules and forms and (ii) accumulated and communicated to the Registrant's management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The disclosure provided under "Internal control over financial reporting ("ICFR")" on page 50 of Exhibit 99.3, Management's Discussion & Analysis for the Year Ended December 31, 2016, is incorporated by reference herein. The Registrant did not make any changes to its "internal control over financial reporting" (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the year ended December 31, 2016 that materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Management's report dated February 22, 2017 on the Registrant's internal control over financial reporting contained in Exhibit 99.2, Audited Annual Financial Statements, is incorporated by reference herein.

The Registrant's internal control over financial reporting as of December 31, 2016 has been audited by Deloitte LLP ("Deloitte"), Independent Registered Public Accounting Firm who also audited the Registrant's Consolidated Financial Statements for the years ended December 31, 2016 and 2015. Deloitte expressed an unqualified opinion on the effectiveness of the Registrant's internal control over financial reporting.

All internal control systems, no matter how well designed, have inherent limitations. As a result, even systems determined to be effective may not prevent or detect misstatements on a timely basis, as systems can provide only reasonable assurance that the objectives of the control system are met. In addition, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may change.

ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

The disclosure provided in the two reports of Deloitte titled "Report of Independent Registered Public Accounting Firm" contained in Exhibit 99.2, Audited Annual Financial Statements for the years ended December 31, 2016 and 2015, are incorporated herein by reference.

BLACKOUT PERIODS

There were no "blackout periods", as defined under Rule 100(b) of Regulation BTR, requiring notice pursuant to Rule 104 of Regulation BTR during the fiscal year ended December 31, 2016.

AUDIT COMMITTEE IDENTIFICATION AND FINANCIAL EXPERT

As at December 31, 2016, the Registrant's audit committee consisted of Sarah B. Kavanagh, Tom A. Goodman, Alan J. Lenczner and Michael T. Waites. The Registrant's board of directors has determined that each of Ms. Kavanagh and Messrs. Goodman, Lenczner and Waites is an "audit committee financial expert" within the meaning of the Commission's rules. Each of Ms. Kavanagh and Messrs. Goodman, Lenczner and Waites is also "independent" under the criteria of Rule 10A-3 of the Exchange Act as required by the New York Stock Exchange (the "NYSE"). The Commission has indicated that the designation of Ms. Kavanagh and Messrs. Goodman, Lenczner and Waites as audit committee financial experts does not make any of them an "expert" for any purpose or impose any duties, obligations or liability on Ms. Kavanagh and Messrs. Goodman, Lenczner and Waites that are greater than those imposed on members of the audit committee and board of directors who do not carry this designation. The audit committee's charter sets out its responsibilities and duties, qualifications for membership, procedures for committee appointment and reporting to the Registrant's board of directors. A copy of the current charter is attached to the AIF as Schedule C and is available on the Registrant's website at www.hudbayminerals.com/English/About-Us/Governance/default.aspx.

CODE OF ETHICS

The Registrant has adopted a Code of Business Conduct and Ethics (the "Code of Ethics") that applies to its principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions. A copy of the Code of Ethics is available on the Registrant's website at www.hudbayminerals.com/English/About-Us/Governance/default.aspx. The Registrant undertakes to provide to any person, without charge, upon request, a copy of the Code of Ethics. Requests for copies of the Code of Ethics should be made by contacting the Registrant's Vice President and General Counsel at 416 362-8181. No waivers of the Registrant's Code of Ethics were granted to any principal officer of the Registrant or any person performing similar functions during the fiscal year ended December 31, 2016.

During the fiscal year ended December 31, 2016, the Registrant conducted a review of its Code of Ethics to consider whether any amendments were advisable or required. Following that review, in the fiscal year ended December 31, 2016, the Registrant made certain amendments to its Code of Ethics relating to its commitment to conduct business honestly and ethically, to protect the environment, to engage in fair and competitive business practices and to protect human rights. All further amendments to the Code of Ethics, and all waivers of the Code of Ethics with respect to any of the officers covered by it, will be posted on the Registrant's website at www.hudbayminerals.com/English/About-Us/Governance/default.aspx. The above description is qualified in its entirety by reference to the Registrant's amended Code of Ethics, which is attached hereto as Exhibit 99.5 and incorporated by reference.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information provided under the heading "Audit Committee Disclosure" on page 44 of the AIF is incorporated by reference herein. All audit services, audit-related services, tax services, and other services provided for the fiscal year ended December 31, 2016 were pre-approved by the audit committee in accordance with the Registrant's pre-approval policy as described under the heading "Policy Regarding Non-Audit Services Rendered by Auditors" on page 45 of the AIF.

Audit Fees

The aggregate fees billed by Deloitte, the Registrant's independent auditor, for the fiscal years ended December 31, 2015 and December 31, 2016, respectively, for auditing annual financial statements and reviewing the interim financial statements, as well as services normally provided by Deloitte in connection with the Registrant's statutory and regulatory filings for such fiscal years were C$1,765,133 and C$1,970,314, respectively.

Audit-Related Fees

The aggregate fees billed by Deloitte for the fiscal years ended December 31, 2015 and December 31, 2016, respectively, for audit-related fees, which are fees for assurance and services related to Deloitte's role, including attest services not required by statute or regulation and other audit related services, for such fiscal years were C$106,300 and C$198,660, respectively.

Tax Fees

There were no tax fees billed by Deloitte for the fiscal years ended December 31, 2015 and December 31, 2016.

All Other Fees

There were no other fees billed by Deloitte for the fiscal years ended December 31, 2015 and December 31, 2016.

OFF-BALANCE SHEET ARRANGEMENTS

The Registrant has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Registrant's financial condition, changes in financial condition, revenues or expenses, results of operation, liquidity, capital expenditures or capital resources that is material to investors.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The disclosure provided under "Contractual Obligations and Commitments" on page 34 of Exhibit 99.3, Management's Discussion & Analysis for the Year Ended December 31, 2016, is incorporated by reference herein.

COMPARISON WITH NEW YORK STOCK EXCHANGE GOVERNANCE RULES

The NYSE requires that each listed company meet certain corporate governance standards. These standards supplement the corporate governance reforms adopted by the United States Securities and Exchange Commission pursuant to the Sarbanes-Oxley Act of 2002.

Under the NYSE's Listed Company Manual, a "foreign private issuer", such as the Registrant, is not required to comply with most of the NYSE corporate governance standards. However, foreign private issuers are required to disclose any significant ways in which their corporate governance practices differ from those followed by U.S. companies under the NYSE corporate governance standards.

The Registrant is subject to the listing standards of the Toronto Stock Exchange (the "TSX") and the corporate governance rules of Canadian Securities Administrators. These listing standards and corporate governance rules are substantially similar to the NYSE listing standards. The Registrant complies with these TSX listing standards and Canadian corporate governance rules.

The following are the significant ways in which the Registrant's governance practices differ from those followed by domestic companies under the NYSE corporate governance standards:

Director Independence

The Registrant determines independence of its directors under the policies of the Canadian Securities Administrators. For a director to be considered independent under the policies of the Canadian Securities Administrators, he or she must have no direct or indirect material relationship with us, being a relationship that could, in the view of the board of directors reasonably be expected to interfere with the exercise of his or her independent judgment, and must not be in any relationship deemed to be not independent pursuant to such policies. To assist in determining the independence of directors for purposes that include compliance with applicable legal and regulatory requirements and policies, the board of directors has adopted certain categorical standards, which are part of our Corporate Governance Guidelines. The Registrant's board of directors also determines whether each member of the Registrant's audit committee is independent pursuant to National Instrument 52-110 Audit Committees and Rule 10A-3 of the Exchange Act. The Registrant's board of directors has not adopted the director independence standards contained in Section 303A.02 of the NYSE's Listed Company Manual.

Approval of Equity Compensation Plans

Section 303A.08 of the NYSE's Listed Company Manual requires shareholder approval of all equity compensation plans and material revisions to such plans. The definition of "equity compensation plans" covers plans that provide for the delivery of both newly issued and treasury securities, as well as plans that rely on securities re-acquired in the open market by the issuing company for the purpose of redistribution to employers and directors. The TSX rules only require that shareholders approve the adoption of equity compensation plans that provide for new issuances of securities. Any amendments to such plans are subject to shareholder approval unless the specific equity compensation plan contains detailed provisions, approved by the shareholders, which specify those amendments requiring shareholder approval and those amendments which can be made without shareholder approval. The Registrant follows the TSX rules with respect to the requirements for shareholder approval of equity compensation plans and revisions to such plans.

Shareholder Approval Requirement

In lieu of Section 312 of the NYSE's Listed Company Manual, the Registrant will follow the TSX rules for shareholder approval of new issuances of its common shares. Following the TSX rules, shareholder approval is required for certain issuances of shares that (i) materially affect control of the Registrant or (ii) provide consideration to insiders in aggregate of 10% or greater of the market capitalization of the listed issuer and have not been negotiated at arm's length. Shareholder approval is also required, pursuant to the TSX rules, in the case of private placements (x) for an aggregate number of listed securities issuable greater than 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction if the price per security is less than the market price or (y) that during any six month period are to insiders for listed securities or options, rights or other entitlements to listed securities greater than 10% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of the closing of the first private placement to an insider during the six month period.

MINE SAFETY DISCLOSURE

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine are required to disclose in their periodic reports filed with the Commission information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities. For information regarding the Registrant's mine safety disclosures, see "Disclosure Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act" filed as Exhibit 99.4 to this Annual Report on Form 40-F.

UNDERTAKING

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

CONSENT TO SERVICE OF PROCESS

The Registrant has previously filed with the Commission a written consent to service of process and power of attorney on Form F-X. Any change to the name or address of the Registrant's agent for service shall be communicated promptly to the Commission by amendment to the Form F-X referencing the file number of the Registrant.

* * *

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereto duly authorized.

HUDBAY MINERALS INC.

By: /s/ Patrick Donnelly
Name: Patrick Donnelly
Title: Vice President and General Counsel
Date: March 31, 2017

EXHIBIT INDEX

Exhibit Description and Date of Document

Annual Information; Management's Discussion and Analysis; Mine Safety Disclosure; Code Ethics

99.1	Annual Information Form for the Year Ended December 31, 2016
99.2	Audited Annual Financial Statements for the Years Ended December 31, 2016 and 2015
99.3	Management's Discussion & Analysis for the Year Ended December 31, 2016
99.4	Disclosure Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act
99.5	Amended Code of Business Conduct and Ethics
Certifications	
99.6	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.7	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.8	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.9	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Consents	
99.10	Consent of Cashel Meagher, P.Geo., dated March 31, 2017
99.11	Consent of Robert Carter, P.Eng., dated March 31, 2017
99.12	Consent of Deloitte LLP, March 31, 2017



HUDBAY MINERALS INC.
ANNUAL INFORMATION FORM
FOR THE
YEAR ENDED DECEMBER 31, 2016

March 30, 2017

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FORWARD-LOOKING INFORMATION

This annual information form ("**AIF**") contains forward-looking information within the meaning of applicable Canadian and United States securities legislation. All information contained in this AIF, other than statements of current and historical fact, is forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "budget", "guidance", "scheduled", "estimates", "forecasts", "strategy", "target", "intends", "objective", "goal", "understands", "anticipates" and "believes" (and variations of these or similar words) and statements that certain actions, events or results "may", "could", "would", "should", "might" "occur" or "be achieved" or "will be taken" (and variations of these or similar expressions). All of the forward-looking information in this AIF is qualified by this cautionary note.

Forward-looking information includes, but is not limited to, production, cost and capital and exploration expenditure guidance, including anticipated capital and operating cost savings and anticipated production at our mines and processing facilities, the anticipated timing, cost and benefits of developing the Rosemont project, Pampacancha deposit and Lalor growth projects, anticipated mine plans, anticipated metals prices and the anticipated sensitivity of our financial performance to metals prices, events that may affect our operations and development projects, the permitting, development and financing of the Rosemont project, the potential to increase throughput at the Stall mill and to refurbish the New Britannia mill and utilize it to process ore from the Lalor mine, anticipated cash flows from operations and related liquidity requirements, the anticipated effect of external factors on revenue, such as commodity prices, estimation of mineral reserves and resources, mine life projections, reclamation costs, economic outlook, government regulation of mining operations, and business and acquisition strategies. Forward-looking information is not, and cannot be, a guarantee of future results or events. Forward-looking information is based on, among other things, opinions, assumptions, estimates and analyses that, while considered reasonable by us at the date the forward-looking information is provided, inherently are subject to significant risks, uncertainties, contingencies and other factors that may cause actual results and events to be materially different from those expressed or implied by the forward-looking information.

The material factors or assumptions that we identified and were applied by us in drawing conclusions or making forecasts or projections set out in the forward looking information include, but are not limited to:

- the success of mining, processing, exploration and development activities;
- the scheduled maintenance and availability of our processing facilities;
- the sustainability and success of our cost reduction initiatives;
- the accuracy of geological, mining and metallurgical estimates;
- anticipated metals prices and the costs of production;
- the supply and demand for metals we produce;
- the supply and availability of all forms of energy and fuels at reasonable prices;
- no significant unanticipated operational or technical difficulties;
- the execution of our business and growth strategies, including the success of our strategic investments and initiatives;
- the availability of additional financing, if needed;
- the ability to complete project targets on time and on budget and other events that may affect our ability to develop our projects;
- the timing and receipt of various regulatory, governmental and joint venture partner approvals;
- the availability of personnel for our exploration, development and operational projects and ongoing employee and union relations;
- the ability to secure required land rights to develop the Pampacancha deposit;
- maintaining good relations with the communities in which we operate, including the communities surrounding our Constancia mine and Rosemont project and First Nations communities surrounding our Lalor and Reed mines;
- no significant unanticipated challenges with stakeholders at our various projects;
- no significant unanticipated events or changes relating to regulatory, environmental, health and safety matters;

- no contests over title to our properties, including as a result of rights or claimed rights of aboriginal peoples;
- the timing and possible outcome of pending litigation and no significant unanticipated litigation;
- certain tax matters, including, but not limited to current tax laws and regulations and the refund of certain value added taxes from the Canadian and Peruvian governments; and
- no significant and continuing adverse changes in general economic conditions or conditions in the financial markets (including commodity prices and foreign exchange rates).

The risks, uncertainties, contingencies and other factors that may cause actual results to differ materially from those expressed or implied by the forward-looking information may include, but are not limited to, risks generally associated with the mining industry, such as economic factors (including future commodity prices, currency fluctuations, energy prices and general cost escalation), uncertainties related to the development and operation of our projects (including risks associated with the permitting, development and economics of the Rosemont project and related legal challenges), risks related to the maturing nature of our 777 and Reed mines and their impact on the related Flin Flon metallurgical complex, dependence on key personnel and employee and union relations, risks related to the schedule for mining the Pampacancha deposit (including the timing and cost of acquiring the required surface rights), risks related to the cost, schedule and economics of the capital projects intended to increase processing capacity for Lalor ore, risks related to political or social unrest or change, risks in respect of aboriginal and community relations, rights and title claims, operational risks and hazards, including unanticipated environmental, industrial and geological events and developments and the inability to insure against all risks, failure of plant, equipment, processes, transportation and other infrastructure to operate as anticipated, compliance with government and environmental regulations, including permitting requirements and anti-bribery legislation, depletion of our reserves, volatile financial markets that may affect our ability to obtain additional financing on acceptable terms, the failure to obtain required approvals or clearances from government authorities on a timely basis, uncertainties related to the geology, continuity, grade and estimates of mineral reserves and resources, and the potential for variations in grade and recovery rates, uncertain costs of reclamation activities, our ability to comply with our pension and other post-retirement obligations, our ability to abide by the covenants in our debt instruments and other material contracts, tax refunds, hedging transactions, as well as the risks discussed under the heading “Risk Factors”.

Should one or more risk, uncertainty, contingency or other factor materialize or should any factor or assumption prove incorrect, actual results could vary materially from those expressed or implied in the forward-looking information. Accordingly, you should not place undue reliance on forward-looking information. We do not assume any obligation to update or revise any forward-looking information after the date of this AIF or to explain any material difference between subsequent actual events and any forward-looking information, except as required by applicable law.

NOTE TO UNITED STATES INVESTORS

This AIF has been prepared in accordance with the requirements of the securities laws in effect in Canada, which may differ materially from the requirements of United States securities laws applicable to U.S. issuers.

Information concerning our mineral properties has been prepared in accordance with the requirements of Canadian securities laws, which differ in material respects from the requirements of the Securities and Exchange Commission (the “**SEC**”) set forth in Industry Guide 7. Under the SEC’s Industry Guide 7, mineralization may not be classified as a “reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time of the reserve determination, and the SEC does not recognize the reporting of mineral deposits which do not meet the SEC Industry Guide 7 definition of “Reserve”. In accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“**NI 43-101**”) of the Canadian Securities Administrators, the terms “mineral reserve”, “proven mineral reserve”, “probable mineral reserve”, “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in the Canadian Institute of Mining, Metallurgy and Petroleum (the “**CIM**”) Definition Standards for Mineral Resources and

Mineral Reserves adopted by the CIM Council on May 10, 2014. While the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are recognized and required by NI 43-101, the SEC does not recognize them. You are cautioned that, except for that portion of mineral resources classified as mineral reserves, mineral resources do not have demonstrated economic value. Inferred mineral resources have a high degree of uncertainty as to their existence and as to whether they can be economically or legally mined. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Therefore, you are cautioned not to assume that all or any part of an inferred mineral resource exists, that it can be economically or legally mined, or that it will ever be upgraded to a higher category. Likewise, you are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be upgraded into mineral reserves. You should consider closely the disclosure on the mining industry technical terms in Schedule A "Glossary of Mining Terms" of this AIF.

CURRENCY AND EXCHANGE RATES

This AIF contains references to both United States dollars and Canadian dollars. All dollar amounts referenced, unless otherwise indicated, are expressed in United States dollars, and Canadian dollars are referred to as "Canadian dollars" or "C$". For United States dollars to Canadian dollars, the average exchange rate for 2016 and the closing exchange rate at December 31, 2016, as reported by the Bank of Canada, were one United States dollar per 1.3248 and 1.3427 Canadian dollars, respectively. On March 29, 2017, the Bank of Canada noon rate of exchange was one United States dollar per 1.3372 Canadian dollars.

OTHER IMPORTANT INFORMATION

Certain scientific and technical terms and abbreviations used in this AIF are defined in the "Glossary of Mining Terms" attached as Schedule A.

Unless the context suggests otherwise, references to "we", "us", "our" and similar terms, as well as references to "Hudbay" and "Company", refer to Hudbay Minerals Inc. and its direct and indirect subsidiaries.

CORPORATE STRUCTURE

INCORPORATION AND REGISTERED OFFICE

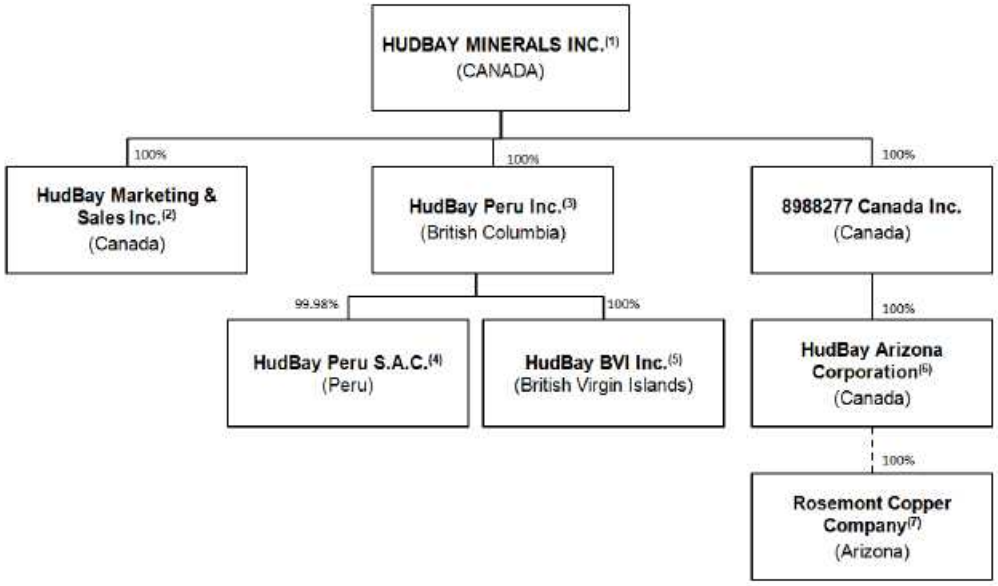
We were formed by the amalgamation of Pan American Resources Inc. and Marvas Developments Ltd. on January 16, 1996, pursuant to the Business Corporations Act (Ontario) and changed our name to Pan American Resources Inc. On March 12, 2002, we acquired ONTZINC Corporation, a private Ontario corporation, through a reverse takeover and changed our name to ONTZINC Corporation. On December 21, 2004, we acquired Hudson Bay Mining and Smelting Co., Limited ("**HBMS**") and changed our name to HudBay Minerals Inc. In connection with the acquisition of HBMS, on December 21, 2004, we amended our articles to consolidate our common shares on a 30 to 1 basis. On October 25, 2005, we were continued under the Canada Business Corporations Act ("**CBCA**"). On August 15, 2011, we completed a vertical short-form amalgamation under the CBCA with our subsidiary, HMI Nickel Inc. On January 1, 2017, we completed a vertical short-form amalgamation under the CBCA with two of our subsidiaries, HBMS and Hudson Bay Exploration and Development Company Limited, and changed our name from HudBay Minerals Inc. to Hudbay Minerals Inc.

Our registered office is located at 2200-201 Portage Avenue, Winnipeg, Manitoba R3B 3L3 and our principal executive office is located at 25 York Street, Suite 800, Toronto, Ontario M5J 2V5.

Our common shares are listed on the Toronto Stock Exchange (" **TSX**"), New York Stock Exchange (" **NYSE**") and Bolsa de Valores de Lima under the symbol "HBM". Our warrants are listed under the symbol "HBM. WT" on the TSX and "HBM/WS" on the NYSE.

INTERCORPORATE RELATIONSHIPS

The following chart shows our principal subsidiaries, their jurisdiction of incorporation and the percentage of voting securities we beneficially own or over which we have control or direction.



Notes:

1. Hudbay owns our 777 and Lalor mines and our 70% owned Reed mine, holds exploration properties in Canada and is a borrower under our Canada Facility and is the issuer of our Senior Unsecured Notes.
2. HudBay Marketing & Sales Inc. markets and sells our copper concentrate and zinc metal produced in Manitoba and is a guarantor of our Canada Facility and our Senior Unsecured Notes.
3. HudBay Peru Inc. owns 99.98% of HudBay Peru S.A.C. (" **Hudbay Peru**"). The remaining 0.02% is owned by 6502873 Canada Inc., our wholly-owned subsidiary. HudBay Peru Inc. is a guarantor of our Peru Facility and our Senior Unsecured Notes.
4. Hudbay Peru owns the Constancia mine, is the borrower under our Peru Facility and is a guarantor of our Senior Unsecured Notes.
5. HudBay (BVI) Inc. (" **Hudbay BVI**") was incorporated for the sole purpose of entering into and fulfilling our obligations under the precious metals stream agreement in respect of the Constancia mine.
6. HudBay Arizona Corporation, through its subsidiaries, indirectly owns 100% of Rosemont Copper Company.
7. Rosemont Copper Company currently owns a 92.05% interest in the Rosemont project.

DEVELOPMENT OF OUR BUSINESS

STRATEGY

Our mission is to create sustainable value through acquisition, development and operation of high quality, long life deposits with exploration potential in mining friendly jurisdictions. We believe that the greatest opportunities for shareholder value creation in the mining industry are in the discovery of new mineral deposits and the development of new facilities to profitably extract ore from those deposits. We also believe that our successful development and ramp-up of the Constancia mine in Peru, along with our long history of mining and experience in northern Manitoba, provide us with a competitive advantage in these respects relative to other mining companies of similar scale.

We intend to grow Hudbay through exploration and development of properties we already control, such as our Rosemont project in Arizona, as well as through the acquisition of other properties that fit our strategic criteria. We also intend to optimize the value of our producing assets through efficient and safe operations.

In an attempt to ensure that any acquisitions we undertake create sustainable value for stakeholders, we have established a number of criteria for evaluating mineral property acquisition opportunities, which include the following:

- Potential acquisitions should be located in jurisdictions that are supportive of mining activity and have acceptable levels of political risk. Given our current scale and geographic footprint, our current geographic focus is on select investment grade countries in the Americas;
- We believe we have particular expertise in the exploration and development of volcanogenic massive sulphide and porphyry mineral deposits. While these types of deposits typically contain copper, zinc and precious metals in varying quantities, we are not targeting any one type of metal; rather, we focus on properties where we see the greatest opportunities for risk adjusted returns;
- We typically look for mineral assets that we believe offer significant potential for exploration, development and optimization. We believe that the market for mineral assets is sophisticated and fully values delineated resources and reserves, especially at properties that are already in production, which makes it difficult to acquire properties for substantially less than their fair value. However, markets may undervalue the potential of prospective properties, and more rarely producing properties, providing us with an opportunity to create value through exploration, development and optimization of acquired properties;
- We believe that large, transformational mergers or acquisitions are risky and potentially value destructive in the mining industry, so we typically focus on specific high quality (low cost, long life) mines, development projects and earlier stage projects unless exceptional opportunities present themselves;
- Before we make an acquisition, we develop a clear understanding of how we can add value to the acquired property through the application of our social, technical, operational and project execution expertise, the provision of necessary financial capacity and other optimization opportunities; and
- Acquisitions should be accretive to Hudbay on a per share basis. Given that our strategic focus includes the acquisition of non-producing assets at various stages of development, when evaluating accretion we will consider measures such as net asset value per share and the contained value of reserves and resources per share.

THREE YEAR HISTORY

Amalgamation

On January 1, 2017, the Company amalgamated with two of its wholly-owned subsidiaries, being Hudson Bay Mining and Smelting Co., Limited and Hudson Bay Exploration and Development Company Limited, and changed its name from “HudBay Minerals Inc.” to “Hudbay Minerals Inc.”.

Senior Unsecured Notes Refinancing

On December 12, 2016, we completed an offering of $1.0 billion aggregate principal amount of senior notes in two series: (i) a series of 7.250% senior notes due 2023 in an aggregate principal amount of $400 million (the "**2023 Notes**") and (ii) a series of 7.625% senior notes due 2025 in an aggregate principal amount of $600 million (the "**2025 Notes** and, together with the 2023 Notes, the " **Senior Unsecured Notes**").

The proceeds from this offering were used to redeem all $920 million of our outstanding 9.50% senior unsecured notes due 2020 (the "**Redeemed Notes**") and to pay a call premium, pre-paid interest and other transaction costs associated with the refinancing. The Senior Unsecured Notes have extended maturity dates, significantly reduced interest costs and a more flexible covenant structure as compared to the Redeemed Notes.

The $1.0 billion aggregate principal amount of Senior Unsecured Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis, by substantially all of our existing and future subsidiaries other than our subsidiaries associated with the Rosemont project. For additional information, see "Description of Capital Structure – Senior Unsecured Notes".

Credit Facility Amendments

On March 30, 2016, we amended and restated our two secured credit facilities to consolidate the lender groups and restructure the two facilities to provide, among other things, more flexible financial covenants. The $300 million corporate revolving credit facility (the "**Canada Facility**") is secured by our Manitoba assets and the $200 million Peru revolving credit facility (the "**Peru Facility**" and, together with the Canada Facility, the "**Facilities**") is secured by our Peru assets. In the second quarter of 2016, a Canadian chartered bank joined the syndicate for the Facilities with $30 million in new commitments and, in connection with the refinancing of our Redeemed Notes, subsequently increased its commitment by $20 million, bringing the total maximum available amount under the Canada Facility to $350 million and the total maximum available amount under both Facilities to $550 million. The Facilities, which currently are not cross-collateralized, mature on March 30, 2019.

CEO Transition

Effective January 1, 2016, Alan Hair became our President and Chief Executive Officer, replacing David Garofalo, who announced his resignation in early December 2015. Mr. Hair has twenty years of experience with Hudbay and has worked in the mining industry for more than three decades. He previously served as Hudbay's Chief Operating Officer from 2012 to 2015, a role that is now held by Cashel Meagher. Mr. Meagher was previously Vice President, South America Business Unit from 2011 to 2015, where he led the successful construction and ramp-up of the Constancia operation.

Constancia Mine

We substantially completed construction of the Constancia mine in Peru in the fourth quarter of 2014 at a capital cost of construction of approximately $1.7 billion and the mine reached commercial production in the second quarter of 2015. The mine reached full and steady state production in the second half of 2015. In November 2016, we filed an updated National Instrument 43-101 technical report in respect of Constancia, which includes updates of the mine plan, including the high-grade Pampacancha satellite deposit, reserves and resources, throughput and capital and operating costs for the remaining life of mine at Constancia. For additional information, see "Description of our Business – Material Mineral Projects – Constancia Mine".

Manitoba Operations

Our Lalor and Reed mines achieved commercial production in 2014, and in May 2015 we acquired the New Britannia mill, which is located in Snow Lake, Manitoba and has the potential to increase our capacity to process Lalor ore. In March 2017, we announced an updated mine plan for Lalor, which includes a 4,500 tonne per day throughput rate at the Stall mill for the base metal zone (see "Description of Our Business – Material Mineral Projects", below). Engineering work is underway on a potential restart of the New Britannia mill.

Acquisition of the Rosemont Project

We acquired all of the issued and outstanding common shares (the " **Augusta Shares**") of Augusta Resource Corporation (" **Augusta**") (now HudBay Arizona Corporation, "Hudbay Arizona") pursuant to a take-over bid, which ultimately was supported by Augusta and its largest shareholders and expired July 29, 2014, and a subsequent acquisition transaction, which closed on September 23, 2014 (the "**Augusta Acquisition**"). The consideration per Augusta Share in the transaction was 0.315 of a Hudbay common share and 0.17 of a warrant to acquire a Hudbay common share. Through our acquisition of Augusta, we acquired our 92.05% ownership interest in the Rosemont project, a copper development project located in Pima County, Arizona, approximately 50 kilometres southeast of Tucson. Our ownership in the Rosemont project is subject to an Earn-In Agreement and a Joint Venture Agreement with United Copper & Moly LLC ("**UCM**"). Pursuant to the Earn-In Agreement, UCM has earned a 7.95% interest in the project and may earn up to a 20% interest (the "**Earn-In Right**"). The Earn-In Right is conditional on UCM contributing an additional $106 million to the joint venture (the "**Earn-In Investment**"), which amount UCM is not obliged to contribute until all material permits in respect of the Rosemont project have been granted. After such permits have been obtained and a decision is made to commence construction at Rosemont, UCM is required to advance the Earn-In Investment pro rata with the $230 million upfront deposit payment under the precious metals stream agreement with Silver Wheaton Corp. ("**Silver Wheaton**") in respect of the Rosemont project. In March 2017, we filed a National Instrument 43-101 technical report for Rosemont (see "Description of Our Business – Material Mineral Projects", below).

Equity Financing

On January 9, 2014, we announced that we had entered into an agreement with a syndicate of underwriters who agreed to purchase, on a bought deal basis, 18,200,000 of our common shares at a price of C$8.25 per common share. The underwriters were also granted an over allotment option, which they exercised in full, for an additional 2,730,000 common shares. The transaction closed on January 30, 2014, and the aggregate gross proceeds from the offering were C$172.7 million. The net proceeds of the equity financing were used for general corporate purposes.

DESCRIPTION OF OUR BUSINESS

GENERAL

We are an integrated mining company producing copper concentrate (containing copper, gold and silver) and zinc metal. With assets in North and South America, we are focused on the discovery, production and marketing of base and precious metals. Directly and through our subsidiaries, we own four polymetallic mines, four ore concentrators and a zinc production facility in northern Manitoba and Saskatchewan (Canada) and Cusco (Peru), and a copper project in Arizona (United States). Our growth strategy is focused on the exploration and development of properties we already control, as well as other mineral assets we may acquire that fit our strategic criteria. Our vision is to become a top-tier operator of long-life, low cost mines in the Americas. Our mission is to create sustainable value through the acquisition, development and operation of high-quality and growing long-life deposits in mining-friendly jurisdictions.

We have four material mineral projects:

1. our 100% owned Constancia mine, an open pit copper mine in Peru, which achieved commercial production in the second quarter of 2015;

2. our 100% owned Lalor mine, an underground zinc, copper and gold mine near Snow Lake, Manitoba, which achieved commercial production in the third quarter of 2014;

3. our 100% owned 777 mine, an underground copper, zinc, gold and silver mine in Flin Flon, Manitoba, which has been producing since 2004; and

4. our 92.05% owned Rosemont project, a copper development project in Pima County, Arizona; our ownership in the Rosemont project is subject to an Earn-In Agreement with UCM, pursuant to which UCM has earned a 7.95% interest in the project and may earn up to a 20% interest.

We also own a 70% interest in the Reed mine near Snow Lake, Manitoba, which commenced commercial production in April 2014, exploration properties in North and South America and minority equity investments in several junior exploration companies as part of our strategy to build a pipeline of projects with the potential for development.

In addition, we own and operate a portfolio of processing facilities in northern Manitoba, including our primary Flin Flon ore concentrator, which produces zinc and copper concentrates, our Stall concentrator, which produces zinc and copper concentrates and our Flin Flon zinc plant, which produces high-grade zinc metal. In 2015, we acquired the New Britannia mill, located in Snow Lake, which, if refurbished, has the potential to increase our capacity to process gold ore from Lalor. In Peru, we own and operate a processing facility at Constancia, which produces copper and molybdenum concentrates.

The following map shows where our primary assets and certain exploration properties are located.



MATERIAL MINERAL PROJECTS

Constancia

Constancia is our 100% owned copper mine in Peru. It is located in the Province of Chumbivilcas in southern Peru and consists of the Constancia and Pampacancha deposits.

We completed construction of the Constancia mine in the fourth quarter of 2014 at a capital cost of construction of approximately $1.7 billion and the mine reached commercial production in the second quarter of 2015. The mine reached full and steady state production in the second half of 2015.

Mining of the high-grade Pampacancha satellite deposit is planned to begin in 2018 with total project costs (excluding the costs associated with acquiring surface rights) of $54 million.

Pursuant to a precious metals stream agreement we entered into with Silver Wheaton in respect of the Constancia mine, we received $430 million in upfront deposit payments against delivery of 100% of the payable silver and 50% of the payable gold at Constancia. In addition to the upfront payments, for gold and silver delivered in accordance with the stream agreement, we receive cash payments equal to the lesser of (i) the market price and (ii) $400 per ounce (for gold) and $5.90 per ounce (for silver), subject to one percent annual escalation starting in 2019. Gold recovery for purposes of calculating payable gold is fixed at 55% for gold mined from Constancia and 70% for gold mined from Pampacancha.

On November 21, 2016, we filed a technical report titled "NI 43-101, Technical Report, Constancia Mine Cuzco, Peru", effective as of June 30, 2016, prepared by Cashel Meagher, P. Geo (our Chief Operating Officer) (the "**Constancia Technical Report**"), a copy of which is available under our profile on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. For additional details on our Constancia mine, refer to Schedule B of this AIF.

Mineral Reserves and Resources

The following table sets forth our estimates of the mineral reserves at the Constancia mine as at January 1, 2017. [(1)(2)]

Constancia Mineral Reserves – January 1, 2017 [(1)(2)]					
	Tonnes	**Cu (%)**	**Mo (g/t)**	**Au (g/t)**	**Ag (g/t)**
Constancia					
Proven	431,300,000	0.30	95	0.037	2.88
Probable	109,900,000	0.23	62	0.034	2.55
Total Proven and Probable	**541,200,000**	**0.28**	**88**	**0.037**	**2.81**
Pampacancha					
Proven	22,800,000	0.53	149	0.299	4.44
Probable	20,200,000	0.44	164	0.250	3.85
Total Proven and Probable	**43,000,000**	**0.49**	**156**	**0.276**	**4.17**
Total Mineral Reserve	**584,200,000**	**0.30**	**93**	**0.054**	**2.91**

Notes:

1. The mineral reserve estimates for Constancia are based on a long range mine plan with economic value calculation per block (NSR in $/t), mining, processing and detailed engineering parameters.
2. The Constancia reserve pits (Constancia and Pampacancha) consist of operational pits of proven and probable reserves and are based on the following long-term metals prices: $3.00 per pound of copper; $11.00 per pound of molybdenum; $18.00 per ounce of silver; and $1,260 per ounce of gold; metallurgical recoveries applied by ore type (between 84.4% to 90.5%); and processing cost of $4.44 per tonne, general and administrative costs of $1.60 per tonne and mining costs of $1.30 and $1.35 per tonne (waste and ore, respectively).

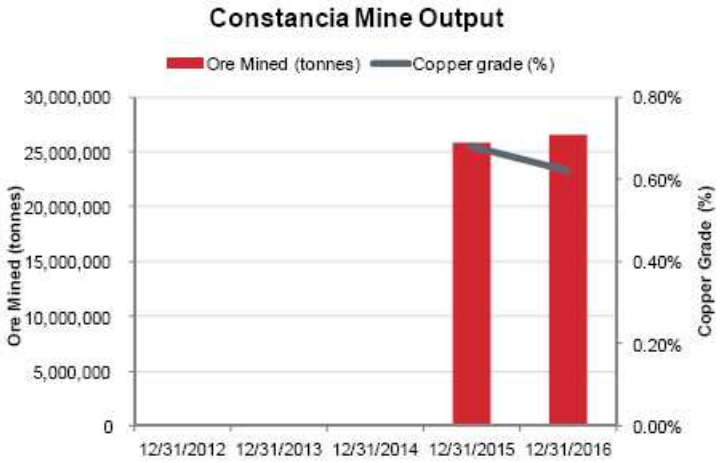
The following table sets forth our estimates of the mineral resources at the Constancia mine as at January 1, 2017. (1)(2)

Category	M (tonnes)	Cu (%)	Mo (g/t)	Au (g/t)	Ag (g/t)
Constancia					
Measured	161,800,000	0.19	55	0.031	2.26
Indicated	287,800,000	0.17	50	0.026	1.89
Total Measured & Indicated	**449,600,000**	**0.18**	**52**	**0.028**	**2.02**
Total Inferred	**138,100,000**	**0.17**	**40**	**0.018**	**1.70**
Pampacancha					
Measured	7,500,000	0.35	57	0.235	4.13
Indicated	15,200,000	0.18	90	0.180	2.85
Total Measured & Indicated	**22,700,000**	**0.23**	**79**	**0.198**	**3.27**
Total Mineral Resources (Measured and Indicated)	**472,300,000**	**0.18**	**53**	**0.036**	**2.08**

Notes:

1. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The above mineral resources are exclusive of mineral reserves.
2. Mineral resources are constrained within a computer generated pit using the Lerchs-Grossman algorithm. Estimates of mineral resources are based on the following long-term metals prices: $3.00 per pound of copper; $11.00 per pound of molybdenum; $18.00 per ounce of silver; and $1,260 per ounce of gold. Metallurgical recoveries of 90.5% copper, 55% molybdenum, 72% silver and 60% gold were applied to sulfide material. Metallurgical recoveries of 88.4% copper, 55% molybdenum, 90% silver and 60% gold were applied to mixed and supergene material. A metallurgical recovery of 84% copper, 52% silver and 60% gold for copper was applied to skarn and high zinc material. NSR was calculated for every model block and is an estimate of recovered economic value of copper, molybdenum, silver and gold combined.

The following chart shows Constancia production (tonnes and grade) for the last two years:



Lalor

Our 100% owned Lalor mine is a zinc, copper and gold mine near the Town of Snow Lake in the province of Manitoba. Lalor is located approximately 208 kilometres by road east of Flin Flon, Manitoba.

In the first quarter of 2014, we received the Environment Act licence for Lalor, which allowed the mine to move into full production via the main shaft. Lalor commenced initial ore production from the ventilation shaft in August 2012 and achieved commercial production from the main shaft in the third quarter of 2014. In the third quarter of 2014, we completed a refurbishment of the equipment and facilities at the Stall concentrator, which now has the capacity to treat 3,000 tonnes per day. Lalor base metal ore and gold ore in contact with base metals is being transported for processing at the Stall concentrator.

The Lalor mine is currently operating at 3,000 to 3,500 tonnes per day and is ramping up production to 4,500 tonnes per day by 2018. The increase in production to 4,500 tpd at Lalor is complemented by the Stall concentrator expansion to 4,500 tpd, which is currently underway and is expected to be commissioned in the third quarter of 2018.

In the fourth quarter of 2016, Hudbay developed 37 drift rounds at Lalor to assess the continuity and variability of non-contact gold mineralization within discrete areas of zones 21 and 25. Approximately 10,000 tonnes of bulk sample material was mined and hauled to surface. The material was primary crushed and processed through a sample tower to collect a representative subsample of each development round. The integrity of the material was maintained at all times through a rigorous chain of custody process. The mined material, stored on surface, is available for milling pending the potential economic viability of refurbishing the New Britannia gold mill in Snow Lake by Hudbay.

On March 30, 2017, we filed a NI 43-101 technical report titled "NI 43-101 Technical Report, Lalor Mine, Snow Lake, Manitoba, Canada", prepared by Robert Carter, P. Eng. (our Lalor Mine Manager), dated effective March 30, 2017 (the "Lalor Technical Report"), a copy of which is available under our profile on SEDAR at www.sedar.com and will be filed on EDGAR at www.sec.gov. For additional details on our Lalor mine, refer to Schedule B of this AIF.

Mineral Reserves and Resources

The following tables set forth our estimates of the mineral reserves and resources at the Lalor mine.

Lalor Mineral Reserves – January 1, 2017 [1][2][3]					
	Tonnes	**Cu (%)**	**Zn (%)**	**Au (g/t)**	**Ag (g/t)**
Lalor Mine					
Proven	4,383,000	0.76	6.76	2.37	27.33
Probable	9,849,000	0.65	4.39	2.72	26.12
Total Mineral Reserve	**14,232,000**	**0.69**	**5.12**	**2.61**	**26.50**

Notes:

1. Mineral reserves are estimated at an NSR cut-off of $88 per tonne for longhole open stope mining method and $111 per tonne for cut and fill mining method.
2. A zinc price of $1.07 per pound (includes premium), copper price of $3.00 per pound, gold price of $1,260 per ounce and silver price of $18.00 per ounce and an exchange rate of 1.10 C$/US$ was used to estimate mineral reserves.
3. For additional details relating to the estimates of mineral reserves at our Lalor mine, including data verification and quality assurance / quality control processes, refer to Schedule B and the Lalor Technical Report.

Lalor Base Metal Mineral Resources, Exclusive of Mineral Reserves – September 30, 2016 (1)(2)					
	Tonnes	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)
Lalor – Indicated Base Metal					
Indicated	2,100,000	0.49	5.34	1.69	28.10
Lalor – Inferred Base Metal					
Inferred	545,300	0.32	8.15	1.45	22.28

Notes:

1. A zinc metal price of $1.19 per pound, a copper price of $2.67 per pound, gold price of $1,300 per ounce and a siliver price of $18.00 per ounce were used to calculate a zinc equivalence (Zn Eq) cut-off of 4.1%, where Zn Eq = Zn% + (1.98 x Cu%) + (1.11 x Au g/t) + (0.01 x Ag g/t) – (0.01 x Pb%). An exchange rate of 1.25 C$/US$ was used to estimate mineral resources. The Zn Eq considers the ratio of milling recovery, payability and value of metals after application of downstream processing costs. The Zn Eq cut-off of 4.1% covers administration overhead, mining removal, milling and general and administration costs.
2. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

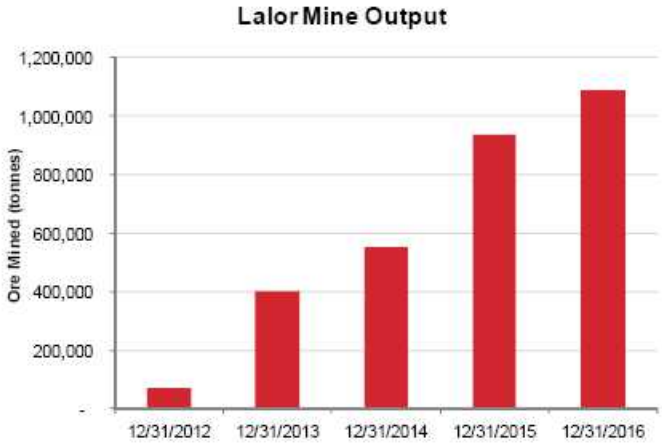
Lalor Gold Mineral Resources, Exclusive of Mineral Reserves – September 30, 2016 (1)(2)					
	Tonnes	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)
Lalor – Indicated Gold Zone					
Indicated	1,750,000	0.34	0.40	5.18	30.61
Lalor – Inferred Gold Zone					
Inferred	4,124,000	0.90	0.31	5.02	27.61

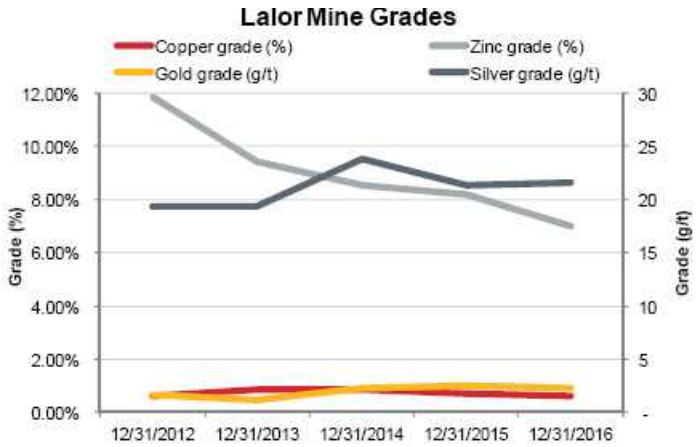
Notes:

1. A gold metal price of $1.300 per ounce, a copper price of $2.67 per pound and a silver price of $18.00 per ounce were used to calculate a gold equivalence (Au Eq) cut-off of 2.4 g/t Au Eq, where Au Eq = Au g/t + (1.34 x Cu %) + (0.01 x Ag g/t). An exchange rate of 1.25 C$/US$ was used to estimate mineral resources. The Au Eq considers the ratio of milling recovery, payability and value of metals after application of downstream processing costs. Au Eq cut-off of 2.4 g/t covers administration overhead, mining removal, milling and general and administration costs.
2. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Production

The following charts show Lalor production (tonnes and grade) for the last five years:





777

Our 100% owned 777 mine is an underground copper, zinc, gold and silver mine located within the Flin Flon Greenstone Belt, immediately adjacent to our principal concentrator and zinc pressure leach plant in Flin Flon, Manitoba. Development of the 777 mine commenced in 1999 and commercial production began in 2004. The mine life is expected to be until 2020.

Ore produced at the 777 mine is transported to our Flin Flon concentrator for processing into copper and zinc concentrates. Copper concentrate is sold to third party purchasers and zinc concentrate is sent to our Flin Flon zinc plant where it is further processed into special high grade zinc before being sold to third party purchasers. For additional information, see “Description of our Business – Other Information – Processing Facilities” and “Description of our Business – Other Information – Products and Marketing”.

Pursuant to the precious metals stream agreement we entered into with Silver Wheaton in respect of the 777 mine, we received a $455 million upfront deposit payment for a portion of the precious metals stream at 777. We are currently required to deliver 50% of the payable gold and 100% of the payable silver from the 777 mine and receive fixed payments equal to the lesser of (i) the market price and (ii) $400 per ounce (for gold) and $5.90 per ounce (for silver), subject to one percent annual escalation that started in 2015.

On November 6, 2012, we filed a NI 43-101 technical report titled "Technical Report, 777 mine, Flin Flon, Manitoba, Canada", prepared by Brett Pearson, P. Geo., Darren Lyhkun, P. Eng., Cassandra Spence, P. Eng., Stephen West, P. Eng. and Robert Carter, P. Eng. and dated effective October 15, 2012 (the "**777 Technical Report**"), a copy of which is available under our profile on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. For additional details on our 777 mine refer to Schedule B of this AIF.

Mineral Reserves and Resources

The following tables set forth our estimates of the mineral reserves and resources at the 777 mine.

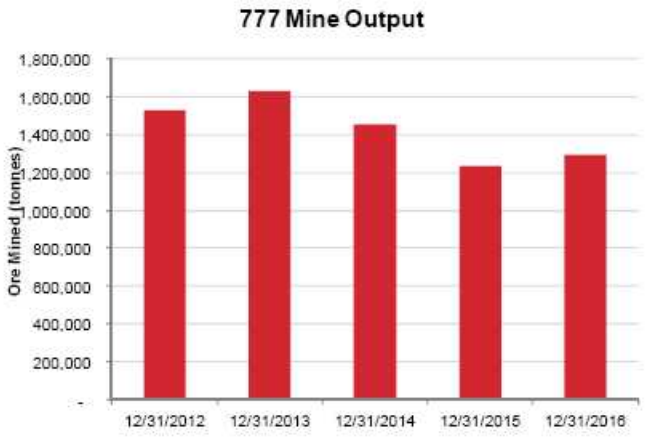
777 Mineral Reserves – January 1, 2017 (1)(2)					
777 Mine	**Tonnes**	**Cu (%)**	**Zn (%)**	**Au (g/t)**	**Ag (g/t)**
Proven	3,080,000	1.98	4.93	2.01	31.53
Probable	1,386,000	1.16	5.09	2.04	30.96
Total Mineral Reserve	**4,466,000**	**1.73**	**4.98**	**2.02**	**31.35**
777 Indicated Mineral Resources – September 30, 2016 (1)(2)(3)					
	Tonnes	**Cu (%)**	**Zn (%)**	**Au (g/t)**	**Ag (g/t)**
777 Mine	736,000	0.99	3.53	1.82	26.24
777 In-Mine Inferred Mineral Resources – September 30, 2016 (1)(2)(3)					
	Tonnes	**Cu (%)**	**Zn (%)**	**Au (g/t)**	**Ag (g/t)**
777 Mine	673,000	1.01	4.26	1.72	30.95

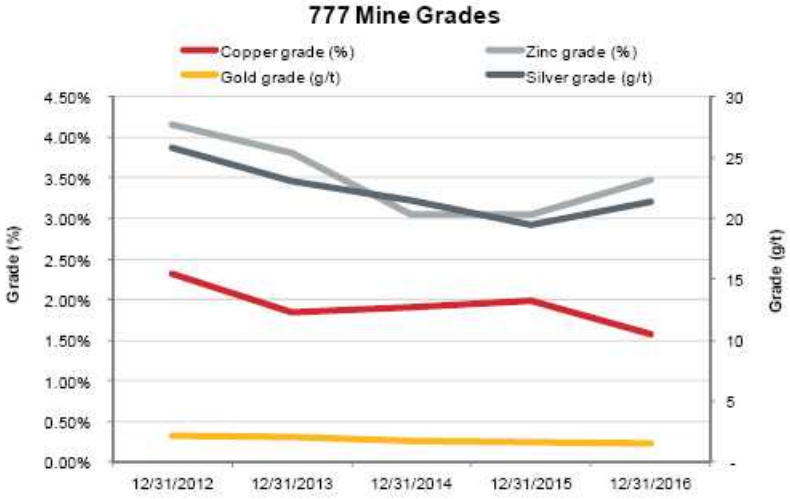
Notes:

1. A zinc price of $1.24 per pound (includes premium), copper price of $2.67 per pound, a gold price of $1,300 per ounce and silver price of $18.00 per ounce using an exchange rate of 1.25 C$/US$ was used to estimate mineral reserves and mineral resources.
2. For additional details relating to the estimates of mineral reserves and resources at our 777 mine, including data verification and quality assurance / quality control processes, refer to Schedule B and the 777 Technical Report.
3. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The above mineral resources are exclusive of mineral reserves.

Production

The following charts show 777 production (tonnes and grade) for the last five years:





Rosemont

Rosemont is a copper development project, located in Pima County, Arizona, approximately 50 kilometres southeast of Tucson. We acquired Rosemont through our acquisition of Augusta in 2014. Our ownership in the Rosemont project is subject to an Earn-In Agreement with UCM, pursuant to which UCM has earned a 7.95% interest in the project and may earn up to a 20% interest.

Since the acquisition of the Rosemont project, we have completed an extensive work program, including in-fill drilling, detailed metallurgical test work, and a bottom-up approach to cost estimation, along with other feasibility-level work. The Rosemont project will be a traditional open pit, shovel and truck operation and has an expected 19-year mine life. Rosemont is expected to generate an after-tax, unlevered internal rate of return of 15.5%, using a long-term copper price of $3.00 per pound of copper, and has a capital cost estimate of $1,921 million (on a 100% basis).

The permitting process for Rosemont is well advanced and continues to progress. The key federal permits outstanding are the Final Record of Decision from the U.S. Forest Service and the Section 404 Water Permit from the U.S. Army Corps of Engineers. These federal permits are currently in the final stages of the review process. All State of Arizona permits and approvals have been issued for Rosemont and remain in force and are current. The project design included in the Rosemont Technical Report (as defined below) is specifically intended to meet the impacts analyzed and commitments outlined in the federal and state permits.

Pursuant to our precious metals stream agreement with Silver Wheaton in respect of the Rosemont project, we will receive deposit payments of $230 million against delivery of 100% of the payable silver and gold from the Rosemont project. The deposit will be payable upon the satisfaction of certain conditions precedent, including the receipt of permits for the Rosemont project and the commencement of construction. In addition to the deposit payments, as gold and silver is delivered to Silver Wheaton, we will receive cash payments equal to lesser of (i) the market price and (ii) $450 per ounce (for gold) and $3.90 per ounce (for silver), subject to one percent annual escalation after three years.

On March 30, 2017, we filed a technical report titled “NI 43-101, Feasibility Study, Updated Mineral Resource, Mineral Reserve and Financial Estimates, Rosemont Project, Pima County, Arizona, USA”, effective as of March 30, 2017, prepared by Cashel Meagher, P. Geo (our Chief Operating Officer) (the “**Rosemont Technical Report**”), a copy of which is available under our profile on SEDAR at www.sedar. com and will be filed on EDGAR at www.sec.gov. For additional details on our Rosemont project, refer to

Schedule B of this AIF.

Mineral Reserves and Resources

The following table sets forth our estimates of the mineral reserves at the Rosemont project as at March 30, 2017. [(1)(2)(3)]

Rosemont Mineral Reserves	Tonnes	Cu (%)	Mo (%)	Ag (g/t)
Proven	426,100,000	0.48	0.012	4.96
Probable	111,000,000	0.31	0.010	3.09
Total Proven and Probable	**537,100,000**	**0.45**	**0.012**	**4.58**

Notes:

1. Blocks were classified as Proven or Probable in accordance with CIM Definition Standards 2014.
2. Mineral resources are constrained within a computer generated pit using the Lerchs-Grossman algorithm. Metal prices of US$3.15/lb copper, US$11.00/lb molybdenum and US$18.00/troy oz silver were used. Metallurgical recoveries of 90% copper, 63% molybdenum and 75.5% silver were applied. No metallurgical recovery of molybdenum and silver from oxide ore is projected.
3. Based on 100% ownership of the Rosemont project.

The following table sets forth our estimates of the mineral resources at the Rosemont project as at March 30, 2017.[(1)(2)(3)]

Rosemont Mineral Resources	Tonnes	Cu (%)	Mo (%)	Ag (g/t)
Measured	161,300,000	0.38	0.009	2.72
Indicated	374,900,000	0.25	0.011	2.60
Total Measured & Indicated	**536,200,000**	**0.29**	**0.011**	**2.64**
Total Inferred	**62,300,000**	**0.30**	**0.010**	**1.58**

Notes:

1. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The above mineral resources are exclusive of mineral reserves.
2. Mineral resources are constrained within a computer generated pit using the Lerchs-Grossman algorithm. Estimates of mineral resources are based on the following long-term metals prices: $3.15 per pound of copper; $11.00 per pound of molybdenum; and $18.00 per ounce of silver. Metallurgical recoveries of 85% copper, 60% molybdenum and 75% silver were applied to sulfide material. Metallurgical recoveries of 40% copper, 30% molybdenum and 40% silver were applied to mixed material. A metallurgical recovery of 65% for copper was applied to oxide material. NSR was calculated for every model block and is an estimate of recovered economic value of copper, molybdenum, and silver combined. Cut-off grades were set in terms of NSR based on current estimates of process recoveries, total process and general and administrative operating costs of $5.70 per ton for oxide, mixed and sulfide material.
3. Based on 100% ownership of the Rosemont project; Hudbay currently owns a 92.05% interest in the project and its ownership interest is subject to an Earn-In Agreement with UCM, pursuant to which UCM has earned a 7.95% interest in the project and may earn up to a 20% interest.

OTHER ASSETS

Reed

Our 70% owned Reed mine near Flin Flon, Manitoba began commercial production on April 1, 2014. Reed ore is transported by truck for processing at the Flin Flon concentrator.

Our estimates of mineral reserves and resources for Reed are set out below.

Reed Mineral Reserves – January 1, 2017 (1)(2)					
Reed Mine	**Tonnes**	**Cu (%)**	**Zn (%)**	**Au (g/t)**	**Ag (g/t)**
Proven	362,000	3.35	0.68	0.39	5.35
Probable	337,000	3.95	0.31	0.52	5.26
Total Mineral Reserve	**699,000**	**3.64**	**0.50**	**0.45**	**5.30**

Reed Inferred Mineral Resources – September 30, 2016 (1)(3)				
Tonnes	**Cu (%)**	**Zn (%)**	**Au (g/t)**	**Ag (g/t)**
88,000	3.13	0.42	0.79	6.00

Notes:

1. A zinc price of $1.22 per pound (includes premium), copper price of $2.50 per pound, gold price of $1,300 per ounce and silver price of $18.00 per ounce using an exchange rate of 1.28 C$/US$ was used to estimate mineral reserves. A zinc price of $1.24 per pound (includes premium), copper price of $2.67 per pound, gold price of $1,300 per ounce and silver price of $18.00 per ounce using an exchange rate of 1.25 C$/US$ was used to estimate mineral resources.
2. For additional details relating to the estimates of mineral reserves and resources at the Reed mine, including data verification and quality assurance/quality control processes refer to the pre-feasibility study filed on SEDAR on May 14, 2012 by VMS Ventures Inc. titled “Pre-Feasibility Study Technical Report on the Reed Copper Deposit, Central Manitoba, Canada” prepared by Trevor Allen, P. Geo., Cassandra Spence, P. Eng., Mark Hatton, P. Eng. and Brent Christensen, P. Eng. and dated effective April 2, 2012.
3. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The above mineral resources are exclusive of reserves and were estimated using the same metals prices as were used for the estimate of mineral reserves at Reed.

Processing Facilities

Concentrators

Our primary ore concentrator in Manitoba is located in Flin Flon. The concentrator, which is directly adjacent to our metallurgical zinc plant, produces zinc and copper concentrates primarily from ore mined at our 777 mine. Its capacity is approximately 6,000 tonnes of ore per day. The concentrator can handle ore from more than one mine separately, and blending is done at the grinding stage. As a result, ore mined from our Reed mine is transported to the Flin Flon concentrator for processing. The Flin Flon concentrator facility includes a paste backfill plant and associated infrastructure such as maintenance shops and laboratories. Tailings from the concentrator are pumped to the Flin Flon tailings impoundment immediately adjacent to the concentrator.

Our Stall concentrator in Snow Lake, Manitoba was re-started in late 2009 and a new copper recovery circuit was installed in the third quarter of 2012 to facilitate processing of Lalor ore. In 2014, we refurbished equipment and facilities at the Stall concentrator, which has exceeded performance expectations and, with a modest capital investment, will have capacity to treat 4,500 tonnes per day on a sustainable basis starting in the third quarter of 2018. The concentrator processes ore from Lalor and produces zinc and copper concentrates. The zinc concentrate is shipped by truck for further processing at our zinc plant in Flin Flon. Tailings generated by the Stall concentrator are deposited in our Anderson Lake tailings facility, which we believe mitigates environmental impacts, as the tailings are deposited in a subaqueous manner, minimizing the potential for generation of acid rock drainage.

On May 4, 2015, Hudbay acquired a 100% interest in the New Britannia mine and mill, located in Snow Lake, Manitoba. The New Britannia mill is currently on care and maintenance. If refurbished, it has the potential to process up to 1,500 tonnes per day of gold zone and copper-gold zone ore from the Lalor mine, with the potential to augment the base metal production from the Stall mill and utilize the full 6,000 tonnes per day capacity of the Lalor mine shaft. The New Britannia mill includes an existing Carbon-in-Pulp circuit that has historically produced gold doré on site.

Our processing plant at Constancia processes a nominal throughput of 90,000 tonnes per day of ore and average annual throughput of 30.9 million tonnes per year from the Constancia open pit and Pampacancha satellite deposit. The principal product of the concentrator is copper concentrate. The primary crusher, belt conveyors, thickeners, tanks, flotation cells, mills and various other types of equipment are designed and constructed to be open to the environment. The concentrate filtration and storage building is enclosed. The tailings are pumped to the tailings management facility for storage and water is returned via parallel piping to the process plant for reuse.

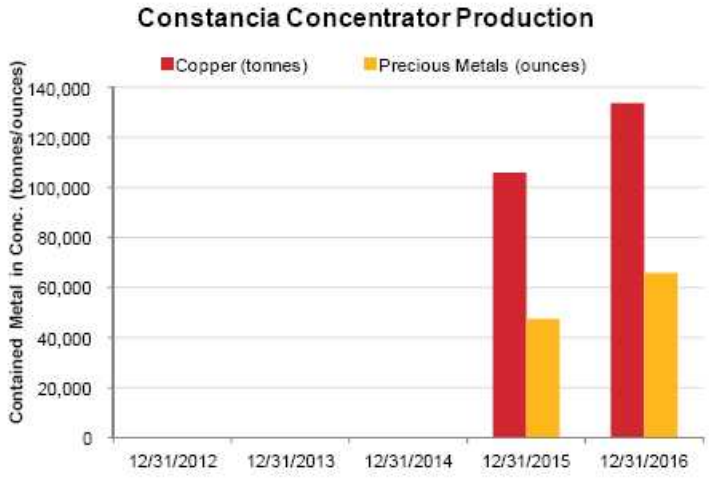
Zinc Plant

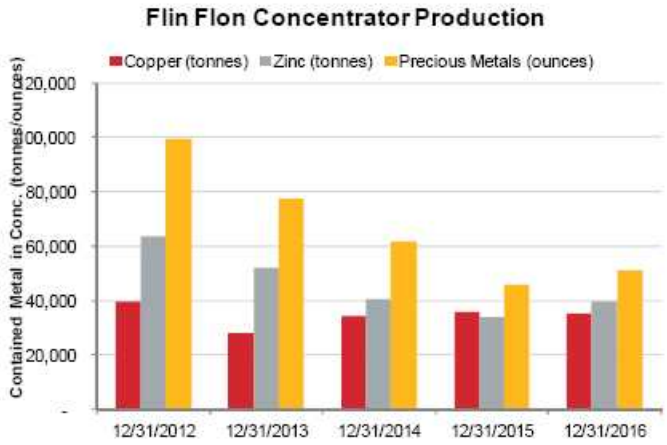
Our zinc plant in Flin Flon, Manitoba produces special high-grade zinc metal in three cast shapes from zinc concentrate. Our plant is a primary zinc producer in North America. We produced 102,594 tonnes of cast zinc in 2016 and the capacity of the zinc plant is approximately 115,000 tonnes of cast zinc per year. Included in the zinc plant are an oxygen plant, a concentrate handling, storage and regrinding facility, a zinc pressure leach plant, a solution purification plant, a modern electro-winning cellhouse, a casting plant and a zinc storage area with the ability to load trucks or rail cars. The zinc plant has a dedicated leach residue disposal facility. The bulk of the waste material is gypsum, iron and elemental sulphur. Wastewater is treated and recycled through the zinc plant.

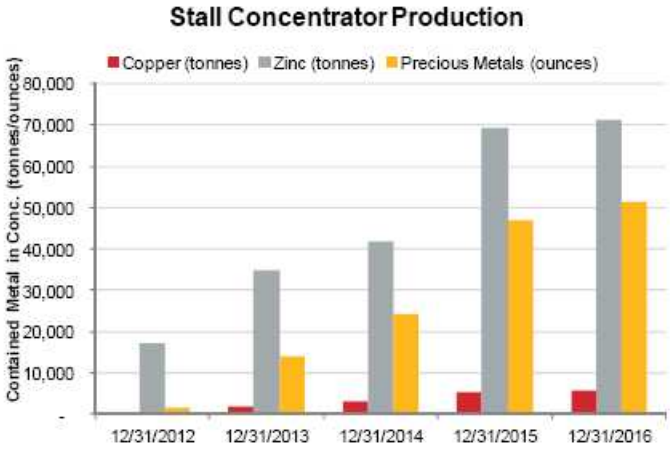
With Lalor and 777 in full production, domestic zinc concentrate currently provides sufficient feed for our zinc plant and we do not plan to purchase any zinc concentrate in 2017.

Production

The following charts show concentrator production (tonnes/ounces) for our Constancia, Flin Flon and Stall concentrators for the last five years:







Exploration

Exploration in Manitoba during 2016 focused on underground drilling at Lalor and has been incorporated into the updated resource estimate in this AIF. Our total land package in the Flin Flon greenstone belt of Manitoba and Saskatchewan as at December 31, 2016 was 256,000 hectares. Given that much of this property is within 100 kilometres of our processing facilities in the region, we are better positioned for the economic exploitation of mineral deposits on these lands than a mining company that is without such facilities. In 2017, we plan to continue early stage exploration on our best prospects in the region.

Activities in Peru include brownfield exploration in the vicinity of Constancia, greenfield exploration within the Constancia belt and other areas, acquiring option properties and land consolidation. Our Peru land package increased in 2016 from approximately 40,000 hectares to approximately 50,000 hectares as we continue to benefit from opportunities to inexpensively acquire exploration rights arising from the difficult market environment for exploration-stage mining companies.

Exploration activities in Chile focus on an optioned property. Work includes mapping, geochemical sampling, geophysics and drilling. Activities on this property and other areas that meet our geological criteria will continue in 2017.

In addition, we will continue to consider greenfield exploration opportunities in North and South America that fit our strategic criteria as they present themselves.

Strategic Investments

As at December 31, 2016, we held minority equity positions in 15 junior exploration companies, representing investments with a fair market value of approximately C$20 million, as part of our strategy to populate a pipeline of projects with the potential for exploration and development. Our early stage opportunity pipeline consists of minority interests in junior exploration companies with projects in Canada, the United States, Chile and Peru. We are continuing to evaluate new projects and potential investments to add to our portfolio and will seek to dispose of investments when the underlying projects are no longer consistent with our strategy.

Cash and Cash Equivalents

Our cash and cash equivalents as of December 31, 2016 were $147 million, and are held in low risk liquid investments and deposit accounts pursuant to our investment policy.

OTHER INFORMATION

Products and Marketing

Our principal products are copper concentrate, which contains payable copper, gold and silver, and refined zinc metal. In 2016, with Constancia having its first full year of commercial production, we experienced significant growth and produced 703,299 tonnes of copper concentrate (527,296 tonnes at Constancia and 176,003 tonnes in Manitoba) and 102,594 tonnes of cast zinc. In 2016, copper concentrate sales represented approximately 81% (79% in 2015) and zinc metal sales represented approximately 19% (21% in 2015) of our total gross consolidated revenue (which includes the unrealized gains and losses on derivatives associated with sales of copper and zinc).

In 2016, we sold approximately 69% (90% in 2015) of our copper concentrate production to third party purchasers on benchmark terms, and in 2017 we expect to sell approximately 83% to third parties on benchmark terms. We sell the remainder of our copper concentrate production pursuant to shorter-term contracts as opportunities arise. Manitoba copper concentrate production is primarily sold for delivery to smelters in Canada and Europe, while Peru concentrate is primarily sold for delivery to smelters in Asia, with some volumes delivered to Europe and India.

We sell gold and silver from our 777 and Constancia mines and contained in our copper concentrate to Silver Wheaton pursuant to the terms of the precious metals stream agreements in respect of our 777 and Constancia mines.

We ship cast zinc metal produced at our Flin Flon zinc plant by rail and truck to third party customers in North America. One customer in Canada represented approximately 30% of our zinc metal sales in 2016.

Commodity Markets

Our financial performance is directly affected by a number of factors, including metal prices, foreign exchange rates, and input costs, including energy prices. Average prices for zinc and precious metals were higher in 2016 than in 2015, while average copper prices were lower. For additional information refer to our market analysis of copper, zinc, gold and silver prices during this period on pages 18 and 19 of our management's discussion and analysis for the year ended December 31, 2016, a copy of which has been filed on SEDAR at www.sedar.com and EDGAR at www.sec.gov.

Specialized Skill and Knowledge

The success of our operations depends in part on our ability to attract and retain geologists, engineers, metallurgists and other personnel with specialized skill and knowledge about the mining and mineral processing industries in the geographic areas in which we operate. For additional information, see "Risk Factors – Human Resources".

Competitive Conditions

The mining industry is intensely competitive and we compete with many companies in the search for and the acquisition of attractive mineral properties. In addition, we also compete for the technical expertise to find, develop, and operate such properties, the labour to operate the properties, and the capital for the purpose of funding such properties. For additional information, see "Risk Factors – Competition".

Economic Dependence

We do not have any contracts upon which our business is substantially dependent, as our principal products, copper concentrate and zinc, are widely traded commodities and we may enter into contracts for the sale of such products with a variety of potential purchasers.

Environmental Protection

Our activities are subject to environmental laws and regulations. Environmental laws and regulations are evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. For additional information, see "Risk Factors – Governmental and Environmental Regulation".

Our goal is to continue to improve our environmental performance. We have established an environmental management program directed at environmental protection and compliance to achieve our goal and address these regulatory changes. For additional information, see "Corporate Social Responsibility".

Employees

As at December 31, 2016, we had 65 employees at our Toronto head office, 1,342 employees in Manitoba, 593 employees in Peru and 40 employees in Arizona.

Of our 1,342 employees in Manitoba, 1,031 were unionized as at December 31, 2016. Our collective bargaining agreements with the seven unions representing the unionized employees in Manitoba expire on December 31, 2017.

Hudbay maintains a profit sharing plan pursuant to which 10% of the after-tax profit of the Manitoba Business Unit (excluding provisions or recoveries for deferred income and mining tax) for any given year is distributed among eligible employees in the Flin Flon/Snow Lake operations, with the exception of executive officers and key management personnel.

As is typical with large Peruvian mining operations following startup, some of the employees at Constancia have formed a labour union and we recently entered into a collective agreement with these employees to cover a one year period from November 2016 to November 2017.

CORPORATE SOCIAL RESPONSIBILITY

At Hudbay, we view our responsible corporate behaviour as integral to the successful execution of our business strategy, particularly in maintaining a good reputation with our regulators and communities and being able to bring that good reputation to new communities and jurisdictions when we embark on new projects. We therefore commit to our stakeholders to work to create benefits and opportunities that contribute to their economic and social sustainability, and to protect our natural environment. We also commit to our employees to maintain a safe and healthy work environment. As described below, we have adopted a number of voluntary codes and other external instruments that we consider particularly relevant to our business, including Environmental Management System Standard ISO 14001, Occupational Health and Safety Assessment Series ("**OHSAS**") 18001, the Voluntary Principles on Security and Human Rights, and our commitment to follow the Toward Sustainable Mining ("**TSM**") program of the Mining Association of Canada at all of our operating locations.

HEALTH, SAFETY AND ENVIRONMENTAL POLICIES

Among our core values are protecting the health and welfare of our employees and contractors and reducing the impact of our operations on the environment. All of our producing operations have management systems certified to OHSAS 18001 and Environmental Management System Standard ISO 14001 or are, in the case of Constancia, on track to have certified systems by mid-2017. In addition, the production and supply of our cast zinc products are registered to the ISO 9001 quality standard.

We believe that ongoing improvement in the safety of our workplace assists in maintaining healthy labour relations and that our ability to minimize lost-time injuries and environmental regulatory violations is a significant factor in maintaining and realizing opportunities to improve overall operational efficiency. Our safety management systems include the Positive Attitude Safety System ("**PASS**"), which is in use at our Manitoba operations. The PASS system is based on facilitated discussions at all levels of the organization to increase each person's involvement in recognizing and managing workplace risks. In 2016, our consolidated lost time accident frequency per 200,000 hours worked was 0.3. This is the same as our frequency in 2015, as the number of lost time accidents and the number of hours worked both decreased in 2016. We continue to focus our safety efforts on maintaining a high level of safety performance at all ourlocations.

Our environmental management program consists of a corporate environmental policy, and at each site codes of practice, regular audits, the integration of environmental procedures with operating procedures, employee training and emergency prevention and response procedures. We have dedicated teams which are charged with managing our environmental activities and our compliance with all applicable environmental standards and regulations. Appropriate water stewardship plays an important role in the development and operation of our projects, particularly the Rosemont project. We did not have any material environmental non-compliances in 2016.

In 2016 we continued to refine our company wide information system for recording, managing and tracking environmental, health, safety and community incidents.

HUMAN RIGHTS POLICY

Our Human Rights Policy articulates our commitments to human rights and addresses topics such as business and labour practices, community participation and security measures. Our Corporate Standards for Community Giving and Investment and Local Procurement and Employment provide our business units with additional corporate direction on minimum standards with respect to meeting the commitments we set out in our Human Rights Policy.

The Voluntary Principles on Security and Human Rights provide important guidance for our security and community relations practices in locations with higher potential for social conflict and, in Peru, we regularly audit security policies and practices and conduct gap analyses against the Voluntary Principles.

SUSTAINABILITY REPORTING

We publish an annual corporate social responsibility report that further presents and discusses our environmental, social, health and safety performance. This report is prepared pursuant to the Global Reporting Initiative guidelines, which is the world's most widely used sustainability framework. Our 2015 Annual / Corporate Social Responsibility Combined Report has been prepared largely in accordance with the Core option of the G4 guidelines and is available on our website at http://www.hudbayminerals.com/English/Responsibility/Reports. Our 2016 report is expected to be released in the second quarter of 2017.

RISK FACTORS

An investment in our securities is speculative and involves significant risks that should be carefully considered by investors and prospective investors. In addition to the risk factors described elsewhere in this AIF, the risk factors that impact us and our business include, but are not limited to, those set out below. Any one or more of these risks could have a material adverse effect on our business, results of operations, financial condition and the value of our securities.

METALS PRICES AND FOREIGN EXCHANGE

Our profit or loss and financial condition depend upon the market prices of the metals we produce, which are cyclical and which can fluctuate widely with demand. The profitability of our current operations is directly related and sensitive to changes in the market price of copper and zinc and, to a lesser extent, that of gold and silver. Market prices of metals can be affected by numerous factors beyond our control, including the overall state of the economy, general levels of supply and demand for a broad range of industrial products, substitution of new or different products in critical applications for existing products, level of industrial production, expectations with respect to the rate of inflation, foreign exchange rates and investment demand for commodities, interest rates and speculative activities. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The Chinese market has become a significant source of global demand for commodities, including copper and zinc. Chinese demand has been a major driver in global commodities markets for a number of years. A further slowing in China's economic growth could result in lower prices and demand for our products and negatively impact our results. We could also experience these negative effects if demand in China slowed for other reasons, such as increased self-sufficiency or increased reliance on other suppliers to meet demand. Prices are also affected by the overall supply of the metals we produce, which can be affected by the start-up of major new mines, production disruptions and closures of existing mines. Future price declines may, depending on hedging practices, materially reduce our profitability and could cause us to reduce output at our operations (including, possibly, closing one or more of our mines or plants). If such price declines were significant, there could be a material and adverse effect on our cash flow from operations and our ability to satisfy our debt service obligations (see "Access to Capital and Indebtedness" below).

In addition to adversely affecting the reserve estimates and the financial condition of the Company, declining metals prices can impact operations by requiring an assessment or reassessment of the feasibility of a particular project. If metals prices should decline below our cash costs of production and remain at such levels for any sustained period, we could determine that it is not economically feasible to continue production at any or all of our mines. We may also curtail or suspend some or all of our exploration and development activities, with the result that our depleted reserves are not replaced.

In addition, since our core operations are located in Canada and Peru, many of our costs are incurred in Canadian dollars and Peruvian soles. However, our revenue is tied to market prices for copper, zinc and other metals we produce, which are typically denominated in United States dollars. If the Canadian dollar or Peruvian sol appreciate in value against the United States dollar, our results of operations and financial condition could be materially adversely affected. Although we may use hedging strategies to limit exposure to currency fluctuations, there can be no assurance that such hedging strategies will be successful or that they will mitigate the risk of such fluctuations.

DEVELOPMENT OF NEW PROJECTS

Our ability to successfully develop the Rosemont project (and, to a lesser extent, our current brownfield growth projects in Manitoba and Peru) is subject to many risks and uncertainties, including: the ability to generate sufficient free cash flows and secure adequate financing to fund the projects; obtaining and maintaining key permits and approvals from governmental authorities; successful resolution of administrative and legal challenges against permits that have been issued to us and those permits that may be issued in the future; construction, commissioning and ramp-up risks; scheduling and cost-overrun risks; developing and maintaining good relationships with the community, local government and other stakeholders and interested parties; and political and social risk.

Significant amounts of capital will be required to construct and operate Rosemont. Our capital and operating costs may be affected by a variety of factors, including project scope changes, local currency appreciation and general cost escalation common to mining projects globally. Factors such as changes to technical specifications, failure to enter into agreements with contractors or suppliers in a timely manner, including contracts in respect of project infrastructure, and shortages of capital, may also delay or prevent the completion of construction or commencement of production or require the expenditure of additional funds. Many major mining projects constructed in the last five to ten years have experienced cost overruns that substantially exceeded the capital cost estimated during the basic engineering phase of those projects, sometimes by as much as 50% or more. There can be no certainty that after Rosemont is fully permitted there will be sufficient financing or other transactions available on acceptable terms to fund the construction of Rosemont.

The development of the Rosemont project may not occur as planned. While we expect that the Rosemont project's successful completion will result in increased copper and precious metals production and enhanced growth opportunities for us, these anticipated benefits will primarily depend on whether and when the Rosemont project receives the permits required to commence construction and operate the mine. While we believe the permits will be granted, there can be no assurance that this will be the case and that any administrative and legal challenges to Rosemont's permits will be successfully resolved. Moreover, there may be a delay in their issuance and further delay caused by administrative and legal challenges. The Rosemont project is also subject to a joint venture agreement under the Earn-In Agreement with UCM, which requires UCM's consent for a number of important project decisions (including approval to commence construction of the project). Any failure to agree with UCM on one of these decisions or any other disagreement or dispute with UCM could hinder our ability to successfully develop the project.

The capital expenditures, timeline and other risks involved with developing a new mine, such as Rosemont, or mining a new deposit such as Pampacancha at our Constancia mine in Peru, are considerable. We also may not be able to secure the surface rights required to develop the Pampacancha deposit. Any inability to secure required surface rights or take possession of areas for which we hold surface rights could render us unable to carry out planned exploration, development and mining activities. Such capital expenditure, timeline and other risks also (though to a lesser extent) apply to our brownfield growth projects in Manitoba and Peru. There can be no assurance that our current development projects or other projects we intend to develop will be able to be developed successfully or economically or that they will not be subject to the other risks described in this section.

ACCESS TO CAPITAL AND INDEBTEDNESS

To fund growth, and in difficult economic times, to ensure continued operations, we may need to secure necessary capital through loans or other forms of permanent capital. The availability of this capital is subject to general economic conditions and lender and investor interest in the Company and our projects. Financing may not be available when needed or, if available, may not be available on terms acceptable to us. Failure to obtain any financing necessary for our capital expenditure plans may result in a delay or indefinite postponement of exploration, development or production on any or all of our properties, including our potential plans to develop the Rosemont project.

We have a significant amount of indebtedness. As of December 31, 2016, our total debt was approximately $1.23 billion, consisting primarily of the Senior Unsecured Notes. As a result, we have a substantial annual interest expense, including approximately $75 million in respect of our Senior Unsecured Notes.

Specifically, our substantial level of indebtedness could have important consequences, including:

- limiting our ability to access capital to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- exposing the Company to the risk of increased interest rates as certain of our borrowings are at variable rates of interest;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete;
- placing the Company at a disadvantage compared to other less leveraged competitors; and
- increasing our cost of borrowing.

Subject to the limits contained in the indenture governing the Senior Unsecured Notes and any limits under our other debt instruments existing from time to time, we may incur additional debt (including under our Facilities) to finance working capital, capital expenditures, investments or acquisitions or for other purposes. If we do so, the risks related to our high level of indebtedness could intensify.

Our ability to make scheduled payments on, repay in full or refinance our debt obligations, including the Senior Unsecured Notes, depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control, most importantly, metals prices. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the Senior Unsecured Notes.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness, including the Senior Unsecured Notes. We may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternatives may not allow us to meet our scheduled debt service obligations. The indenture governing the Senior Unsecured Notes restricts our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

In addition, the indenture governing the Senior Unsecured Notes contains a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including restrictions on our ability to:

- incur additional indebtedness;
- pay dividends or make other distributions or repurchase or redeem capital stock;
- prepay, redeem or repurchase certain debt;
- make loans and investments;
- sell assets;
- incur liens;
- enter into transactions with affiliates;
- alter the businesses we conduct;
- enter into agreements restricting our subsidiaries' ability to pay dividends; and
- consolidate, amalgamate, merge or sell all or substantially all of our assets.

If we cannot make scheduled payments on our debt, or we breach any of the covenants under the indenture governing the Senior Unsecured Notes or our other debt instruments, we will be in default and holders of our debt could declare all outstanding principal and interest to be due and payable, causing a cross-acceleration or cross-default under certain of our other debt agreements (including our secured Facilities) and our other creditors could foreclose against the collateral securing our obligations and we could be forced into bankruptcy or liquidation.

DEPLETION OF RESERVES

Subject to any future expansion or other development, production from existing operations at our mines will typically decline over the life of the mine and, in the case of a maturing mine nearing the end of its life such as our 777 mine, the risk of the extraction of mineral reserves becoming uneconomic increases. As a result, our ability to maintain our current production or increase our annual production of base and precious metals and generate revenues therefrom will depend significantly upon our ability to discover or acquire new deposits, to successfully bring new mines into production and to expand mineral reserves at existing mines. Exploration and development of mineral properties involve significant financial risk. Very few properties that are explored are later developed into operating mines. Whether a mineral deposit will be commercially viable depends on a number of factors, including: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; political and social stability; and government regulation, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. Even if we identify and acquire an economically viable ore body, several years may elapse from the initial stages of development. We may incur significant expenses to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities. As a result, we cannot provide assurance that our exploration or development efforts will result in any new commercial mining operations or yield new mineral reserves to replace or expand current mineral reserves.

POLITICAL AND SOCIAL RISKS

The implementation of new, or the modification of existing, laws and regulations affecting our operations and other mineral properties could have a material adverse impact on us and our projects. Such laws or events could involve the expropriation of property, implementation of exchange controls and price controls, increases in production royalties and income and mining taxes, refusal to grant or renew required permits, licenses, leases or other approvals or requiring unfavourable amendments to or revoking current permits and licenses, and enacting environmental or other laws that would make contemplated operations uneconomic or impractical. The risk exists that further government limitations, restrictions or requirements, not presently foreseen, will be implemented. In addition, changes in policy that alter laws regulating the mining industry could have a material adverse effect on us.

Although we only operate in historically mining friendly jurisdictions in the Americas, there can be no assurance that our assets in these countries will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by a government authority or other body.

In situations where we have acquired mineral rights, we may not be able to secure required surface rights. In addition, in situations where we possess surface rights, our land may be illegally occupied or access could otherwise be denied. Any inability to secure required surface rights or take possession of areas for which we hold surface rights could render us unable to carry out planned exploration, development and mining activities. We are at the highest risk of this occurring at our Constancia mine in Peru, where we need to acquire surface rights in order to develop the Pampacancha deposit and possess certain other surface rights that could be illegally occupied or challenged by the surrounding community.

Political or social unrest in Peru or instability could adversely affect our ability to operate the Constancia mine. Such adverse effects could result from positions or actions that may be taken by the national government or at the regional, community or local levels including encroaching on our land, challenging the boundaries of such land or our rights to possess and operate on such land, protesting against our project (including the environmental or social impacts of our project), impeding project activities through roadblocks or other public manifestations and attacking project assets or personnel. During the last several years, certain mining projects in Peru have been the target of political and community protests. While there have been some initiatives in respect of the Constancia mine, including attempts to restrict access and trespassing by workers and members of the surrounding communities, those initiatives have been limited and have not significantly disrupted the project's development or operations. There is the risk that more significant opposition may be mounted that may affect our ability to operate the Constancia mine.

COMMUNITY RELATIONS

Our relationships and reputation, particularly with the communities in which we operate in Manitoba, Peru and Arizona, are critical to the future success of our existing operations and the construction and development of future projects. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by those activities. Publicity adverse to us, our operations, or extractive industries generally, including as a result of anti-mining protests or publications, could have an adverse effect on us and may impact our reputation and relationship with the communities in which we operate, including the communities surrounding our key projects and other stakeholders. In addition, although we have entered into life of mine agreements with the two local communities directly affected by the Constancia mine, there can be no assurance that disputes will not arise with these communities or with other communities in the area. There is also a risk we will be unable to secure the community agreements required to ensure we have the necessary surface rights to successfully develop the Pampacancha deposit that forms a part of our plans for the Constancia mine. Relations with local communities may be strained by real or perceived detrimental effects associated with our activities or those of other mining companies and that those strains may impact our ability to enforce our existing community agreements or obtain necessary permits and approvals to operate the Constancia mine. While we are committed to operating in accordance with applicable laws and in a socially responsible manner, there can be no assurance that our efforts in this respect will mitigate this potential risk.

ABORIGINAL RIGHTS AND TITLE TO MINERAL PROPERTIES

Claimed rights of aboriginal peoples may affect our ability to operate our Lalor and Reed mines and other mineral properties. In the past this has given rise to temporary disruptions of our operations. There can be no assurance that other disruptions will not be initiated in the future, which initiatives may affect our ability to explore and develop our properties and conduct our operations.

Although we believe we have taken reasonable measures to ensure valid title to our properties, there can be no assurance that title to any of our properties will not be challenged or impaired. Third parties may have valid claims underlying portions of our interests, including prior unregistered liens, agreements, transfers or claims, and aboriginal land claims, and title may be affected by, among other things, undetected defects or unforeseen changes to the boundaries of our properties by governmental authorities.

In addition, a portion of the Rosemont property is located on unpatented mine and millsite claims located on U.S. federal public lands. The right to use such claims is granted under the United States General Mining Law of 1872. Unpatented mining claims are unique property interests in the United States, and are generally considered to be subject to greater title risk than other real property interests because the validity of unpatented mining claims is often uncertain. While we believe there are no material defects in title of the Rosemont project lands, any such defects could materially impact our ability to develop and operate the project.

MINING AND PROCESSING

Mining operations, including exploration, development and production of mineral deposits, generally involve a high degree of risk and are subject to conditions and events beyond our control. Our operations are subject to all of the hazards and risks normally encountered in the mining industry including: adverse environmental conditions; industrial and environmental accidents; metallurgical and other processing problems; unusual or unexpected rock formations; ground or slope failures; structural cave-ins or slides; flooding or fires; seismic activity; rock bursts; equipment failures; and periodic interruptions due to weather conditions. These risks could result in significant damage, including destruction of mines, equipment and other operations, resulting in partial or complete shutdowns, personal injury or death, environmental or other damage to our properties or the properties of others, delays in mining, monetary losses and potential legal liability. In addition, although we conduct extensive maintenance and incur significant costs to maintain and upgrade our fixed and mobile equipment and infrastructure, failures may occur that cause injuries or production loss.

Failure to achieve production, cost or life-of-mine estimates could have an adverse impact on our future cash flows, profitability, results of operations and financial condition. Our actual production, costs and the productive life of a mine may vary from estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics, short-term operating factors relating to the mineral reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades, revisions to mine plans, risks and hazards relating to mining and availability of and cost of labour and materials. As a mine matures and nears the end of its life, such as our 777 mine, the risks that may cause actual production to vary from previous estimates increases and the extraction of mineral reserves may become uneconomic.

Any inability to provide adequate feed to our processing facilities could adversely impact our profitability or impair the viability of our processing facilities.

GOVERNMENTAL AND ENVIRONMENTAL REGULATION

Our activities are subject to various laws and regulations governing prospecting, development, production, taxes, labour standards, occupational health, mine safety, toxic substances, protection of the environment and other matters. Environmental regulation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, and more stringent environmental assessments of proposed projects. There can be no assurance that existing or future environmental regulation will not materially adversely affect our business, financial condition and results of operations. There is contamination on properties that we own or owned or for which we have or have had care, management or control and, in some cases on neighbouring properties, that may result in remediation requirements, fines and personal injury or natural resource damage claims, which could result in material costs. We could be held responsible for investigative-cleanup cost relating to presently unknown contamination on our properties. We may also acquire properties with environmental risks. Any investigative and remediation costs for known or unknown contamination, or for future releases of hazardous or toxic substances at our properties or related to our activities, could be material.

Although we believe that our operations are currently carried out in material compliance with applicable laws and regulations, no assurance can be given that new laws and regulations will not be enacted or that existing laws and regulations will not be amended or applied in a manner that could have a material adverse effect on our business, financial condition and results of operations. Any failure to comply with such laws and regulations may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. We may be required to compensate those suffering loss or damage relating to mining activities, and we may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations, which costs could be material.

GOVERNMENT APPROVALS AND PERMITS

Government approvals and permits are currently required in connection with all of our operations, and further approvals and permits will be required in the future. The success of our efforts to obtain and maintain permits is contingent upon many variables outside of our control. Obtaining and complying with governmental permits may increase costs and cause delays. There can be no assurance that all necessary permits will be obtained and, if obtained, that the time and costs involved will not exceed our estimates or that we will be able to maintain such permits as a result of, among other things, conditions imposed or legal challenges. To the extent such approvals are required and not obtained or maintained, our operations may be curtailed or we may be prohibited from proceeding with planned exploration, development, or operation of mineral properties. As discussed above, in particular, the development of our Rosemont project is contingent on receiving key permits and successfully resolving legal challenges, among other things.

HUMAN RESOURCES

The success of our operations and development projects depend in part on our ability to attract and retain geologists, engineers, metallurgists and other personnel with specialized skill and knowledge about the mining industry in the geographic areas in which we operate. The success of our operations in Snow Lake, Manitoba and southern Peru, in particular, depend in part on our ability to attract new skilled personnel to work for us in these geographic areas.

We also are dependent on a number of key management and operating personnel, and our success will depend in large part on the efforts of these individuals and our ability to retain them. We do not have any key person insurance on any of these individuals.

There can be no assurance that our business will not suffer from a work stoppage at any location where we operate. The collective agreements that we have with our employees at our Flin Flon and Snow Lake operations expire in December 2017 and there can be no assurance that we will be able to successfully negotiate new collective agreements. As is typical with large Peruvian mining operations following startup, some of the employees at Constancia have formed a labour union and we recently entered into a collective agreement with these employees to cover a one year period from November 2016 to November 2017. There can be no assurance that we will be able to successfully negotiate an extension to this agreement. From time to time we may temporarily suspend or close certain of our operations and we may incur significant labour and severance costs as a result of a suspension or closure. Further, temporary suspensions and closures may adversely affect our future access to skilled labour, as employees who are laid off may seek employment elsewhere.

ANTI-BRIBERY LEGISLATION

We are subject to the U.S. Foreign Corrupt Practices Act (" **FCPA**"), which prohibits corporations and individuals from paying, offering to pay, or authorizing the payment of anything of value to any foreign government official, government staff member, political party, or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity. The FCPA also requires public companies to make and keep books and records that accurately and fairly reflect their transactions and to devise and maintain an adequate system of internal accounting controls. We are also subject to Canada's Corruption of Foreign Public Officials Act ("**CFPOA**"), which prohibits corporations and individuals from giving or offering to give a benefit of any kind to a foreign public official, or any other person for the benefit of the foreign public official, where the ultimate purpose is to obtain or retain a business advantage.

Our international activities, including our Constancia mine and exploration activities elsewhere in South America, create the risk of unauthorized payments or offers of payments by our employees, consultants or agents to foreign persons. While we have implemented safeguards that are intended to prevent these practices, our existing safeguards and any future improvements to such safeguards may not be completely effective, and our employees, consultants or agents may engage in conduct for which we might be held responsible. Any failure to comply with the FCPA, the CFPOA and applicable laws and regulations in foreign jurisdictions could result in substantial penalties or restrictions on our ability to conduct business in certain foreign jurisdictions, which may have a material adverse impact on us and our share price.

ENERGY PRICES AND AVAILABILITY

Our mining operations and facilities are intensive users of electricity and carbon based fuels. Energy prices can be affected by numerous factors beyond our control, including global and regional supply and demand, political and economic conditions, and applicable regulatory regimes. The prices of various sources of energy we rely on may increase significantly from current levels and any carbon-based energy we use may become subject to a carbon tax; any such significant increase or punitive tax could have an adverse effect on our profitability.

TRANSPORTATION AND INFRASTRUCTURE

At our mines in northern Manitoba and Saskatchewan, we are dependent upon a single railway and certain short-line rail networks to transport products from the Flin Flon metallurgical complex for further processing or to our customers. In addition, concentrate production from the Constancia mine must travel approximately 450 kilometres by road to the Port of Matarani. The method and route of transportation of Constancia concentrates give rise to a number of risks, including road safety and community and environmental risks. We may have similar dependencies at future mining and processing operations. Inability to secure reliable and cost-effective transportation and other infrastructure, or disruption of these services due to community or political protests, weather-related problems, strikes, lock-outs or other events could have a material adverse effect on our operations. If transportation for our products is or becomes unavailable, our ability to market our products could suffer. In addition, increases in our transportation costs, relative to those of our competitors, could make our operations less competitive and could adversely affect our profitability.

COMPETITION

The mining industry is intensely competitive and we compete with many companies possessing greater financial and technical resources than us. Since mines have a limited life, we must compete with others who seek mineral reserves for attractive, high quality mining assets. In addition, we also compete for the technical expertise to find, develop, and operate such properties, the labour to operate the properties and the capital for the purpose of funding such properties. Existing or future competition in the mining industry could materially adversely affect our prospects for mineral exploration and success in the future.

MINERAL RESOURCE AND RESERVE ESTIMATES

There are numerous uncertainties inherent in estimating mineral reserves and mineral resources and the future cash flows that might be derived from their production. Estimates of mineral reserves and mineral resources, and future cash flows necessarily depend upon a number of variable factors and assumptions, including, among other things, ability to achieve anticipated tonnages and grade, geological and mining conditions that may not be fully identified by available exploration data or that may differ from experience in current operations, historical production from the area compared with production from other producing areas, the assumed effects of regulation by governmental agencies and assumptions concerning metals prices, exchange rates, interest rates, inflation, operating costs, development and maintenance costs, reclamation costs, and the availability and cost of labour, equipment, raw materials and other services required to mine and refine the ore. In addition, there can be no assurance that mineral recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. For these reasons, estimates of our mineral reserves and mineral resources in our public disclosure, and any estimates of future cash flows may vary substantially from our actual results.

RECLAMATION AND MINE CLOSURE COSTS

The ultimate timing of, and costs for, future removal and site restoration could differ from current estimates. Our estimates for this future liability are subject to change based on amendments to applicable laws and legislation, the nature of ongoing operations and technological innovations. In addition, regulatory authorities in various jurisdictions require us to post financial assurances to secure, in whole or in part, future reclamation and restoration obligations in such jurisdictions. Changes to the amounts required, as well as the nature of the collateral to be provided, could significantly increase our costs, making the maintenance and development of existing and new mines less economically feasible, and any capital resources we utilize for this purpose will reduce the resources available for our other operations and commitments. Although we accrue for future closure costs, we do not necessarily reserve cash in respect of these obligations or otherwise fund these obligations in advance. As a result, we will have significant cash costs when we are required to close and restore mine sites, including our 777 mine and Flin Flon operations.

POST-RETIREMENT OBLIGATIONS

We have assets in defined benefit pension plans which accumulate through employer contributions and returns on investments made by the plans. The returns on investments are subject to fluctuations depending upon market conditions and we are responsible for funding any shortfall of pension assets compared to our pension obligations under these plans. Our liabilities under defined benefit pension plans are estimated based on actuarial and other assumptions. These assumptions may prove to be incorrect and may change over time and the effect of these changes can be material. We also have substantial commitments for post- retirement health and other benefits for which no specific funding arrangements are in place.

CREDIT RISK

We mitigate credit risk relating to customers of our copper, zinc and precious metals by carrying out credit evaluations on our customers, making a significant portion of sales on a cash basis and maintaining insurance on trade receivables. If customers default on the credit extended to them and our loss is not covered by insurance, results of operations could be materially adversely affected. Further, we may enter into offsetting derivative contracts for which we do not obtain collateral or other security. In the event of non-performance by counterparties in connection with such derivative contracts, we are further exposed to credit risk.

INSURANCE

Our insurance will not cover all the potential risks associated with our operations. In addition, although certain risks are insurable, we may be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to us on acceptable terms. Losses from uninsured events may cause us to incur significant costs.

INFORMATION TECHNOLOGY SYSTEMS

Our operations depend, in part, on information technology (" **IT**") systems. Our IT systems are subject to disruption, failure or damage from a number of threats, including, but not limited to, security breaches, computer viruses, cable cuts, natural disasters, terrorism, power loss, vandalism and theft. Although to date we have not experienced any material losses relating to IT system disruptions, failure or damage, cyber attacks or other information security breaches, there can be no assurance that we will not incur such losses in the future. Any of these and other events could result in IT system failures, operational delays, production downtimes, security breaches, destruction or corruption of data or other improper use of our IT systems and networks, any of which could have an adverse effect on our reputation, results of operations and financial performance. Our exposure to these risks cannot be fully mitigated because of, among other things, the evolving nature of these threats; as such threats continue to evolve, we may be required to expend additional resources to continue to change or improve protective measures and to investigate and remediate any security vulnerabilities.

DIVIDEND PAYMENTS

The Senior Unsecured Notes impose certain restrictions on our ability to make restricted payments, including common dividends. Our ability to make future dividend payments will be subject to compliance with the covenants contained in our debt agreements along with other liquidity considerations. At all times, the declaration of dividends is subject to the discretion of our board of directors.

MARKET PRICE OF COMMON SHARES

Our share price may be significantly affected by changes in commodity prices or in our financial condition or results of operations. Other factors unrelated to our performance that may have an effect on the price of our common shares include a lessening in trading volume and general market interest in our securities and the size of our public float. As a result of any of these factors, the market price of our common shares may fall and otherwise may not accurately reflect our long-term value. Securities class action litigation has been brought against companies following periods of volatility in the market price of their securities and issuers listed on U.S. stock exchanges (as we are), in particular, have been subject to increasing shareholder litigation. We may in the future be the target of similar litigation.

"PASSIVE FOREIGN INVESTMENT COMPANY" UNDER THE U.S. INTERNAL REVENUE CODE

We do not believe we are a "passive foreign investment company" under Section 1297(a) of the U.S. Internal Revenue Code (" **PFIC**") for the current taxable year. If we derive 75% or more of our gross income from certain types of ''passive'' income (such as rents, royalties, interest, dividends, and other similar types of income), or if the quarterly average value during a taxable year of our ''passive assets'' (generally, assets that generate passive income) is 50% or more of the average value of all assets held by us, then the PFIC rules may apply to U.S. taxpayers that hold our common shares (regardless of the extent of their ownership interest in us). Several ''look-through'' rules apply in determining PFIC status, including that a 25% or more owned subsidiary corporation's income and assets will be deemed those of its parent for purposes of the PFIC rules. Thus, a sufficiently active subsidiary may allow a parent corporation to avoid PFIC status, depending on the circumstances. Whether we are considered a PFIC for a specific taxable year is a factual determination that must be made annually at the end of that taxable year. As a result, our status in the current and future years will depend on the composition our gross income, our assets and activities in those years and our market capitalization as determined on the end of each calendar quarter, and there can be no assurance that we will or will not be considered a PFIC for any taxable year.

If we are classified as a PFIC during any portion of a U.S. taxpayer's holding period for our common shares, as determined for U.S. federal income tax purposes, such taxpayer would be subject to adverse U.S. federal income tax consequences under the PFIC rules. In such case (except as discussed below), any excess distribution (generally a distribution in excess of 125% of the average distribution over a three- year period or shorter holding period for our common shares) and realized gain on the sale, exchange or other disposition of our common shares will be treated as ordinary income and generally will be subject to tax as if (a) the excess distribution or gain had been realized rateably over the U.S. taxpayer's holding period, (b) the amount deemed realized in each year had been subject to tax in each such year at the highest marginal rate for such year (other than income allocated to the current period or any taxable period before we became a PFIC, which would generally be subject to tax at the U.S. taxpayer's regular ordinary income rate for the current year and would not be subject to the interest charge discussed in (c) below), and (c) the interest charge generally applicable to underpayments of tax had been imposed on the taxes deemed to have been payable in those years. Where a company that is a PFIC meets certain reporting requirements, a U.S. taxpayer may be able to mitigate certain adverse PFIC consequences described above by making a "qualified electing fund" ("**QEF**") election to be taxed currently on its proportionate share of the PFIC's ordinary income and net capital gains. If we determine that we are a PFIC for any taxable year, we will determine at that time whether we will comply with the necessary accounting and record keeping requirements that would allow a U.S. taxpayer to make a QEF election with respect to us. We have no obligation to determine whether we are a PFIC and may not make any such determination.

GROWTH STRATEGY

We evaluate growth opportunities and continue to consider the acquisition and disposition of exploration and development properties and mineral assets to achieve our strategy. We, from time to time, engage in discussions in respect of both acquisitions and dispositions, and other business opportunities, but there can be no assurance that any such discussions will result in a successfully completed transaction.

FLUCTUATIONS IN THE VALUE OF EQUITY INVESTMENTS

We are exposed to market risk from the share prices of our equity investments in listed junior exploration companies. These investments are made to foster strategic relationships, in connection with joint venture agreements and for investment purposes. The share prices of these equity investments may be significantly affected by short-term changes in capital markets, commodity prices or in their financial condition or results of their operations, and as a result, will affect the value of our investments.

DESCRIPTION OF CAPITAL STRUCTURE

COMMON SHARES

We are authorized to issue an unlimited number of common shares, of which there were 237,271,188 common shares issued and outstanding as of March 29, 2017.

Holders of common shares are entitled to receive notice of any meetings of our shareholders, to attend and to cast one vote per common share at all such meetings. Holders of common shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the common shares entitled to vote in any election of directors may elect all directors standing for election. Holders of common shares are entitled to receive, on a pro-rata basis, such dividends, if any, as and when declared by our board of directors at its discretion from funds legally available therefor. Upon our liquidation, dissolution or winding up, holders of common shares are entitled to receive, on a pro-rata basis, our net assets after payment of debts and other liabilities, in each case, subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro-rata basis with the holders of common shares with respect to dividends or liquidation. The common shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

OPTIONS AND WARRANTS

As of December 31, 2016, we have outstanding obligations to issue up to 23,861,867 common shares, as follows:

- Hudbay warrants to acquire an aggregate of 22,391,490 common shares of Hudbay were outstanding, which are governed by our Warrant Indenture dated as of July 15, 2014 with Equity Financial Trust Company. The Hudbay warrants entitle the holders to acquire a common share of Hudbay at a price of C$15.00 per share on, but not prior to, July 20, 2018. Hudbay may, at its option, upon written notice to the Hudbay warrant holders, settle the exercise of warrants for the in-the-money value, in cash, shares or a combination thereof; and

- options to acquire an aggregate of 1,470,377 common shares outstanding, with a weighted average exercise price of C$19.24.

PREFERENCE SHARES

We are authorized to issue an unlimited number of preference shares, none of which were issued and outstanding as of the date of this AIF. Preference shares may from time to time be issued and the directors may fix the designation, rights, privileges, restrictions and conditions attaching to any series of preference shares. Preference shares shall be entitled to preference over the common shares and over any other of our shares ranking junior to the preference shares with respect to the payment of dividends and the distribution of assets or return of capital in the event of our liquidation, dissolution or winding up or any other return of capital or distribution of our assets among our shareholders for the purpose of winding up our affairs. Preference shares may be convertible into common shares at such rate and upon such basis as the directors in their discretion may determine. No holder of preference shares will be entitled to receive notice of, attend, be represented at or vote at any annual or special meeting, unless the meeting is convened to consider our winding up, amalgamation or the sale of all or substantially all of our assets, in which case each holder of preference shares will be entitled to one vote in respect of each preference share held. Holders of preference shares will not be entitled to vote or have rights of dissent in respect of any resolution to, among other things, amend our articles to increase or decrease the maximum number of authorized preference shares, increase or decrease the maximum number of any class of shares having rights or privileges equal or superior to the preference shares, exchange, reclassify or cancel preference shares, or create a new class of shares equal to or superior to the preference shares.

SENIOR UNSECURED NOTES

On December 12, 2016, we issued $1.0 billion aggregate principal amount of Senior Unsecured Notes, which are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis, by substantially all of our existing and future subsidiaries other than our subsidiaries associated with the Rosemont project.

The proceeds from this offering were used, among other things, to redeem all $920 million of our Redeemed Notes.

The Senior Unsecured Notes contain certain customary covenants and restrictions for a financing instrument of this type. Although there are no maintenance covenants with respect to our financial performance, there are transaction-based restrictive covenants that limit our ability to incur additional indebtedness and make restricted payments in certain circumstances.

At any time prior to July 15, 2019 (in the case of the 2023 Notes) or January 15, 2020 (in the case of the 2025 Notes), we may redeem the Senior Unsecured Notes, in whole but not in part, at a redemption price equal to 100.00% of the aggregate principal amount of the Senior Unsecured Notes plus an amount equal to the greater of (i) 1% of the principal amount of the Senior Unsecured Notes to be redeemed and (ii) the excess, if any, of (a) the present value as of the date of redemption of such Senior Unsecured Notes on July 15, 2019 (in the case of the 2023 Notes) or January 15, 2020 (in the case of the 2025 Notes) (as described below) plus required interest payments through July 15, 2019 (in the case of the 2023 Notes) or January 15, 2020 (in the case of the 2025 Notes) over (b) the then outstanding principal amount of such Senior Unsecured Notes, plus, in either case, accrued and unpaid interest.

On or after July 15, 2019 (in the case of the 2023 Notes) or January 15, 2020 (in the case of the 2025 Notes), we may redeem the Senior Unsecured Notes, at our option in whole or in part, at the redemption prices (expressed as percentages of the principal amount of such series of the Senior Unsecured Notes to be redeemed) set forth below, plus accrued and unpaid interest, if redeemed during the twelve-month period beginning on July 15 (in the case of the 2023 Notes) or January 15 (in the case of the 2025 Notes) of each of the years indicated below:

2023 Notes		2025 Notes	
Year	Percentage	Year	Percentage
2019	103.625%	2020	105.719%
2020	101.813%	2021	103.813%
2021 and thereafter	100.000%	2022	101.906%
		2023 and thereafter	100.000%

CREDIT RATINGS

The following table sets out the credit ratings we received from Standard and Poor's Ratings Services (" **S&P**") on October 28 and November 28, 2016 and Moody's Investors Services ("**Moody's**") on August 19 and November 28, 2016.

	Credit Rating Organization	
	S&P	**Moody's**
Corporate Credit Rating	B	B2
Senior Unsecured Notes	B	B3

On October 28, 2016, S&P raised its long-term corporate credit rating to 'B' from 'B-'. On November 28, 2016, S&P assigned a 'B' issue-level rating and a '3' recovery rating to the Senior Unsecured Notes, reaffirmed its long-term corporate credit rating of 'B'. S&P's outlook on us is stable.

S&P's credit ratings are on a rating scale that ranges from AAA (highest quality) to D (lowest quality). The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. According to S&P's rating system, an obligor rated 'B' currently has the capacity to meet its financial commitments, but adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments. A 'B' rating is the sixth highest of ten categories in S&P's rating system.

S&P's issuer credit ratings are based, in varying degrees, on its analysis of the following considerations: (i) likelihood of payment; (ii) nature of and provisions of the obligation; and (iii) protection afforded by, and relative position of, the obligation in the event of bankruptcy. S&P's recovery ratings focus solely on expected recovery in the event of a payment default of a specific issue, and utilize a numerical scale that runs from 1+ to 6. The recovery rating is not linked to, or limited by, the issuer credit rating or any other rating, and provides a specific opinion about the expected recovery. A '3' recovery rating indicates S&P's expectations of meaningful (50%-70%) recovery in the event of default.

S&P's issuer credit rating is a forward-looking opinion about an obligor's overall creditworthiness in order to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation.

On August 19, 2016, Moody's upgraded our corporate family rating to 'B2' from 'B3', its speculative grade liquidity rating to 'SGL-2' from 'SGL-3', its probability of default rating to 'B2-PD' from 'B3-PD' and its outlook on us to stable from negative. On November 28, 2016, Moody's assigned a 'B3' rating to our the Senior Unsecured Notes and reaffirmed its corporate family rating of 'B2', speculative grade liquidity rating of 'SGL-2' and probability of default rating of 'B2-PD'.

Moody's credit ratings are on a rating scale that ranges from Aaa (highest quality) to C (lowest quality). Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Moody's speculative grade liquidity ratings are on a rating scale that ranges from SGL-1 (best liquidity) to SGL-4 (weakest liquidity).

According to Moody's credit rating system, obligations rated 'B' are considered speculative and are subject to high credit risk. A 'B' rating is the sixth highest of nine categories in Moody's rating system.

According to Moody's speculative grade liquidity rating system, an issuer with an 'SGL-2' rating possesses good liquidity and is likely to meet its obligations over the coming 12 months through internal resources but may rely on external sources of committed financing. According to the system, the issuer's ability to access committed sources of financing is highly likely based on Moody's evaluation of near-term covenant compliance.

Moody's corporate family ratings are long-term ratings that reflect the likelihood of a default on a corporate family's contractually promised payments and the expected financial loss suffered in the event of default. A corporate family rating is assigned to a corporate family as if it had a single class of debt and a single consolidated legal entity structure. A probability of default rating is a corporate family-level opinion of the relative likelihood that any entity within a corporate family will default on one or more of its long-term debt obligations.

Moody's long-term ratings are assigned to issuers or obligations with an original maturity of one year or more and reflect both on the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default.

Moody's speculative grade liquidity ratings are opinions of an issuer's relative ability to generate cash from internal resources and the availability of external sources of committed financing, in relation to its cash obligations over the coming 12 months.

The credit ratings and stability ratings we received from S&P and Moody's are not a recommendation to buy, sell or hold our securities and may be subject to revision or withdrawal at any time by either such credit rating organization. S&P and Moody's each charged us a fee in respect of the credit ratings service they provided.

DIVIDENDS

Since September 2013, we have paid a semi-annual dividend in March and September at C$0.01 per share. On February 22, 2017, our board of directors approved the payment of a dividend of C$0.01 per common share payable on March 31, 2017 to shareholders of record on March 10, 2017. At all times, the declaration of dividends is subject to the discretion of our board of directors.

MARKET FOR SECURITIES

PRICE RANGE AND TRADING VOLUME

Our common shares are listed on the TSX and the NYSE under the symbol "HBM". The volume of trading and the high and low trading price of our common shares on the TSX and NYSE during the periods indicated are set forth in the following table.

Trading of Common Shares on TSX				Trading of Common Shares on NYSE		
Period (2016)	High (C$)	Low (C$)	Volume (common shares)	High ($)	Low ($)	Volume (common shares)
January	5.70	2.26	55,491,765	4.07	1.56	3,495,572
February	4.06	2.39	42,631,708	3.00	1.71	4,373,574
March	5.94	3.85	43,437,432	4.43	2.85	5,569,219
April	6.63	3.77	51,463,070	5.29	2.88	6,907,228
May	6.42	4.75	39,273,895	5.13	3.67	6,061,625
June	6.81	4.82	42,437,546	5.33	3.68	6,813,341
July	7.25	6.02	32,078,139	5.57	4.63	5,123,533
August	6.63	5.27	31,769,479	5.10	4.02	5,029,034
September	5.59	4.74	33,119,300	4.35	3.57	5,192,169
October	5.65	4.85	31,696,949	4.35	3.67	3,055,445
November	9.75	5.43	70,942,539	7.10	4.05	9,424,641
December	9.73	7.45	35,577,838	7.35	5.50	7,538,979

On March 29, 2017, the closing prices of our common shares on the TSX and NYSE were C$9.29 and $7.00 per common share, respectively.

Our warrants are listed on the TSX and the NYSE under the symbols “HBM.WT” and “HBM/WS”, respectively. The volume of trading and the high and low trading price of our warrants on the TSX and NYSE during the periods indicated are set forth in the following table.

Trading of Warrants on TSX				Trading of Warrants on NYSE		
Period (2016)	High (C$)	Low (C$)	Volume	High ($)	Low ($)	Volume
January	0.32	0.12	714,015	0.23	0.08	33,490
February	0.29	0.15	242,887	0.21	0.10	16,217
March	0.46	0.27	647,302	0.44	0.17	79,731
April	0.46	0.25	597,697	0.36	0.13	36,064
May	0.36	0.30	145,536	0.56	0.19	63,770
June	0.41	0.31	290,624	0.36	0.19	51,385
July	0.42	0.30	651,094	0.31	0.22	53,385
August	0.37	0.26	196,669	0.29	0.22	30,284
September	0.27	0.18	2,624,432	0.29	0.13	49,569
October	0.21	0.19	187,990	0.20	0.12	35,569
November	0.75	0.20	2,475,658	0.60	0.13	96,541
December	0.76	0.39	510,344	0.65	0.30	87,351

On March 29, 2017, the closing prices of our warrants on the TSX and NYSE were C$0.70 and $0.47 per warrant, respectively.

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

Igor Gonzales *Lima, Peru*	Director since: July 31, 2013 Committee memberships: • Environmental, Health, Safety and Sustainability ("**EHSS**") Committee • Technical Committee	Mr. Gonzales has more than 30 years of experience in the mining industry. He joined Compañia de Minas Buenaventura S.A.A. in November 2014 as Vice President of Operations. Mr. Gonzales was with Barrick Gold Corporation from 1998 to 2013, most recently as Executive Vice President and Chief Operating Officer. Between 1980 and 1996, Mr. Gonzales served in various roles with Southern Peru Copper Corporation.
Tom A. Goodman *Denare Beach, Saskatchewan, Canada*	Director since: June 14, 2012 Committee memberships: • EHSS Committee (Chair) • Audit Committee	Mr. Goodman worked for Hudbay for over 34 years in a wide variety of operational, technical and management positions, including his last two years as Senior Vice President and Chief Operating Officer. He retired as an executive officer effective June 1, 2012.
Alan Hair *Toronto, Ontario, Canada*	Director since: January 1, 2016	Mr. Hair has been Hudbay's President and Chief Executive Officer since January 2016. Previously, he served as Hudbay's Senior Vice President and Chief Operating Officer from 2012 to 2015 and he has held a number of senior leadership roles in business development and operations at Hudbay since 1996.
Alan R. Hibben *Toronto, Ontario, Canada*	Director since: March 23, 2009 Committee memberships: • Compensation Committee (Chair) • Corporate Governance and Nominating Committee	Mr. Hibben has held several senior positions with RBC Capital Markets, including most recently as Managing Director, which he held until his retirement in December 2014. He is currently the principal of Shakerhill Partners Ltd. which provides advice on restructurings, capital markets transactions, and corporate strategy. He also provides expert witness services. He is also a corporate director.
W. Warren Holmes *Stratford, Ontario, Canada*	Director since: March 23, 2009 Committee memberships: • Corporate Governance and Nominating Committee (Chair)	Mr. Holmes is Hudbay's Chairman and was Hudbay's Executive Vice Chairman from November 2009 to July 2010 and its Interim Chief Executive Officer from January 2010 to July 2010. He has over 40 years of mining industry experience. During that time, Mr. Holmes held senior positions with Noranda Inc. and Falconbridge Ltd. He is now a corporate director.
Sarah B. Kavanagh *Toronto, Ontario, Canada*	Director since: July 31, 2013 Committee memberships: • Audit Committee (Chair) • Corporate Governance and Nominating Committee	Ms. Kavanagh is a corporate director and a former Commissioner at the Ontario Securities Commission, where she served from June 2011 through May 2016. Between 1999 and 2010, Ms. Kavanagh served in a number of senior investment banking roles at Scotia Capital Inc. She has also held senior financial positions in the corporate sector.
Carin S. Knickel *Golden, Colorado, United States*	Director since: May 22, 2015 Committee memberships: • Compensation Committee • EHSS Committee	Ms. Knickel served as Corporate Vice President, Global Human Resources of ConocoPhillips from 2003 until her retirement in May 2012. She joined ConocoPhillips in 1979 and held various senior operating, planning and business development positions throughout her career in the U.S. and Europe.

Alan J. Lenczner *Toronto, Ontario, Canada*	Director since: March 23, 2009 Committee memberships: • Audit Committee • Compensation Committee	Mr. Lenczner has been a commercial litigator for over 40 years. He is Founding Partner and now Counsel at Lenczner Slaght Royce Smith Griffin LLP, a litigation- focused law firm. He is also a former Commissioner of the Ontario Securities Commission.
Kenneth G. Stowe *Oakville, Ontario, Canada*	Director since: June 24, 2010 Committee memberships: • Technical Committee (Chair) • EHSS Committee	Mr. Stowe was Chief Executive Officer of Northgate Minerals Corporation from 2001 until his retirement in 2011. He spent the first 21 years of his career with Noranda Inc. in various operational, research and development, and corporate roles. He is currently a corporate director.
Michael T. Waites *Vancouver, British Columbia, Canada*	Director since: May 8, 2014 Committee memberships: • Audit Committee • Technical Committee	Mr. Waites is the former President and Chief Executive Officer of Finning International Inc. He retired from Finning in June 2013 after serving as President and Chief Executive Officer for five years. Prior to that, Mr. Waites was Executive Vice President and Chief Financial Officer of Finning. He has also held senior positions with Canadian Pacific Railway and Chevron Canada Resources. Mr. Waites is now a corporate director.

The term of office for each director of the Company will expire upon the completion of the next annual meeting of shareholders of the Company. Our executive officers as at the date of this AIF are listed below.

EXECUTIVE OFFICERS

Alan Hair *Toronto, Ontario, Canada* President and Chief Executive Officer	For biographical information for Mr. Hair, refer above to the heading "Board of Directors".
David S. Bryson *Toronto, Ontario, Canada* Senior Vice President and Chief Financial Officer	Mr. Bryson has been with Hudbay since August 2008. Mr. Bryson held senior finance positions with Skye Resources Inc. from March 2007 to August 2008 and prior to that worked for Terasen Inc., a Vancouver-based energy infrastructure firm, in various finance roles for 16 years.
Cashel Meagher *Toronto, Ontario, Canada* Senior Vice President and Chief Operating Officer	Prior to being appointed to his current role in January 2016, Mr. Meagher was Vice President, South America Business Unit and oversaw the development of the Constancia mine. Prior to joining Hudbay in 2008, Mr. Meagher held management positions with Vale Inco in exploration, technical services, business analysis and mine operations.
Eugene Lei *Toronto, Ontario, Canada* Senior Vice President, Corporate Development and Strategy	Mr. Lei joined Hudbay in September 2012, after 11 years as an investment banker. Prior to joining Hudbay, Mr. Lei was Managing Director, Mining at Macquarie Capital Markets Canada, working as an advisor on global and domestic mergers and acquisitions and equity capital markets offerings. Prior to being appointed to his current role in January 2017, Mr. Lei was Vice President, Corporate Development.
Eric Caba *Lima, Peru* Vice President, South America Business Unit	Prior to being appointed to his current role in January 2016, Mr. Caba was Director of Operations for the South America Business Unit. From 2001 to 2005, Mr. Caba worked as an Operations Manager at Hudbay's Manitoba Business Unit. Mr. Caba was the Area Operations Manager for Carmeuse Lime Ltd. from 2009 to 2013, and on rejoining Hudbay in 2013, assumed the role of Operational Readiness Manager for Constancia.
David Clarry *Toronto, Ontario, Canada* Vice President, Corporate Social Responsibility	Mr. Clarry joined Hudbay in February 2011. From June 2009 to January 2011 he worked through his own firm, Innotain Inc., providing consulting services to the mining and energy industries. Prior to that he spent 18 years with Hatch Ltd., an international engineering and consulting firm, ultimately as Director – Climate Change Initiatives.
Patrick Donnelly *Oakville, Ontario, Canada* Vice President and General Counsel	Prior to being appointed to his current role in July 2014, Mr. Donnelly was Vice President, Legal and Corporate Secretary for over three years. Prior to joining Hudbay in 2008, Mr. Donnelly practiced corporate and securities law at Osler, Hoskin & Harcourt LLP.
Jon Douglas *Toronto, Ontario, Canada* Vice President, Treasurer	Mr. Douglas joined Hudbay in January 2015. Prior to joining Hudbay, he was Chief Financial Officer of Barrick Gold Corporation's global copper business unit. Prior to that he was Senior Vice President and Chief Financial Officer of Northgate Minerals Corporation for over ten years.

Elizabeth Gitajn *Toronto, Ontario, Canada* Vice President, Risk Management	Ms. Gitajn joined Hudbay in March 2015, prior to which she was the Corporate Controller for IAMGOLD Corporation since June 2012. From October 2007 to June 2012, she held various management positions within Barrick Gold Corporation in the finance areas of risk management, financial reporting and planning. Ms. Gitajn also spent 14 years in public accounting in the United States, nine of which were with Arthur Andersen LLP.
Andre Lauzon *Sudbury, Ontario, Canada* Vice President, Manitoba Business Unit	Mr. Lauzon joined Hudbay in August 2016. Prior to joining Hudbay, he held senior positions with Vale Inco in research and development, technical services and mine operations. Mr. Lauzon has direct leadership experience as a mine manager, acting general manager and director of technical services.
Terry Linde *Phoenix, Arizona, United States* Vice President, Project and Technical Services	Prior to being appointed to his current role in July 2015, Mr. Linde was the Director of Projects in the South America Business Unit, where he led the successful engineering and construction of the Constancia mine. Prior to joining Hudbay in 2011, Mr. Linde was Director of Projects for North and South America for Freeport McMoRan and Vice President of Engineering and Project Development for Marcobre S.A.C. in Peru.
Patrick Merrin *Tucson, Arizona, United States* Vice President, Arizona Business Unit	Mr. Merrin was appointed to his current role in July 2014. He was previously Vice President, Business Development and Technical Services. Prior to rejoining Hudbay in 2012, he gained experience in a variety of mining and metals environments, including as Chief Operating Officer of Adex Mining from September 2011 to July 2012, owner of PJM Consulting, a consulting firm for the mining industry, from December 2010 to September 2011, and Managing Director of Lucas Milhaupt Europe from July 2007 to July 2010.
Mary-Lynn Oke *Toronto, Ontario, Canada* Vice President, Finance	Ms. Oke has been Vice President, Finance since July 2013 and she is also Chief Financial Officer, Manitoba Business Unit. Prior to this appointment, she was Director, Tax & Treasury. Before joining Hudbay in 2007, Ms. Oke worked at Ernst & Young, LLP in various roles for 10 years.

As of March 29, 2017, our directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 501,431 common shares, representing less than 1% of the total number of common shares outstanding.

CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES AND SANCTIONS

Mr. Holmes was a director of Campbell Resources Inc. (" **Campbell**") from 2006 to 2008. Mr. Holmes joined Campbell as a director while it was already under the protection of the Companies' Creditors Arrangement Act (Canada) (the "**CCAA**"). Mr. Holmes resigned from the board of directors of Campbell in November 2008. On January 28, 2009, Campbell once again obtained creditor protection under the CCAA. On December 10, 2009, a receiver was appointed over Campbell's assets with power to solicit offers for the sale of the assets.

Mr. Holmes was a director of Ferrinov Inc. (" **Ferrinov**"), a private technology company, from December 2008 to July 2012. In July 2012, Ferrinov filed for bankruptcy and was declared bankrupt under the Bankruptcy and Insolvency Act.

CONFLICTS OF INTEREST

To the best of our knowledge, there are no known existing or potential conflicts of interest among or between us, our subsidiaries, our directors, officers or other members of management, as a result of their outside business interests, except that certain of our directors, officers, and other members of management serve as directors, officers, promoters and members of management of other entities and it is possible that a conflict may arise between their duties as a director, officer or member of management of Hudbay and their duties as a director, officer, promoter or member of management of such other entities.

Our directors and officers are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and we will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of our directors or officers. All such conflicts are required to be disclosed by such directors or officers in accordance with the CBCA, and such individuals are expected to govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. In addition, our Code of Business Conduct and Ethics requires our directors and officers to act with honesty and integrity and to avoid any relationship or activity that might create, or appear to create, a conflict between their personal interests and our interests.

AUDIT COMMITTEE DISCLOSURE

The Audit Committee is responsible for monitoring our systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents and monitoring the performance and independence of our external auditors. The Audit Committee is also responsible for reviewing our annual audited consolidated financial statements, unaudited consolidated quarterly financial statements and management's discussion and analysis of results of operations and financial condition for annual and interim periods prior to their approval by the full board of directors. There was no instance in 2016 where our board of directors declined to adopt a recommendation of the Audit Committee.

The Audit Committee's charter sets out its responsibilities and duties, qualifications for membership, procedures for committee appointment and reporting to our board of directors. A copy of the current charter is attached hereto as Schedule C.

COMPOSITION

As at December 31, 2016, the Audit Committee consisted of Sarah B. Kavanagh (Chair), Tom A. Goodman, Alan J. Lenczner and Michael T. Waites.

Relevant Education and Experience

Each member of the Audit Committee is independent and financially literate within the meaning of NI 52-110. Set out below is a description of the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member.

Sarah B. Kavanagh is an independent trustee and member of the Audit Committee at WPT Industrial Real Estate Investment Trust and a director and member of the Audit Committee of Valeant Pharmaceuticals International, Inc. Ms. Kavanagh is a director and Chair of the Audit Committee at American Stock Transfer and Canadian Stock Transfer, a director and Chair of the Audit Committee of Sustainable Development Technology Corporation and a director of Canadian Tire Bank. She is also a former Commissioner at the Ontario Securities Commission, where she served from June 2011 through May 2016. Between 1999 and 2010, Ms. Kavanagh served in a number of senior investment banking roles at Scotia Capital Inc. She has also held senior financial positions in the corporate sector. Ms. Kavanagh graduated from Harvard Business School with a Masters in Business Administration and received a Bachelor of Arts degree in Economics from Williams College in Williamstown, Massachusetts.

Tom A. Goodman worked for Hudbay for over 34 years in a wide variety of operational, technical and management positions, including as Senior Vice President and Chief Operating Officer, until his retirement in 2012. Mr. Goodman's prior experience in Hudbay's management has given him significant expertise in the Company's operations, management systems and risk management processes.

Alan J. Lenczner has been a commercial litigator for over 40 years. During that time he has represented accounting firms with respect to accounting and auditing issues both in the Superior Court and before the Institute of Chartered Accountants of Ontario. He is also a former Commissioner at the Ontario Securities Commission.

Michael T. Waites is the former President and Chief Executive Officer of Finning International Inc. He retired from Finning in June 2013 after serving as President and Chief Executive Officer for five years. Prior to that, Mr. Waites was Executive Vice President and Chief Financial Officer of Finning. Mr. Waites is currently a director and member of the Audit Committees of Repsol Oil & Gas Canada Inc. (formerly Talisman Energy Inc.) and Western Forest Products Inc. He holds a Bachelor of Arts (Honours) in Economics from the University of Calgary, a Master of Business Administration from Saint Mary's College of California, and a Masters of Arts, Graduate Studies in Economics from the University of Calgary. He has also completed the Executive Program at The University of Michigan Business School.

POLICY REGARDING NON-AUDIT SERVICES RENDERED BY AUDITORS

We have adopted a policy requiring Audit Committee pre-approval of non-audit services. Specifically, the policy requires that proposals seeking approval by the Audit Committee for routine and recurring non- audit services describe the terms and conditions and fees for the services and include a statement by the independent auditor and Chief Financial Officer that the provision of those services could not be reasonably expected to compromise or impair the auditor's independence. The Audit Committee may pre- approve non-audit services without the requirement to submit a specific proposal, provided that any such pre-approval on a general basis shall be applicable for twelve months. The Chair of the Audit Committee has been delegated authority to pre-approve, on behalf of the Audit Committee, the provision of specific non-audit services by the independent auditor where (a) it would be impractical for the services to be provided by another firm; or (b) the estimated fees associated with such services are not expected to exceed C$50,000. Any approvals granted under this delegated authority are to be presented to the Audit Committee at its next scheduled meeting.

REMUNERATION OF AUDITOR

The following table presents, by category, the fees billed by Deloitte LLP as external auditor of, and for other services provided to, the Company for the fiscal years ended December 31, 2016 and 2015.

Category of Fees	2016	2015
Audit fees	C$1,970,314	C$1,765,133
Audit-related fees	C$198,660	C$106,300
Tax fees	-	-
All other fees	-	-
Total	**C$2,168,974**	**C$1,871,433**

"Audit fees" include fees for auditing annual financial statements and reviewing the interim financial statements, as well as services normally provided by the auditor in connection with our statutory and regulatory filings. "Audit-related fees" are fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit fees", including accounting advisory work, audit work related to our pension, benefit and profit sharing plans, and work related to acquisitions and offerings as needed. "All other fees" are fees for services other than those described in the foregoing categories. Management presents regular updates to the Audit Committee of the services rendered by the auditors as part of the Audit Committee's oversight regarding external auditor independence and pre-approved service authorizations.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

LEGAL PROCEEDINGS

Hudbay is subject to three claims in the Ontario Superior Court in connection with its previous ownership of the Fenix project in Guatemala through its subsidiary at the time, Compañía Guatemalteca de Níquel S.A. ("**CGN**").

The first action was served in September 2010. The plaintiff, Angelica Choc, asserts a claim of negligence against Hudbay and wrongful death, among other claims, against CGN in connection with the death of her husband Adolfo Ich Chaman on September 27, 2009. The plaintiff claims that the head of CGN security shot and killed Mr. Chaman during a confrontation between members of local communities who were unlawfully occupying CGN property and CGN personnel. The aggregate amount of the claim is C$12 million.

In the second action, served in March 2011, eleven plaintiffs claim that they were victims of sexual assault committed by CGN security and members of the Guatemalan police and army during court ordered and state implemented evictions in January 2007 (before the project was acquired by Hudbay). These claims are asserted against Hudbay and its subsidiary at the time HMI Nickel Inc. The aggregate amount of the claims is C$55 million.

The plaintiff in the third action, German Chub Choc, claims that he was shot and permanently injured by the head of CGN security during the same events that gave rise to the claim brought by Ms. Choc. This action was served in October 2011. The aggregate amount of the claim is C$12 million.

We believe that all of the claims with respect to the Fenix project are without merit.

We are not aware of any litigation outstanding, threatened or pending against us as of the date hereof that would reasonably be expected to be material to our financial condition or results of operations.

REGULATORY ACTIONS

We have not: (a) received any penalties or sanctions imposed against us by a court relating to securities legislation or by a securities regulatory authority during the financial year; (b) received any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision; and (c) entered any settlement agreements with a court relating to securities legislation or with a securities regulatory authority during the financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Since January 1, 2014, none of our directors, executive officers or 10% shareholders and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction that has materially affected or is reasonably expected to materially affect us.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our common shares is TSX Trust Company at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

Except for those contracts entered into in the ordinary course of our business, the following are the material contracts we entered into (i) within the last financial year or (ii) between January 1, 2002 and the beginning of the last financial year, which are still in effect:

1. the Precious Metals Purchase Agreement dated August 8, 2012, as amended by amending agreements dated as of November 12, 2014 and March 27, 2017 with Silver Wheaton, whereby we agreed to sell a portion of the precious metals production from our 777 mine to Silver Wheaton.

2. the Amended and Restated Precious Metals Purchase Agreement dated November 4, 2013, as amended by amending agreements dated June 2, 2014, September 10, 2014 and December 31, 2016 with Silver Wheaton (Caymans) Ltd. ("**SW Caymans**"), whereby we agreed to sell 100% of the silver production and 50% of the gold production from our Constancia mine to SW Caymans.

3. the Amended and Restated Precious Metals Purchase Agreement, dated as of February 15, 2011 between HudBay Arizona (Barbados) SRL (previously Augusta Resource (Barbados) SRL), HudBay Arizona Corporation (previously Augusta Resource Corporation), SW Caymans and Silver Wheaton;

4. the Joint Venture Agreement dated September 16, 2010 between Rosemont Copper Company and UCM, which governs the joint venture in respect of the Rosemont project;

5. the Earn-In Agreement made as of September 16, 2010 between Rosemont Copper Company and UCM, pursuant to which UCM may earn up to a 20% interest in the Rosemont project;

6. the Indenture dated as of December 12, 2016 with U.S. Bank National Association, as trustee, governing the Senior Unsecured Notes. For additional details, refer above to the heading "Development of our Business – Three Year History – Senior Unsecured Notes Refinancing";

7. the Warrant Indenture dated as of July 15, 2014 with Equity Financial Trust Company, which provides for the issue of common share purchase warrants in connection with the Augusta Acquisition;

8. the Third Amended and Restated Credit Facility with the lenders party thereto from time to time and The Bank of Nova Scotia, as administrative agent, dated as of March 30, 2016, as amended by amending agreements made as of June 17 and September 26, 2016, providing for a three year $350 million revolving credit facility; and

9. the Amended and Restated Credit Facility with the lenders party thereto from time to time and The Bank of Nova Scotia, as administrative agent, dated as of March 30, 2016, as amended by amending agreements made as of June 17 and September 26, 2016, providing for a three year $200 million revolving credit facility.

QUALIFIED PERSONS

The scientific and technical information contained in this AIF related to the Constancia mine and Rosemont project has been approved by Cashel Meagher, P.Geo., our Senior Vice President and Chief Operating Officer. The scientific and technical information related to all other sites and projects contained in this AIF has been approved by Robert Carter, P.Eng., our Lalor Mine Manager. Messrs. Meagher and Carter are qualified persons pursuant to NI 43-101. For a description of the key assumptions, parameters and methods used to estimate mineral reserves and resources, as well as data verification procedures and a general discussion of the extent to which the estimates may be affected by any known environmental, permitting, legal title, taxation, sociopolitical, marketing or other relevant factors, please see the technical reports for our material properties as filed by us on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

Cashel Meagher, P.Geo. and Robert Carter, P.Eng. are experts who have prepared certain technical and scientific reports for us. As at the date hereof, to our knowledge, the aforementioned persons beneficially own, directly or indirectly, less than 1% of our outstanding securities and have no other direct or indirect interest in our company or any of its associates or affiliates.

The auditor of the Company is Deloitte LLP. Deloitte LLP is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario and the applicable rules and regulations thereunder adopted by the Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board (United States) (PCAOB).

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans, as applicable, is contained in our management information circular dated April 14, 2016. Additional financial information is provided in our financial statements and management's discussion and analysis for the fiscal year ended December 31, 2016.

Additional information relating to the Company may be found on SEDAR at www.sedar.com and in the United States on EDGAR at www.sec.gov.

SCHEDULE A: GLOSSARY OF MINING TERMS

The following is a glossary of certain mining terms used in this annual information form.

"mineral reserves"	Thatpartofameasuredorindicatedmineralresourcewhichcouldbeeconomicallymined,demonstrated by at least a preliminary feasibility study that includes adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined. Mineral reserves are those parts of mineral resources which, after the application of all mining factors, result in an estimated tonnage and grade which, in the opinion of the qualified person(s) making the estimates, is the basis of an economically viable project after taking account of all relevant processing, metallurgical, economic, marketing, legal, environment, socio-economic and government factors. Mineral reserves are inclusive of diluting material that will be mined in conjunction with the mineral reserves and delivered to the treatment plant or equivalent facility. The term "mineral reserve" need not necessarily signify that extraction facilities are in place or operative or that all governmental approvals have been received. It does signify that there are reasonable expectations of such approvals. Mineral reserves are subdivided into proven mineral reserves and probable mineral reserves. Mineral reserves fall under the following categories:
"proven mineral reserves"	That part of a measured mineral resource that is the economically mineable part of a measured mineral resource, demonstrated by at least a preliminary feasibility study that includes adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.
"probable mineral reserves"	That part of an indicated and in some circumstances a measured mineral resource that is economically mineable demonstrated by at least a preliminary feasibility study that includes adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.
"mineral resources"	A concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources fall under the following categories:
"measured mineral resource"	That part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
"indicated mineral resource"	That part of a mineral resource for which quantity, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters and to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.
"inferred mineral resource"	That part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

SCHEDULE B: MATERIAL MINERAL PROJECTS

CONSTANCIA MINE

Project Description, Location and Access

We own a 100% interest in the Constancia mine in southern Peru. Constancia includes the Constancia and Pampacancha deposits and is located approximately 600 kilometres southeast of Lima at elevations of 4000 to 4500 metres above sea level. Geographic coordinates at the centre of the property are longitude 71° 47' west and latitude 14° 27' south.

We acquired Constancia in March 2011 through our acquisition of all of the outstanding shares of Norsemont. We own a 100% interest in the 36 mining concessions (covering an area of 22,516 hectares) that comprise Constancia, all of which are duly registered in the name of our wholly-owned subsidiary, HudBay Peru S.A.C.; HudBay Peru S.A.C. also has the required surface rights to operate the Constancia mine. Most of the known mineralization is located in the claims Katanga J, Katanga O, Katanga K, and Peta 7, though small mineralized outcrops are common throughout the area. All the mining concessions are currently in good standing. The annual concession fee payments of $3.00 per hectare are due on June 30 each year.

The Constancia mine reached commercial production in the second quarter of 2015 and reached steady state design production in the second half of 2015.

Constancia is subject to the following taxes, royalties and other agreements concerning mineral production:

1. Peruvian Tax Regime

Constancia is subject to the Peruvian tax regime, which includes the mining tax, mining royalty, 8% labour participation, corporate tax and IGV/VAT. The Special Mining Tax (" **SMT**") and the Mining Royalty (" **MR**") were introduced in late-2011 for companies in the mineral extractive industries. Both the SMT and the MR are applicable to mining operating income based on a sliding scale with progressive marginal rates. The effective tax rate is calculated according to the operating profit margin of the Company. Based on Constancia's expected life-of-mine operating profit margin, the effective SMT and MR tax rates are projected to be 2.70% and 2.37% of operating income over the life of the mine. The MR is subject to a minimum of 1% of sales during a given month.

2. Precious Metals Stream Agreement

100% of Constancia's silver production and 50% of its gold production is subject to our agreement with Silver Wheaton, as described in this AIF.

3. Legacy NSR

We are required to pay a net smelter return royalty (NSR) of 0.5% to a maximum of $10.0 million to the previous owners of the property.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Constancia is accessible from Lima by flying to either Arequipa or Cusco and then proceeding by paved and gravel highway to the mine site, which in each case takes approximately seven hours. The closest town is Yauri (population 23,000), which is approximately 80 kilometres by road from the mine site. Copper concentrate is transported via Yauri to the Matarani port, which is approximately 460 kilometres by road from the mine site.

The climate of the region is typical of the Peruvian altiplano in which the seasons are divided into the wet season between October and March with slightly higher temperatures and a dry season during April to September with colder temperatures. Temperatures can dip below -10° Celsius and rise to 20° Celsius. The sun can be very strong with high ultraviolet readings being common during the mid-day period. There is a climate monitoring station installed at the mine site.

Elevations on the property range from 4,000 to 4,500 metres above sea level with moderate relief and grass-covered altiplano terrain. Slopes are typically covered with grasses at lower elevations. At higher elevations, talus cover is common with very little vegetation. The grasslands are used as pasture for animals and at lower elevations for some limited subsistence agriculture. Water resources are readily available from a number of year-round streams near the mine site.

Constancia's maximum demand for electricity is estimated to be 96 MW with an average load of 85 to 90 MW in the first 5 years. Electricity is supplied via the 220 kV Tintaya substation located about 70 kilometres from the mine site and a dedicated transmission line from this substation to Constancia.

Other operating infrastructure includes the tailings management facility, waste rock facility and water management systems.

We have entered into life-of-mine agreements with the neighbouring communities of Chilloroya and Uchuccarco. These agreements provide us the surface rights required for operations and specify our commitments to these local communities over the course of the mine life. In particular, the community agreements contemplated cash payments for the land access rights, as well as funds for facilitation of development projects and investment for local enterprises. The agreements also outline ongoing annual investments in community development including medical, educational and agricultural services and contemplate a bi-annual review of certain of the social development terms. While we have entered into the life-of-mine agreements, we need to acquire additional surface rights in order to mine the Pampacancha deposit, and there can be no assurance that we will be able to secure the agreements required to do so.

The nearby communities can provide unskilled labourers, but access to skilled mining talent must be obtained through training or enlisting personnel from outside the area.

History

The original Constancia property, consisting of 13 concessions, was obtained by Norsemont pursuant to an option agreement with Rio Tinto Mining and Exploration Ltd. ("**Rio Tinto**"). Norsemont acquired an initial 51% interest in the property from Rio Tinto in November 2007.Pursuant to the option agreement, in March, 2008 Norsemont acquired the remaining 19% interest in Constancia held by Rio Tinto. Norsemont acquired the remaining 30% interest in the project from Mitsui Mining and Smelting Company Limited Sucursal Del Peru ("**Mitsui**") and 23 additional concessions were obtained by Norsemont in 2007 and 2008.

The San Jose prospect (which forms part of the Constancia deposit) was explored by Mitsui during the 1980s. Exploration consisted of detailed mapping, soil sampling, rock chip sampling, and ground magnetic and induced polarization surveys with several drill campaigns. Drilling was mainly focused on the western and southern sides of the prospect. Mitsui completed 24 drill holes (4,200 metres) and Minera Katanga completed 24 shallow close-spaced drill holes at San Jose (1,200 metres).

In 1995, reconnaissance prospecting by Rio Tinto identified evidence for porphyry style mineralization exposed over an area 1.4 x 0.7 kilometres, open in several directions, with some copper enrichment below a widespread leach cap developed in both porphyry and skarn.

In May 2003, Rio Tinto revisited the area and the presence of a leached cap and the potential for a significant copper porphyry deposit were confirmed. Negotiations with Mitsui, Minera Livitaca and Minera Katanga resulted in agreements being signed on October 31, 2003 with the underlying owners. Rio Tinto renamed the prospect “Constancia”.

The Rio Tinto exploration activities consisted of geological mapping, soil, and rock chip sampling, and surface geophysics (magnetics and induced polarization). Rio Tinto completed 24 diamond drill holes for a total of 7,500 metres.

Geological Setting, Mineralization, and Deposit Types

The Constancia deposit is a porphyry copper-molybdenum system which includes copper-bearing skarn mineralization. This type of mineralization is common in the Yauri-Andahuaylas metallogenic belt where several porphyry Cu-Mo-Au prospects have been described but not exploited. Multiple phases of monzonite and monzonite porphyry have intruded a sequence of sandstones, mudstones and micritic limestone of Cretaceous age. Structural deformation has played a significant role in preparing and localising the hydrothermal alteration and copper-molybdenum-silver-gold mineralization, including skarn formation.

The Pampacancha deposit is a porphyry related skarn system, with copper-bearing skarn mineralization. This type of mineralization is common in the Yauri-Andahuaylas metallogenic belt where several skarn deposits have been developed, including Corocohuayco in the Tintaya District and Las Bambas.

The Constancia porphyry copper-molybdenum system, including skarn, exhibits five distinct deposit types of mineralization:

1. Hypogene fracture-controlled and disseminated chalcopyrite mineralization in the monzonite (volumetrically small);
2. Hypogene chalcopyrite (rare bornite) mineralization in the skarns (significant);
3. Supergene digenite-covellite-chalcocite (rare native copper) in the monzonite (significant);
4. Mixed secondary sulphides/chalcopyrite in the monzonite (significant); and
5. Oxide copper mineralization (volumetrically small).

Molybdenite, gold and silver occur within all these mineralization types.

Two areas of porphyry-style mineralization are known within the project area, Constancia and San José. At Constancia, mineralization is deeper than that observed at San José which occurs at surface. The mineralized zone extends about 1,200 metres in the north-south direction and 800 metres in the east- west direction.

The Pampacancha deposit is located approximately three kilometers southeast of the Constancia porphyry. The stratigraphy unit in the area is the massive, gray micritic limestone of Upper Cretaceous Ferrobamba Formation; this unit in contact with the dioritic porphyry generates a magnetite skarn, hosts economic mineralization of Cu-Au-Mo.

The intrusive rocks are Oligocene age unmineralized basement diorite. Diorite porphyry is recognized as the source for skarn mineralization, which in turn is cut by mineralized monzonite intrusions which provide minor local increases in Cu-Au mineralization. Skarn Cu-Au mineralization is best developed at the upper and lower margins of the limestone body.

Epithermal mineralization of the low sulphidation quartz-sulphides Au + Cu style, accounts for common supergene enriched Au anomalies, and along with other features such as hydrothermal alteration and veins typical of near porphyry settings.

Exploration

A geophysical Titan-24 survey was completed in July 2011 to the south of the Constancia deposit. In late 2013, an aeromag and radiometric helicopter geophysical survey was carried out over an area of 80 square kilometers near Constancia.

A mapping and geochemical sampling program was completed between 2007 to 2014, where 20,789 hectares were mapped. Of the 20,789 hectares, 8,905 were mapped on Hudbay mining concessions, which represent 80% of the mining rights in the area.

Drilling

Extensive drilling has been conducted at Constancia since the early 2000s. The two most recent drilling programs were completed by Hudbay, with prior drilling programs conducted by Rio Tinto and Norsemont Mining. The following Table summarizes the drill holes used to build the block model and the current mineral resource estimate.

Company	Time Period	Drill Holes		
		Number	Feet	Meters
Rio Tinto	2003-2004	24	24,551	7,483
NOM	2005	41	32,149	9,799
NOM	2006	66	66,939	20,403
NOM	2007	77	95,341	29,060
NOM	2008	219	206,850	63,048
NOM	2009	33	16,434	5,009
NOM	2010	93	86,060	26,231
Hudbay	2011	186	101,509	30,940
Hudbay	2012	46	18,501	5,639
Hudbay	2014 - 2015	26	14,281	4,353
Total		**811**	**662,615**	**201,975**

These drill holes were all drilled using a combination of reverse circulation (RC) and diamond drilling (coring) methods.

Sampling and Analysis and Security of Samples

The sample preparation, analysis, security procedures and data verification processes used in the exploration campaigns on the Constancia mine prior to our acquisition were reviewed through the documentation available in previously filed technical reports and we have been determined that the sampling methodology, analyses, security measures and data verification processes were adequate for the compilation of data at Constancia and Pampacancha and such processes continue to be used by us.

Constancia

At Constancia, a total of 1,247 bulk density measurements were taken by ALS Chemex from 145 drill holes using the paraffin wax coat method. Samples for density measurement in each major rock unit were extracted at approximately 50 metre intervals. Sample preparation and assaying used for the resource estimate in Norsemont's 2009 Definitive Feasibility Study was done by ALS Chemex. In July 2008, the primary lab was changed to SGS del Peru ("**SGS**") in Lima. Samples were prepared and analyzed using standard procedures, including Fire Assay (for gold) and Inductively Coupled Plasma – Atomic Emission Spectroscopy and Atomic Absorption Spectrophotometry (for other elements). All samples with copper values above 0.2% were analyzed by a Sequential Copper Method (although sequential copper data was not available for Rio Tinto's exploration campaign).

All lithological, alteration, geotechnical and mineralization data was logged on paper logs that were later entered in spreadsheets from where they were imported into the database. It was noted that the data entry spreadsheets had a number of built-in logical checks to improve the validity of the database. As was mentioned in Norsemont's 2009 Definitive Feasibility Study, the geological and sample data was verified by a senior geologist before importing into a database.

Assay data was delivered in digital form by the main laboratory. Checks for inconsistent values were made by the senior geologist before data was uploaded.

We checked collar positions visually on plans for correctness in the data entry. Down-hole surveys were checked by examining coarse changes in the variables. Check runs were at regular intervals to check consistency of the drilling data.

Discrepancies were not identified between the log data and assay certificates and the drill hole database of text files used for the mineral resource estimate.

The quality control protocol during Norsemont's Constancia exploration campaigns from 2006 to 2010 included the insertion of the following control samples in the sample batches:

- Twin samples (Core) or field duplicates (RC): one in 20 samples.
- Certified Reference Materials (CRMs): one in 20 samples; four CRMs are inserted in alternate order.
- Blanks: one in 20 samples.

The twin samples, field duplicates, coarse blanks and CRMs were inserted on the drill site prior to submission to the laboratory and Acme acted as secondary laboratory for the 2006 and part of the 2007 campaigns to check samples.

Pampacancha

A total of 56 bulk density measurements were taken from actual core at the Pampacancha deposit. The density measurements were conducted by ALS Chemex and are representative of the different rock and mineralization domains recognized to date.

All samples were sent to SGS for preparation and assaying. The SGS laboratory conforms to ISO/IEC 17025 and ISO 9002 standards and all samples were analyzed through Inductively Coupled Plasma – Atomic Emission Spectrometry after multi-acid digestion and gold was determined by fire assay with Atomic Absorption Spectroscopy.

During the drilling, blanks were inserted into the sample stream as per geologist instruction at approximate intervals of every 30 samples. Standard references were prepared with material obtained from the Pampacancha deposit by us and were analyzed and certified by Acme labs. As part of the Pampacancha drilling, duplicates were obtained by splitting half core samples, obtaining two quarter core sub-samples, one quarter representing the original sample and the other quarter representing the duplicate sample.

We submitted a total of 26,927 samples from 175 drill holes to SGS's laboratory for analysis. In addition to these samples, 471 blanks, 336 reference standards and 486 duplicates were submitted.

- Blanks: During the drilling, blanks were inserted into the sample stream as per geologist instruction at approximate intervals of every 30 samples.

- Reference Standards: The reference standards certified by Acme labs were assayed by SGS. Of the 336 copper standards submitted for assaying, 124 of the assays fell outside the lower standard deviation indicating possible sub-estimation of copper content.

- Duplicates: The geologist routinely inserted duplicate core samples to check the homogeneity of the mineralization and sampling precision; duplicates were inserted approximately every 30 samples.

An internal validation of the drill hole database against the original drill logs and assay certificate information was carried out by us. The validation included 100% of the assay values from the Pampacancha drilling. No significant discrepancies existed within the database and it is believed to be accurate and suitable for mineral resource estimation.

Mineral Processing and Metallurgical Testing

The metallurgical responses of Constancia ore (ex: Hypogene, Supergene, Skarn, Mixed and High Zinc) is acceptable in terms of treatment rate, recovery and molybdenum and copper concentrate grades. For example, the copper grade in the final concentrate is higher than 26%, with low levels of zinc, lead, iron, etc. The molybdenum concentrate produced is over 47% molybdenum with low contents of copper, lead, iron, etc. Metallurgical test work performed at laboratory and plant levels with Hypogene, Skarn, Supergene, High Zinc and Mixed ore from different polygons have enabled the operator to identify different reagents which show better performance according to each type of ore treated.

Pampacancha testwork is still at the prefeasibility level, so there are still several assumptions that have been made for Pampacancha ore recovery and throughput in the Constancia plant.

For the production year 2016 the Constancia plant achieved a copper recovery of 82%, over the next five years the copper recovery will gradually increase relative to the proportions of mineral type approaching 90% when the feed is predominantly hypogene to the end of mine life.

Mineral Resource and Mineral Reserve Estimates

Resource estimation for Constancia was based on integrated geological and assay interpretations from the information recorded on diamond core logging and assaying. During the time the resource estimate was created, a total of 165,693 meters (581 holes) had been drilled. Multi pass ordinary kriging interpolation setup was used to interpolate the grades in the block model while honoring the geology. The component of the mineralization within the block model that meets the requirements for reasonable prospects of economic extraction was based on the application of a Lerchs-Grossman cone pit algorithm. The mineral resources are therefore contained within a computer generated open pit geometry.

The mine production plan contains 689 Mt of waste and 614 Mt of ore, yielding a waste to ore stripping ratio of 1.1 to 1.0. An average LOM mining rate of 67.5 Mt/a, with a maximum of 74 Mt/a, will be required to provide the assumed nominal process feed rate of approximately 29.5 Mt/a. The ore production schedule for the project shows average grades of 0.31% Cu, 0.009% Mo, 0.05 g/t Au and 3.0 g/t Ag.

Reconciliation of Reserves and Resources

A year over year reconciliation of the estimated mineral reserves and resources at the Constancia mine is set out below.

Constancia

Mineral Reserve Reconciliation (Proven & Probable)		Tonnes [1]
A	2016 Mineral Reserve	571,000,000
B	2016 Production (from Reserves)	27,000,000
C	(A - B)	544,000,000
D	Geology [2] Gain/(Loss)	-
E	Mine Planning [3] Gain/(Loss)	(2,800,000)
F	Economics [4] Gain/(Loss)	-
G	(D + E + F)	(2,800,000)
H	2017 Mineral Reserve (C + G)	541,200,000

Mineral Resource Reconciliation (Measured & Indicated)		Tonnes [1]
I	2016 Mineral Resource (Measured & Indicated)	361,000,000
J	2017 Mineral Resource (Measured & Indicated)	449,500,000
K	(J - I) Gain[4]/(Loss)	88,500,000

Mineral Resource Reconciliation (Inferred)		Tonnes [1]
L	2016 Mineral Resource (Inferred)	200,000,000
M	2017 Mineral Resource (Inferred)	138,100,000
N	(M - L) Gain[34]/(Loss)	(61,900,000)

Pampacancha

Mineral Reserve Reconciliation (Proven & Probable)		Tonnes [1]
A	2016 Mineral Reserve	43,000,000
B	2016 Production (from Reserves)	-
C	(A - B)	43,000,000
D	2017 Mineral Reserve	43,000,000

Mineral Resource Reconciliation (Measured & Indicated)		Tonnes [1]
I	2016 Mineral Resource (Measured & Indicated)	11,000,000
J	2017 Mineral Resource (Measured & Indicated)	22,700,000
K	(J - I) Gain[4]/(Loss)	11,700,000

Notes:

1. Totals may not add up correctly due to number rounding
2. Geology - diamond drilling, interpretation, estimation (interpolation parameters)
3. Mine Planning - resultant change of mine plan design
4. Economics - mine operating and capital, commodity price and foreign exchange, concentrating, TC/RC, freight

Mining Operations

The Constancia mine is a traditional open pit shovel/truck operation with two deposits, Constancia and Pampacancha. The operation consists of an open pit mining and flotation of sulphide minerals to produce commercial grade concentrates of copper. Silver and a small quantity of payable gold reports to the copper concentrate. Commissioning of a molybdenum circuit is underway. The Pampacancha deposit exhibits higher grades of copper and gold and is scheduled to enter into production during 2018.

To match the production requirements, operations are conducted from 15 meters high benches using large-scale mine equipment, including: 10-5/8-inch-diameter rotary blast hole drills, 27 m3 class hydraulic shovel, 19 m3 front-end loader, and 240 ton off-highway haul trucks.

Processing and Recovery Operations

The processing plant processes a nominal throughput of 90,000 tpd of ore (31 Mtpa at 94% plant availability); however during 2016, it processed 27 Mtpa of ore from the Constancia and San José ore bodies and the shortfall was principally due to some one-off maintenance events.

The primary crusher, belt conveyors, thickeners, tanks, flotation cells, mills and various other types of equipment are located outdoors without buildings or enclosures. To facilitate the appropriate level of operation and maintenance, molybdenum concentrate bagging plant, copper concentrate filters and concentrate storage are housed in clad structural steel buildings.

The processing plant has been laid out in accordance with established good engineering practice for traditional grinding and flotation plants. The major objective is to make the best possible use of the natural ground contours to minimize pumping requirements by using gravity flows and also to reduce the height of steel structures.

Infrastructure, Permitting, and Compliance Activities

The infrastructure facilities include the waste rock facility, tailings management facility, water management, electrical power supply and transmission, and improvements to the roads and the port. The primary road to the site consists of a 70km sealed road (National Route PE-3SG) from Yauri to the Livitaca turn-off and approximately 10 km of unsealed road (CU-764) from the Livitaca turn-off to site. These roads (and bridges) have been upgraded, as necessary, to meet the needs for construction and life of mine use.

Copper concentrate is shipped from the Constancia Mine via road (~460km) and arrives at the Matarani port in trucks. These trucks are equipped with a hydraulically operated covered-box hinged at the rear, the front of which can be lifted to allow the concentrate to be deposited in the concentrate shed assigned to Hudbay by TISUR, the port operator. Pier C has been assigned to Hudbay and has a 75 Kt capacity. A chute from the shed will feed a conveyor system in a tunnel below. This feed conveyor has a 1,000 metric tonnes per hour capacity. The same conveyor and ship loading equipment will be shared with other copper concentrate exporters.

The Constancia Mine Environmental and Social Impact Assessment (ESIA) was approved by the Ministry of Energy and Mines (MINEM) in November 2010 and the first amendment to the ESIA (MOD I) was approved in August 2013; the amendment was to increase the processing capacity and to match the Detailed Design Feasibility Study.

On April 2015, the second amendment to the ESIA (MOD II) was approved to increase reserves through the expansion of the Constancia Pit, inclusion of the Pampacancha deposit, and the waste rock facility (WRF) and the tailings management facility (TMF) expansion, among others.

Hudbay secured all necessary permits and authorizations on time to start construction activities and operation of the mine.

Capital and Operating Costs

The LOM Sustaining CAPEX is estimated to be $786M (excluding capitalized stripping) and Pampacancha project capex is estimated to be $54M (excluding the cost of acquiring the surface rights). All capex items are reported in real 2016$ USD.

The total includes capital required for major mining equipment acquisition, rebuilds, and major repair. The cost also includes site linfrastructure expansion (Tailings Management Facility, Waste Rock Facility , etc.) and process plant infrastructure.

The operating costs are divided in three catagories: mine, process plant and G&A. The LOM operating costs are shown the below table.

Operating Costs	2017(1)	2018(1)	2019(1)	2020(1)	2021(1)	2022-2035(1)	LOM(1)
Unit Costs							
Mining	2.89	2.85	2.66	2.78	2.96	2.71	2.74
Milling	4.06	4.00	4.01	4.01	4.01	4.03	4.03
G&A	1.48	1.24	1.24	1.24	1.24	1.08	1.14
Total Operating Costs (Before Capitalized Stripping)	8.43	8.09	7.92	8.03	8.22	7.82	7.91
Total Operating Costs (After Capitalized Stripping)	7.84	7.53	7.74	7.55	7.80	7.27	7.39

(1) US$/tonne Milled

Exploration, Development and Production

The Constancia mine commenced initial production in the fourth quarter of 2014 and achieved commercial production in the second quarter of 2015. Pampacancha is expected to be developed and mined commencing in 2018.

LALOR MINE

Project Description and Location

Lalor is a zinc, gold and copper mine near the town of Snow Lake in the province of Manitoba. Lalor is located approximately 208 kilometres by road east of Flin Flon, Manitoba of which 197 kilometres is paved highway. Lalor commenced initial ore production from the ventilation shaft in August 2012 and commenced commercial production from the main shaft in the second half of 2014.

We own a 100% interest in the property through one mineral lease and eight Order in Council (“ **OIC**”) Leases that total approximately 947 hectares with annual rental payments payable to the Manitoba government of C$10,040. The mineral leases terminate in April and September of 2023 and March of 2033. There is no royalties payable other than those potentially payable to the province. Surface rights are held under general permits with total annual rental payments of C$1,510 and are sufficient for purposes of our development plans.

The Lalor project was envisaged to utilize, to the greatest extent possible, existing infrastructure in the Snow Lake area from previous mining activities and currently operating facilities. As such, liabilities associated with each operational area have been addressed by the closure plans previously submitted to the regulators and financial assurance has been provided to cover total closure and remediation costs.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The current project infrastructure includes a 3.5 kilometre main access road that was constructed in 2010 from provincial road 395 and provides access from the Chisel North mine site to the Lalor site. This access road includes a corridor with freshwater/discharge pipelines and a main hydro line. Access to the site is off of paved provincial highway 392, which joins the town of Snow Lake and provincial highway 39 and provides access to Flin Flon.

The Snow Lake area has a typical mid-continental climate, with short summers and long, cold winters. Climate generally has only a minor effect on local exploration and mining activities. The project area is approximately 300 metres above sea level, consisting of ridged to hummocky sloping rocks with depressional lowlands, and has gentle relief that rarely exceeds 10 metres. The area of Lalor and surrounding water bodies (Snow, File, Woosey, Anderson and Wekusko lakes) are located in the Churchill River Upland Ecoregion in the Wekusko Ecodistrict. The dominant soils are well to excessively drained dystic brunisols that have developed on shallow, sandy and stony veneers of water-worked glacial till overlying bedrock. Significant areas consist of peat-filled depressions with very poorly drained typic and terric fibrisolic and mesisolic organic soils overlying loamy to clayey glaciolacustrine sediments.

We commissioned a 2,000 US gpm water treatment plant in 2008 at Chisel Lake, approximately eight kilometres from Lalor, where water from the Lalor mine is treated in the Water Treatment Plant along with water from the Chisel Open Pit.

Tailings production associated with the Lalor mine is impounded in the Anderson Tailings Impoundment Area (“ **TIA**”).

Power for the site is being transmitted at 25 kV from the Lalor substation located at the Chisel North minesite via a 3.5 km transmission line.

History

The Lalor deposit is situated in the Chisel Basin. Exploration in the Chisel Basin has been active since 1955. The Chisel Basin area has hosted three producing mines, namely, Chisel Lake, Chisel Open Pit and Chisel North. All three mines have very similar lithological and mineralogical features.

A Crone Geophysics survey in 2003 indicated a highly conductive shallow-dipping anomaly at a vertical depth of 800 metres. In early 2007, drill hole DUB168 was drilled almost vertically to test the anomaly and intersected a band of conductive mineralization between 781.74 metres and 826.87 metres (45.13 metres). Assay results include 0.30% Cu and 7.62% Zn over the 45.13 metres, including 0.19% Cu and 17.26% Zn over 16.45 metres.

Geological Setting

The Lalor property lies in the eastern (Snow Lake) portion of the Paleoproterozoic Flin Flon Greenstone Belt and is overlain by a thin veneer of Pleistocene glacial/fluvial sediments. Located within the Trans-Hudson Orogen, the Flin Flon Greenstone Belt consists of a variety of distinct 1.92 to 1.87 Ga tectonostratigraphic assemblages including juvenile arc, back-arc, ocean-floor and ocean-island and evolved volcanic arc assemblages that were amalgamated to form an accretionary collage (named the Amisk Collage) prior to the emplacement of voluminous intermediate to granitoid plutons and generally subsequent deformation. The volcanic assemblages consist of mafic to felsic volcanic rocks with intercalated volcanogenic sedimentary rocks. The younger plutons and coeval successor arc volcanics, volcaniclastic, and sedimentary successor basin rocks include the older, largely marine turbidites of the Burntwood Group and the terrestrial metasedimentary sequences of the Missi Group.

The Snow Lake arc assemblage that hosts the producing and past-producing mines in the Snow Lake area is a 20 kilometres wide by 6 kilometres thick section that records a temporal evolution in geodynamic setting from 'primitive arc' (Anderson sequence to the south) to 'mature arc' (Chisel Basin sequence) to 'arc- rift' (Snow Creek sequence to the northeast). The 'mature arc' Chisel Basin sequence that hosts the zinc rich Chisel Lake, Ghost Lake, Chisel North, and Lalor deposits typically contains thin and discontinuous volcaniclastic deposits and intermediate to felsic flow-dome complexes.

The Lalor deposit is similar to other massive sulphide bodies in the Chisel Basin sequence, and lies along the same stratigraphic horizon as the Chisel Lake and Chisel North deposits. It is interpreted that the top of the zone is near a decollement contact with the overturned hanging wall rocks.

Drilling

The Lalor mine was discovered by drilling a surface exploration hole testing an electromagnetic geophysical anomaly in March 2007, which intersected appreciable widths of zinc-rich massive sulphides in hole DUB168. Surface drilling continued to July 2012. A limited surface exploration drill program was conducted from August to October 2015 to explore for potential down plunge extensions of Zone 27 and to test near mine geophysical conductors that could not be drilled from underground workings. As of January 1, 2017, a total of 203,037 m of surface drilling was completed at Lalor.

Underground drilling began at Lalor with hole LP0001 in January 2012 and drilling has been continuous to date. Holes are drilled at all dips and azimuths needed to provide adequate coverage of the orebody for interpretation and mining purposes. Holes with dips steeper than +70° are preferably avoided due to poor ergonomics and the increased risk for the drill crews. Underground drilling at Lalor is divided into five different categories based on the primary planned purpose of the hole (project, engineering, exploration, definition, or delineation).

The drill hole database contains 1,707 assayed drill holes totaling approximately 420,310 metres that were used to support the mineral resource estimate. All diamond drilling completed from surface or underground retrieved whole core sizes of BQ and NQ with core recovery near 100%.

Mineralization

Lalor is interpreted as a gold enriched VMS deposit that precipitated at or near the seafloor in association with contemporaneous volcanism, forming a stratabound accumulation of sulphide minerals. VMS deposits typically form during periods of rifting along volcanic arcs, fore arcs, and in extensional back arc basins. Rifting causes extension and thinning of the crust, providing the high heat source required to generate and sustain a high-temperature hydrothermal system.

The location of VMS deposits are often controlled by synvolcanic faults and fissures, which permit a focused discharge of hydrothermal fluids. A typical deposit will include the massive mineralization located proximal to the active hydrothermal vent, footwall stockwork mineralization, and distal products, which are typically thin but extensive. Footwall, and less commonly, hanging wall semi-conformable alteration zones are produced by high temperature water-rock interactions.

The depositional environment for the mineralization at Lalor is similar to that of present and past producing base metal deposits in felsic to mafic volcanic and volcaniclastic rocks in the Snow Lake mining camp. The deposit appears to have an extensive associated hydrothermal alteration pipe.

The Lalor VMS deposit is isoclinaly folded and flat lying, with zinc mineralization beginning at approximately 600 metres from surface and extending to a depth of approximately 1,100 metres. The mineralization trends about 320° to 340° azimuth and dips between 30° and 45° to the northeast. It has a lateral extent of about 900 metres in the north-south direction and 700 metres in the east-west direction.

Sulphide mineralization is pyrite, sphalerite and chalcopyrite. In the near solid (semi-massive) to solid (massive) sulphide sections, pyrite occurs as fine to coarse grained crystals ranging one to six millimetres and averaging two to three millimetres in size. Sphalerite occurs interstitial to the pyrite. A crude bedding or lamination is locally discernible between these two sulphide minerals. Near solid coarse grained sphalerite zones occur locally as bands or boudins that strongly suggest that remobilization took place during metamorphism. Disseminated blebs and stringers of pyrrhotite and chalcopyrite occur locally within the massive sulphides, adjacent to and generally in the footwall of the massive sulphides.

Notable gold and silver rich zones have also been intersected in the footwall of the zinc rich base metal mineral resources on the property. The precious metal mineralization begins at approximately 750 metres from surface and extends to a depth of approximately 1,480 metres. The current interpretation suggests the deeper copper-gold lens tends to have a much more linear trend to the north than the rest of the zones.

Gold and silver enriched zones occur near the margins of the sulphide lenses and in local silicified footwall alterations. These silicified areas often correlate with disseminated stringer chalcopyrite, pyrrhotite and pyrite, whether together or independent of each other. This footwall gold mineralization is typical of VMS footwall feeder zones with copper-rich disseminated and vein style mineralization overlain by massive zinc-rich zones.

Seven distinct stacked zinc rich mineralized zones, six stacked lens groups of gold mineralization of low sulphide either in contact with or entirely separate to the zinc rich base metal resources and one copper- gold zone of mineralization were interpreted. The interpreted gold zones are generally co-paralleled and/or separate to the zinc rich base metal mineral resource zones. However, gold zones locally merge and are in direct contact with base metal resources.

The gold bearing lithologies remain open down plunge to the north and northeast.

Sampling and Analysis: Sampling Methods

Drill core is logged, sample intervals selected and marked clearly on the core. The majority of exploration core is cut in half with a diamond saw and a representative portion of the hole is kept. Definition and delineation core is whole core sampled. All samples are placed in a plastic bag with its unique sample identification tag.

The bagged samples are placed in a plastic pail with a submittal sheet that was prepared by the geologist or technician. Samples were delivered to the Hudbay laboratory in Flin Flon or Bureau Veritas laboratory in Vancouver, British Columbia. All samples arriving at the laboratory are checked against the geologist's sample submission sheets.

From 2012 to 2016 a total of 104,024 drill core samples were analyzed at the Hudbay laboratory in Flin Flon. Copper, zinc, and silver were digested in aqua regia and analyzed by ICP-OES. Gold was determined by lead-collection fire assay fusion, for total sample decomposition, followed by atomic absorption spectroscopy (AAS) analysis. Fire assays were performed on 15 to 30g subsample pulps to avoid problems due to potential nuggetty gold. All samples with gold values (AAS) > 10 g/t were re-assayed using a gravimetric finish. All analytical balances are certified annually by a third party. Check weights are used daily to verify calibration of balances. All metal standards used to make the calibration standards for the AAS and ICP are certified and traceable. Each is received with a certificate of analysis. Both the AAS and ICP are serviced twice per year by the instrument manufacturer's qualified service representative to ensure that the instruments meet original design specifications. The Hudbay laboratory has been participating in CANMET PTP/MAL round robin testing since 2000. PTP/MAL is a requirement for laboratories that are ISO 17025 certified. The laboratory has also been participating since 2002 in round robin testing conducted by GEOSTATS of Australia. Fine sample pulps are kept in secure storage at the laboratory after analysis. Pulps are only released after all data is validated.

Over the past five years, 2012 to 2016, a total of 23,822 drill core samples were analyzed at Bureau Veritas laboratories. Copper, zinc, and silver were digested in aqua regia and analyzed by inductively coupled plasma optical emission spectrometry (ICP-OES) and more recently in 2016 by inductively coupled plasma mass spectrometry (ICP-MS). Samples with copper and zinc over the upper limit of detection (ULD) were analyzed by titration, whereas those samples with silver values over the ULD were analyzed by fire assay and gravimetric finish. Gold was determined by lead-collection fire assay fusion, for total sample decomposition, followed by atomic absorption spectroscopy (AAS) instrumental analysis (Table 11 1). Fire assays were performed on 15 to 30g subsample pulps to circumvent problems due to potential nugget effect. Samples from selected holes were also submitted for determination of specific gravity using SPG02 method (volume determination by submersion followed by drying).

A total of 65,792 measurements collected by Hudbay and measured at Flin Flon laboratory, Bureau Veritas laboratory and at Hudbay logging facility, using a non-wax-sealed immersion technique to measure the weight of each sample in air and in water were completed..

A total of 112,732 samples from 3,396 drill holes were submitted to the Flin Flon assay laboratory for analysis as of the date of the most recent technical report. The average length for these sample intervals was 1.62 metres.

Sampling and Analysis: Quality Assurance and Quality Control

As part of Hudbay quality assurance and quality control (QAQC) program, QAQC samples were systematically introduced in the sample stream to assess sub-sampling procedures, potential cross-contamination, precision, and accuracy. Hudbay commonly includes 5% certified reference materials (CRM), 2% certified blanks, and 5% coarse duplicates. Blanks and CRMs were prepared mostly by Ore Research and Exploration (OREAS). However, a few high-grade gold standards are from Rocklabs. All QAQC samples were analyzed following the same analytical procedures as those used for the drill core samples.

Certified OREAS blanks were inserted into the sample stream commonly one every fifty samples to monitor potential cross-contamination. Between 2012 and 2016, 841 blanks were analyzed representing 3.5% of the samples submitted to Bureau Veritas and 2,278 blanks were inserted, representing 2.2% of the total number of samples analyzed at the Hudbay laboratory.

From 2012 to 2016 a total of 1,601 OREAS and Rocklabs certified reference materials (CRMs) were analyzed at Bureau Veritas representing 6.7% of the sample stream and a total of 5,570 OREAS and Rocklabs CRMs were analyzed representing 5.4% of the total samples submitted to the Hudbay laboratory. Coarse duplicates, approximately one in every twenty samples, were submitted to Bureau Veritas laboratory and Hudbay laboratory in order to monitor sub-sampling precision.

A total of 304 representative pulp samples (1.5%) were selected and re-analyzed at SGS Canada Inc. (SGS) laboratory in Vancouver to assess the accuracy of assay results reported by Bureau Veritas and the Hudbay laboratory relative to the umpire laboratory SGS. Only samples with ≥0.5ppm gold were submitted for re-analysis at the secondary laboratory. Copper, zinc, and silver were digested in aqua regia and analyzed by ICP-OES. Gold was fire assayed and analyzed by AAS. These methods are comparable to those used by Bureau Veritas and the Hudbay laboratory.

Sampling and Analysis: Data Verification

The performance of blanks indicates that there are no significant problems with contamination at the Bureau Veritas laboratories, samples were handled with care, and the assay results are free of contamination and adequate for the resource estimation. The accuracy and reproducibility of copper, zinc, silver, and gold assays, as indicated by the CRMs assayed at Bureau Veritas laboratories, is of good quality for resource estimation. In reviewing the coarse duplicates submitted to Bureau Veritas, it is concluded that the sub-sampling procedures were adequate for all metals used in the resource model.

Overall the performance of blanks indicates no significant issues with contamination at the Hudbay laboratory in Flin Flon. The contamination rates are generally low for copper, silver and gold, and high for zinc but at grade levels that are not economic. Therefore the results are acceptable for the resource estimation. The analytical accuracy and reproducibility of copper, zinc, and silver as indicated by the CRM analysis, at the Hudbay laboratory is appropriate for resource estimation. Gold grades are being under assayed. This under assaying of gold standards will likely lead to an underestimation of gold in the resource estimate, since the proportion of samples assayed at the Hudbay laboratory is approximately 80% of the total samples assayed between 2012 and 2016. The duplicate pairs display failure rates of <5% for copper, zinc, and silver indicating that the sub-sampling procedures employed by the Hudbay laboratory are of good quality for base metals and silver. However an adequate sub-sampling variance for gold at the Hudbay laboratory is reached only for gold grades above 1ppm.

The duplicate analyses concluded the accuracy achieved by Bureau Veritas and Hudbay for copper, zinc, silver, and gold, during 2015 and 2016, is of good quality for resource estimation.

Security of Samples

Security measures taken to ensure the validity and integrity of the samples collected consist of a chain of custody of drill core from the drill site to the core logging area. All facilities used for core logging and sampling located are on a secure mine site location. Core sampling is undertaken by Hudbay geologists and sample splitting and shipping conducted by technicians under the supervision of Hudbay geologists. Chain of custody for core cutting through to delivery of samples to laboratories is in place and a well documented and implemented receiving and processing procedures at the Hudbay and Bureau Veritas laboratories. The Hudbay laboratory samples results are stored on a secure mainframe based Laboratory Information Management System (LIMS). The diamond drill hole database is stored on the secure Hudbay network, using the acQuire database management system with strict access rights.

Mineral Resource Estimates

The mineral resources for Lalor are estimated either as base metal lenses or gold zones and classified as Measured, Indicated and Inferred resources, as of September 30, 2016.

The base metal grade shells were built using MineSight, from 2D cross sections linked to create solids and verified in plan, using approximate 4.1% zinc equivalency cut-off. The gold-rich grade shell were built with Leapfrog® version 4.0 and were constrained with the logging, lithogeological data and an approximate 2.4 g/t gold equivalency or an approximate 1.9% copper equivalency. The gold-rich mineralized envelopes interpretation was stretched to follow the geological continuity of the zones.

The resource is based on integrated geological and assay interpretation of information recorded from diamond drill core logging and assaying and underground mapping and is comprised of the following steps: exploratory data analysis, high-grade capping, high yield grade restrictions, and estimation and interpolation parameters consistent with industry standards. A total of 420,310 m in 1,707 holes have been drilled at Lalor deposit.

The Lalor block model was validated to ensure appropriate honouring of the input data by the following methods:

- Visual inspection of the ordinary kriging (OK) block model grades in plan and section views in comparison to composites grade
- Metal removed via grade capping and high yield restriction methodology
- Comparison between the interpolation methods of nearest neighbour and inverse distance squared weighted to confirm the absence of global bias in the OK grade model
- Swath plot comparisons of the estimation methods to investigate local bias
- Review of block model ordinary kriging quality control parameters
- Comparison of grade tonnage curves and statistics by estimation method
- Third party review of the block model and estimation process

Mineral Reserve Estimates

The mineral reserves were estimated based on a life of mine (LOM) plan prepared; using Deswik mine design software that generated mining inventory based on stope geometry parameters and mine development sequences. Appropriate dilution and recovery factors were applied based on cut and fill and longhole open stoping mining methods with a combination of paste and unconsolidated waste backfill material.

The shallow dipping nature of the deposit and stacking of lenses results in multiple lenses being grouped together for mining purposes in the stope optimizer routines of Deswik so that they can be extracted as a single mining unit, based on stope mining parameters by mining method.

Internal dilution and external dilution are included as part of the optimized mining shape. Dilution, set at zero grade and a bulk density of 2.8 tonnes per cubic metre, is based on the full mining shape with internal and external dilution. Average dilution of the mineral resources that are in the LOM production plan is 18.9% . Mining recovery is defined as the ratio of mineral resource tonnes delivered to the concentrator to the in-situ mineral resource tonnes. Average recovery of the mineral resources that are in the LOM production plan is 81.1% .

Diluted and recovered mineral resources exceeding a Net Smelter Return (NSR) cut-off of $88 per tonne for longhole open stoping and $111 per tonne for cut and fill mining method are included in the mineral reserves. NSRs are based on metal grades from the stope optimizer and block model, long-term metal prices, concentrator recoveries, smelter treatment, refining and payabilities and a Hudbay Manitoba Business Unit administration cost. Metal prices of $1.07 per pound zinc (includes premium), $1,260/oz gold, $3.00/lb copper, and $18.00/oz silver with a CAD/US foreign exchange of 1.10 was used to estimate mineral reserves.

The orebody is polymetallic with economically significant metals being zinc, gold, copper and silver. There are two different ore types, both of which are assumed to be treated using conventional flotation at the Stall concentrator:

- Base metals ores. Near solid to solid sulphide ores, with dominant pyrite and sphalerite with minor blebs and stringers of chalcopyrite and pyrrhotite.

- Gold rich ores. Silicified gold and silver enriched ores with stringers to disseminated chalcopyrite and sphalerite mineralization.

Metallurgical performance at Stall concentrator indicates that the base metal and gold rich ores can be blended and two concentrates will be produced, a zinc concentrate that will be shipped to the Hudbay Flin Flon metallurgical complex for production of refined zinc, and a gold enriched copper concentrate that will be shipped to third party smelters.

Reconciliation of Reserves and Resources

A year over year reconciliation of our estimated mineral reserves and resources, exclusive of reserves at the Lalor mine is set out below.

Lalor Mine		
Mineral Reserve Reconciliation (Proven & Probable)		Tonnes
A	2016 Mineral Reserve	15,285,000
B	2016 Production (from Reserves)	1,086,000
C	(A - B)	14,199,000
D	2017 Mineral Reserve	14,232,000
E	(D – C) Gain/(Loss)	33,000

Mineral Resource Reconciliation – Base Metal (Measured and Indicated)		Tonnes
F	2016 Mineral Resource	-
G	2017 Mineral Resource	2,100,000
H	(G -F) Gain/(Loss)	2,100,000

I	2016 Mineral Resource	3,300,000
J	2017 Mineral Resource	545,000
K	(J -I) Gain/(Loss)	(2,755,000)

Mineral Resource Reconciliation – Gold Zones (Measured and Indicated)		Tonnes
L	2016 Mineral Resource	1,153,000
M	2017 Mineral Resource	1,750,000
N	(M - L) Gain/(Loss)	597,000

Mineral Resource Reconciliation – Gold Zones (Inferred)		Tonnes
O	2016 Mineral Resource	3,522,000
P	2017 Mineral Resource	4,124,000
Q	(P - Q) Gain/(Loss)	602,000

Mining Operations: Mine Planning

Lalor mine is a multi-lens, flat lying orebody with ramp access from surface and shaft access to the 955 metre level. Internal ramps located in the footwall of the orebody provide access between mining levels. Stopes are accessed by cross cuts from the major mining levels.

Power is provided to the mine via power cables located in the production shaft, electrical distribution to the mine workings consist of 13.8 kV that is further stepped down to 600 V. The Chisel North mine ventilation system in sequence with the Lalor mine Downcast Raise, provide 400,000 cfm down the Lalor mine Access Ramp, with 150,000 cfm exhausting to surface via the Chisel North mine Ramp. An additional 555,000 cfm is downcast via the Lalor mine Production Shaft for a total of 955,000 cfm exhausting up the Main Exhaust Shaft. Mine ventilation air is heated by direct fired propane heaters located at each of the intakes. Lalor mine's fresh water source is Chisel Lake. Water is pumped from Chisel Lake to Lalor via heat traced pipeline. Fresh water pipe lines are located in the production shaft, with secondary water from natural ground water in the Lalor ramp. Mine water reports to the water treatment plant at Chisel Lake where it is treated and released. The main collection areas feeding the water treatment plant are the 140 metre level Pump Station at Photo Lake mine via the main ramp, surface portal and Photo Lake Pump House; the 840 metre level Sump via the Lalor mine Ventilation Raise and Lalor mine Lift station; and the 955 metre level main pumps via the Lalor mine Production Shaft and Lalor mine Lift Station. The Chisel North mine water is collected and that water is pumped to the 410 metre level sump where it continues to the 955 metre level main pumps at Lalor mine. All water within the mine is collected in intermediary collection sumps and proceeds to the main collection areas via drain lines, drain holes or drainage ditches.

In 2016, we mined 1,086,362 tonnes of ore via the production shaft at Lalor and ore was trucked to the Stall concentrator for processing.

Mining is done using mobile rubber tired diesel equipment. Load haul dump (" **LHD**") units vary from 8 to 10 cubic yards. Trucks are currently 42 to 60 tonne units that haul both ore and waste. Ore is directed to rock breakers located near the production shaft at the 910 metre level, where it is sized to 0.55 metre and conveyed to the shaft for hoisting to surface by two 16 tonne capacity bottom dump skips in balance. Hoisted ore is hauled by truck to the Chisel North mine site, crushed to less than 0.15 metre and stockpiled. Crushed ore is loaded by front end loader to tractor trailers and hauled to the Hudbay concentrator at Stall Lake. Waste rock is disposed of as backfill underground.

Lateral advance is made in 4 m long segments (rounds), with typical dimensions of 6 metre wide by 5 metre high. Lateral drilling is completed with two boom electric hydraulic jumbo drills, each round requires approximately 80 holes. Ore and waste are mucked using LHDs. Following mucking, standard ground support, consisting of resin grouted rebar and welded wire mesh to within 1.8 metre of the sill, is installed. Mine services, including compressed air, process water and discharge water pipes, paste backfill pipeline, power cables, leaky feeder communications antenna and ventilation duct are installed in main levels and stope entrances.

Two main mining methods are used at Lalor mine, cut and fill and longhole open stoping. Cut and fill methods include: mechanized cut and fill, post pillar cut and fill and drift and fill. Longhole open stoping methods include: transverse, longitudinal retreat and uppers retreat. Each mining area is evaluated to determine the most economic stoping method. In general where the dip exceeds 35° and the orebody is of sufficient thickness, longhole open stoping is used and lateral based cut and fill mining methods are used in flatter areas. Approximately 65% of the mineral reserves are mined using the longhole open stoping methods and 35% are mined with cut and fill methods. All stope mining is done using emulsion explosives.

Current production rates are approximately 3,000 to 3,500 tonnes per day and the mine is ramping up production to 4,500 tonnes per day by 2018. The production ramp-up is supported by the underground ore handling circuit capable of 4,500 tonnes per day, transitioning to more bulk mining methods (65% of reserves) with additional mining fronts and design changes to improve mining efficiencies, developing ore passes and transfer raises to reduce truck haulage cycle times from the upper portions of the mine and commissioning of a paste backfill plant in the first quarter of 2018.

Autonomous operation of a LHD loader underground is currently being trialed from surface by tele-remote monitoring with changes to standard designs to allow isolation of autonomous areas and buffer storage for in-between shift mucking.

Ore is received at the Stall concentrator, approximately 16 kilometres east of Lalor mine, and placed in coarse ore bins or on a stockpile at the mill. Ore is conveyed to a three stage crushing plant and crushed to 19mm. Crushed ore is conveyed to two sequential rod and ball mill combinations operating parallel with each other. The mills feed a sequential flotation process where a bulk rougher copper concentrate is floated first. The copper rougher concentrate is reground, followed by three stages of cleaning producing a concentrate grading approximately 21% copper. The copper concentrate is thickened and filtered to remove water, and is conveyed to concentrate storage. Copper concentrate is loaded to semi tractor trailer trucks for transport to Flin Flon for transport to third party smelters.

The tails from the copper circuit feed the zinc flotation circuit which produces a zinc rougher concentrate. This is followed by three stages of zinc cleaning which produces a concentrate grading approximately 51% zinc. Zinc concentrate is thickened and filtered and is conveyed to concentrate storage. Zinc concentrate is loaded to semi tractor trailer trucks for transport to Flin Flon where it is processed into refined zinc. Final tails from the Stall concentrator are currently pumped to the Anderson TIA for permanent disposal.

The increase in production to 4,500 tonnes per day at Lalor is complemented by the Stall concentrator expansion to 4,500 tpd, which is currently underway and is expected to be commissioned in the third quarter of 2018. The expansion addresses the following areas: crushing, copper and zinc flotation, thickening, dewatering, electrical power distribution, compressed air systems and water distribution systems that will enable the concentrator to operate at 4,500 tpd.

The Lalor paste plant project, which was approved in February 2017, is critical for the sustainability of the mine production plan. The paste plant will be located northeast of the existing headframe complex at Lalor mine and delivery capacity of the paste is 165 tonnes per hour solids (tails) or 93 cubic metres per hour paste. The paste plant is designed to fill voids left by mining of approximately 4,500 tonnes per day. Taking into account waste generated from development in the LOM and the plan not to hoist waste from underground the combined paste/waste backfilling capacity is approximately 6,000 tonnes per day. The paste plant will be capable of varying the binder content in the paste to provide flexibility in the strength gain of the paste where higher and early strength may be required depending on mining method.

Tails that are currently pumped from the Stall concentrator to the Anderson TIA will be diverted to the Anderson booster pump station. Capacity of the pumping station will range from 110 to 130 tonnes per hour to allow for some variation in the output of tailings from the concentrator. The tailings will be directed into the Anderson TIA when not required for the paste plant.

Two pipelines will be installed between the Anderson booster pump station and the paste plant located at Lalor mine site, approximately a 13 kilometre distance. Paste will be delivered underground via one of two – nominal 8 inch diameter, cased boreholes from surface to the 780 metre level the mine. Only one borehole is required during normal operation, with the second borehole available as a spare in the event of a plug or excessive wear on the primary hole. The boreholes were drilled and cased in 2016.

A network of underground lateral piping and level to level boreholes will transfer the paste from the base of the discharge hopper to the required underground locations. Underground development is required to extend an existing drift on the 780 metre level to intersect the surface boreholes and short cross-cuts on several levels for level to level boreholes. The majority of the underground distribution system will utilize existing drifts or planned future development.

Permitting and Environmental

In March 2014, we received the Environment Act Licence (“ **EAL**”) for the Lalor mine which allowed the mine to move into full production and skip tonnes up the main production shaft after construction and commissioning was completed in the third quarter of 2014.

Commencing in 2007, AECOM carried out extensive environmental baseline investigations needed to conclude an environmental impact assessment for the Lalor project, including all necessary terrestrial and aquatic field studies. This baseline work was utilized in the Lalor Paste Plant Notice of Alteration (NoA) which was submitted to Manitoba Sustainable Development in the fourth quarter of 2016 and was approved in January 2017. Additional baseline work and studies was completed for the Anderson Tailings Impoundment Area (TIA) expansion NoA submitted in the third quarter of 2016 to Manitoba Sustainable Development for approval. Due to the extensive work already completed and other existing studies as part of Environmental Effects Monitoring (EEM) programs at the various operations in the Snow Lake area, it is contemplated that no additional baseline studies are necessary for potential future improvement projects. There is no present indication that future approvals will not be obtained to meet potential future construction schedules.

Presently the New Britannia site inclusive of the Birch Lake Tailings Management Facility (BLTMF), in Snow Lake, although currently on care and maintenance, has a current EAL and the seasonal discharge from BLTMF is regulated under the Metal Mines Effluent Regulation. Hudbay is currently in the process of applying for a new water withdrawal licence for this site which is anticipated to be obtained before potential operational needs. Potential future use of the New Britannia site will require the submission of a NoA in order to process material from the Lalor mine.

As a requirement of the Lalor mine EAL, an updated closure plan was submitted for approval in September 2014 and is currently under review by the regulatory authorities. NoA applications for the paste plant, expansion of the Anderson TIA, and potential upgrades to the New Britannia site also will require the submission of updated closure plans and financial assurance.

Exploration and Development

Since 2014, one exploration drift and one exploration ramp were developed at Lalor for a total of 1,891 metres. The development was undertaken to establish underground platforms to conduct exploration drilling on targets that could not be drilled from existing mine infrastructure. Prudent care was taken in the placement and size of both the exploration ramp and drift to assure the selected locations can accommodate future mining equipment and related infrastructure.

In 2015, thirty-one drill holes were completed for a total of 10,395 metres focusing on the copper-gold, Zone 27. Exploration drilling continued on Zone 25 from March to July of 2016 for a total of sixty-nine drill holes and 16,098 metres. The purpose of the exploration programs was to upgrade inferred resources, specifically focused on identifying areas of enriched gold and copper-gold mineralization. Due to the low angle and stacking nature of the mineralization at Lalor, holes were extended beyond the gold target depths to explore the on-strike and plunge potential of known base metal lenses, which led to increases in mineral resource inventory.

In the fourth quarter of 2016, Hudbay developed 37 drift rounds at Lalor to assess the continuity and variability of non-contact gold mineralization within discrete areas of Zones 21 and 25. Approximately 10,000 tonnes of bulk sample material was mined and hauled to surface. The material was primary crushed and processed through a sample tower to collect a representative subsample of each development round. The integrity of the material was maintained at all times through a rigorous chain of custody process. The mined material, stored on surface, is available for milling pending the potential economic viability of refurbishing the New Britannia gold mill in Snow Lake by Hudbay.

The preliminary results indicate that the gold grades from the bulk sample program are as expected with minor variations when compared to those modeled based on diamond drill data. The bulk sample program has increased the confidence and the understating of the gold zones and gold mineralization at Lalor.

777 MINE

Project Description and Location

The 777 mine is an underground copper and zinc mine with significant precious metals credits located in Flin Flon, Manitoba. Unless the context indicates otherwise references to the 777 mine include the 777 North expansion.

We own a 100% interest in the properties that comprise the 777 mine through mineral leases, Order in Council (" **OIC**") leases and mineral claims in Manitoba and Saskatchewan. The properties cover approximately 3,800 hectares, including approximately 500 hectares in Manitoba and approximately 3,300 hectares in Saskatchewan. Annual lease rental payments are C$6,913 and C$1,600 to the Manitoba and Saskatchewan governments, respectively, and the annual work expenditure requirement for the Saskatchewan properties is C$257,025. Individual leases have different term expiry dates that range from 2017 to 2036. Our surface rights and permits are sufficient for purposes of our current mining operations.

Liabilities associated with the 777 mine are addressed by the closure plans that have been submitted to regulators in both Saskatchewan and Manitoba and financial assurance has been provided to cover the demolition and remediation activities outlined in such closure plans. The closure and remediation liability in respect of the property is estimated at C$1.8 million as of December 31, 2016. In addition, closure plans have been submitted and are backed with financial assurance for the associated Flin Flon Metallurgical Complex ("**FFMC**"), which includes the Flin Flon Tailings Impoundment System ("**FFTIS**") utilized by the 777 mine.

Mineral production from the 777 mine property is subject to a 4% net smelter returns royalty and a 27.56 cents (Canadian) per tonne production royalty pursuant to a Royalty Agreement (the "**Royalty Agreement**") dated as of January 1, 2015 between HBMS and Callinan Royalties Corporation ("**Callinan**"). The Royalty Agreement replaces the previous Net Profits Interest and Royalty Agreement, which was terminated in conjunction with the execution of the Royalty Agreement.

Precious metals production from the 777 mine is subject to our agreement with Silver Wheaton, as described in this AIF.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The 777 mine is located in Flin Flon, Manitoba, which has a population of approximately 6,000 people, and is accessible by paved highway. Flin Flon is the site of our principal concentrator and zinc plant and has well developed access to rail and air transportation. Personnel requirements for our 777 mine and processing facilities are largely drawn from the immediate area.

Electrical power is supplied from the Manitoba Hydro and Saskatchewan Power Corporation power grids, which are fed by three hydroelectric generating stations. No issues are foreseen for securing additional electrical power in the future if required.

Water for mining activities is supplied from a reservoir located adjacent to the 777 mine site and is sufficient for operations.

Tailings from milling are sent to the Paste Backfill Plant located at the lower level of the mill building. Mixed paste backfill is pumped to one of two lined boreholes adjacent to the mill, where paste is gravity fed to 1,082 metre level for distribution to mined out stopes. Tailings not used in paste production are pumped to the FFTIS. The FFTIS is located in Saskatchewan approximately 500 metres to the west of our Flin Flon Metallurgical Complex.

The 777 mine site is 311 metres above sea level. The geographical area has cool summers and very cold winters with a mean annual temperature of 0.6° C. Operating costs in the first and fourth quarters are typically higher due to additional heating and other seasonal costs.

History

In 1993, the 777 deposit was discovered by an underground exploration hole that intersected the mineralization at a depth of 1,000 metres. In 1995, a drilling program delineated the ore body and by 1997, this ore body was defined. In 1999, development of the 777 mine began as part of the "777 Project" and commercial production from the mine commenced in January 2004. By this time, Minorco S.A. had merged with Anglo American Corporation of South Africa to form Anglo American plc ("**Anglo American**"). In December 2004, we acquired HBMS and the 777 mine from Anglo American.

HBMS took a working option on the 777 property in 1967 from Callinan. In 1988, HBMS acquired Callinan's remaining interest in the property and in return granted Callinan a production royalty and a net profit interest, which net profit interest has since been converted to a net smelter return royalty, as described above.

Geological Setting

The 777 deposit lies in the western portion of the Paleoproterozoic Flin Flon Greenstone Belt. The Greenstone Belt is interpreted to be comprised of a variety of distinct 1.92 to 1.87 Ga tectonostratigraphic assemblages including juvenile arc, back-arc, ocean floor and ocean island, and evolved volcanic arc assemblages that were amalgamated to form an accretionary collage prior to the emplacement of voluminous intermediate to granitoid plutons and generally subsequent deformation. The volcanic assemblages consist of mafic to felsic volcanic rocks with intercalated volcanogenic sedimentary rocks. The younger plutons and coeval successor arc volcanics, volcaniclastic, and sedimentary successor basin rocks include the older, largely marine turbidites of the Burntwood Group and the terrestrial metasedimentary sequences of the Missi Group (which includes the Flin Flon formation).

The Flin Flon formation is subdivided into three mappable members containing units of heterolithic and monolithic breccias, rhyolite flows and domes, and massive and pillowed basalt flows and flow-top breccias. It is comprised of the Millrock member, which contains the 777 and Callinan mineralization, and in footwall to it the Blue Lagoon and Club members.

A complex succession of felsic and basalt-dominated heterolithic volcaniclastic rocks host the Flin Flon Main, Callinan and 777 volcanogenic massive sulphide ("**VMS**") deposits within the Greenstone Belt. The north-trending, VMS-hosting, 30 to 700 metre thick volcanic/volcaniclastic succession is recognized for at least 5 kilometres along strike and has an average dip of 60°E. The volcaniclastic rocks have been interpreted to occupy a volcano-tectonic depression within a basaltic footwall succession.

Exploration: Drilling

Diamond drilling is the only drilling type carried out for the purposes of exploration, ore zone definition and sampling of our 777 mine mineralization. The modern 777 drilling program began in the early 2000's and, as at September 30, 2016, a total of 2,572 holes and 359,347 metres had been drilled. All holes, except a geotechnical shaft pilot hole and surface North expansion exploration holes, were drilled from underground by a contractor using AW-34, AQTK, BQ and NQ core sizes. Drill hole spacing along the 777 deposit is generally 30 to 50 metres. Core recovery is near 100% for all holes. Drilling was categorized as definition, exploration, or geotechnical. Geotechnical drilling was completed in areas of planned underground infrastructure to ensure competency.

Standard procedure is that the core is initially logged for lithology then descriptively for grain size, foliation, minor units, alteration minerals and intensity, faults, RQD, joints and contacts. Sample intervals are determined by both lithology and a visual estimate of the sulphide mineralization. As a general rule, sample intervals are approximately one metre, though the length varies depending on lithology or type of mineralization. However, as many of the assays are historic in nature, several were split when they overlapped lithological boundaries in the resource block model and resulted in shorter sample intervals.

Exploration: Surveying

We routinely conduct time-domain borehole electromagnetic surveys with three dimensional probes on drill holes. These probes used are induction coil probes which measure the secondary magnetic field induced by the primary field created by a loop. These electronic methods can generally detect off hole targets up to 150 metres or more from the hole depending on the size and conductivity of the target. The sample quality can be affected by active mine workings and the proximity of the geophysical apparatus to a large ore body, such as 777, which can leave an imprint of the mine itself on the data.

After the initial aggressive exploration program that defined the 777 deposit, fewer holes were downhole geophysical surveyed. The first modern exploration drill hole at the 777 mine, T7X-001, was pulsed in late 2004. Following that hole, little exploration work was conducted between 2005 and 2008 with only 56 holes being drilled during that four year period. Since 2009, exploration efforts have increased along with the use of downhole geophysical surveying.

In 2007 a total of 75 kilometres of high resolution 2D seismic profiles as well as a 3D survey covering approximately 10 square kilometres was completed. Results were hampered by the significant challenges posed by the complex crystalline geology of the area, proximity to an active town, active mining operations, and the highly variable terrain.

The survey resulted in a greater understanding of the area geology. Also, the discovery of Zone 33 at the 777 Mine was attributed to this survey as it showed a seismic reflector in the footwall, which was later followed up with drilling and downhole pulsing. Previous downhole geophysical surveys had noted this anomaly, but it was previously discounted as a shadow effect from the 777Mine.

Mineralization

The 777 and Callinan deposits occur within an east-facing sequence of volcanic rocks documented as tholeiitic and basalt-dominated, and dated around 1888 Ma. The rocks immediately hosting the mineralization, however, consist of quartz-phyric ("**QP**") and quartzfeldspar-phyric rhyolite flows and quartz-feldspar crystal-lithic volcaniclastic rocks of rhyolitic composition.

The 777 deposit can be divided into two main southeast plunging trends, the North Limb and the South Limb, as well as the West Zone. All three zones lie within the same stratigraphic sequence with the same lithofacies as described above. The West Zone lies in the footwall in what is interpreted to be a lower thrust slice and both limbs have the same stratigraphic sequence. On average the lenses strike at 010° and dip to the east at 45°. All zones have a relatively shallow plunge trending at -35° towards 140°. Horizontal widths throughout the deposit range from 2.5 metres to 70 metres in thickness, and can be thicker when two or more zones overlap.

There are a total of nine distinct sulphide lenses contained within the 777 deposit. Each of the zones is distinguished based on grade and mineralization type as well as their spatial location. The 777 deposit encompasses an area approximately 1,300m downplunge by 550 metres across and varying in depth from approximately 870 to 1,600 metres below surface. Lenses in general are fairly continuous with the exception of scattered diorite intrusions.

The Callinan deposit is subdivided into two rhyolite horizons termed the East-QP and the West-QP. The East-QP is host to the lenses of the North Zone (northern portion), and the East Zone (southeast portion), and is on the same horizon as the 777 mineralization. The West-QP hosts the South Zone (southwest portion) and its associated lenses. Each of these zones is further subdivided into a number of mineralized lenses. The subdivision of Zones into lenses was based on the spatial distribution of the mineralization. The South Zone lenses generally strikes to the north and dip at 50° to the east with a plunge trending at -50° towards 135°. The North and East Zones generally strike at 020° with a 50° dip to the east with a shallow plunge trending at -30° towards 145°.

There are a total of 20 sulphide lenses contained within the three broad zones of the Callinan deposit. The Callinan mineralization is a distal deposit that has a matrix supported breccia with variable amounts of wallrock fragments in a fine to medium grained sulphide matrix. The wallrock fragments are intensely altered with chlorite, talc and sericite with some degree of pyritization and carbonation. These lenses contain variable amounts of pyrite, sphalerite, chalcopyrite and minor pyrrhotite.

Mineralization is generally medium to coarse grained disseminated to solid sulphides consisting of pyrite, chalcopyrite, sphalerite, pyrrhotite, and magnetite. The principle gangue minerals are chlorite and quartz. Alteration minerals include biotite, epidote and actinolite.

Sampling and Analysis: Sampling Methods

The majority of sample intervals from definition and exploration drilling were whole rock sampled with the core placed in a plastic bag with its unique sample identification tag. Typically when exploration drilling in new areas, all samples are either split or cut in half with a diamond saw and a representative portion of the hole is kept.

The bagged samples were placed in either a burlap bag or a plastic pail with a submittal sheet that was prepared by the geologist or technician. Samples were delivered to the Flin Flon assay laboratory, located in the Flin Flon Metallurgical Complex, which is owned and operated by us. Samples are checked by laboratory personnel to ensure that they match the submittal sheet.

The samples were analyzed for the following elements: gold, silver, copper, zinc, lead, iron, arsenic and nickel. Base metal and silver assaying was completed by aqua regia digestion and read by a simultaneous ICP unit. The gold analysis was completed on each sample by AAS after fire assay lead collection. Gold values greater than 10g/t were re-assayed using a gravimetric finish. All analytical balances are certified annually by a third party. Check weights are used daily to verify calibration of balances. All metal standards used to make the calibration standards for the AAS and ICP are certified and traceable. Each is received with a certificate of analysis. The Flin Flon assay laboratory is certified to the ISO 9001 quality management system and pertinent methods are accredited to ISO 17025 for gold AAS, base metal ICP and environmental methods to help ensure it meets our needs as well as those of other stakeholders.

A total of 112,732 samples from 3,396 drill holes were submitted to the Flin Flon assay laboratory for analysis as of the date of the most recent technical report. The average length for these sample intervals was 1.62 metres.

Bulk density measurements were taken on 2,982 of the mineralized samples selected for assaying as of the date of the most recent technical report. The measurement methodology consisted of first weighing the core sample in air, then, the sample was suspended in a tub filled with water by a chain on the underside of the scale in such a way that it did not touch the sides of the water-filled tub and the weight of the submerged sample was recorded.

Sampling and Analysis: Quality Assurance and Quality Control

As part of our Quality Assurance and Quality Control (" **QAQC**") measures, a portion of the pulp duplicates has been sent to Bureau Veritas Commodities Canada Ltd. ("**Bureau Veritas**") in Vancouver, British Columbia, formerly Acme Analytical Laboratories Ltd., for comparison and verification purposes since early 2006. Our QAQC measures also involve the use of blank materials, reference standards, internal duplicates, and repeats.

During the drilling programs at 777 a total of four different types of blanks were inserted into the sample stream between early 2000 and September 2011. Blanks were inserted at a rate of one for every twenty assays until the fall of 2003, when this was reduced to one for every fifty assays as a means of cost reduction. Since our assay laboratory runs batches of 50-60 samples at a time this should place at least one blank in every batch.

The use of reference standards has become increasingly systematic and they are now inserted into the sample stream at every 20th assay interval.

Duplicates are used as a check to verify the repeatability of the assay data. Duplicates are run at our laboratory at a frequency of one in twenty samples, and also at Bureau Veritas as an independent check. Repeats, typically referred to as 'blinds', are run on a monthly basis on one sample out of every four or five duplicates that were analyzed during that month. The results are considered an internal independent check on our assay laboratory results.

Sampling and Analysis: Data Verification

Examination and mapping of the underground drifting visually confirmed the geology and VMS style of mineralization. As well, the examination of drill core for several holes has also confirmed the mineralization and geology and compared well to underground mapping with drill logs and assays.

A visit was conducted to the 777 core logging and storage area, exploration core storage facility, and our assay facility and each was deemed to be secure and in reasonable condition. In addition, the qualified person has had several discussions with current and former geologists as well as other personnel that have worked at the deposit to verify various details of the mining, infrastructure, geology, drilling and sampling.

Full verification of the data was not able to be completed as a small portion of the data from the Callinan portion of the deposit is considered historic in nature.

Security of Samples

For security purposes, all sample preparation, splitting, handling, and storage was in the control of our personnel at all times in accordance with then applicable chain of custody policies which were consistent with industry standards at the time. We implemented a documented full chain of custody procedure in August 2011. This involves the creation of a submittal sheet with all batches of drill core sent for assay by the geologist daily. The sheet is signed both by the geologist, to verify the samples were stored securely, and by the laboratory personnel, to verify it was in their control from the time it left the core logging and sampling facility and is consistent with the current industry standards.

Mineral Resource and Mineral Reserve Estimates

1. Mineral Resources

Mineral resources were separated into the 777 and Callinan portions of the deposit. This was done for mining and planning purposes as the Callinan lenses represent the upper, and more historic, portion of the mineralization and the 777 zones represent the lower more recently drilled and identified mineralization. The interpreted lenses of the 777 zones and certain Callinan lenses were built by digitizing polylines around the mineralization. Polylines were then linked with tag strings and triangulated in order to create three dimensional wireframe solids. The remainder of the mineralization was interpreted by digitizing polylines in a 2D plane around mineralized intercepts. The average strike and dip of the zone was estimated and utilized to calculate the horizontal width of the mineralization for both the 2D Gridded Seam Model and the polygonal interpretations.

The mineral resource estimate, effective as of a September 30, 2016 cut-off date for diamond drilling, was completed using MineSight 11.5 software in mine coordinates, and for the Callinan lenses, the current version of MineSight at the time of estimation. The block model was constrained by interpreted 3D wireframes of the mineralization. Gold, silver, copper, zinc, iron, specific gravity and in some cases dilution variables and horizontal width were estimated into blocks using either ordinary kriging or relative co-ordinate kriging for most lenses. Lens intersections were generally selected based on a metal grade of 3.3% zinc equivalent over 2 metres. Intersections were modelled as low as 0.3m to provide additional information for statistical and mine planning purposes.

2. Mineral Reserves

Mining, processing and economic parameters were applied to the block model to form the basis of the reserve estimate with an effective date of January 1, 2017. The measured resources were used to estimate the proven mineral reserves and the indicated resources were used to estimate the probable mineral reserves. For mining purposes, there are eight active mining areas in the mine to allow for a blended product with the end goal to send a blended grade to the mill. Mining methods were established for each mining area and a net smelter return ("**NSR**") was calculated to determine the economic viability. NSR revenues were calculated for each mining area comprised of blocks from the block model assuming metallurgical recoveries and our four year average metal prices and exchange rates. To determine the economic viability and NSR margin of each mining block, onsite operating costs, capital development and offsite costs were estimated and applied against copper and zinc concentrate produced for each mining block. The final step of the reserving process involved developing an annualized life-of-mine production plan and supporting cash flow analysis to determine the mineral reserves.

Reconciliation of Reserves and Resources

A year over year reconciliation of our estimated mineral reserves and resources at the 777 mine is set out below.

777 Mine		
Mineral Reserve Reconciliation (Proven & Probable)		Tonnes [4]
A	2016 Mineral Reserve	6,302,000
B	2016 Production (from Reserves)	1,302,000
C	(A - B)	5,000,000
D	Geology [1] Gain/(Loss)	(117,000)
E	Mine Planning [2] Gain/(Loss)	(442,000)
F	Economics [3] Gain/(Loss)	25,000
G	(D + E + F)	(534,000)
H	2017 Mineral Reserve (C + G)	4,466,000

777 Mine		
Mineral Resource Reconciliation (Indicated)		Tonnes[4]
I	2016 Mineral Resource	728,000
J	2017 Mineral Resource	736,000
K	(J - I)	8,000

777 Mine		
Mineral Resource Reconciliation (Inferred)		Tonnes[4]
L	2016 Mineral Resource	683,000
M	2017 Mineral Resource	673,000
N	(M - L)	(10,000)

Notes:

1. Geology - diamond drilling, interpretation, estimation (interpolation parameters)
2. Mine Planning - resultant change of mine plan design, dilution and recovery
3. Economics - mine operating and capital, commodity price and CDN$/US$ exchange, concentrating, TC/RC, freight
4. Totals may not add up currently due to rounding

Mining Operations

The 777 mine is a multi-lens orebody with shaft access down to the 1508 metre level. The mine consists of an internal ramp that provides access to each mining level. Mobile tired diesel equipment is utilized. Load haul dump ("**LHD**") units vary from 8 to 10 cubic yard. Trucks are 40 to 50 ton units feeding an ore pass system or direct to rock-breakers which feed an underground crusher and ore is skipped to surface via the shaft.

Long-hole open stope is the mining method used at the 777 mine. Mine sequencing involves primary, secondary, chevron and longitudinal retreat stopes that are either paste or unconsolidated loose waste rock backfilled. Long-hole stopes are mined at 15 to 17 metre vertical sill to sill intervals. Stope strike lengths are generally 16 metres with widths of 3 to 100 metres, with an average of approximately 20 metres. The ore is undercut at the top and bottom of the block, providing access for drilling and mucking. Drilling is done by top hammer long-hole drills with holes varying in length between 10 metres and 20 metres long and a hole diameter of 3 inches. Mucking is accomplished by remote LHD units and then loaded to haul trucks. Ore at 777 mine is loaded by LHDs to underground haul trucks, which dump to a series of ore passes that feed three chutes on 1412 metre level. Haul trucks are loaded from the chutes and haul the ore directly to the main ore pass system on 1412 metre level. The ore is temporarily stored in a 1,725 tonne coarse ore bin that feeds the crusher. From the crusher it is conveyed to a 1,600 tonne fine ore bin, where it is conveyed to a loading pocket at the 1508 metre level and placed into two 15 tonne skips and hoisted to surface. The ore on surface is hauled by 53 to 63 tonne haulage trucks directly to the Flin Flon concentrator or is dumped on a stockpile close to the concentrator.

Ore from 777 North expansion is loaded onto haul trucks by LHDs and transported up the ramp to surface. The ore is dumped on the ground prior to being sent through a surface crusher operated by a contractor. The ore is then loaded and transported for processing at the Flin Flon concentrator or stockpiled nearby.

Our Flin Flon concentrator processes 777 ore into copper and zinc concentrates. Copper concentrate is sold to third party purchasers and zinc concentrate is sent to our Flin Flon zinc plant where it is further processed into special high grade zinc before being sold to third party purchasers. See "Description of our Business – Other Assets – Processing Facilities" and "Description of our Business – Other Information – Products and Marketing".

Production from 777 is subject to federal and provincial income taxes, as well as the Manitoba mining tax. The combined federal and provincial income tax rates are assumed to be approximately 27% for the life of the mine.

The 777 mine has been in commercial production since 2004 and the original project capital has already been paid back and ongoing capital is defined as sustaining capital.

Exploration and Development

2011 marked the first year that a concentrated effort on exploration drilling was conducted from underground at the 777 mine. Much of the drilling to that date had been focused on converting resources to reserves. In excess of 113,700 metres of underground exploration drilling has been drilled at the 777 mine targeting additional resources in the hanging wall, footwall, along strike and in upgrading inferred resources.

An extensive exploration program was conducted from 2014 to 2015 to extend the mine life of 777. Specific work included the analysis of 7,696 lithogeochemistry samples to determine rock types and ore associated signatures, 18 select historical drill holes were geophysically re-surveyed and geology from more than 6,000 drill holes in the area were collated and reviewed. The drilling program included 18 holes from surface for 15,466 metres and 55 holes from underground for 34,564 metres. No new mineable zones were added to the mine life as the result of the program and all high priority targets have been followed up with drilling as well as most of the lesser category targets.

The War Baby claim prospect, defined as the area down plunge from the high grade 777 mine 30 and 60 lenses, was optioned from Callinan Royalties in late 2014. Callinan Royalties had drilled several wedges in the late 1990's from one surface hole that showed sporadic near ore grade intersections. The 777 mine geology team reviewed the information provided by Callinan Royalties and drilled seven drill holes from December 2014 to November 2015 from existing underground development to confirm historical mineralized intersections and also to provide step-out geological information. Results of this drilling indicated the sporadic mineralization was stringer type material within an intense chlorite alteration zone associated with the Second Panel, and the Upper Panel rhyolite that hosts the 777 mine lenses was almost barren of economic sulphides. As a result, Hudbay has allowed the War Baby option to terminate. The down plunge extents of 777 mine 30 and 60 lenses were not entirely defined by this drilling, however geophysical information and previous testing suggests that no significant mineralization remains at depth.

The majority of the exploration holes drilled during the 2014 to 2015 program had time domain electromagnetic surveys completed. All high priority geophysical targets were tested during the program and no further work is warranted. In total, 36 borehole electromagnetic surveys from surface and 74 from underground have been completed to date at 777 mine.

ROSEMONT PROJECT

Project Description, Location and Access

The Rosemont project is located on the eastern flanks of the Santa Rita Mountain range approximately 50 kilometres southeast of Tucson, in Pima County, Arizona. Existing graded dirt roads provide good access into and around the Project and connect the property with State Route 83. The city of Tucson, Arizona, provides the nearest major railroad and air transport services to support the Project. The Rosemont project's geographical coordinates are approximately 31º 50'N and 110º 45'W.

The lands are under a combination of private ownership by Rosemont Copper Company, a subsidiary of Hudbay, and Federal ownership. The lands occur within Townships 18 and 19 South, Ranges 15 and 16 East, Gila & Salt River Meridian. The core of the Rosemont project mineral resource is contained within the 132 patented mining claims that in total encompass an area of approximately 2,000 acres (809 hectares). Surrounding the patented claims is a contiguous package of 1,064 unpatented mining claims with an aggregate area of more than 16,000 acres (6,475 hectares). Unpatented claims Agave 7, 8 and 9 and a small fraction named the Recorder Fraction were staked in 2014. Associated with the mining claims are 38 parcels of fee (private) land consisting of approximately 2,300 acres (931 hectares) (the Associated Fee Lands). The area covered by the patented claims, unpatented claims and Associated Fee Lands totals approximately 20,300 acres (8,215 hectares). The patented mining claims are considered to be private lands that provide the owner with both surface and mineral rights. The patented mining claim block, including the core of the mineral resource, is monumented in the field by surveyed brass caps on short pipes cemented into the ground. The fee lands are located by legal description recorded at the Pima County Recorder's Office. The patented claims and Associated Fee Lands are subject to annual property taxes amounting to a total of approximately $8,800.

Mineral Rights on US Forest Service and Bureau of Land Management ("BLM") lands have been reserved to Rosemont Copper Company, via the unpatented claims that surround the patented claims. Wooden posts and stone cairns mark the unpatented claim corners, end lines and discovery monuments, all of which have been surveyed. The unpatented claims are maintained through the payment of annual maintenance fees of $155.00 per claim, for a total of approximately $165,000 per year, payable to the BLM.

There is a 3% Net Smelter Return ("NSR") royalty on all 132 patented claims, 603 of the unpatented claims, and one parcel of the Associated Fee Lands with an area of approximately 180 acres.

As discussed in the body of this AIF, Hudbay's ownership in the Rosemont project is subject to an earn-in agreement with United Copper & Moly LLC (''UCM'') and a precious metals stream agreement with Silver Wheaton.

As discussed in this AIF, the permitting process for Rosemont is well advanced and continues to progress. The remaining key federal permits are the final Record of Decision from the U.S. Forest Service and the Clean Water Act Section 404 Permit from the U.S. Army Corps of Engineers.

History

By the late 1950s, the Banner Mining Company ("Banner") had acquired most of the claims in the area and had drilled the discovery hole into the Rosemont deposit. In 1963 Anaconda Co. acquired options to lease the Banner holdings and over the next ten years they carried out an extensive drilling program on both sides of the mountain. The exploration program demonstrated that a large scale porphyry/skarn existed at Rosemont.

In 1973 Anaconda Mining Co. and Amax Inc. formed a 50/50 partnership to form the Anamax Mining Co. (the "Anamax"). In 1977, following years of drilling and evaluation, the Anamax Joint Venture commissioned the mining consulting firm of Pincock, Allen & Holt, Inc. to estimate a resource for the Rosemont Deposit. Their historical resource estimate of about 445 million tons of sulfide mineralization averaged 0.54% copper using a cut-off grade of 0.20% copper. In addition to the sulfide material, 69 million tons of oxide mineralization averaging 0.45% copper was estimated. Hudbay considers the estimate done by Anaconda to be historical in nature since no work has been done by a Hudbay Qualified Person to verify the estimate, and the estimate should not be relied upon by investors.

ASARCO purchased the patented and unpatented mining claims in the Helvetia-Rosemont mining district in August 1988 and renewed exploration of the Peach-Elgin and initiated engineering studies on Rosemont. In 1995, ASARCO succeeded in acquiring patents on 21 mining claims in the Rosemont area just prior to the moratorium placed on patented mining claims in 1996. In 1999, Grupo Mexico acquired the Helvetia-Rosemont property through a merger with ASARCO. In 2004 Grupo Mexico sold the Rosemont property to a Tucson developer.

In April 2005 Augusta purchased the property from Triangle Ventures LLC. Over the next several years, Augusta continued to evaluate the mineral potential at Rosemont and refine the economics of developing this resource.

Hudbay acquired all of the issued and outstanding common shares of Augusta pursuant to take-over bid, which expired July 29, 2014, and a subsequent acquisition transaction, which closed on September 23, 2014. Hudbay completed a 43-hole, 92,909 feet (28,319 meters) drill program from September to December 2014 and a 46-hole, 75,164 feet (22,910 meters) drill program from August to November 2015 in further efforts to gain a better understanding of the geological setting and mineralization of the deposit and to collect additional metallurgical and geotechnical information.

Geological Setting, Mineralization, and Deposit Types

The Rosemont deposit consists of copper-molybdenum-silver-gold mineralization primarily hosted in skarn that formed in the Paleozoic rocks as a result of the intrusion of quartz latite to quartz monzonite porphyry intrusions. Bornite-chalcopyrite-molybdenite mineralization occurs as veinlets and disseminations in the skarn.

Three mineralization domains (oxide, mixed and sulfide) were defined based on the soluble to total copper ratio (ASCu/TCu) collected in the Augusta (2005 to 2012) and Hudbay (2014 and 2015) drilling programs. The oxidation and mixed mineralization occurs mainly above a low angle fault defining the contact between the Palozoic and Mesozoic rocks as chrysocolla, copper carbonates and supergene chalcocite.

Drilling to date has defined mineralized zones of approximately 1,100 meters in diameter that extends to a depth of at least 600 meters below the surface. The north-trending, steeply dipping Backbone Fault juxtaposes marginally mineralized Precambrian granodiorite and Lower Paleozoic quartzite and limestone to the west against a block of younger, well-mineralized Paleozoic limestone units to the east.

Most of the copper sulfide resource is contained in the eastern block of the Backbone Fault. Structurally overlying the sulfide resource is a block of Mesozoic sedimentary and volcanic rocks that contains lower grade copper mineralization (predominantly as oxides). These two blocks are separated by the shallowly dipping Low Angle Fault ("**LAF**"). Other post-mineral features include a deep, gravel-filled Tertiary paleochannel on the south side of the deposit and a significant thickness of Cretaceous and Tertiary volcaniclastic material to the northeast of the deposit.

Sulfide mineralization on the east side of the Backbone Fault and below the LAF is hosted in an east- dipping package of Paleozoic-age sedimentary rocks that includes the Escabrosa Limestone, Horquilla Limestone, Earp Formation and Epitaph Formation. The Horquilla Limestone is the most significant, accounting for almost half of the sulfide resource.

Relatively minor mineralization occurs in the other Paleozoic units. To the south, the mineralization in this block appears to weaken and eventually die out. To the north, mineralization appears to narrow but continues under cover amid complex faulting. Mineralization is locally open to the east of the defined resource, beyond the limit of drilling and beneath an increasingly thick block of Mesozoic sediments.

The Mesozoic rocks of the structural block above the LAF consist predominantly of arkosic siltstones, sandstones, and conglomerate. Within the Arkose are subordinate andesite flows or sills that range from a few tens of feet to several hundred feet thick. Also structurally wedged into the upper plate block at the base of the Arkose are the Glance Conglomerate, a limestone-cobble conglomerate, and some occurrences of relatively fresh Paleozoic formations.

Exploration

A Titan 24 induced polarization/resistivity (DCIP) survey over the Rosemont deposit, performed in 2011, discovered significant chargeability anomalies which are partially-tested. These anomalies appear to define mineralization and also certain unmineralized lithologic units. A regional scale airborne magnetics survey was also completed in 2008. A mapping and geochemical sampling program was completed in the latter half of 2015 on the Rosemont property to reassess the interpretation of the regional geology and deposit setting.

Drilling

Extensive drilling has been conducted at the Rosemont deposit by several successive property owners. The most recent drilling was by Hudbay, with prior drilling campaigns completed by Banner Mining Company, Anaconda Mining Co., Anamax, ASARCO and Augusta. Table 0-1 summarizes the drill holes used to estimate the current mineral resource estimate, with regional exploration holes excluded.

TABLE 0-1: ROSEMONT DEPOSIT DRILLING SUMMARY

Company	Time Period	Drill Holes		
		Number	Feet	Meters
Banner Mining	1950s to 1963	3	4,300	1,311
Anaconda Mining	1963 to 1973	113	136,838	41,708
Anamax	1973 to 1986	52	54,350	16,566
ASARCO	1988 to 2004	11	14,695	4,479
Augusta	2005 to 2012	87	132,525	40,394
Hudbay	2014 to 2015	90	168,286	51,294
Total		**355**	**510,780**	**155,686**

These drill holes were all drilled using diamond drilling (coring) methods. In some cases, the top portion of the older holes were drilled using a rock bit to set the collar or by rotary drilling methods and switching to core drilling before intercepting mineralization.

In all of the drilling campaigns, efforts were consistently made to obtain representative samples by drilling either H-size (2.5 inch or 63.5 mm diameter) or N-size (1.9 inch or 47.6 mm diameter) core. Generally, drill programs were on east-west grid lines spaced approximately 200 feet (61 meters) apart.

Sampling, Analysis, and Data Verification

Prior to Hudbay and Augusta, significant diamond drilling, drill core sampling, and assaying programs were executed by the previous property owners. Records are not available that detail the sampling and security protocols used by these property owners. There are no available QA/QC records for sample preparation and assaying methodologies for Banner, Anaconda, and Anamax. Copper, molybdenum, silver, and soluble copper were analyzed by Anaconda and Anamax at their in-house laboratories. Silver was regularly analyzed by Anamax, but not commonly assayed by Banner and Anaconda. Asarco assayed drill core samples for total copper, molybdenum, and acid soluble copper at Skyline laboratory.

The drill core was generally sampled continuously down the hole, at a nominal five-foot sample length. In taking a sample, the core is generally halved (split) along the long axis, taking care to evenly distribute veinlets and other small-scale mineralized features where present, into both halves of the core.

The core samples from the Augusta drilling programs from 2005 to 2012 were transported to Skyline Assayers and Laboratories (Skyline), Tucson, Arizona, USA for preparation and analysis. In total, 21,197 samples were analyzed for total copper and 16,619 samples for molybdenum. Total copper and molybdenum were dissolved using a hot 3-acid digestion at 482°F and subsequently analyzed by AAS and ICP-OES, respectively. The lower detection limits for molybdenum are high relative to the average molybdenum grade of the Rosemont deposit. Silver was determined in 15,334 samples, which were digested using an aqua regia leach in 0.25 g subsample pulp and analyzed by AAS. A total of 391 drill core samples across the Rosemont deposit were measured for specific gravity at Skyline.

Augusta conducted its own internal QA/QC program to independently evaluate the quality of the assays reported by Skyline. Augusta verified the accuracy and precision of its geochemical analyses by inserting standards of known metal content in the sample stream at periodic intervals and by reanalyzing approximately 5% of all samples to check the repeatability of results. Standards were submitted with a frequency of one per 20 samples. The inserted standards were chosen to be similar in grade to the drill holes samples that they accompanied whenever possible. Blank samples were submitted with a frequency of one per 40 samples. Approximately 5% of all samples were reanalyzed in what was called their check assay program.

Under Hudbay ownership, private 24-hour per day security guards administered by Securitas Inc., controlled site access and oversaw sample security at each camp and drill site. Drill core samples from Hudbay's 2014 and 2015 drill programs were picked up at the core processing facilities and transported to Inspectorate America Corporation's preparation facility at Sparks, Nevada, USA. Samples were weighed upon arrival, dried at 60°C, and crushed in jaw crushers to ≥70% passing through 10 mesh (2 mm). The entire crushed sample was homogenized, riffle split, and a 1,000 g subsample was pulverized to ≥85% passing through 200 mesh (75 µm) using Essa standard steel grinding bowls. Jaw crushers, preparation pans, and grinding bowls were cleaned by brush and compressed air between samples. Cleaning with a quartz wash was conducted between jobs and between highly mineralized samples.

Once samples were pulverized a 150 g subsample pulp was collected and air freighted to Bureau Veritas Commodities Canada Ltd., (Bureau Veritas) in Vancouver, Canada, for analysis. The remaining 850 g master pulps and the coarse rejects were stored at the Inspectorate laboratory in Nevada.

Bureau Veritas has a quality system that is compliant with the International Standards Organization 9001 Model for Quality Assurance and ISO/IEC 17025 General Requirements for the Competence of testing and Calibration. As part of Hudbay's quality control and quality assurance (QA/QC) program, QA/QC samples were systematically introduced in the sample stream to assess adequate sub-sampling procedures, potential cross-contamination, precision, and accuracy. A total of 1,000 representative pulp samples (5.4%) from 2014 drilling and 742 representative pulp samples (5.0%) from 2015 drilling were selected and re-analyzed at SGS Canada Inc., laboratory in Vancouver. The blanks, CRM and duplicates samples all indicated the laboratory used did not have contamination issues and produced accurate and precise results.

Hudbay built an entirely new drill hole database from all pre-Hudbay drilling and assaying information. Orix Geoscience Inc. was employed to digitally enter collar, downhole surveys and assay information from scanned drill logs and assay certificates for all holes drilled prior to Augusta.

Mineral Processing and Metallurgical Testing

Recorded metallurgical testwork on Rosemont ores comprises work beginning as early 1974 by Anamax Mining Company. Augusta continued the work and concluded it with the publication of NI 43-101 Technical Reports, the first in 2007, followed by a NI 43-101 report dated August 28, 2012. These historical metallurgical testwork programs were undertaken by reputable companies such as Mountain State R&D International (MSRDI), SGS and G&T Metallurgical Services, with dewatering and rheology testing undertaken by Pocock, Outotec and FLSmidth.

Following the acquisition of Rosemont in 2014, Hudbay completed two drilling programs (years 2014 and 2015) and initiated a series of phased metallurgical testing programs, each designed to advance its understanding of the deposit and metallurgical performance in response to treatment. In 2014, Hudbay engaged XPS Consulting & Testwork Services (XPS) to undertake mineral characterization and metallurgical testwork. Base Met Laboratory (BML) was engaged in late 2015 to provide confirmation testwork of the XPS testwork and additional process optimization.

The principal objectives of the 2014 and 2015 phased metallurgical testing programs were to:

- Confirm the quality of the prior metallurgical testwork
- Identify downstream processing methods, forecast recoveries and quality of final products
- Evaluate characteristics of tailing products
- Derive a required ore processing flowsheet and size process equipment

Three composite samples were prepared for metallurgical testing in 2015, and among these were a set of three samples that corresponded to ore that was projected to report from the mine during the first five years of operation, the second five years, and a third sample for the balance of operations.

As reporting from the first phase of metallurgical testwork programs became available, a revised set of composites was prepared to further enhance our the understanding of the orebody, more particularly as it related to metallurgical performance in the presence of clays, as well as process equipment sizing and selection (principally flotation and dewatering equipment).

Through the course of all the mineral processing and metallurgical testing, no deleterious elements were found to have a negative impact on plant performance or on the marketable value of the copper and molybdenum concentrates to be produced at Rosemont.

On the basis of the body of testwork that exists, including both the historical testwork, and the testing programs completed by Hudbay since the acquisition of Rosemont, forecasts of recovery, concentrate grade and quality, as well as characteristics of the resultant tailing product have been developed. The following summarizes LOM average recoveries expected.

Average LOM recoveries

Copper (Cu):	80.4%
Molybdenum (Mo):	53.4%
Silver (Ag):	74.4%
Gold (Au):	65.1%

Mineral Reserves and Mineral Resources Estimates

Mineral reserves for the Rosemont deposit were classified under the 2014 CIM Definition Standards for Mineral Resources and Mineral Reserves[1] by application of a NSR that reflects the combined benefit of producing copper, molybdenum and silver in addition to mine operating, processing and off-site costs.

Proven and probable mineral reserves within the designed final pit total 592 million tons (537 million tonnes) grading 0.45% Cu, 0.012% Mo and 4.58 g/t Ag. There are 1.25 billion tons (1.13 billion tonnes) of waste materials, resulting in a stripping ratio of 2.1:1 (tonnes waste per tonne of ore). Total material in the pit is 1.66 billion tonnes. Contained metal in proven and probable mineral reserves is estimated at 5.30 billion pounds of copper, 142 million pounds of molybdenum and 79 million ounces of silver. Nearly 80% of the mineral reserves in the Rosemont ultimate pit are classified as proven with the remaining 20% identified as probable. The Rosemont ultimate pit contains approximately 10 million tons of inferred mineral resources that are above the $6.00/ton NSR cut-off value for ore. Inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves.

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Multi pass ordinary kriging interpolation setup was used to interpolate the grades in the block model while honoring the geology. The component of the mineralization within the block model that meets the requirements for reasonable prospects of economic extraction was based on the application of a Lerchs-Grossman cone pit algorithm. The mineral resources are therefore contained within computer generated open pit geometry.

The following assumptions were applied to the determination of the mineral resources:

- Economic benefit was applied to measured, indicated and inferred classified material within the resource cone.
- No effort was made to establish a pit with maximum return on investment; consequently, the mineral resource cone was the direct result of the following metal prices: $3.15/lb copper, $11.00/lb molybdenum, $18.00/oz silver with a revenue ratio of 1.0, i.e. break-even logic.
- A constant 45-degree pit slope was used for the resource estimate.

All of the mineral reserve estimates presented in this report are dependent on market prices for the contained metals, metallurgical recoveries and ore processing, mining and general/administration cost estimates. Mineral reserve estimates in subsequent evaluations of the Rosemont Deposit may vary according to changes in these factors. As of the effective date of this report, there are no other known mining, metallurgical, infrastructure or other relevant factors that may materially affect the mineral reserve estimates.

Mining Operations

The Rosemont project will be a traditional open pit shovel/truck operation. To match the production requirements, the proposed pit operations will be conducted from 50-foot-high benches using large-scale mine equipment, including: 10-5/8-inch-diameter rotary blast hole drills, 60 yd3 class electric mining shovels, 46 yd3 class hydraulic shovels, 25 yd3 front-end loaders, and 260 ton off-highway haul trucks.

Mine operations are scheduled for 24 hours per day, 365 days per year. A mining rate of 132 million tons per year through year 11 will be required to provide the assumed nominal process feed rate of 32.9 million tons of ore per year. From year 12 through year 18, the annual mining rate decreases due to lower stripping ratios, starting with an average of 50 million tons per year and ending with approximately 33 million tons in production year 18. Ore shortfall will be made up from ore stockpiles.

Processing and Recovery Operations

The process plant design is based on a combination of metallurgical testwork, Rosemont Copper production plan and in-house information. The flowsheet has been developed from previous feasibility study work, value engineering studies and the recent testwork. Benchmarking has been used to define and support the design parameters. This includes the copper-molybdenum separation circuit where testwork has been limited to a few tests. This is due to the relatively large sample mass required for a more detailed molybdenum testwork program and analysis. The molybdenum plant design is based primarily on projected mass flows, grades and densities as well as the recent Constancia Plant design.

The flowsheet consists of primary crushing, followed by two parallel SAG, ball milling and pebble crushing (SABC) circuits, copper flotation with regrinding ahead of cleaning, a moly separation circuit, concentrate thickening and filtering and tailings thickening, filtering and dry stacking. With minor modifications, the process plant is designed to treat on average 90,000 tons/d (or 32.8 million tons/y).

Capital and Operating Costs

Initial project capital costs are estimated to be $1,921 million including 15% contingency on all items. The LOM sustaining capital costs are estimated to be $387 million excluding capitalized stripping and $1,168 million including capitalized stripping. The capital cost estimate is considered to be a Class 3 estimate as defined by AACE Recommended Practice 47R-11 for the mining and mineral process industry.

The average LOM operating costs (mining, milling and G&A) are estimated to be $9.24/ton milled (before deducting capitalized stripping) and $7.92/ton milled (after deducting capitalized stripping). Over the first 10 years, C1 cash costs (net of by-product credits at stream prices) are estimated to average $1.40 per pound of copper before deducting capitalized stripping and $1.14 per pound of copper after deducting capitalized stripping. LOM C1 cash costs are estimated to be $1.47 per pound of copper before deducting capitalized stripping and $1.29 per pound of copper after deducting capitalized stripping. Including royalties and sustaining capital, sustaining cash costs estimated to be $1.59 per pound of copper over the first 10 years and average $1.65 over the LOM.

The economic viability of the Project has been evaluated using the metal prices outlined below. The metal prices used in the economic analysis are based on a blend of consensus metal price forecasts from over 30 well known financial institutions and Wood Mackenzie.

Metal Price Assumptions:

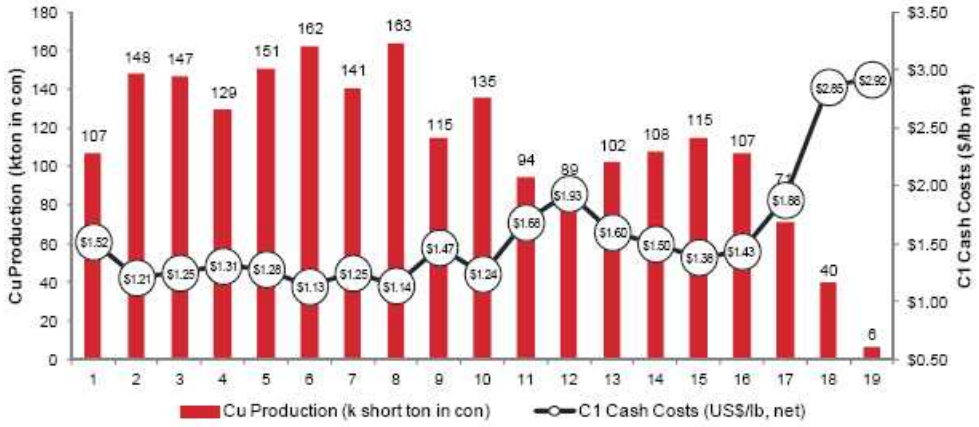
Spot Copper:	$3.00 (US$/lb)
Spot Molybdenum:	$11.00 (US$/lb)
Spot Silver:	$18.00 (US$/oz)
Streamed Silver[1]:	$3.90 (US$/oz)

(1) Subject to a 1% escalation after 3 years

At the effective realized prices including the impact of the stream, the revenue breakdown at Rosemont is approximately 92% copper, 6% molybdenum, and 2% silver.

Rosemont's annual copper production (contained copper in concentrate) and C1 cash costs (net of byproducts at stream prices after deducting capitalized stripping) are shown in the figure below. Over the first 10 years, annual production is expected to average 140 thousand tons of copper at an average C1 cash cost of $1.14/lb. Over the 19 year LOM, annual production is expected to average 112 thousand tons of copper at an average C1 cash cost of $1.29/lb.

FIGURE 0-1 ROSEMONT ANNUAL COPPER PRODUCTION AND C1 CASH COSTS



Rosemont has an unlevered after-tax NPV8% of $769 million and a 15.5% after-tax IRR using a copper price of $3.00/lb as summarized below. The Project NPV and IRR are calculated using end of period quarterly discounting in the quarter immediately before development capital is spent.

Metric	Units	LOM Total
Gross Revenue (Stream Prices)	$M	$13,377
TCRCs	$M	($1,837)
On-Site Operating Costs (after deducting of capitalized stripping)	$M	($4,691)
Royalties	$M	($368)
Operating Margin	$M	$6,480
Development Capital	$M	($1,921)
Stream Upfront Payment	$M	$230
Sustaining Capital (excludes capitalized stripping)	$M	($387)
Capitalized Stripping	$M	($781)
Pre-Tax Cash Flow	$M	$3,622
Cash Income Taxes	$M	($718)
After-Tax Free Cash Flow	$M	$2,903
After-Tax NPV8%	$M	$769
After-Tax NPV10%	$M	$496
After-Tax IRR	%	15.5%
After-Tax Payback Period	Years	5.5

The NPV8% (100% project basis) was sensitized based on percentage changes in various input assumptions above or below the base case. Each input assumption change was assumed to occur independently from changes in other inputs. The Project is most sensitive to the copper price, followed by initial capital costs, on-site operating costs and the molybdenum price. The table below reports the after-tax NPV8%, NPV10%, IRR and Payback of the Project at various flat copper prices assuming all other inputs remain constant.

	Flat Copper Price ($/lb)				
	$2.50	$2.75	**$3.00**	$3.25	$3.50
After-Tax NPV8% ($M)	$45	$412	**$769**	$1,115	$1,448
After-Tax NPV10% ($M)	($122)	$192	**$496**	$792	$1,076
After-Tax IRR (%)	8.5%	12.2%	**15.5%**	18.5%	21.2%
After-Tax Payback (years)	6.9	5.9	**5.2**	4.7	4.3

The existing Joint Venture Agreement requires cash payments from UCM totaling $106 million to the Joint Venture in order for UCM to complete its earn-in for 20% ownership of the Project. The payments will be made on an installment basis to fund the initial development capital and payments will commence once certain milestones are achieved. The NPV attributable to Hudbay is improved beyond 80% of the standalone project NPV due to the Joint Venture payments, and the IRR attributable to Hudbay is improved beyond the standalone project IRR as a result of the reduced time period between development capital spending and positive project cash flow. Below are the adjusted key financial metrics attributable to Hudbay.

Metric	Units	LOM Total
Development Capital (100% Basis)	$M	$1,921
Stream Upfront Payment	$M	($230)
Joint Venture Earn-in Payment	$M	($106)
JV Share of Remaining Capital (20%)	$M	($317)
JV Loan Repayment to Hudbay [1]	$M	($20)
Hudbay's Share of Development Capital	$M	$1,248
After-Tax NPV8% to Hudbay	$M	$719
After-Tax NPV10% to Hudbay	$M	$499
After-Tax IRR to Hudbay	%	17.7%
After-Tax Payback Period to Hudbay	Years	4.9

1. Hudbay is funding the JV's share of project expenditures until receipt of material permits and approximately $20M in principal and accrued interest is due to Hudbay

Exploration, Development, and Production

Major exploration work has not been completed outside the current resource pit. Hudbay has no plans to conduct any additional exploration work at the moment.

SCHEDULE C: AUDIT COMMITTEE CHARTER

HUDBAY MINERALS INC.
(THE "COMPANY")
AUDIT COMMITTEE CHARTER

PURPOSE

The Audit Committee is appointed by the Board of Directors to assist the Board of Directors in its oversight and evaluation of:

- the quality and integrity of the financial statements of the Company,
- the compliance by the Company with legal and regulatory requirements in respect of financial disclosure,
- the qualification, independence and performance of the Company's independent auditor,
- the appointment, independence and performance of the Company's head of the internal audit function,
- the assessment, monitoring and management of the strategic, operational, reporting and compliance risks of the Company's business (the "**Risks**"), and
- The performance of the Company's Chief Financial Officer.

In addition, the Audit Committee provides an avenue for communication among the independent auditor, the internal audit function, the Company's Chief Financial Officer and other financial senior management, other employees and the Board of Directors concerning accounting, auditing and Risk management matters.

The Audit Committee is directly responsible for the recommendation of the appointment and retention (and termination) and for the compensation and the oversight of the work of the independent auditor (including oversight of the resolution of any disagreements between senior management and the independent auditor or the internal audit function regarding financial reporting) for the purpose of preparing audit reports or performing other audit, review or attest services for the Company. Also, the Audit Committee is directly responsible for the approval of the appointment and retention (and termination) and the oversight of the work of the internal audit function.

The Audit Committee is not responsible for:

- planning or conducting audits,
- certifying or determining the completeness or accuracy of the Company's financial statements or that those financial statements are in accordance with generally accepted accounting principles.

Each member of the Audit Committee shall be entitled to rely in good faith upon:

- financial statements of the Company represented to him or her by senior management of the Company or in a written report of the independent auditor to present fairly the financial position of the Company in accordance with generally accepted accounting principles; and
- any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

The fundamental responsibility for the Company's financial statements and disclosure rests with senior management.

REPORTS

The Audit Committee shall report to the Board of Directors on a regular basis and, in any event, before the public disclosure by the Company of its quarterly and annual financial results. The reports of the Audit Committee shall include any issues of which the Audit Committee is aware with respect to the quality or integrity of the Company's financial statements, its compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditor, the performance and independence of the Company's internal audit function and changes in Risks.

The Audit Committee also shall prepare, as required by applicable law, any audit committee report required for inclusion in the Company's publicly filed documents.

COMPOSITION

The members of the Audit Committee shall be three or more individuals who are appointed (and may be replaced) by the Board of Directors on the recommendation of the Company's Corporate Governance and Nominating Committee. The appointment of members of the Audit Committee shall take place annually at the first meeting of the Board of Directors after a meeting of shareholders at which directors are elected, provided that if the appointment of members of the Audit Committee is not so made, the directors who are then serving as members of the Audit Committee shall continue as members of the Audit Committee until their successors are appointed. The Board of Directors may appoint a member to fill a vacancy that occurs in the Audit Committee between annual elections of directors. Any member of the Audit Committee may be removed from the Audit Committee by a resolution of the Board of Directors. Unless the Chair is elected by the Board of Directors, the members of the Audit Committee may designate a Chair by majority vote of the members of the Audit Committee.

Each of the members of the Audit Committee shall meet the Company's Categorical Standards for Determining Independence of Directors and shall be financially literate (or acquire that familiarity within a reasonable period after appointment) in accordance with applicable legislation and stock exchange requirements. No member of the Audit Committee shall:

- accept (directly or indirectly) any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries [1] (other than remuneration for acting in his or her capacity as a director or committee member) or be an "affiliated person"[2] of the Company or any of its subsidiaries, or

- concurrently serve on the audit committee of more than three other public companies without the prior approval of the Audit Committee, the Corporate Governance and Nominating Committee and the Board of Directors and their determination that such simultaneous service would not impair the ability of the member to effectively serve on the Audit Committee (which determination shall be disclosed in the Company's annual management information circular).

A majority of the members of the Audit committee shall be "resident Canadians", as contemplated by the

Canada Business Corporations Act.

Notes:

[1] A company is a subsidiary of another company if it is controlled, directly or indirectly, by that other company (through one or more intermediaries or otherwise).

[2] An "affiliate" of a person is a person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the first person.

RESPONSIBILITIES

INDEPENDENT AUDITOR

The Audit Committee shall:

- Recommend the appointment and the compensation of, and, if appropriate, the termination of the independent auditor, subject to such Board of Directors and shareholder approval as is required under applicable legislation and stock exchange requirements.
- Obtain confirmation from the independent auditor that it ultimately is accountable, and will report directly, to the Audit Committee and the Board of Directors.
- Oversee the work of the independent auditor, including the resolution of any disagreements between senior management and the independent auditor regarding financial reporting.
- Pre-approve all audit and non-audit services (including any internal control-related services) provided by the independent auditor (subject to any restrictions on such non-audit services imposed by applicable legislation, regulatory requirements and policies of the Canadian Securities Administrators).
- Adopt such policies and procedures as it determines appropriate for the pre-approval of the retention of the independent auditor by the Company and any of its subsidiaries for any audit or non-audit services, including procedures for the delegation of authority to provide such approval to one or more members of the Audit Committee.
- Provide notice to the independent auditor of every meeting of the Audit Committee.
- Approve all engagements for accounting advice prepared to be provided by an accounting firm other than independent auditor.
- Review quarterly reports from senior management on tax advisory services provided by accounting firms other than the independent auditor.
- Review expense reports of the Chairman and the Chief Executive Officer.

INTERNAL AUDIT FUNCTION

The Audit Committee shall:

- Approve the appointment and, if appropriate, the termination of the head of the internal audit function.
- Obtain confirmation from the head of the internal audit function that he or she is ultimately accountable, and will report directly, to the Audit Committee.
- Oversee the work of the internal audit function, including the resolution of any disagreements between senior management and the internal audit function.
- Approve the internal audit function annual plan.
- Review quarterly reports from the head of the internal audit function.

THE AUDIT PROCESS, FINANCIAL STATEMENTS AND RELATED DISCLOSURE

The Audit Committee shall:

- Meet with senior management and/or the independent auditor to review and discuss,
    - the planning and staffing of the audit by the independent auditor,
    - before public disclosure, the Company's annual audited financial statements and quarterly financial statements, the Company's accompanying disclosure of Management's Discussion and Analysis and earnings press releases and make recommendations to the Board of Directors as to their approval and dissemination of those statements and disclosure,
    - financial information and earnings guidance provided to analysts and rating agencies: this review need not be done on a case by case basis but may be done generally (consisting of a discussion of the types of information disclosed and the types of presentations made) and need not take place in advance of the disclosure,
    - any significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the selection or application of accounting principles, any major issues regarding auditing principles and practices, and the adequacy of internal controls that could significantly affect the Company's financial statements,
    - all critical accounting policies and practices used,
    - all alternative treatments of financial information within IFRS that have been discussed with senior management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor,
    - the use of "pro forma" or "adjusted" non-IFRS information,
    - the effect of new regulatory and accounting pronouncements,
    - the effect of any material off-balance sheet structures, transactions, arrangements and obligations (contingent or otherwise) on the Company's financial statements,
    - any disclosures concerning any weaknesses or any deficiencies in the design or operation of internal controls or disclosure controls made to the Audit Committee in connection with certification of forms by the Chief Executive Officer and/or the Chief Financial Officer for filing with applicable securities regulators, and
    - the adequacy of the Company's internal accounting controls and management information systems and its financial, auditing and accounting organizations and personnel (including any fraud involving an individual with a significant role in internal controls or management information systems) and any special steps adopted in light of any material control deficiencies.
- Review disclosure of financial information extracted or derived from the Company's financial statements.
- Review with the independent auditor,
    - the quality, as well as the acceptability of the accounting principles that have been applied,
    - any problems or difficulties the independent auditor may have encountered during the provision of its audit services, including any restrictions on the scope of activities or access to requested information and any significant disagreements with senior management, any management letter provided by the independent auditor or other material communication (including any schedules of unadjusted differences) to senior management and the Company's response to that letter or communication, and

- any changes to the Company's significant auditing and accounting principles and practices suggested by the independent auditor or other members of senior management.

Risks

The Audit Committee shall:

- Recommend to the Board of Directors for approval a policy that sets out the Risks philosophy of the Company and the expectations and accountabilities for identifying, assessing, monitoring and managing Risks (the "**ERM Policy**") that is developed and is to be implemented by senior management.
- Meet with senior management to review and discuss senior management's timely identification of the most significant Risks, including those Risks related to or arising from the Corporation's weaknesses, threats to the Corporation's business and the assumptions underlying the Corporation's strategic plan ("**Principal Risks**").
- Approve a formalized, disciplined and integrated enterprise risk management process (the " **ERM Process**") that is developed by senior management and, as appropriate, the Board and its Committees, to monitor, manage and report Principal Risks.
- Recommend to the Board of Directors for approval policies (and changes thereto) setting out the framework within which each identified Principal Risks of the Corporation shall be managed.
- At least semi-annually, obtain from senior management and, as appropriate, with the input of one or more of the Board's Committees, a report specifying the management of the Principal Risks of the Corporation including compliance with the ERM Policy and other policies of the Corporation for the management of Principal Risks.
- Review with senior management the Company's tolerance for financial Risk and senior management's assessment of the significant financial Risks facing the Company.
- Discuss with senior management, at least annually, the guidelines and policies utilized by senior management with respect to financial Risk assessment and management, and the major financial Risk exposures and the procedures to monitor and control such exposures in order to assist the Audit Committee to assess the completeness, adequacy and appropriateness of financial Risk disclosure in Management's Discussion and Analysis and in the financial statements.
- Review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise, to be reported to the Board of Directors in a timely fashion.
- Review the adequacy of insurance coverages maintained by the Company.
- Discharge the Board's oversight function in respect of the administration of the pension and other retirement plans of the Company and its affiliates.

Compliance

The Audit Committee shall:

- Obtain reports from senior management that the Company's subsidiary/foreign affiliated entities are in conformity with applicable legal requirements and the Company's Code of Business Conduct and Ethics including disclosures of insider and affiliated party transactions and environmental protection laws and regulations.
- Review with senior management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the Company's financial statements or accounting policies.
- Review senior management's written representations to the independent auditor.
- Advise the Board of Directors with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Business Conduct and Ethics.
- Review with the Company's General Counsel legal matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.
- Establish procedures for,
    - the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and
    - the confidential, anonymous submission by employees of the Company with concerns regarding any accounting or auditing matters.

Delegation

To avoid any confusion, the Audit Committee responsibilities identified above are the sole responsibility of the Audit Committee, unless otherwise directed by the Board of Directors.

INDEPENDENT ADVICE

In discharging its mandate, the Audit Committee shall have the authority to retain (and authorize the payment by the Company of) and receive advice from special legal, accounting or other advisors as the Audit Committee determines to be necessary to permit it to carry out its duties.

Consolidated Financial Statements
(In US dollars)

HUDBAY MINERALS INC.

Years ended December 31, 2016 and 2015

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Hudbay Minerals Inc. ("Hudbay" or the "Company") is responsible for establishing and maintaining internal control over financial reporting ("ICFR").

Under the supervision of and with the participation of the Chief Executive Officer and the Chief Financial Officer, Hudbay's management assessed the effectiveness of the Company's ICFR as at December 31, 2016 based upon the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that Hudbay's ICFR was effective as of December 31, 2016.

The effectiveness of the Company's ICFR as at December 31, 2016 has been audited by Deloitte LLP, Independent Registered Public Accounting Firm, as stated in their report immediately preceding the Company's audited consolidated financial statements for the year ended December 31, 2016.

Alan Hair
President and Chief Executive Officer

David Bryson
Senior Vice President and Chief Financial Officer

Toronto, Canada
February 22, 2017

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Hudbay Minerals Inc.

We have audited the accompanying consolidated financial statements of Hudbay Minerals Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as at December 31, 2016 and December 31, 2015, and the consolidated income statements, consolidated statements of comprehensive (loss) income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hudbay Minerals Inc. and subsidiaries as at December 31, 2016 and December 31, 2015, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 22, 2017 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
February 22, 2017

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Hudbay Minerals Inc.

We have audited the internal control over financial reporting of Hudbay Minerals Inc. and subsidiaries (the "Company") as of December 31, 2016, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2016 of the Company and our report dated February 22, 2017 expressed an unmodified / unqualified opinion on those financial statements.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
February 22, 2017

HUDBAY MINERALS INC.
Consolidated Balance Sheets
(in thousands of US dollars)

	Note		Dec. 31, 2016		Dec. 31, 2015
Assets					
Current assets					
Cash and cash equivalents	9	**$**	**146,864**	$	53,852
Trade and other receivables	10		**152,567**		228,678
Inventories	11		**112,464**		120,186
Prepaid expenses	12		**3,992**		8,979
Other financial assets	13		**3,397**		16,512
Taxes receivable			**17,319**		6,971
			436,603		435,178
Receivables	10		**32,648**		26,223
Inventories	11		**4,537**		5,649
Other financial assets	13		**30,848**		72,730
Intangible assets - computer software	14		**6,614**		8,859
Property, plant and equipment	15		**3,865,823**		3,890,276
Deferred tax assets	23b		**79,483**		40,670
		$	**4,456,556**	$	4,479,585
Liabilities					
Current liabilities					
Trade and other payables	16	**$**	**169,662**	$	187,185
Taxes payable			**4,419**		4,393
Other liabilities	17		**42,207**		37,667
Other financial liabilities			**16,667**		10,195
Long-term debt	18		**16,490**		69,875
Deferred revenue	19		**65,619**		68,250
			315,064		377,565
Other financial liabilities			**38,103**		27,635
Long-term debt	18		**1,215,674**		1,205,005
Deferred revenue	19		**472,233**		529,010
Provisions	20		**179,702**		143,596
Pension obligations	21		**28,379**		34,260
Other employee benefits	22		**89,273**		80,695
Deferred tax liabilities	23b		**354,916**		294,529
			2,693,344		2,692,295
Equity					
Share capital	24b		**1,588,319**		1,576,600
Reserves			**(42,040)**		(45,003)
Retained earnings			**216,933**		255,693
			1,763,212		1,787,290
		$	**4,456,556**	$	4,479,585

Capital commitments (note 29).

HUDBAY MINERALS INC.
Consolidated Statements of Cash Flows
(in thousands of US dollars)

	Note	Year ended December 31, **2016**	2015 Restated (note 4)
Cash generated from (used in) operating activities:			
Loss for the year		**$ (35,193)**	$ (331,428)
Tax expense (recovery)	23a	**40,798**	(67,613)
Items not affecting cash:			
Depreciation and amortization	7b	**299,134**	217,617
Share-based payment expense (recovery)	7c	**9,887**	(319)
Net finance expense	7f	**164,279**	73,468
Change in fair value of derivatives		**(1,238)**	636
Change in deferred revenue related to stream	19	**(65,762)**	(51,860)
Change in taxes receivable/payable, net		**(3,666)**	(14,077)
Unrealized loss (gain) on warrants	7f	**2,111**	(11,400)
Pension past service costs		**-**	17,064
(Gain) loss on available-for-sale investments	7f	**(373)**	4,863
Asset and goodwill impairment losses	7g	**-**	433,382
Gain on disposition of subsidiary	7h	**-**	(37,026)
Pension and other employee benefit payments, net of accruals		**(11,120)**	(1,813)
Other and foreign exchange		**2,625**	2,150
Taxes paid		**(13,614)**	(1,823)
Operating cash flow before change in non-cash working capital		**387,868**	231,821
Change in non-cash working capital	31a	**87,206**	(46,156)
		475,074	185,665
Cash generated from (used in) investing activities:			
Acquisition of property, plant and equipment		**(192,822)**	(490,664)
Acquisition of investments		**(359)**	-
Acquisition of subsidiary, net cash paid	6	**-**	(11,756)
Net cash received on disposition of subsidiaries		**-**	2,027
Release of (addition to) restricted cash		**45,913**	(22,811)
Net Peruvian sales tax refunded on capital expenditures		**-**	42,041
Net interest received (paid)		**212**	(4,381)
		(147,056)	(485,544)
Cash generated from (used in) financing activities:			
Long-term debt borrowing, net of transaction costs paid		**62,247**	319,569
Principal repayments	18	**(176,490)**	(30,827)
Net refinancing of senior unsecured notes		**21,194**	-
Interest paid		**(126,520)**	(108,647)
Proceeds from exercise of stock options		**-**	809
Financing costs		**(21,763)**	(2,540)
Payment of finance lease		**(2,897)**	-
Net proceeds from issuance of equity	24b	**11,719**	13,199
Dividends paid	24b	**(3,567)**	(3,604)
		(236,077)	187,959
Effect of movement in exchange rates on cash and cash equivalents		**1,071**	(12,896)
Net increase (decrease) in cash and cash equivalents		**93,012**	(124,816)
Cash and cash equivalents, beginning of year		**53,852**	178,668
Cash and cash equivalents, end of year		**$ 146,864**	$ 53,852

For supplemental information, see note 31.

HUDBAY MINERALS INC.
Consolidated Income Statements
(in thousands of US dollars, except share and per share amounts)

	Note	Year ended December 31, **2016**	2015
Revenue	7a	**$ 1,128,678**	$ 886,051
Cost of sales			
Mine operating costs		**607,170**	550,695
Depreciation and amortization	7b	**298,630**	216,992
		905,800	767,687
Gross profit		**222,878**	118,364
Selling and administrative expenses		**37,774**	30,937
Exploration and evaluation expenses		**4,742**	9,426
Other operating expenses	7e	**10,586**	10,075
Asset and goodwill impairment loss	7g	**-**	433,382
Gain on disposal of subsidiary	7h	**-**	(37,026)
Results from operating activities		**169,776**	(328,430)
Finance income	7f	**(2,792)**	(3,995)
Finance expenses	7f	**167,071**	77,463
Other finance gain	7f	**(108)**	(2,857)
Net finance expense		**164,171**	70,611
Profit (loss) before tax		**5,605**	(399,041)
Tax expense (recovery)	23a	**40,798**	(67,613)
Loss for the year		**$ (35,193)**	$ (331,428)
Loss per share - basic and diluted		**$ (0.15)**	$ (1.41)
Weighted average number of common shares outstanding:	26		
Basic		**235,807,509**	234,675,080
Diluted		**235,807,509**	234,675,080

HUDBAY MINERALS INC.
Consolidated Statements of Comprehensive (Loss) Income
(in thousands of US dollars)

	Year ended December 31,	
	2016	2015
Loss for the year	**$ (35,193)**	$ (331,428)
Other comprehensive (loss) income:		
Items that may be reclassified subsequently to profit or loss		
Recognized directly in equity:		
Net exchange gain (loss) on translation of foreign operations	**8,301**	(60,648)
Change in fair value of available-for-sale financial investments	**3,598**	(5,287)
Effect of foreign exchange on available-for-sale financial investments	**53**	(1,172)
	11,952	(67,107)
Items that will not be reclassified subsequently to profit or loss:		
Recognized directly in equity:		
Remeasurement - actuarial (loss) gain	**(11,252)**	59,266
Tax effect	**2,198**	(1,053)
	(9,054)	58,213
Transferred to income statements:		
Impairment of available-for-sale investments	**1,102**	4,863
Sale of available-for-sale investments	**(1,037)**	-
Tax effect	**-**	7
	65	4,870
Other comprehensive income (loss), net of tax, for the year	**2,963**	(4,024)
Total comprehensive loss for the year	**$ (32,230)**	$ (335,452)

HUDBAY MINERALS INC.
Consolidated Statements of Changes in Equity
(in thousands of US dollars)

	Share capital	Other capital reserves	Foreign currency translation reserve	Available-for-sale reserve	Remeasurement reserve	Retained earnings	Total equity
Balance, January 1, 2015	$ 1,562,249	$ 25,900	$ 46,751	$ 2,898	$ (119,465)	$ 590,725	$ 2,109,058
Loss	-	-	-	-	-	(331,428)	(331,428)
Other comprehensive (loss) income	-	-	(60,648)	(1,589)	58,213	-	(4,024)
Total comprehensive (loss) income	-	-	(60,648)	(1,589)	58,213	(331,428)	(335,452)
Contributions by and distributions to owners:							
Stock options exercised	1,152	(343)	-	-	-	-	809
Equity issuance (note 24b)	13,199	-	-	-	-	-	13,199
Reclassification of Augusta warrants	-	3,280	-	-	-	-	3,280
Dividends (note 24b)	-	-	-	-	-	(3,604)	(3,604)
Total contributions by and distributions to owners	14,351	2,937	-	-	-	(3,604)	13,684
Balance, December 31, 2015	$ 1,576,600	$ 28,837	$ (13,897)	$ 1,309	$ (61,252)	$ 255,693	$ 1,787,290
Loss	-	-	-	-	-	(35,193)	(35,193)
Other comprehensive income (loss)	-	-	8,301	3,716	(9,054)	-	2,963
Total comprehensive income (loss)	-	-	8,301	3,716	(9,054)	(35,193)	(32,230)
Contributions by and distributions to owners:							
Equity issuance (note 24b)	11,814	-	-	-	-	-	11,814
Share issue costs, net of tax (note 24b)	(95)	-	-	-	-	-	(95)
Dividends (note 24b)	-	-	-	-	-	(3,567)	(3,567)
Total contributions by and distributions to owners	11,719	-	-	-	-	(3,567)	8,152
Balance, December 31, 2016	**$ 1,588,319**	**$ 28,837**	**$ (5,596)**	**$ 5,025**	**$ (70,306)**	**$ 216,933**	**$ 1,763,212**

1. Reporting entity

On January 1, 2017, HudBay Minerals Inc. amalgamated under the *Canada Business Corporations Act* with its subsidiaries Hudson Bay Mining and Smelting Co., Limited and Hudson Bay Exploration and Development Company Limited to form Hudbay Minerals Inc. ("HMI" or the "Company"). The address of the Company's principal executive office is 25 York Street, Suite 800, Toronto, Ontario. The consolidated financial statements of the Company for the years ended December 31, 2016 and 2015 represent the financial position and the financial performance of the Company and its subsidiaries (together referred to as the "Group" or "Hudbay" and individually as "Group entities").

Wholly owned subsidiaries as at December 31, 2016, include Hudson Bay Mining and Smelting Co., Limited ("HBMS"), Hudson Bay Exploration and Development Company Limited ("HBED"), HudBay Marketing & Sales Inc. ("HMS"), HudBay Peru Inc., HudBay Peru S.A.C. ("Hudbay Peru"), HudBay (BVI) Inc., Hudbay Arizona Corporation (formerly Augusta Resource Corporation, "Augusta" or "Hudbay Arizona") and Rosemont Copper Company ("Rosemont").

Hudbay is an integrated mining company producing copper concentrate (containing copper, gold and silver) and zinc metal. With assets in North and South America, the Group is focused on the discovery, production and marketing of base and precious metals. Directly and through its subsidiaries, Hudbay owns four polymetallic mines, four ore concentrators and a zinc production facility in northern Manitoba and Saskatchewan (Canada) and Cusco (Peru) and a copper project in Arizona (United States). The Group also has equity investments in a number of junior exploration companies. The Company is governed by the Canada Business Corporations Act and its shares are listed under the symbol "HBM" on the Toronto Stock Exchange, New York Stock Exchange and Bolsa de Valores de Lima. Hudbay also has warrants listed under the symbol "HBM.WT" on the Toronto Stock Exchange and "HBM/WS" on the New York Stock Exchange.

2. Basis of preparation

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective for the year ended December 31, 2016.

The Board of Directors approved these consolidated financial statements on February 22, 2017.

(b) Functional and presentation currency:

The Group's consolidated financial statements are presented in US dollars, which is the Company's and all material subsidiaries' functional currency, except for HBMS, HBED and HMS, which have a functional currency of Canadian dollars. All values are rounded to the nearest thousand ($000) except where otherwise indicated.

(c) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for the following items in the consolidated balance sheets:

- Derivatives, embedded derivatives, other financial instruments at fair value through profit or loss ("FVTPL") and available-for-sale financial assets are measured at fair value;
- Liabilities for cash-settled share-based payment arrangements are measured at fair value; and

- A defined benefit liability is recognized as the net total of the plan assets, unrecognized past service costs and unrecognized actuarial losses, less unrecognized actuarial gains and the present value of the defined benefit obligation.

(d) Use of judgements and estimates:

The preparation of the consolidated financial statements in conformity with IFRS requires the Group to make judgements, estimates and assumptions that affect the application of accounting policies, reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

The Group reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that the Group believe to be reasonable under the circumstances. Revisions to accounting estimates are recognized prospectively in the period in which the estimates are revised and in any future periods affected.

The following are significant judgements and estimates impacting the consolidated financial statements:

- *Mineral reserves and resources* (notes 3i, 3m and 3o) - the group estimates mineral reserves and resources to determine future recoverable mine production based on assessment of geological, engineering and metallurgical analyses, estimates of future production costs, capital costs and reclamation costs, as well as long term commodity prices and foreign exchange rates. There are numerous uncertainties inherent in estimating mineral reserves and resources, including many factors beyond the Group's control. The estimates are based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body and interpreting this data requires complex geological judgements. Changes in assumptions, including economic assumptions such as metals prices and market conditions, could have a material effect on the financial position and results of operations.

Changes in the mineral reserve or resource estimates may affect:

  - the carrying value of exploration and evaluation assets, capital works in progress, mining properties and plant and equipment;
  - depreciation expense for assets depreciated either on a unit-of-production basis or on a straight line basis where useful lives are restricted by the life of the related mine or plan;
  - the provision for decommissioning, restoration and similar liabilities; and
  - the carrying value of deferred tax assets.

- *Property plant and equipment* (notes 3i and 15) - the carrying amounts of property, plant and equipment and exploration and evaluation assets on the Group's consolidated balance sheets are significant and reflect multiple estimates and applications of judgement. Management exercises judgement in determining whether the costs related to exploration and evaluation are eligible for capitalization and whether they are likely to be recoverable by future exploration, which may be based on assumptions about future events and circumstances. Judgement and estimates are used when determining whether exploration and evaluation assets should be transferred to capital works in progress within property, plant and equipment. For mines in the production stage, management applies judgement to determine development costs to be capitalized based on the extent they are incurred in order to access reserves mineable over more than one year. In doing this, estimates such as number of tonnes of waste to be removed over the life of the mining area and economically recoverable reserves extracted as a result.

For depreciable property, plant and equipment assets, management makes estimates to determine depreciation. For assets depreciated using the straight line method, residual value and useful lives of the assets or components are estimated. A significant estimate is required to determine the total production basis for units-of-production depreciation. The most currently available reserve and resource report is utilized in determining the basis which has material impacts on the amount of depreciation recorded through inventories and the consolidated income statements. There are numerous uncertainties inherent in estimating mineral reserves, and assumptions that were valid at the reporting date may change when new information becomes available. The actual volume of ore extracted and any changes in these assumptions could affect prospective depreciation rates and carrying values.

In determining whether stripping costs incurred during the production phase of a mining property relate to mineral reserves and mineral resources that will be mined in a future period and therefore should be capitalized, the Group makes estimates of the proportion of stripping activity which relates to extracting current ore and the proportion which relates to obtaining access to ore reserves which will be mined in the future.

- *Acquisition method accounting* (notes 3a and 6) - during the acquisition of New Britannia Mine and Mill, judgement was required to determine if the acquisition represented a business combination or an asset purchase. More specifically, management concluded that the New Britannia Mine and Mill did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs. Since it was concluded that the acquisition represented the purchase of assets, there was no goodwill generated on the transaction and acquisition costs were capitalized to the assets purchased rather than expensed.

- *Valuation of an acquired asset* (note 6) - as the Group concluded that the acquisition of New Britannia Mine and Mill was an asset acquisition, an allocation of the purchase price to the individual identifiable assets acquired, including intangible assets, and liabilities assumed based on their relative fair values at the date of purchase was required. The fair values of the net assets acquired were calculated using significant estimates and judgements. If estimates or judgements differed, this could result in a materially different allocation of net assets on the consolidated balance sheets.

- *Valuation and classification of the Peru sales tax receivable* (note 10) - there is significant judgement involved when determining recoverability and timing of receipt of funds with governments of emerging markets. Based on a history of receipts from the government and positive audit compliance, management determined that the classification and the recoverability of the amounts recorded were reasonable. A change in government policies or fiscal stability may lead to a change in the recorded amount and may result in a re-classification of a greater portion of the receivable from current to non-current.

- *Impairment of non-financial assets* (notes 3h, 3j and 8) - there are significant estimates involved in the determination of the recoverable amount of cash generating units ("CGU"). Recoverable amounts are calculated using discounted after-tax cash flows based on cash flow projections and assumptions in the Group's most current life of mine ("LOM") plans. LOM plans are based on optimized mine and processing plans and the assessment of capital expenditure requirements of a mine site. LOM plans incorporate management's best estimates of key assumptions which include discount rates, future commodity prices, production based on current estimates of recoverable reserves, future operating and capital costs, future foreign exchange rates and the value of mineral resources not included in the Constancia LOM plan. Expected future cash flows used to determine the recoverable amount during impairment testing are inherently uncertain and could materially change over time. Should management's estimate of the future not reflect actual events, impairments may be identified, which could have a material effect on the Group's consolidated financial statements. Although it is reasonably possible for a change in key assumptions to occur, the possible effects of a change in any single assumption may not fairly reflect the impact on a CGU's fair value as the assumptions are inextricably linked.

- *Tax provisions* (notes 3o and 23) - management makes estimates in determining the measurement and recognition of deferred tax assets and liabilities recorded on the consolidated balance sheets. The measurement of deferred tax assets and deferred tax liabilities is based on tax rates that are expected to apply in the period that the asset is realized or liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood of taxable income in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability to realize the net deferred tax assets recorded at the balance sheet date could be affected. At the end of each reporting period, management reassesses the period that assets are expected to be realized or liabilities are settled and the likelihood of taxable income in future periods in order to support and adjust the deferred tax assets and deferred tax liabilities recognized on the consolidated balance sheets.

- *Timing of commercial production* (note 3i) - during the year ended December 31, 2015, the Group determined that the Constancia project met the criteria required to be considered a commercial production mine. Judgement was applied to ascertain the point in time when the group of mine assets associated with each project were capable of being used in the manner intended by management. Amongst other quantitative and qualitative factors, throughput, mill grades and recoveries were assessed over a period of three months for Constancia to make this determination. Given the planned ramp-up of operations at Constancia, a factor of 60% of planned output and design capacity measures were utilized in determining the appropriate timing. A change in judgement regarding timing of commercial production could have material impacts on the amount of revenues and depreciation recorded in the consolidated income statements and the valuation of property, plant and equipment in the consolidated balance sheets.

- *Functional currency* (note 3b) - judgement was required in determining that the US dollar is the appropriate functional currency of certain entities of Hudbay. This was determined by assessing the currency which influences sales prices for concentrate and metals sales, labour and input costs, as well as the currency in which Hudbay finances its operations. The US dollar functional currency determination results in foreign exchange gains and losses being recorded on the consolidated income statements pertaining to the revaluation of non-US monetary assets and liabilities, most notably, the Canadian denominated trade receivables, cash, working capital and intercompany balances. If judgement was altered and a different functional currency was selected for certain entities of Hudbay, this could result in material differences in the amounts recorded in the consolidated income statements pertaining to foreign exchange gains or losses.

- *Assaying utilized to determine revenue and recoverability of inventories* (notes 3c and 3f) - assaying of contained metal is a key estimate in determining the amount of revenues recorded in the consolidated income statements. The estimate is finalized after final surveying is completed, which may extend to six months in certain transactions. Since assays are utilized to determine the value of recorded revenues, significant differences in given assays may result in a material misstatement of revenues on the consolidated income statements. Assay survey results are also a factor utilized to determine if inventories on hand have a net realizable value that exceeds cost. Material differences in assay results may lead to misstatements of inventory balances in the consolidated balance sheets.

- *Decommissioning and restoration obligations* (notes 3m and 20) - significant judgement and estimates are utilized in the determination of the decommissioning and restoration provisions in the consolidated balance sheets. Judgement is involved in determining the timing and extent of cash outflows required to satisfy constructive obligations based on the timing of site closures in the LOM plans, expected unit costs to determine cash obligations to remediate disturbances and regulatory and constructive requirements to determine the extent of the remediation required. The timing of cash outflows and discount rates associated with discounting the provision are also key estimates. Changes in these estimates may result in a change in classification of the provision between non-current and current as well as material differences in the total provision recorded in the consolidated balance sheets.

- *Accounting for stream transactions* (note 19) - significant judgement was required in determining the appropriate accounting for the Silver Wheaton Corp. (“Silver Wheaton”) stream transactions that were entered into. The upfront cash deposit received from Silver Wheaton on the stream transactions have been accounted for as deferred revenue as management has determined that it is not a derivative as it will be satisfied through the delivery of non-financial items (i.e., gold and silver credits) rather than cash or financial assets. It is management’s intention to settle the obligations under the stream transactions through its own production and if this is not possible, this would lead to the stream transactions becoming a derivative since a cash settlement payment may be required. This would cause a change to the accounting treatment, resulting in the revaluation of the fair value of the agreement through the income statement on a recurring basis.

- *Pensions and other employee benefits* (notes 3l, 21 and 22) - the Group's post retirement obligations relate mainly to ongoing health care benefit plans. The Group estimates obligations related to the pension and other employee benefits plans using actuarial determinations that incorporate assumptions using management's best estimates of factors including plan performance, salary escalation, retirement dates of employees and drug cost escalation rates. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. Management reviews all assumptions at each reporting date. In determining the appropriate discount rate, the Group considers the interest rates on corporate bonds in the respective currency with at least an AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate based on publicly available mortality tables for the specific country, and the Group bases future salary increases and pension increases on expected future inflation rates for the respective country.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and by all Group entities.

(a) Basis of consolidation:

Intercompany balances and transactions are eliminated upon consolidation. When a Group entity transacts with an associate or jointly controlled entity of the Group, unrealized profits and losses are eliminated to the extent of the Group's interest in the relevant associate or joint venture. The accounting policies of Group entities are changed when necessary to align them with the policies adopted by the Company.

Subsidiaries

A subsidiary is an entity controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Business combinations and goodwill

When the Group makes an acquisition, it first determines whether the assets acquired and liabilities assumed constitute a business, in which case the acquisition requires accounting as a business combination. Management applies judgement in determining whether the acquiree is capable of being conducted and managed for the purpose of providing a return, considering the inputs of the acquiree and processes applied to those inputs that have the ability to create outputs.

The Group applies the acquisition method of accounting to business combinations, whereby the goodwill is measured at the acquisition date as the fair value of the consideration transferred including the recognized amount of any non-controlling interests in the acquiree. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated income statements. The assessment of fair values on acquisition includes those mineral reserves and resources that are able to be reliably measured. In determining these fair values, management must also apply judgement in areas including future cash flows, metal prices, exchange rates and appropriate discount rates. Changes in such estimates and assumptions could result in significant differences in the amount of goodwill recognized.

The consideration transferred is the aggregate of the fair values at the date of acquisition of the sum of the assets transferred, the liabilities incurred or assumed, and the equity instruments issued by the acquirer in exchange for control of the acquiree. Acquisition-related costs are recognized in the consolidated income statements as incurred, unless they relate to issue of debt or equity securities.

Where applicable, the consideration transferred includes any asset or liability resulting from a contingent consideration arrangement and measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS. Changes in the fair value of contingent consideration classified as equity are not recognized.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date, which is the date the Group attains control, and any resulting gain or loss is recognized in the consolidated income statements. Amounts previously recognized in other comprehensive income ("OCI") related to interests in the acquiree prior to the acquisition date are reclassified to the consolidated income statements, where such treatment would be appropriate if that interest were disposed of.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill is allocated to the lowest level at which it is monitored for internal management purposes and is not larger than an operating segment before aggregation. Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the determination of any gain or loss on disposal.

Goodwill is not amortized and is tested for impairment annually and whenever there is an indication of impairment. If any such indication exists, the recoverable amount of the CGU is estimated in order to determine the extent of the impairment, if any. The recoverable amount is determined as the higher of fair value less direct costs to sell and the CGU's value in use. An impairment loss in respect of goodwill is not reversed.

Fair value for mineral interests and related goodwill is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Group's continued use and cannot take into account future development.

The weighted average cost of capital of the Group or comparable market participants is used as a starting point for determining the discount rates, with appropriate adjustments for the risk profile of the countries in which the individual CGUs operate and the specific risks related to the development of the project.

Where the asset does not generate cash flows that are independent of other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as an expense in the consolidated income statements.

(b) Translation of foreign currencies:

Management determines the functional currency of each Group entity as the currency of the primary economic environment in which the entity operates.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates in effect at the transaction dates.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the noon exchange rate. Non-monetary assets and liabilities measured at fair value are translated using the exchange rates at the date when fair value was determined. Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using exchange rates that were in effect at the transaction dates. The same translations are applied when an entity prepares its financial statements from books and records maintained in a currency other than its functional currency, except revenue and expenses may be translated at monthly average exchange rates that approximate those in effect at the transaction dates.

Foreign currency gains and losses arising on period-end revaluations are recognized in the consolidated income statements, except for differences arising on translation of available-for-sale equity instruments, a financial liability designated as a hedge of a net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in OCI.

Foreign operations

For the purpose of the consolidated financial statements, assets and liabilities of Group entities that have functional currencies other than the US dollar are translated to US dollars at the reporting date using the noon exchange rate. Revenue and expenses are translated at monthly average exchange rates that approximate those in effect at the transaction dates. Differences arising from these foreign currency translations are recognized in OCI and presented within equity in the foreign currency translation reserve. When a foreign operation is disposed, the relevant exchange differences accumulated in the foreign currency translation reserve are transferred to the consolidated income statements as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such amount is reattributed to non-controlling interests. On disposal of a partial investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion is reclassified to profit and loss.

Net investment in a foreign operation

Foreign currency gains and losses arising on translation of a monetary item receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future are considered to form part of a net investment in the foreign operation. Such gains and losses are recognized in OCI and presented within equity in the foreign currency translation reserve.

(c) Revenue recognition:

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of treatment and refining charges and pre-production revenue.

Sales revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, the Group has insignificant continuing management involvement with the goods, the amount of revenue can be measured reliably, recovery of the consideration is probable and the associated costs and possible return of goods can be estimated reliably. Transfers of risks and rewards vary depending on individual contract terms and frequently occur at the time when title passes to the customer. For medium and long-term contracts, revenue recognition criteria are assessed for individual sales within the contracts. Revenue from the sale of by-products is included within revenue.

Sales of concentrate and certain other products are “provisionally priced”. For these contracts, sales prices are subject to final adjustment at the end of a future period after shipment, based on quoted market prices during the quotational period specified in the contract. Revenue is recognized when the above criteria are met, using weight and assay results and forward market prices to estimate the fair value of the total consideration receivable. Such a provisional sale contains an embedded derivative that must be separated from the host contract. At each reporting date, provisionally priced metals sales are marked to market, with adjustments (both gains and losses) recorded in revenue in the consolidated income statements and in trade and other receivables on the consolidated balance sheets.

The Group recognizes deferred revenue in the event it receives payments from customers before a sale meets criteria for revenue recognition.

Interest revenue is recognized in finance income as it accrues, using the effective interest method.

Dividend revenue from investments is recognized when the shareholder’s right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(d) Cost of sales:

Cost of sales consists of those costs previously included in the measurement of inventory sold during the period, as well as certain costs not included in the measurement of inventory, such as the cost of warehousing and distribution to customers, provisional pricing adjustments related to purchased concentrates, profit sharing, royalty payments, share-based payments and other indirect expenses related to producing operations.

(e) Cash and cash equivalents:

Cash and cash equivalents include cash, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash equivalents have maturities of three months or less at the date of acquisition. Interest earned is included in finance income on the consolidated income statements and in investing activities on the consolidated statements of cash flows.

Amounts that are restricted from being used for at least twelve months after the reporting date are classified as non-current assets and presented in restricted cash on the consolidated balance sheets. Changes in restricted cash balances are classified as investing activities on the consolidated statements of cash flows.

(f) Inventories:

Inventories consist of stockpiles, in-process inventory (concentrates and metals), metal products and supplies. Concentrates, metals and all other saleable products are valued at the lower of cost and estimated net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Where the net realizable value is less than cost, the difference is charged to the consolidated income statements as an impairment charge in cost of sales. Capitalized stripping costs related to production are capitalized to inventory as incurred.

Cost of production of concentrate inventory is determined on a weighted average cost basis and the cost of production of finished metal inventory is determined using the first in first out basis. The cost of production includes direct costs associated with conversion of production inventory: material, labour, contractor expenses, purchased concentrates, and an attributable portion of production overheads and depreciation of all property, plant and equipment involved with the mining and production process. Hudbay measures in-process inventories based on assays of material received at metallurgical plants and estimates of recoveries in the production processes. Due to significant uncertainty associated with volume and metal content, immaterial costs are not allocated to routine operating levels of stockpiled ore. Estimates and judgements are required to assess the nature of any significant changes to levels of ore stockpiles and determining whether allocation of costs is required.

Supplies are valued at the lower of average cost and net realizable value. A regular review is undertaken to determine the extent of any provision for obsolescence.

(g) Intangible assets:

Computer software is measured at cost less accumulated amortization and accumulated impairment losses. Costs include all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating it in the manner intended by management.

Amortization methods, useful lives, and residual values if any, are reviewed at each year end and adjusted prospectively, if required. When an intangible asset is disposed of, or when no further economic benefits are expected, the asset is derecognized, and any resulting gain or loss is recorded in the consolidated income statements.

Currently, the Group's intangible assets relate primarily to enterprise resource planning ("ERP") information systems, which are amortized over their estimated useful lives.

(h) Exploration and evaluation expenditures:

Exploration and evaluation activity begins when the Group obtains legal rights to explore a specific area and involves the search for mineral reserves, the determination of technical feasibility, and the assessment of commercial viability of an identified resource. Expenditures incurred in the exploration and evaluation phase include the cost of acquiring interests in mineral rights, licenses and properties and the costs of the Group's exploration activities, such as researching and analyzing existing exploration data, gathering data through geological studies, exploratory drilling, trenching, sampling, and certain feasibility studies.

The Group expenses the cost of its exploration and evaluation activities and capitalizes the cost of acquiring interests in mineral rights, licenses and properties in business combinations, asset acquisitions or option agreements. Amounts capitalized are recognized as exploration and evaluation assets and presented in property, plant and equipment. Exploration and evaluation assets acquired as a result of an asset acquisition or option agreement are initially recognized at cost, and those acquired in a business combination are recognized at fair value on the acquisition date. They are subsequently carried at cost less accumulated impairment. No depreciation is charged during the exploration and evaluation phase. The Group expenses the cost of subsequent exploration and evaluation activity related to acquired exploration and evaluation assets. Cash flows associated with acquiring exploration and evaluation assets are classified as investing activities in the consolidated statements of cash flows; those associated with exploration and evaluation expenses are classified as operating activities.

Judgement is required in determining whether the respective costs are eligible for capitalization where applicable, and whether they are likely to be recoverable, which may be based on assumptions about future events and circumstances. Estimates and assumptions made may change if new information becomes available.

The Group monitors exploration and evaluation assets for factors that may indicate their carrying amounts are not recoverable. If such indicators are identified, the Group tests the exploration and evaluation assets or their CGUs, as applicable, for impairment. The Group also tests impairment when assets reach the end of the exploration and evaluation phase.

Exploration and evaluation assets are transferred to capital works in progress within property, plant and equipment once the Group determines that probable future economic benefits will be generated as a result of the expenditures. The Group's determination of probable future economic benefit is based on management's evaluation of the technical feasibility and commercial viability of the geological properties of a given ore body based on information obtained through evaluation activities, including metallurgical testing, resource and reserve estimates and the economic assessment of whether the ore body can be mined economically. Tools that may be used to determine this include a preliminary feasibility study, confidence in converting resources into reserves and the probability that the property could be developed into a mine site. At that time, the property is considered to enter the development phase, and subsequent evaluation costs are capitalized.

(i) Property, plant and equipment:

The Group measures items of property, plant and equipment at cost less accumulated depreciation and any accumulated impairment losses.

The initial cost of an item of property, plant and equipment includes its purchase price or construction costs, including import duties and non-refundable purchase taxes, any costs directly attributable to bringing the asset into operation, and for qualifying assets, borrowing costs. The initial cost of property, plant and equipment also includes the initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Group incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Capitalization of costs ceases once an asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. At this time, depreciation commences. For a new mine, this occurs upon commencement of commercial production. Any revenue earned in the process of preparing an asset to be capable of operating in the manner intended by management is included in the cost of the constructed asset. Any other incidental revenue earned prior to commencement of commercial production is recognized in the consolidated income statements.

Carrying amounts of property, plant and equipment, including assets under finance leases, are depreciated to their estimated residual value over the estimated useful lives of the assets or the estimated life of the related mine or plant, if shorter. Where components of an asset have different useful lives, depreciation is calculated on each separate component. Components may be physical or non-physical, including the cost of regular major inspections and overhauls required in order to continue operating an item of property, plant and equipment.

Certain items of property, plant and equipment are depreciated on a unit-of-production basis. The unit-of-production method is based on proven and probable tonnes of ore reserves. There are numerous uncertainties inherent in estimating ore reserves, and assumptions that were valid at the reporting date may change when new information becomes available. The actual volume of ore extracted and any changes in these assumptions could affect prospective depreciation rates and carrying values.

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Upon derecognition of an item of property, plant and equipment, the difference between its carrying value and net sales proceeds, if any, is presented as a gain or loss in other operating income or expense in the consolidated income statements.

(i) Capital works in progress:

Capital works in progress consist of items of property, plant and equipment in the course of construction or mineral properties in the course of development, including those transferred upon completion of the exploration and evaluation phase. On completion of construction or development, costs are transferred to plant and equipment and/or mining properties as appropriate. Capital works in progress are not depreciated.

(ii) Mining properties:

Mining properties consist of costs transferred from capital works in progress when a mining property reaches commercial production, costs of subsequent mine and exploration development, and acquired mining properties in the production stage.

Mining properties include costs directly attributable to bringing a mineral asset into the state where it is capable of operating in the manner intended by management and includes such costs as the cost of shafts, ramps, track haulage drifts, ancillary drifts, pumps, electrical substations, refuge stations, ventilation raises, permanent manways, and ore and waste pass raises. The determination of development costs to be capitalized during the production stage of a mine operation requires the use of judgements and estimates such as estimates of tonnes of waste to be removed over the life of the mining area and economically recoverable reserves extracted as a result.

A mining property is considered to be capable of operating in a manner intended by management when it commences commercial production. Upon commencement of commercial production, a mining property is depreciated on a unit-of-production method. Unit-of-production depreciation rates are determined based on the related proven and probable mineral reserves and associated future development costs.

Subsequent mine development costs are capitalized to the extent they are incurred in order to access reserves mineable over more than one year. Ongoing maintenance and development expenditures are expensed as incurred and included in cost of sales in profit or loss. These include ore stope access drifts, footwall and hangingwall drifts in stopes, drawpoints, drill drifts, sublevels, slots, drill raises, stope manway access raises and definition diamond drilling.

(iii) Plant and equipment:

Plant and equipment consists of buildings and fixtures, surface and underground fixed and mobile equipment and assets under finance lease.

Plant and equipment are depreciated on either unit-of-production or straight-line basis based on factors including the production life of assets and mineable reserves. In general, mining assets are depreciated using a unit-of-production method; equipment is depreciated using the straight-line method, based on the shorter of its useful life and that of the related mine or facility; and plants are depreciated using the straight-line method, with useful lives limited by those of related mining assets.

(iv) Depreciation rates of major categories of assets:

— Capital works in progress	— not depreciated
— Mining properties	— unit-of-production
— Mining assets	— unit-of-production
— Other plant assets	— straight-line over 1 to 21 years / unit-of-production
— Equipment	— straight-line over 1 to 21 years

The Group reviews its depreciation methods, remaining useful lives and residual values at least annually and accounts for changes in estimates prospectively.

(v) Commercial production:

Commercial production is the level of activities intended by management for a mine, or a mine and mill complex, to be capable of operating in the manner intended by management. The Group considers a range of factors when determining the level of activity that represents commercial production for a particular project, including a pre-determined percentage of design capacity for the mine and mill; achievement of continuous production, ramp-ups, or other output; or specific factors such as recoveries, grades, or inventory build-ups. In a phased mining approach, management may consider achievement of specific milestones at each phase of completion. In a non-phased mining approach, management considers average actual metrics that are at least 60% of average design capacity or plan over a continuous period. Management assesses the operation's ability to sustain production over a period of approximately one to three months, depending on the complexity related to the stability of continuous operation. Commercial production is considered to have commenced, and depreciation expense is recognized, at the beginning of the month after criteria have been met.

(vi) Capitalized borrowing costs:

The Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Capitalization of borrowing costs ceases once the qualifying assets commence commercial production or are otherwise ready for their intended use or sale.

Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of interest rates applicable to relevant general borrowings of the Group during the period, to a maximum of actual borrowing costs incurred. Investment income earned by temporarily investing specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Capitalization of interest is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognized in the consolidated income statements in the period in which they are incurred.

(vii) Capitalized stripping costs:

Costs associated with stripping activities in an open pit mine are capitalized to inventory and recorded through cost of sales unless the stripping activity can be shown to improve access to further quantities of ore that will be mined in future periods, in which case, the stripping costs are capitalized. Capitalized stripping costs are included in “mining properties” within property, plant and equipment.

Capitalized stripping costs are depreciated using a units-of-production method over the expected reserves within a given phase of mine development.

(j) Impairment of non-financial assets:

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment, exploration and evaluation assets and intangible assets - computer software to determine whether there is any indication of impairment. If any such indication exists, the Group estimates the recoverable amount of the asset in order to determine the extent of the impairment loss, if any. The Group generally assesses impairment at the level of CGUs, which are the smallest identifiable groups of assets that generate cash inflows that are largely independent of cash inflows from other assets.

The Group's CGUs consist of Manitoba, Peru, Arizona and exploration and evaluation assets.

The Group allocates exploration and evaluation assets to CGUs based on their operating segment, geographic location and management’s intended use for the property. Exploration and evaluation assets are allocated to CGUs separate from those containing producing or development-phase assets, except where exploration and evaluation assets have the potential to significantly affect the future production of producing or development-phase assets.

Goodwill, if recorded, is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Where an indicator of impairment exists, a formal estimate of the recoverable amount of the asset or CGU is made. The recoverable amount is the higher of the fair value less costs of disposal and value in use:

- Fair value less costs of disposal is the amount obtainable from the sale of the asset or CGU in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Fair value for mineral assets is often determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset to arrive at a net present value of the asset.

- Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset or CGU in its present form and its eventual disposal, discounted using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the asset for which estimates of future cash flows have not been adjusted. Value in use calculations apply assumptions specific to the Group's continued use and cannot take into account future development. These assumptions are different to those used in calculating fair value, and consequently the value in use calculation is likely to give a different result to a fair value calculation.

The Group estimates future cash flows based on estimated future recoverable mine production, expected sales prices (considering current and historical commodity prices, price trends and related factors), production levels and cash costs of production, all based on detailed engineering LOM plans. Future recoverable mine production is determined from reserves and resources after taking into account estimated dilution and recoveries during mining, and estimated losses during ore processing and treatment. Estimates of recoverable production from measured, indicated and inferred mineral resources not included in the LOM plan are assessed for economic recoverability and may also be included in the valuation of fair value less costs of disposal. Gains from the expected disposal of assets are not included in estimated future cash flows. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. Changes in estimates may affect the expected recoverability of the Group's investments in mining properties.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount is reduced to the recoverable amount, and an impairment loss is recognized in the consolidated income statements in the expense category consistent with the function of the impaired asset or CGU. The Group presents impairment losses on the consolidated income statements as part of results from operating activities. Impairment losses recognized in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of other assets in the CGU on a pro-rata basis for depreciable assets.

The Group assesses previously recognized impairment losses each reporting date for any indications that the losses have decreased or no longer exist. Such an impairment loss is reversed, in full or in part, if there has been significant changes with a positive effect on the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized for the asset in prior years. Such reversals of impairment losses are recognized in the consolidated income statements. An impairment loss recognized in relation to goodwill is not reversed for subsequent increases in the recoverable amount.

(k) Assets held for sale:

The Group classifies non-current assets, or disposal groups consisting of assets and liabilities, as held for sale when it expects to recover their carrying amounts primarily through sale rather than through continuing use. To meet criteria to be held for sale, the sale must be highly probable, and the assets or disposal groups must be available for immediate sale in their present condition. The Group must be committed to a plan to sell the assets or disposal group, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The Group measures assets or disposal groups at the lower of their carrying amount and fair value less costs of disposal. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in the consolidated income statements; however, gains are not recognized in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets or investment property. Upon classifying assets or disposal groups as held for sale, the Group presents the assets separately as a single amount and the liabilities separately as a single amount on the consolidated balance sheets. When an asset no longer meets the criteria for classification as an asset held for sale, the Group records the asset at the lower of its recoverable amount and the carrying amount before the asset was classified as held for sale.

(l) Pension and other employee benefits:

The Group has non-contributory and contributory defined benefit programs for the majority of its Canadian employees. The defined benefit pension benefits are based on years of service and final average salary for the salaried plans and are based on a flat dollar amount combined with years of service for the hourly plans. The Group provides non pension health and other post employment benefits to certain active employees and pensioners (post employment benefits) and also provides disability income, health benefits and other post employment benefits to hourly and salaried disabled employees (other long-term employee benefits).

The Group accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension and post employment benefits. The actuarial determination of the accrued benefit obligations for pensions and post employment benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). For other long-term employee benefits, the Group recognizes the full cost of the benefit obligation at the time the employee becomes disabled. Actuarial advice is provided by external consultants.

For the funded defined benefit plans, the Group recognizes the deficit or excess of the fair value of plan assets over the present value of the defined benefit obligation as a liability or an asset in the consolidated balance sheets. However, the Group recognizes an excess of assets only to the extent that it represents a future economic benefit which is available in the form of refunds from the plan or reductions in future contributions to the plan. When these criteria are not met, it is not recognized but is disclosed in the notes to the consolidated financial statements. Impacts of minimum funding requirements in relation to past service are considered when determining the balance sheet position.

Defined benefit costs are categorized as follows:

- Service costs (including current service cost, past service cost, as well as gains and losses on curtailments and settlements and administration costs),
- Net interest expense or income, and
- Remeasurement

The first two components of defined benefit costs shown above are recognized in the consolidated income statements. Past service cost is recognized in the consolidated income statements in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Remeasurement, comprising actuarial gains and losses, the effect of changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated balance sheets with a gain or loss recognised in OCI in the period in which they occur. Remeasurement recognised in OCI is reflected immediately in retained earnings and will not be reclassified to the consolidated income statements. For the other long-term employee benefits plan, remeasurments are recognized immediately in the consolidated income statements.

Actuarial determinations used in estimating obligations relating to these plans incorporate assumptions using management's best estimates of factors including plan performance, salary escalation, retirement dates of employees and healthcare cost escalation rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates on corporate bonds in the respective currency with at least an AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

The Group also has defined contribution plans providing pension benefits for certain of its salaried employees and certain of its US employees utilizing 401K plans. The Group recognizes the cost of the defined contribution plans based on the contributions required to be made during each period.

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. Benefits that are payable more than one year after the reporting period are discounted to their present value.

(m) Provisions:

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made. The provisions are recorded as management’s best estimate of the amount required to settle an obligation.

Provisions are stated at their present value, which is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Decommissioning, restoration and similar liabilities

Provisions are recorded for legal and constructive obligations associated with the future costs of rehabilitating the Group's current and previous operating and development sites. Such costs are associated with decommissioning and restoration activities such as dismantling and removing structures, rehabilitating mines and tailings, and reclamation and re-vegetation of affected areas.

The present value of estimated costs is recorded in the period in which the asset is installed or the environment is disturbed and a reasonable estimate of future costs and discount rates can be made. The provision is discounted using a risk-free rate, and estimates of future cash flows are adjusted to reflect risk.

Subsequent to the initial measurement, the obligation is adjusted to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance expense, whereas increases and decreases due to changes in the estimated future cash flows, which are not the result of current inventory production, are capitalized and depreciated over the life of the related asset. Actual costs incurred upon settlement of the site restoration obligation are charged against the provision to the extent the provision was established for those costs. Upon settlement of the liability, a gain or loss may be recorded. For closed sites, changes to estimated costs are recognized immediately in the consolidated income statements within other operating expenses.

The Group assesses the reasonableness of its estimates and assumptions each year and when conditions change and the estimates are revised accordingly. Judgement is required to determine the scope of future decommissioning and restoration activities, as well as such estimates and assumptions including discount rates, expected timing of decommissioning and restoration costs, inflationary factors and market risks. Changes in cost estimates, which may arise from changes in technology and pricing of the individual components of the cost may result in offsetting changes to the asset and liability and corresponding changes to the associated depreciation and finance costs. In view of the uncertainties concerning these future obligations, the ultimate timing and cost of reclamation and mine closure may differ materially from these estimates.

If the change in estimate results in a significant increase in the decommissioning liability and therefore an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole and, if so, tests for impairment in accordance with IAS 36, *Impairment of Assets.* If, for mature mines, the revised mine assets net of decommissioning and restoration liabilities exceeds the recoverable value, that portion of the increase is charged directly to expense as an impairment loss.

In view of the uncertainties concerning environmental remediation, the ultimate cost of decommissioning and restoration liabilities could differ materially from the estimated amounts provided. The estimate of the total liability is subject to change based on amendments to laws and regulations and as new information concerning the Group's operations becomes available. Future changes, if any, to the estimated total liability as a result of amended requirements, laws, regulations and operating assumptions, as well as discount rates, may be significant and would be recognized prospectively as a change in accounting estimate, when applicable. Environmental laws and regulations are continually evolving in all regions in which the Group operates. The Group is not able to determine the impact, if any, of environmental laws and regulations that may be enacted in the future on its results of operations or financial position due to the uncertainty surrounding the ultimate form that such future laws and regulations may take.

Onerous contracts

A contract is considered to be onerous when the unavoidable costs of meeting obligations under the contract exceed the economic benefits expected to be received under it. The Group records a provision for any onerous contracts at the lesser of costs to comply with a contract and costs to terminate it.

Restructuring provisions

A provision for restructuring is recognized when management, with appropriate authority within the Group, has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

(n) Financial Instruments:

Financial assets, financial liabilities, and non-financial derivative contracts are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, directly attributable transaction costs. Measurement in subsequent periods depends on the financial instrument's classification. The Group uses trade date accounting for regular way purchases or sales of financial assets. The Group determines the classification of its financial instruments and non-financial derivatives at initial recognition.

Financial assets and liabilities are offset and the net amount presented in the consolidated balance sheets when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(i) Non-derivative financial instruments – classification:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified or designated as FVTPL or available-for-sale. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Gains and losses are recorded in the consolidated income statements when the loans and receivables are derecognized or impaired, and through the amortization process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity, other than financial assets that meet the definition of loans and receivables or that are designated as FVTPL or available-for-sale. Subsequent to initial recognition, financial assets classified as held-to-maturity are held at amortized cost using the effective interest method, less any impairment losses. The Group does not currently have any financial assets classified as held-to-maturity.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity, or FVTPL. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains and losses are recorded in OCI and presented in equity within the available-for-sale reserve, with the exception of impairment losses, which are immediately recognized in the consolidated income statements. When available-for-sale assets are derecognized or determined to be impaired, the cumulative gain or loss previously recognized in the available-for-sale reserve is transferred to the consolidated income statements. The Group has classified investments in shares of Canadian metals and mining companies as available-for-sale assets.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at FVTPL consist of those classified as held-for-trading and those designated as FVTPL on initial recognition. Financial instruments are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term or if they are derivatives that are not designated in effective hedging relationships. Upon initial recognition, transaction costs are recognized in the consolidated income statements as incurred. Financial assets and financial liabilities at FVTPL are measured at fair value, and changes in fair value are recognized in other finance gains and losses except gains and losses on the non-hedge financial derivatives related to customer sales contracts are presented in revenue. The Group's FVTPL category currently contains only derivatives and embedded derivatives. During the years ended December 31, 2016 and December 31, 2015, the Group's financial assets and liabilities at FVTPL consisted of derivatives, embedded derivatives and investments in warrants classified as held-for-trading; the Group did not have any financial assets or liabilities designated as FVTPL on initial recognition.

Financial liabilities at amortized cost

Subsequent to initial recognition, the Group measures financial liabilities, other than those at FVTPL and those that are derivatives in designated hedging relationships, at amortized cost using the effective interest method. Gains and losses on derecognition are recognized in other finance gains and losses.

(ii) Derivatives:

Derivatives are initially recognized at fair value when the Group becomes a party to the derivative contract and are subsequently re-measured to fair value at the end of each reporting period. The resulting gain or loss is recognized in the consolidated income statements immediately unless the derivative is designated and effective as a hedging instrument. Derivatives with positive fair value are recognized as assets; derivatives with negative fair value are recognized as liabilities.

Contracts to buy or sell non-financial items that meet the definition of a derivative but were entered into and are held in accordance with the Group's expected purchase, sale or usage requirements are not recognized as derivatives. Such contracts are recorded as non-derivative purchases and sales.

(iii) Embedded derivatives:

The Group considers whether a contract contains an embedded derivative when it becomes a party to the contract. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

(iv) Hedge accounting:

The Group may use derivatives and non-derivative financial instruments to manage exposures to interest, currency, credit and other market risks. Where hedge accounting can be applied, a hedging relationship is designated as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation. The purpose of hedge accounting is to ensure that gains, losses, revenue and expenses from effective hedging relationships are recorded in the consolidated income statements in the same period.

At the inception of a hedge, the Group formally documents the hedging relationship and the risk management objective and strategy for undertaking the hedge. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows. The Group tests effectiveness each period.

In a cash flow hedging relationship, the effective portion of changes in the fair value of the hedging derivative is recognized in OCI and presented in the hedging reserve in equity. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statements and is included in other finance gains and losses. Amounts previously recognized in OCI are reclassified to the consolidated income statements in the same periods as the hedged cash flows affect profit or loss and are presented on the same line of the consolidated income statements as the recognized hedged item. When the hedged item is a non-financial asset or liability, the amounts previously recognized in OCI are reclassified to the carrying amount of the non-financial asset or liability.

Hedge accounting is discontinued prospectively if the hedging instrument is sold, terminated or exercised, if the hedge no longer meets criteria for hedge accounting, or if the Group revokes the hedge designation. In these cases, any gain or loss accumulated in equity (in the hedging reserve) remains in equity until the forecast transaction occurs, at which time it is reclassified to the consolidated income statements. If the forecast transaction is no longer expected to occur, any gain or loss accumulated in equity is reclassified immediately from equity to the consolidated income statements.

(v) Fair values of financial instruments:

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Fair values of financial instruments traded in active markets are determined based on quoted market prices, where available. Bid prices are generally used for assets held or liabilities to be issued; asking prices are generally used for assets to be acquired or liabilities held.

For financial instruments not traded in an active market, fair values are determined based on appropriate valuation techniques. Such techniques may include discounted cash flow analysis, using recent arm's-length market transactions, reference to the current fair value of another instrument that is substantially the same, and other valuation models.

The Group applies a hierarchy to classify valuation methods used to measure financial instruments carried at fair value. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value, as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuation techniques use significant observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices), or valuations are based on quoted prices for similar instruments; and
- Level 3: Valuation techniques use significant inputs that are not based on observable market data (unobservable inputs).

An analysis of fair values of financial instruments is provided in note 28.

(vi) Impairment of financial instruments:

Each reporting date, the Group assesses financial assets not carried at FVTPL to determine whether there is objective evidence of impairment. A financial asset or group of financial assets is impaired if objective evidence indicates that one or more events occurred after initial recognition of the asset that negatively affected the estimated future cash flows of the financial asset or group of financial assets.

Objective evidence that financial assets are impaired can include significant financial difficulty of the issuer or debtor, default or delinquency in interest or principal payments, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. For an investment in an equity security, a significant or prolonged decline in the fair value of the security below its cost is also objective evidence of impairment. Significant decline is defined as 20% of the security's cost base and prolonged is defined as three consecutive quarters.

Impairment of financial assets carried at amortized cost:

The Group considers evidence of impairment for loans and receivables and any held-to-maturity investments at both a specific asset and collective level. First, the Group specifically assesses financial assets that are individually significant and groups of financial assets that are not individually significant. If evidence of impairment is not identified in the specific assessment, the Group then combines assets based on similar credit risk characteristics (excluding any assets that were specifically determined to be impaired) and collectively assesses them for impairment. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

If there is objective evidence that an impairment loss has been incurred, the Group measures the amount of the loss as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred), discounted at the financial asset's original effective interest rate. In the case of collateralized financial assets, the Group measures the amount of the loss as the difference between the asset's carrying amount and the greater of the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred), discounted at the financial asset's original effective interest rate and the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The Group recognizes any impairment loss in the consolidated income statements and reduces the carrying amount of the financial asset using an allowance account, unless the Group is satisfied that no recovery of the amount owing is possible; at that point amounts are considered unrecoverable and are written off against the financial asset directly.

If, in a subsequent year, the amount of the estimated impairment loss decreases as a result of an event occurring after the impairment was recognized, the Group reverses all or a portion of the previously recognized impairment loss by adjusting the asset carrying value or the allowance account and recognizing the reversal in the consolidated income statements in other finance gains and losses.

Impairment of available-for-sale financial assets:

Impairment losses on available-for-sale investments are recognized by transferring the cumulative loss that has been recognized in OCI (and presented in the available-for-sale reserve in equity) to the consolidated income statements. The amount of the impairment loss is the difference between the investment's acquisition costs, net of any principal repayments, and its current fair value, less any impairment loss previously recognized in the consolidated income statements.

Impairment losses recognized in the consolidated income statements related to available-for-sale equity investments are not subsequently reversed. Any subsequent increases in fair value of the equity investments are recognized in OCI. However, impairment losses recognized related to available-for-sale debt instruments are subsequently reversed, in whole or in part, if the fair value of the debt instrument increases as a result of an event occurring after the impairment loss was recognized, and the amount of the reversal is recognized in the consolidated income statements in other finance gains and losses.

The Group presents impairment losses and reversals of impairment losses recognized in the consolidated income statements in other finance gains and losses.

(vii) Derecognition of financial instruments:

The Group derecognizes financial assets when the contractual rights to the cash flows from the assets expire, or when the Group transfers the rights to receive the contractual cash flows on the financial assets in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. The Group derecognizes financial liabilities when its contractual obligations are discharged, cancelled or expire.

(o) Taxation:

Current Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Hudbay is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

Deferred Tax

Deferred tax is recognized using the balance sheet method in respect of temporary differences at the balance sheet date between the tax basis of assets and liabilities, and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

To the extent that it is probable that taxable profit will be available to offset the deductible temporary differences, the Group recognizes the deferred tax asset regarding the temporary difference on decommissioning, restoration and similar liabilities and recognizes the corresponding deferred tax liability regarding the temporary difference on the related assets.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Judgement is required in determining whether deferred tax assets are recognized on the consolidated balance sheets. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood of taxable profit in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability to realize the net deferred tax assets recorded at the balance sheet date could be affected.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Current and deferred taxes relating to items recognized outside profit or loss (whether in other comprehensive income or directly in equity) are recognized outside profit or loss and not in the consolidated income statements. Mining taxes and royalties are treated and disclosed as current and deferred taxes if they have the characteristics of an income tax.

(p) Share capital and reserves:

Transaction costs

Transaction costs directly attributable to equity transactions are recognized as a deduction from equity.

Other capital reserve

The other capital reserve is used for equity-settled share-based payments and includes amounts for stock options granted and not exercised.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations. Exchange differences arising from the translation of the financial statements of foreign operations form part of the net investment in the foreign operation. Translation gains and losses remain in the reserve until disposal of all or a portion of the foreign operation.

Available-for-sale reserve

The available-for-sale reserve contains the cumulative change in the fair value of available-for-sale investments with the exception of impairment losses and foreign currency differences on monetary available-for-sale assets. Gains and losses are reclassified to the consolidated income statements when the available-for-sale investments are impaired or derecognized.

(q) Share-based payments:

Hudbay offers a Deferred Share Unit ("DSU") plan for non-employee members of the Board of Directors and a Restricted Share Unit (“RSU”) plan for employees. Hudbay also has options outstanding under a stock option plan. These plans are included in provisions on the consolidated balance sheets and further described in note 25. Changes in the fair value of the liabilities are recorded in the consolidated income statements.

Cash-settled transactions, consisting of DSUs and RSUs, are initially measured at fair value and recognized as an obligation at the grant date. The liabilities are remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in the consolidated income statements. The Group values the liabilities based on the change in the Company's share price. Additional DSUs and RSUs are credited to reflect dividends paid on Hudbay common shares over the vesting period. The current portion of the liability reflects those grants that have vested or that are expected to vest within twelve months.

DSUs vest on the grant date and are redeemable when a participant is no longer a member of the Board of Directors. Issue and redemption prices of DSUs are based on the average closing price of the Company's common shares for the five trading days prior to issuance or redemption.

RSUs are generally issued under Hudbay’s Long Term Equity Plan (“LTEP Plan”) and vest on or before December 31st of the third calendar year after the year in which the services corresponding to such share unit award were performed. RSUs granted under the LTEP Plan may be settled in the form of Hudbay common shares or, at the option of Hudbay, the cash equivalent based on the market price of the common shares as of the vesting date. Hudbay has historically settled RSUs in cash. Except in specified circumstances, RSUs terminate when an employee ceases to be employed by the Group. Valuations of RSUs reflect estimated forfeitures.

Equity-settled transactions with employees relate to stock options and are measured by reference to the fair value at the earlier of the grant date and the date that the employees unconditionally became entitled to the awards. Fair value is determined using a Black-Scholes option pricing model, which relies on estimates of the future risk-free interest rate, future dividend payments, future share price volatility and the expected average life of the options. The Group believes this model adequately captures the substantive features of the option awards and is appropriate to calculate their fair values. The fair value determined at the grant date is recognized over the vesting period in accordance with vesting terms and conditions, with a corresponding increase to other capital reserves. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met.

(r) Earnings per share:

The Company presents basic and diluted earnings (loss) per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which currently consist of stock options granted to employees and warrants.

When calculating earnings per share for periods where the Group has a loss, Hudbay's calculation of diluted earnings per share excludes any incremental shares from the assumed conversion of stock options as they would be anti-dilutive.

(s) Leases:

Finance leases, under which substantially all the risks and rewards incidental to ownership of the leased item are transferred to the Group, are capitalized as assets at the inception of the lease at the lower of fair value or the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of the liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated income statements as finance costs.

Under operating lease arrangements, the risks and rewards incidental to ownership are not transferred to the Group. Operating lease payments are recognized as an expense in the consolidated income statements on a straight-line basis over the lease term.

(t) Segment reporting:

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses and for which discrete financial information is available. The Group's chief executive officer regularly reviews the operating results of each operating segment to make decisions about resources to be allocated to the segment and assess its performance. In determining operating segments, the Group considers location and decision-making authorities. Refer to note 32.

(u) Statements of cash flows:

The Group presents interest paid and dividends paid as financing activities, except if the interest is related to capitalized borrowing costs, and interest received is presented as an investing activity in the consolidated statements of cash flow. The Group presents the consolidated statements of cash flows using the indirect method.

4. Restatement of amounts within cash generated from operating activities

Since the fourth quarter of 2015, the Group has significantly increased the number of copper fixed for floating swaps in order to manage the risk associated with provisional pricing terms in copper concentrate sales agreements. As a result, starting in the first quarter of 2016, the Group had restated the presentation of the cash generated from operating activities section of the statements of cash flow to present the changes in the respective receivable and payable balances associated with these items all within changes in non-cash working capital. In the past, the gains or losses for the swaps were presented as a change in fair value of derivatives and the associated mark-to-market adjustments were presented before changes in non-cash working capital. The impact of this restatement for the year ended December 31, 2015 is an increase in 'operating cash flows before change in non-cash working capital' of $11,494, with an associated change in 'change in non-cash working capital' with no change in the total of cash generated from operating activities.

5. New standards

New standards and interpretations adopted

As required by the IASB, effective January 1, 2016 the Group adopted the following amendment to IFRS:

- Amendments to IAS 16, *Property, Plant and Equipment* ("IAS 16") and IAS 38, *Intangible Assets* ("IAS 38") - the amendments to clarify that the use of revenue-based methods to calculate the depreciation of a tangible asset is not appropriate because revenue generated by an activity that includes the use of a tangible asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption for an intangible asset, however, can be rebutted in certain limited circumstances. The Group's adoption of this amendment did not have any impact on its method of calculating depreciation or amortization.

- Amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1") - the amendments clarify, rather than significantly change, the existing IAS 1 requirements related to materiality, order of notes, subtotals, accounting policies, and disaggregation and are designed to assist companies in applying professional judgement in determining what information to disclose in their financial statements. The Group's adoption of this amendment did not have any impact on its presentation of its financial statements.

New standards and interpretations not yet adopted

- IFRS 9, *Financial Instruments* ("IFRS 9") - issued on July 24, 2014 is the IASB's replacement of IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after January 1, 2018 with early adoption permitted (subject to local endorsement requirements). IFRS 9 does not replace the requirements for portfolio fair value hedge accounting for interest rate risk (often referred to as the "macro hedge accounting" requirements) since this phase of the project was separated from the IFRS 9 project due to the longer term nature of the macro hedging project which is currently at the discussion paper phase of the due process. The Group has not yet determined the effect of adoption of IFRS 9 on its consolidated financial statements.

- IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") - in May 2014, the IASB issued this standard which is effective for periods beginning on or after January 1, 2018 and is to be applied retrospectively. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improve guidance for multiple-element arrangements. The Group intends to adopt IFRS 15 in its financial statements for the annual period beginning January 1, 2018. The Group has not yet determined the full effect of adoption of IFRS 15 on its consolidated financial statements, however, we expect the Group's deferred revenue balance associated with stream transactions will be adjusted to reflect a significant financing component.

- IFRS 16, *Leases* ("IFRS 16") - in January 2016, the IASB issued this standard which is effective for periods beginning on or after January 1, 2019, which replaces the current guidance in IAS 17, *Leases* ("IAS 17"), and is to be applied either retrospectively or a modified retrospective approach. Early adoption is permitted, but only in conjunction with IFRS 15. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflective of future lease payments and a "right-of-use asset" for virtually all lease contracts. The Group has not yet determined the effect of adoption of IFRS 16 on its consolidated financial statements.

6. Acquisition of New Britannia Mine and Mill

On May 4, 2015, the Group acquired a 100% interest in the New Britannia Mine and Mill, located in Snow Lake, Manitoba, for $12,302 in cash consideration, plus a contingent payment of $5,000. In connection with the New Britannia acquisition, the Group entered into a private placement agreement with a Canadian bank to sell 1,357,000 Hudbay common shares for net proceeds of $13,040.

In accordance with IFRS 3, *Business Combinations*, this transaction does not meet the definition of a business combination as the assets acquired are not an integrated set of activities with inputs, processes and outputs. New Britannia Mine and Mill is not a business.

The purchase price of $14,462 was finalized and allocated to the assets acquired and the liabilities assumed based on the fair value of the total consideration at the closing date of the acquisition. All financial assets acquired and financial liabilities assumed were recorded at their relative fair values. In addition, an option liability was recorded for the fair value amount of $1,164 in connection with the contingent consideration since it is an integral component of the consideration paid and represents a financial instrument. The fair values were allocated to the net assets on a relative fair value basis and the option liability was valued using the Black-Scholes model.

Assets acquired and liabilities assumed

The following summarizes the acquisition date allocation of the relative fair values of the major classes of assets and liabilities acquired:

Restricted cash	$	1,542
Machinery & equipment		10,410
Mineral property		2,890
Net decommissioning liability		(380)
Total net assets acquired	**$**	**14,462**

The following summarizes consideration for the purchase:

Cash	$	12,302
Contingent payment - gold price option		1,164
Transaction costs		996
Total consideration	**$**	**14,462**

7. Revenue and expenses

(a) Revenue

The Group's revenue by significant product types:

	Year ended December 31,	
	2016	2015
Copper	**$ 835,470**	$ 685,982
Zinc	**236,971**	214,151
Gold	**119,792**	106,671
Silver	**52,108**	29,652
Other	**2,719**	3,647
	1,247,060	1,040,103
Treatment and refining charges	**(118,382)**	(97,834)
Pre-production revenue	**-**	(56,218)
	$ 1,128,678	$ 886,051

Pre-production revenue in 2015 relates to revenue earned from production at Constancia. Revenue related to inventory produced prior to commencement of commercial production is credited against capital costs rather than recognized as revenue in the consolidated income statements.

Included in revenue for the year ended December 31, 2016 are losses related to unrealized non-hedge derivative contracts of $19,180 (year ended December 31, 2015 - gains of $11,494).

(b) Depreciation and amortization

Depreciation of property, plant and equipment and amortization of intangible assets are reflected in the consolidated income statements as follows:

	Year ended December 31,	
	2016	2015
Cost of sales	**$ 298,630**	$ 216,992
Selling and administrative expenses	**504**	625
	$ 299,134	$ 217,617

(c) Share-based payment expenses (recoveries)

Share-based payment expenses (recoveries) are reflected in the consolidated income statements as follows:

	Cash-settled		Total share-based payment expense
	RSUs	DSUs	
Year ended December 31, 2016			
Cost of sales	**$ 860**	**$ -**	**$ 860**
Selling and administrative expenses	**6,452**	**2,111**	**8,563**
Other operating expenses	**464**	**-**	**464**
	$ 7,776	**$ 2,111**	**$ 9,887**
Year ended December 31, 2015			
Cost of sales	$ 209	$ -	$ 209
Selling and administrative expenses	1,023	(1,437)	(414)
Other operating expenses	(114)	-	(114)
	$ 1,118	$ (1,437)	$ (319)

(d) Employee benefits expense

This table presents employee benefit expense recognized in the Group's consolidated income statements, including amounts transferred from inventory upon sale of goods:

	Year ended December 31,	
	2016	2015
Current employee benefits	**$ 136,299**	$ 128,855
Profit-sharing plan expense	**5,064**	-
Share-based payments (notes 7c, 20, 25)		
Cash-settled restricted share units	**7,776**	1,118
Cash-settled deferred share units	**2,111**	(1,437)
Employee share purchase plan	**1,303**	1,582
Post-employment pension benefits		
Defined benefit plans	**12,121**	13,502
Defined contribution plans	**1,061**	1,010
Past service costs	**-**	16,502
Other post-retirement employee benefits	**7,406**	10,882
Termination benefits	**1,810**	1,324
	$ 174,951	$ 173,338

Manitoba has a profit sharing plan whereby 10% of Manitoba's after tax profit (excluding provisions or recoveries for deferred income tax and deferred mining tax) for any given fiscal year will be distributed to all eligible employees in the Flin Flon/Snow Lake operations, with the exception of executive officers and key management personnel.

The Group has an employee share purchase plan for executives and other eligible employees where participants may contribute between 1% and 10% of their pre-tax base salary to acquire Hudbay shares. The Group makes a matching contribution of 75% of the participant's contribution.

See note 21 for a description of the Group's pension plans and note 22 for the Group's other employee benefit plans.

(e) Other operating expenses

	Year ended December 31,	
	2016	2015
Regional costs	**$ 4,388**	$ 4,181
Other expenses	**6,198**	5,894
	$ 10,586	$ 10,075

(f) Finance income and expenses

	Year ended December 31,	
	2016	2015
Finance income	**$ (2,792)**	$ (3,995)
Finance expense		
Interest expense on long-term debt	**108,767**	101,544
Accretion on financial liabilities at amortized cost	**1,316**	1,242
Unwinding of discounts on provisions	**2,586**	2,811
Tender premium on 9.50% senior unsecured notes (note 18a)	**47,718**	-
Other finance expense	**21,389**	13,862
	181,776	119,459
Interest capitalized	**(14,705)**	(41,996)
	167,071	77,463
Other finance (gains) losses		
Net foreign exchange (gain) loss	**(489)**	3,041
Change in fair value of financial assets and liabilities at fair value through profit or loss:		
Hudbay and Augusta warrants	**2,111**	(11,400)
Prepayment option embedded derivative/gold option	**(1,238)**	636
Investments classified as held-for-trading	**(119)**	3
Reclassified from other comprehensive income on disposal of available-for-sale investments	**(1,475)**	(25)
Reclassified from other comprehensive income on impairment of available-for-sale investments	**1,102**	4,888
	(108)	(2,857)
Net finance expense	**$ 164,171**	$ 70,611

Interest expense related to long-term debt and accretion of financial liabilities at amortized cost has been capitalized to the Constancia project until May 1, 2015 and to the Rosemont project until commercial production is reached. Other finance expense relates primarily to withholding taxes and non-interest facility fees on financing instruments.

(g) Impairment

During the year ended December 31, 2016, no impairment losses were recorded. For the year ended December 31, 2015, the Group recorded impairment losses of $251,799 for non-current assets and $181,583 for goodwill. The following table summarizes these losses:

	Year ended December 31,	
	2016	2015
Property, plant & equipment [1]	**$**	$ 197,337
Goodwill [1]	**-**	181,583
Arizona purchased equipment and long lead deposits	**-**	34,546
Lalor concentrator assets	**-**	19,916
	$	**-** $ 433,382

[1] Please see table below for further details on after-tax impairment charges and the breakdown of impairments recorded in each segment.

In the fourth quarter of 2015, the Group recorded pre-tax impairment loss of $197,337 on property, plant and equipment and $181,583 on goodwill. The following is a breakdown of these expenses:

	Peru	**Arizona**	**Total**
Pre-tax impairment to:			
Goodwill	$ 67,105	$ 114,478	$ 181,583
Property, plant & equipment (note 15)	197,337	-	197,337
Total Pre-tax impairment charge	264,442	114,478	378,920
Tax impact - recovery	(65,603)	-	(65,603)
After-tax impairment charge	$ 198,839	$ 114,478	$ 313,317

As a result of the acquisition of Augusta Resource Corporation, Hudbay acquired equipment previously purchased or ordered by prior Augusta management. During the year ended December 31, 2015 Hudbay completed a value engineering process which deemed that some of the equipment previously purchased or ordered by prior Augusta management is unsuitable to achieve the design objectives for Rosemont, and different equipment will better meet Rosemont's objectives while observing permitting commitments. During the year ended December 31, 2015, the Group recognized an impairment loss of $34,546 to reflect the orderly liquidation value of the purchased equipment and certain long lead deposits.

As a result of the acquisition of the New Britannia Mine and Mill, Hudbay no longer expects to construct a new concentrator at Lalor. As a result, during the year ended December 31, 2015, the Group recognized an impairment loss of $19,916 related to its concentrator assets at Lalor in Snow Lake, Manitoba. The impairment was determined based on the difference between carrying value and fair value less costs of disposal.

The Group presented the impairment losses within the Manitoba, Peru and Arizona segments in note 32.

The fair value measurements for the determination of impairment charges in their entirety are categorized as Level 3 based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value. For further details refer to note 8.

(h) Gain on disposal of subsidiary

On November 2, 2015, Hudbay sold Balmat to Northern Zinc, LLC. Northern Zinc LLC was concurrently acquired by Star Mountain Resources, Inc. ("Star Mountain"). On closing, Hudbay received 550,000 shares of Star Mountain common stock and $1,000 cash; Hudbay previously received $500 in upfront deposit payments and is entitled to receive up to an additional $15,500 in future cash payments. During the year ended December 31, 2015, the Group recognized a gain of $37,026 on the disposition of Balmat. This mainly resulted from the derecognition of net liabilities and foreign currency translation adjustments recorded in the entity.

8. Impairment triggers for non-current assets and goodwill

Given the existence of an impairment indicator at December 31, 2016 and December 31, 2015, the Group performed a quantitative impairment test for its Arizona CGU ("CGU") and Peru CGU.

The impairment indicator as at December 31, 2016 for the Peru CGU was related to a newly issued technical report during the fourth quarter of 2016. The impairment trigger for the Arizona CGU was related to data from a draft technical report that is expected to be finalized and issued in March 2017. Management determined that a detailed impairment evaluation as at December 31, 2016, was required for the Arizona CGU and Peru CGU.

For the impairment test, fair value less costs of disposal ("FVLCD") was used to determine the recoverable amount since it is higher than value in use. FVLCD was calculated using discounted after-tax cash flows based on cash flow projections and assumptions in the Group's most current life of mine ("LOM") plans. The fair value measurement in its entirety is categorized as Level 3 based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value.

LOM plans are based on optimized mine and processing plans and the assessment of capital expenditure requirements of a mine site. LOM plans incorporate management's best estimates of key assumptions which are discount rates, future commodity prices, production based on current estimates of recoverable reserves, future operating and capital costs, value of mineral resources not included in the LOM plan and future foreign exchange rates. The cash flows are for periods up to the date that production is expected to cease, which is 19 years for the Peru CGU and 23 years for the Arizona CGU, including four years prior to assumed initial production (December 31, 2015 – 21 years for both the Peru and Arizona CGUs).

The discount rate was based on the business unit's weighted average cost of capital, of which the two main components are the cost of equity and the after-tax cost of debt. Cost of equity was calculated based on the capital asset pricing model, incorporating the risk-free rate of return based on the US Government's marketable bond yields as at the valuation date, the Company's beta coefficient adjustment to the market equity risk premium based on the volatility of the Company's return in relation to that of a comparable market portfolio, plus a country risk premium, size premium and company-specific risk factor. Cost of debt was determined by applying an appropriate market indication of the Company's borrowing capabilities and the corporate income tax rate applicable to the segment's jurisdiction. A real discount rate of 7.50% (December 31, 2015 – 8.00%) for the Peru CGU and 8.75% (December 31, 2015 – 9.75%) for the Arizona CGU was used to calculate the estimated after-tax discounted future net cash flows, commensurate with its individual estimated level of risk.

Commodity prices used in the impairment assessment were determined by reference to external market participant sources. The key commodity price for this assessment is the price of copper. Where applicable to each of the Group's CGU's, the cash flow calculations were based on estimates of future production levels applying forecasts for metal prices, which included forecasts for each year from 2017 to 2021 and long-term forecasts for years beginning in 2022. The cash flow calculations utilized a copper price of $2.60/lb in 2017 and $2.75/lb in 2018, increasing to $3.00/lb in 2019. The cash flow calculations utilized a long-term copper price of $3.00/lb (December 31, 2015 – $3.00/lb), molybdenum long-term prices of $11.00/lb (December 31, 2015 – $11.00/lb), and capital, operating and reclamation costs based on updated LOM plans. For the Peru and Arizona CGUs, a value of $272,000 and $212,000 (December 31, 2015 - $205,000 and $48,100, respectively), respectively, was utilized to estimate the value of mineral resources not included in the LOM plan.

Expected future cash flows used to determine the FVLCD used in the impairment testing are inherently uncertain and could materially change over time. Should management's estimate of the future not reflect actual events, impairments may be identified. This may have a material effect on the Company's consolidated financial statements. Although it is reasonably possible for a change in key assumptions to occur, the possible effects of a change in any single assumption may not fairly reflect the impact on a CGU's fair value as the assumptions are inextricably linked. For example, a decrease in the assumed price of long-term copper could result in amendments to the mine plans which would partially offset the effect of lower prices. It is difficult to determine how all of these factors would interrelate; however, in deriving a recoverable amount, Management believes all of these factors need to be considered.

As at December 31, 2016, the estimated recoverable amounts of the Peru and Arizona CGUs exceeded their carrying amount, consequently no impairment was required. As at December 31, 2015, the carrying amounts of the Peru and Arizona CGUs exceeded their estimated recoverable amount, consequently the goodwill and property, plant and equipment balances have been adjusted to their recoverable amounts. A breakdown of these amounts is provided in note 7g.

Management's estimate of future net cash flows is subject to risk and uncertainties. Therefore, it is reasonably possible that changes could occur which may affect the recoverability of the Group's long-lived assets and goodwill. This may have a material effect on the Group's consolidated financial statements.

For the Peru CGU, a decrease of 10% in the average LOM copper price or a 1.0 percentage point increase in the real discount rate, in isolation of each other, would result in a decrease in FVLCD of $381 million or $143 million (December 31, 2015 – $340 million or $95 million, respectively), respectively.

For the Arizona CGU, a decrease of 10% in the average LOM copper price or a 1.0 percentage point increase in the real discount rate, in isolation of each other, would result in a decrease in FVLCD of $312 million or $147 million (December 31, 2015 – $230 million or $96 million, respectively), respectively.

As at December 31, 2016, the difference between the FVLCD and the CGUs carrying value tested was $75 million for Peru CGU and $102 million for the Arizona CGU, respectively.

9. Cash and cash equivalents

		Dec. 31, 2016		Dec. 31, 2015
Cash on hand and demand deposits	**$**	**129,850**	$	53,837
Short-term money market instruments with maturities of three months or less at acquisition date		**17,014**		15
	$	**146,864**	$	53,852

10. Trade and other receivables

	Dec. 31, 2016	Dec. 31, 2015
Current		
Trade receivables	**$ 85,386**	$ 85,373
Embedded derivatives - provisional pricing (note 28c)	**12,538**	(13,653)
Statutory receivables	**43,808**	122,288
Receivable from joint venture partners	**-**	6,772
Other receivables	**10,835**	27,898
	152,567	228,678
Non-current		
Taxes receivable	**12,424**	1,112
Receivable from joint venture partners	**18,681**	23,067
Other receivables	**1,543**	2,044
	32,648	26,223
	$ 185,215	$ 254,901

As at December 31, 2016, $42,273 (December 31, 2015 - $111,991) of the current statutory receivables relates to refundable sales taxes in Peru that Hudbay Peru has paid on capital expenditures and operating expenses. Management expects to receive the amount within one year.

The receivable from joint venture partners are for the Group's joint venture partners for the Reed mine in Manitoba and the Rosemont project in Arizona. As at December 31, 2016, the balances of these receivables were $nil and $18,681, respectively (December 31, 2015 - $14,275 and $15,564, respectively). During the year ended December 31, 2016 the Group's joint venture partner for the Reed mine in Manitoba repaid their loans.

11. Inventories

	Dec. 31, 2016	Dec. 31, 2015
Current		
Stockpile	**$ 9,368**	$ 13,241
Work in progress	**9,100**	6,200
Finished goods	**54,583**	69,082
Materials and supplies	**39,413**	31,663
	112,464	120,186
Non-current		
Materials and supplies	**4,537**	5,649
	$ 117,001	$ 125,835

The cost of inventories recognized as an expense, including depreciation, and included in cost of sales amounted to $803,802 for the year ended December 31, 2016 (year ended December 31, 2015 - $648,967).

12. Prepaid expenses

	Dec. 31, 2016	Dec. 31, 2015
Prepayments to suppliers related to operations	**$ 3,673**	$ 8,177
Prepaid insurance and other	**319**	802
	$ 3,992	$ 8,979

13. Other financial assets

	Dec. 31, 2016	Dec. 31, 2015
Current		
Derivative assets	**$ 3,397**	$ 16,512
Non-current		
Available-for-sale investments	**13,508**	9,206
Investments at fair value through profit or loss	**192**	59
Restricted cash	**17,148**	63,465
	30,848	72,730
	$ 34,245	$ 89,242

Available-for-sale investments

Available-for-sale investments consist of investments in Canadian metals and mining companies, most of which are publicly traded. During the year ended December 31, 2016 and year ended December 31, 2015, the Group recognized impairment losses on investments in listed shares and transferred pre-tax losses of $1,102 and $4,888, respectively, from the available-for-sale reserve within equity to the consolidated income statements (note 7f).

The following table summarizes the change in available-for-sale investments:

	Dec. 31, 2016	Dec. 31, 2015
Balance, beginning of year	**$ 9,206**	$ 16,115
Additions	**2,857**	779
Increase (decrease) from remeasurement to fair value	**3,598**	(5,287)
Disposals	**(2,206)**	(92)
Effect of movements in exchange rates	**53**	(2,309)
Balance, end of year	**$ 13,508**	$ 9,206

14. Intangible assets - computer software

	Dec. 31, 2016	Dec. 31, 2015
Cost		
Balance, beginning of year	**$ 16,179**	$ 16,004
Additions	**407**	2,750
Effects of movement in exchange rates	**412**	(2,575)
Balance, end of year	**16,998**	16,179
Accumulated amortization		
Balance, beginning of year	**7,320**	5,606
Amortization for the year	**2,882**	2,801
Effects of movement in exchange rates	**182**	(1,087)
Balance, end of year	**10,384**	7,320
Net book value	**$ 6,614**	$ 8,859

15. Property, plant and equipment

Dec. 31, 2016	Exploration and evaluation assets	Capital works in progress	Mining properties	Plant and equipment	Total
Cost					
Balance, beginning of year	$ 14,650	$ 812,618	$ 1,603,952	$ 2,289,556	$ 4,720,776
Additions	-	87,505	45,383	15,445	148,333
Capitalized stripping and development	-	19,666	48,886	-	68,552
Decommissioning and restoration	-	(46)	1,966	23,036	24,956
Interest capitalized	-	14,705	-	-	14,705
Transfers and other movements	-	(89,506)	56,848	32,658	-
Disposals	-	(1,501)	-	(11,089)	(12,590)
Effects of movement in exchange rates	365	1,334	18,382	18,897	38,978
Other	-	(16)	15	155	154
Balance, end of year	15,015	844,759	1,775,432	2,368,658	5,003,864
Accumulated depreciation					
Balance, beginning of year	-	-	394,098	436,402	830,500
Depreciation for the year	-	-	119,420	178,175	297,595
Disposals	-	-	-	(9,160)	(9,160)
Effects of movement in exchange rates	-	-	9,810	9,076	18,886
Other	-	-	132	88	220
Balance, end of year	-	-	523,460	614,581	1,138,041
Net book value	$ 15,015	$ 844,759	$ 1,251,972	$ 1,754,077	$ 3,865,823

Dec. 31, 2015	Exploration and evaluation assets	Capital works in progress	Mining properties	Plant and equipment	Total
Cost					
Balance, beginning of year	$ 15,584	$ 3,253,239	$ 681,540	$ 824,207	$ 4,774,570
Additions	-	321,474	1,571	4,281	327,326
Acquisition of New Britannia (note 6)	2,890	10,410	-	-	13,300
Capitalized development	-	-	98,906	-	98,906
Decommissioning and restoration	-	1,861	7,502	13,143	22,506
Interest capitalized	-	41,996	-	-	41,996
Transfers and other movements	-	(2,705,466)	1,006,254	1,699,212	-
Impairment	-	(54,462)	(77,571)	(119,766)	(251,799)
Disposals	(1,095)	-	(812)	(12,553)	(14,460)
Pre-production revenue	-	(56,218)	-	-	(56,218)
Effects of movement in exchange rates	(2,729)	(216)	(113,438)	(118,968)	(235,351)
Balance, end of year	14,650	812,618	1,603,952	2,289,556	4,720,776
Accumulated depreciation					
Balance, beginning of year	-	-	354,491	355,076	709,567
Depreciation for the year	-	-	101,189	148,998	250,187
Disposals	-	-	-	(10,272)	(10,272)
Effects of movement in exchange rates	-	-	(61,582)	(57,400)	(118,982)
Balance, end of year	-	-	394,098	436,402	830,500
Net book value	$ 14,650	$ 812,618	$ 1,209,854	$ 1,853,154	$ 3,890,276

Refer to note 3i for a description of depreciation methods used by the Group and note 3i(iv) for depreciation rates of major classes of assets. Depreciation of property, plant and equipment and intangible assets related to producing properties is initially recognized in inventory and is then transferred to the cost of sales in the consolidated income statements as sales occur. Refer to note 7b for amounts recognized in the consolidated income statements.

During the year ended December 31, 2015, the Group recognized impairment losses on property, plant and equipment of $251,799. A breakdown of those impairments is provided in note 7g.

The Group has determined that the level of activity that represented commercial production for Constancia is production of an average of 60% of design capacity over a three-month period. On April 30, 2015 the Constancia mine met the threshold. The Group concluded that commercial production related to the Constancia mine commenced on May 1, 2015. At this time, the carrying value of the related assets within capital works in progress were reclassified to plant and equipment and mining properties, and depreciation of the assets commenced.

16. Trade and other payables

		Dec. 31, 2016		Dec. 31, 2015
Trade payables	**$**	**80,509**	$	62,359
Accruals and payables		**78,154**		93,797
Accrued interest		**4,300**		23,267
Exploration and evaluation payables		**64**		153
Embedded derivatives - provisional pricing (note 28c)		**86**		(118)
Statutory payables		**6,549**		7,727
	$	**169,662**	$	187,185

Accruals and payables include operational and capital costs and employee benefit amounts owing.

17. Other liabilities

		Dec. 31, 2016		Dec. 31, 2015
Current				
Provisions (note 20)	**$**	**14,367**	$	10,630
Pension liability (note 21)		**24,635**		23,221
Other employee benefits (note 22)		**2,356**		2,107
Unearned revenue		**849**		1,709
	$	**42,207**	$	37,667

18. Long-term debt

Long-term debt is comprised of the following:

		Dec. 31, 2016		Dec. 31, 2015
Senior unsecured notes (a)	**$**	**986,574**	$	917,329
Equipment finance facility (b)		**50,267**		66,521
Senior secured revolving credit facilities (c)		**195,323**		291,030
		1,232,164		1,274,880
Less: current portion		**(16,490)**		(69,875)
	$	**1,215,674**	$	1,205,005

(a) Senior unsecured notes

Balance, January 1, 2015	$	915,846
Change in fair value of embedded derivative (prepayment option)		1,049
Accretion of transaction costs		434
Balance, December 31, 2015	$	917,329
Addition to Principal, net of $12,329 in transaction costs		**987,671**
Payments made		**(920,000)**
Change in fair value of the New Notes embedded derivative (prepayment option)		**(1,146)**
Write-down of unamortized transaction costs		**2,216**
Accretion of transaction costs and premiums		**504**
Balance, December 31, 2016	**$**	**986,574**

On December 12, 2016 and December 28, 2016, the Group redeemed for cash all of its outstanding $920,000 aggregate principal amount of 9.50% senior unsecured notes due 2020.

The unamortized transaction costs of $2,216 were expensed upon extinguishment of the Group's 9.50% senior unsecured notes. The early redemption of the Group's 9.50% senior unsecured notes resulted in a charge of $47,718, which was recorded on the consolidated income statements.

On December 12, 2016, the Group completed an offering of $1,000,000 aggregate principal amount of senior notes in two series: (i) a series of 7.25% senior notes due 2023 in an aggregate principal amount of $400,000 (the "2023 Notes") and (ii) a series of 7.625% senior notes due 2025 in an aggregate principal amount of $600,000 (together with the 2023 Notes, the "New Notes"). The New Notes are guaranteed on a senior unsecured basis by HBMS, HBED, HMS and Hudbay Peru (note 33).

(b) Equipment finance facility

Balance, January 1, 2015	$	71,221
Addition to Principal, net of transaction costs		10,092
Payments made		(15,902)
Accretion of transaction costs		1,110
Balance, December 31, 2015	$	66,521
Transaction costs		**(1,013)**
Payments made		**(16,490)**
Accretion of transaction costs		**1,249**
Balance, December 31, 2016	**$**	**50,267**

The equipment finance facility is reflected in the consolidated balance sheets as follows:

	Dec. 31, 2016	Dec. 31, 2015
Current	**$ 16,490**	$ 16,490
Non-current	**33,777**	50,031
	$ 50,267	$ 66,521

(c) Senior secured revolving credit facilities

Balance, January 1, 2015	$	-
Addition to Principal, net of transaction costs		304,374
Payments made		(14,925)
Accretion of transaction costs		1,581
Balance, December 31, 2015	$	291,030
Addition to Principal, net of transaction costs		**60,021**
Payments made		**(160,000)**
Accretion of transaction costs		**4,272**
Balance, December 31, 2016	**$**	**195,323**

The senior secured credit facilities are reflected in the consolidated balance sheets as follows:

	Dec. 31, 2016	Dec. 31, 2015
Current	**$ -**	$ 53,385
Non-current	**195,323**	237,645
Balance, December 31, 2016	**$ 195,323**	$ 291,030

On March 30, 2016, the Group completed a restructuring of its two senior credit facilities. The two facilities now share substantially similar terms and conditions, except that the $350,000 Canada facility is secured by the Group's Manitoba assets and the $200,000 Peru facility is secured by the Group's Peru assets. The facilities mature on March 31, 2019, and bear interest at LIBOR plus 4.50% .

19. Deferred revenue

On August 8, 2012 and November 4, 2013, the Group entered into precious metals stream transactions with Silver Wheaton whereby the Group has received aggregate deposit payments of $885,000 against delivery of (i) 100% of payable gold and silver from the 777 mine until the end of 2016, and delivery of 50% of payable gold and 100% of payable silver for the remainder of the 777 mine life; and (ii) 100% of payable silver and 50% of payable gold from the Constancia mine.

In addition to the deposit payments, as gold and silver is delivered to Silver Wheaton, the Group receives cash payments equal to the lesser of (i) the market price and (ii) $400 per ounce (for gold) and $5.90 per ounce (for silver), subject to 1% annual escalation after three years.

The Group recorded the deposits received as deferred revenue and recognizes amounts in revenue as gold and silver are delivered to Silver Wheaton. The Group determines the amortization of deferred revenue to the consolidated income statements on a per unit basis using the estimated total number of gold and silver ounces expected to be delivered to Silver Wheaton over the life of the 777 and Constancia operations. The Group estimates the current portion of deferred revenue based on deliveries anticipated over the next twelve months.

In February 2010, Hudbay Arizona entered into a precious metals stream transaction with Silver Wheaton whereby the Group will receive deposit payments of $230,000 against delivery of 100% of the payable silver and gold from the Rosemont project. The deposit will be payable upon the satisfaction of certain conditions precedent, including the receipt of permits for the Rosemont project and the commencement of construction. In addition to the deposit payments, as gold and silver is delivered to Silver Wheaton, the Group receives cash payments equal to the lesser of (i) the market price and (ii) $450 per ounce (for gold) and $3.90 per ounce (for silver), subject to 1% annual escalation after three years. To date, no such deposit has been received under the terms of this contract.

The following table summarizes changes in deferred revenue:

Balance, January 1, 2015	$	688,125
Recognition of revenue		(51,860)
Effects of changes in foreign exchange		(39,005)
Balance, December 31, 2015	$	597,260
Recognition of revenue		**(65,762)**
Effects of changes in foreign exchange		**6,354**
Balance, December 31, 2016	**$**	**537,852**

Deferred revenue is reflected in the consolidated balance sheets as follows:

		Dec. 31, 2016		Dec. 31, 2015
Current	**$**	**65,619**	$	68,250
Non-current		**472,233**		529,010
	$	**537,852**	$	597,260

20. Provisions

	Decommis-sioning, restoration and similar liabilities	Deferred share units (note 25)	Restricted share units[1] (note 25)	Other	Total
Balance, January 1, 2016	$ 147,035	$ 2,803	$ 4,388	$ -	$ 154,226
Net additional provisions made	30,038	1,018	6,348	1,922	39,326
Amounts used	(894)	(1,078)	(2,736)	(430)	(5,138)
Unwinding of discount (note 7f)	2,586	-	-	-	2,586
Effect of change in discount rate	(4,189)	-	-	-	(4,189)
Effect of foreign exchange	2,720	97	(47)	20	2,790
Effect of change in share price	-	1,093	3,099	276	4,468
Balance, December 31, 2016	**$ 177,296**	**$ 3,933**	**$ 11,052**	**$ 1,788**	**$ 194,069**

[1] Certain amounts relating to the Arizona segment are capitalized.

Provisions are reflected in the consolidated balance sheets as follows:

Current (note 17)	$ 1,054	$ 3,933	$ 8,451	$ 929	$ 14,367
Non-current	176,242	-	2,601	859	179,702
	$ 177,296	$ 3,933	$ 11,052	$ 1,788	$ 194,069

	Decommis-sioning, restoration and similar liabilities	Deferred share units (note 25)	Restricted share units[1] (note 25)	Total
Balance, January 1, 2015	$ 159,809	$ 5,084	$ 9,179	$ 174,072
Net additional provisions made	16,700	1,065	9,645	27,410
Amounts used	(1,682)	-	(4,798)	(6,480)
Unused amounts reversed	(157)	-	-	(157)
Acquisition of New Britannia	1,861	-	-	1,861
Disposal of Balmat	(20,112)	-	-	(20,112)
Unwinding of discount (note 7f)	2,811	-	-	2,811
Effect of change in discount rate	4,612	-	-	4,612
Effect of foreign exchange	(16,807)	(844)	(987)	(18,638)
Effect of change in share price		(2,502)	(8,651)	(11,153)
Balance, December 31, 2015	$ 147,035	$ 2,803	$ 4,388	$ 154,226

[1] Certain amounts relating to the Arizona segment are capitalized.

Provisions reflected in the consolidated balance sheets as follows:

Current (note 17)	$ 4,270	$ 2,803	$ 3,557	$ 10,630
Non-current	142,765	-	831	143,596
	$ 147,035	$ 2,803	$ 4,388	$ 154,226

Decommissioning, restoration and similar liabilities are remeasured at each reporting date to reflect changes in discount rates, which can significantly affect the liabilities.

Decommissioning, restoration and similar liabilities

The Group's decommissioning, restoration and similar liabilities relate to the rehabilitation and closure of currently operating mines and metallurgical plants, development-phase properties and closed properties. The amount of the provision has been recorded based on estimates and assumptions that management believes are reasonable; however, actual decommissioning and restoration costs may differ from expectations.

During the year ended December 31, 2016 additional provisions were recognized as a result of an increased pit footprint, as per mine plan, at the Constancia operation and an updated closure plan for a site in the Manitoba business unit. In addition, updates to certain closure plans in Manitoba resulted in increases in expected cash outflows.

The Group's decommissioning and restoration liabilities relate mainly to its Manitoba operations. Management anticipates that significant decommissioning and restoration activities will take place near the time closure of the mining and processing facilities, anticipated to occur from 2019 for Flin Flon operations and up to 2032 for Snow Lake operations (including the Lalor mine). However, these provisions also reflect estimated post-closure cash flows that extend to 2099 for ongoing monitoring and water treatment requirements. Management anticipates most decommissioning and restoration activities for the Constancia operation will occur from 2033 to 2040.

These estimates have been discounted to their present value at rates ranging from 0.63% to 3.07% per annum (2015 - 0.47% to 2.94%), using pre-tax risk-free interest rates that reflect the estimated maturity of each specific liability.

21. Pension obligations

The Group maintains non-contributory and contributory defined benefit pension plans for certain of its employees.

The Group uses a December 31 measurement date for all of its plans. For the Group's significant plans, the most recent actuarial valuations filed for funding purposes were performed during 2016 using data as at December 31, 2015. For these plans, the next actuarial valuation required for funding purposes will be performed during 2017 as at December 31, 2016.

Movements in the present value of the defined benefit obligation in the current and previous years were as follows:

	Year ended December 31,	
	2016	2015
Opening defined benefit obligation	**$ 337,004**	$ 383,759
Current service cost	**10,768**	11,727
Past service cost related to the new collective bargaining agreement	**-**	17,064
Other past service cost	**-**	588
Interest cost	**13,415**	13,554
Benefits paid from plan	**(32,644)**	(20,583)
Benefits paid from employer	**(1,424)**	(705)
Participant contributions	**93**	143
Effects of movements in exchange rates	**10,348**	(62,485)
Remeasurement actuarial (gains)/losses:		
Arising from changes in demographic assumptions	**-**	(3,052)
Arising from changes in financial assumptions	**14,955**	(1,305)
Arising from experience adjustments	**(3,350)**	(1,701)
Closing defined benefit obligation	**$ 349,165**	$ 337,004

The defined benefit obligation closing balance, by member group, is as follows:

	Dec. 31, 2016	Dec. 31, 2015
Active members	**$ 235,815**	$ 235,877
Deferred members	**3,636**	3,225
Retired members	**109,714**	97,902
Closing defined benefit obligation	**$ 349,165**	$ 337,004

Movements in the fair value of the pension plan assets in the current and previous years were as follows:

	Year ended December 31,	
	2016	2015
Opening fair value of plan assets:	**$ 279,523**	$ 320,422
Interest income	**11,634**	11,252
Remeasurements (gains)/losses:		
Return on plan assets (excluding amounts included in net interest expense)	**2,905**	(1,698)
Contributions from the employer	**26,198**	22,420
Employer direct benefit payments	**1,424**	705
Contributions from plan participants	**93**	143
Benefit payment from employer	**(1,424)**	(705)
Administrative expenses paid from plan assets	**(77)**	(78)
Benefits paid	**(32,644)**	(20,583)
Effects of changes in foreign exchange rates	**8,519**	(52,355)
Closing fair value of plan assets	**$ 296,151**	$ 279,523

The amount included in the consolidated balance sheets arising from the entity's obligation in respect of its defined benefit plans is as follows:

	Dec. 31, 2016	Dec. 31, 2015
Present value of funded defined benefit obligation	**$ 333,720**	$ 322,769
Fair value of plan assets	**(296,151)**	(279,523)
Present value of unfunded defined benefit obligation	**15,445**	14,235
Net liability arising from defined benefit obligation	**$ 53,014**	$ 57,481

Reflected in the consolidated balance sheets as follows:

	Dec. 31, 2016	Dec. 31, 2015
Pension obligation - current (note 17)	**$ 24,635**	$ 23,221
Pension obligation - non-current	**28,379**	34,260
Total pension obligation	**$ 53,014**	$ 57,481

Pension expense is as follows:

		Dec. 31, 2016		Dec. 31, 2015
Service costs:				
Current service cost	**$**	**10,768**	$	11,727
Past service cost and loss from settlements		**-**		17,064
Total service cost		**10,768**		28,791
Net interest expense		**1,781**		2,302
Administration cost		**77**		78
Defined benefit pension expense	**$**	**12,626**	$	31,171
Defined contribution pension expense	**$**	**829**	$	824

Remeasurement on the net defined benefit liability:

		Dec. 31, 2016		Dec. 31, 2015
(Return)/loss on plan assets (excluding amounts included in net interest expense)	**$**	**(2,905)**	$	1,698
Actuarial gains arising from changes in demographic assumptions		**-**		(3,052)
Actuarial losses/(gains) arising from changes in financial assumptions		**14,955**		(1,305)
Actuarial gains arising from experience adjustments		**(3,350)**		(1,701)
Defined benefit loss/(gain) related to remeasurement	**$**	**8,700**	$	(4,360)
Total pension cost	**$**	**22,155**	$	27,635

Pension amounts recognized include those directly related to production of inventory; such amounts are recognized initially as costs of inventory and are expensed in the consolidated income statements within cost of sales upon sale of the inventory.

The current service cost, the interest cost and administration cost for the year are included in the employee benefits expense. The remeasurement of the net defined benefit liability is included in OCI.

Past service costs in 2015 related to the new collective bargaining agreements in Manitoba.

The defined benefit pension plans typically expose the Group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the liabilities for the defined benefit plans is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. The Group's primary quantitative investment objectives are maximization of the long term real rate of return, subject to an acceptable degree of investment risk and preservation of principal. Risk tolerance is established through consideration of several factors including past performance, current market condition and the funded status of the plan.
Interest risk	A decrease in the bond interest rate will increase the pension plan liabilities; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plans liabilities is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the pension plans liabilities.
Salary risk	The present value of the defined benefit plans liabilities for some of the pension plans is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plans' liabilities.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2016	2015
Defined benefit cost:		
Discount rate - benefit obligations	**4.08 %**	3.97%
Discount rate - service cost	**4.25 %**	3.97%
Expected rate of salary increase [1]	**3.00 %**	3.00%
Average longevity at retirement age for current pensioners (years) [2]:		
Males	**20.8**	21.5%
Females	**23.3**	24.0%

	2016	2015
Defined benefit obligation:		
Discount rate	**3.69 %**	4.08%
Expected rate of salary increase [1]	**2.75 %**	3.00%
Average longevity at retirement age for current pensioners (years) [2]:		
Males	**20.9**	20.8
Females	**23.3**	23.3
Average longevity at retirement age for current employees (future pensioners) (years) [2]:		
Males	**22.2**	22.2
Females	**24.5**	24.5

[1] Plus merit and promotional scale based on member's age

[2] CPM2014 Priv with CPM-B projection scale.

The Group reviews the assumptions used to measure pension costs (including the discount rate) on an annual basis. Economic and market conditions at the measurement date affect these assumptions from year to year. In determining the discount rate, the Group considers the duration of the pension plan liabilities.

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting periods, while holding other assumptions constant:

- If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by $25,104 (increase by $28,263).
- If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by $3,955 (decrease $3,606).
- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by $4,980 (decrease by $7,032)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated balance sheets.

The Group's main pension plans are registered federally with the Office of the Superintendent of Financial Institution and with the Canada Revenue Agency. The registered pension plans are governed in accordance with the Pension Benefits Standards Act and the Income Tax Act. The sponsor contributes the amount needed to maintain adequate funding as dictated by the prevailing regulations.

Expected employer contribution to the pension plans for the fiscal year ending December 31, 2017 is $24,635.

The average duration of the pension obligation at December 31, 2016 is 15.7 years (2015 – 14.9 years). This number can be broken down as follows:

- Active members: 17.1 years (2015: 16.2 years)
- Deferred members: 23.5 years (2015: 18.5 years)
- Retired members: 12.4 years (2015: 11.7 years)

Asset-Liability-Matching studies are performed periodically to analyse the investment policies in terms of risk-and-return profiles.

The actual return on plan assets in 2016 was 5.01 % (2015: 3.42%)

The pension plans do not invest directly in either securities or property/real estate of the Group.

With the exception of fixed income investments, the plan assets are actively managed by investment managers, with the goal of attaining returns that potentially outperform passively managed investments. Within appropriate limits, the actual composition of the invested funds may vary from the prescribed investment mix.

The following is a summary of the fair value classification levels for investment:

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments:				
Money market instruments	**$ 4,515**	**$ -**	**$ -**	**$ 4,515**
Pooled equity funds	**121,103**	**-**	**-**	**121,103**
Pooled fixed income funds	**-**	**143,489**	**-**	**143,489**
Alternative investment funds	**-**	**26,404**	**-**	**26,404**
Balanced funds	**-**	**640**	**-**	**640**
	$ 125,618	**$ 170,533**	**$ -**	**$ 296,151**

December 31, 2015	Level 1	Level 2	Level 3	Total
Investments:				
Money market instruments	$ 4,387	$ -	$ -	$ 4,387
Pooled equity funds	110,853	-	-	110,853
Pooled fixed income funds	-	140,949	-	140,949
Alternative investment funds	-	22,797	-	22,797
Balanced funds	-	537	-	537
	$ 115,240	$ 164,283	$ -	$ 279,523

22. Other employee benefits

The Group sponsors both other long-term employee benefit plans and non-pension post-employment benefits plans and uses a December 31 measurement date. These obligations relate mainly to commitments for post-retirement health benefits. Information about the Group's post-employment and other long-term employee benefits is as follows:

Movements in the present value of the defined benefit obligation in the current and previous years were as follows:

	Year ended December 31,	
	2016	2015
Opening defined benefit obligation	**$ 80,259**	$ 151,553
Current service cost [1]	**2,579**	4,091
Interest cost	**3,367**	5,465
Effects of movements in exchange rates	**2,197**	(23,997)
Remeasurement actuarial (gains)/losses:		
Arising from changes in demographic assumptions	**-**	(52,089)
Arising from changes in financial assumptions	**2,712**	(622)
Arising from experience adjustments	**(160)**	(2,195)
Benefits paid	**(1,949)**	(1,947)
Closing defined benefit obligation	**$ 89,005**	$ 80,259

[1] Includes remeasurement of other long term employee benefits

The defined benefit obligation closing balance, by group member, is as follows:

	Dec 31, 2016	Dec 31, 2015
Active members	**$ 52,611**	$ 47,267
Inactive members	**36,394**	32,992
Closing defined benefit obligation	**$ 89,005**	$ 80,259

Movements in the fair value of defined benefit amounts in the current and previous years were as follows:

		Dec. 31, 2016		Dec. 31, 2015
Employer contributions	**$**	**1,949**	$	1,947
Benefits paid		**(1,949)**		(1,947)
Closing fair value of assets	**$**	**-**	$	-

The non-pension employee benefit plan obligations are unfunded.

Reconciliation of assets and liabilities recognized in the consolidated balance sheets:

		Dec. 31, 2016		Dec. 31, 2015
Unfunded benefit obligation	**$**	**89,005**	$	80,259
Vacation accrual and other - non-current		**2,624**		2,543
Net liability	**$**	**91,629**	$	82,802

Reflected in the consolidated balance sheets as follows:

		Dec. 31, 2016		Dec. 31, 2015
Other employee benefits liability - current (note 17)	**$**	**2,356**	$	2,107
Other employee benefits liability - non-current		**89,273**		80,695
Net liability	**$**	**91,629**	$	82,802

Other employee future benefit expense includes the following:

		Dec. 31, 2016		Dec. 31, 2015
Current service cost[1]	**$**	**2,579**	$	4,091
Net interest cost		**3,367**		5,465
Components recognized in income statements	**$**	**5,946**	$	9,556

[1] Includes remeasurement of other long term employee benefits

		Dec. 31, 2016		Dec. 31, 2015
Remeasurement on the net defined benefit liability:				
Actuarial (gains)/losses arising from changes in demographic assumptions	**$**	**-**	$	(52,089)
Actuarial (gains)/losses arising from changes in financial assumptions		**2,712**		(622)
Actuarial gains arising from changes experience adjustments		**(160)**		(2,195)
Components recognized in statements of comprehensive income	**$**	**2,552**	$	(54,906)
Total other employee future benefit cost	**$**	**8,498**	$	(45,350)

Other employee benefit amounts recognized include those directly related to production of inventory; such amounts are recognized initially as costs of inventory and are expensed in the consolidated income statements within cost of sales upon sale of the inventory.

	2016	2015
Defined benefit cost:		
Discount rate	**4.19 %**	4.09 **%**
Initial weighted average health care trend rate	**6.28 %**	6.83 **%**
Ultimate weighted average health care trend rate	**4.00 %**	4.00 **%**
Average longevity at retirement age for current pensioners (years) [1]:		
Males	**21.6 %**	21.5
Females	**24.0 %**	24.0

	2016	2015
Defined benefit obligation:		
Discount rate	**4.03 %**	4.19 **%**
Initial weighted average health care trend rate	**6.13 %**	6.28 **%**
Ultimate weighted average health care trend rate	**4.00 %**	4.00 **%**
Average longevity at retirement age for current pensioners (years):		
Males	**21.6**	21.6
Females	**24.1**	24.0
Average longevity at retirement age for current employees (future pensioners) (years):		
Males	**23.0**	22.9
Females	**25.3**	25.2

[1] CPM2014 Priv with CPM-B projection scale.

The Group reviews the assumptions used to measure other employee benefit costs (including the discount rate) on an annual basis.

The other employee benefit costs typically expose the Group to actuarial risks such as: interest rate risk, health care cost inflation risk and longevity risk.

Interest risk	A decrease in the bond interest rate will increase the plan liabilities.
Health care cost inflation risk	The majority of the plan's benefit obligations are linked to health care cost inflation and higher inflation will lead to higher liabilities.
Longevity risk	The majority of the plans' benefit liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plans liabilities. This is particularly significant for benefits subject to health care cost inflation where increases in inflation result in higher sensitivity to changes in life expectancy.

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding other assumptions constant:

- If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by $7,190 (increase by $8,208).
- If the health care cost assumption increases (decreases) by 1%, the defined benefit obligation would increase by $16,939 (decrease by $13,257).
- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligations would increase by $3,237 (decrease by $3,217).

The average duration of the non pension post employment obligation at December 31, 2016 is 18.1 year (2015: 18.1 years). This number can be broken down as follows:

- Active members: 22.1 years (2015: 22.1 years)
- Inactive members: 12.7 years (2015: 12.8 years)

23. Income and mining taxes

(a) Tax expense (recovery):

The tax expense (recovery) is applicable as follows:

	Year ended December 31,	
	2016	2015
Current:		
Income taxes	**$ 7,000**	$ 7,202
Mining taxes	**10,280**	7,379
Adjustments in respect of prior years	**-**	1,319
	17,280	15,900
Deferred:		
Income taxes - origination and reversal of temporary differences	**20,954**	(76,192)
Canadian mining taxes - origination and reversal of temporary differences	**3,739**	622
Peruvian mining tax - origination and reversal of temporary difference	**(1,441)**	(8,944)
Adjustments in respect of prior years	**266**	1,001
	23,518	(83,513)
	$ 40,798	$ (67,613)

Adjustments in respect of prior years refers to amounts changing due to the filing of tax returns and assessments from government authorities.

(b) Deferred tax assets and liabilities:

	Dec. 31, 2016	Dec. 31, 2015
Deferred income tax asset	**$ 79,483**	$ 40,670
Deferred income tax liability	**(338,330)**	(280,432)
Deferred mining tax liability - Canada	**(4,706)**	(775)
Deferred mining tax liability - Peru	**(11,880)**	(13,322)
	(354,916)	(294,529)
Net deferred tax liability balance	**$ (275,433)**	$ (253,859)

(c) Changes in deferred tax assets and liabilities:

		Year ended Dec. 31, 2016		Year ended Dec. 31, 2015
Net deferred tax liability balance, beginning of period	**$**	**(253,859)**	$	(339,290)
Deferred tax (expense) recovery		**(23,518)**		83,513
OCI transactions		**2,198**		(1,053)
Foreign currency translation on the deferred tax liability		**(254)**		2,971
Net deferred tax liability balance, end of year	**$**	**(275,433)**	$	(253,859)

(d) Reconciliation to statutory tax rate:

As a result of its mining operations, the Group is subject to both income and mining taxes. Generally, most expenditures incurred are deductible in computing income tax, whereas mining tax legislation, although based on a measure of profitability from carrying on mining operations, is more restrictive in respect of the deductions permitted in computing income subject to mining tax. These restrictions include costs unrelated to mining operations as well as deductions for financing expenses, such as interest and royalties. In addition, income unrelated to carrying on mining operations is not subject to mining tax.

A reconciliation between tax expense and the product of accounting profit multiplied by the Group's statutory income tax rate for the years ended December 31, 2016 and 2015 is as follows:

		Year ended December 31,		
		2016		2015
Statutory tax rate		**27.00%**		27.00%
Tax expense (recovery) from continuing operations at statutory rate	**$**	**1,513**	$	(107,741)
Effect of:				
Deductions related to mining taxes		**(3,223)**		(2,347)
Adjusted income taxes		**(1,710)**		(110,088)
Mining tax expense (recovery)		**12,771**		(499)
		11,061		(110,587)
Temporary income tax differences not recognized		**8,598**		(218)
Permanent differences related to:				
Capital items		**401**		2,726
Other income tax permanent differences		**262**		49,434
Impact of Manitoba remeasurement on decommissioning liability		**13,803**		2,108
Impact of statutory tax rate outside Peruvian Tax Stability agreement		**7,960**		1,346
Impact related to differences in tax rates in foreign operations		**2,250**		(18,676)
Impact related to tax assessments and tax return amendments		**(104)**		1,875
Foreign exchange on non-monetary items		**(3,433)**		4,379
Tax expense (recovery)	**$**	**40,798**	$	(67,613)

(e) Income tax effect of temporary differences - recognized:

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2016 and 2015 are as follows:

	Balance sheet		Income Statement	
	Dec. 31, 2016	Dec. 31, 2015	**Year ended Dec. 31, 2016**	Year ended Dec. 31, 2015
Deferred income tax asset (liability)/ expense (recovery)				
Property, plant and equipment	**$ 1,163**	$ 908	**$ (255)**	$ (385)
Pension obligation	**942**	727	**(215)**	38
Other employee benefits	**2,972**	1,501	**(1,471)**	1,413
Non-capital losses	**59,034**	34,936	**(24,098)**	(728)
Share issue and debt costs	**16,319**	1,461	**(14,858)**	415
Other	**(947)**	1,137	**2,084**	245
Deferred income tax asset / (recovery) expense	**79,483**	40,670	**(38,813)**	998
Deferred income tax liability (asset)/ expense (recovery)				
Property, plant and equipment	**417,060**	394,250	**22,810**	(115,149)
Pension obligation	**(12,150)**	(14,508)	**4,556**	879
Other employee benefits	**(14,806)**	(12,695)	**(2,111)**	7,670
Asset retirement obligations	**(11,357)**	(16,058)	**4,701**	(165)
Non-capital losses	**(46,500)**	(68,067)	**21,567**	25,915
Other	**6,083**	(2,490)	**8,318**	4,651
Deferred income tax liability/ expense (recovery)	**338,330**	280,432	**59,841**	(76,199)
Deferred income tax liability/ expense (recovery)	**$ (258,847)**	$ (239,762)	**$ 21,028**	$ (75,201)

The above reconciling items are disclosed at the tax rates that apply in the jurisdiction where they have arisen.

(f) Income tax temporary differences - not recognized:

The Group has not recognized a deferred tax asset in respect of the following deductible income tax temporary differences:

		Dec. 31, 2016		Dec. 31, 2015
Property, plant and equipment	**$**	**16,690**	$	71,212
Capital losses		**109,670**		133,832
Other employee benefits		**52,093**		51,984
Asset retirement obligations		**135,481**		44,728
Non-capital losses		**99,737**		95,186
Other		**-**		3,540
Temporary differences not recognized	**$**	**413,671**	$	400,482

The deductible temporary differences excluding non-capital losses do not expire under current tax legislation.

The Canadian non-capital losses were incurred between 2006 and 2016 and expire between 2026 and 2036. The Group incurred United States net operating losses between 2004 and 2016 which have a twenty year carry forward period. Peruvian net operating losses were incurred from 2013 to 2016 which have a four year carry forward period.

(g) Mining tax effect of temporary differences:

The tax effects of temporary differences that give rise to significant portions of the deferred mining tax assets and liabilities at December 31, 2016 and December 31, 2015 are as follows:

Canada		**Dec. 31, 2016**		Dec. 31, 2015
Property, plant and equipment	**$**	**(4,706)**	$	(775)

Peru		**Dec. 31, 2016**		Dec. 31, 2015
Property, plant and equipment	**$**	**(11,880)**	$	(13,322)

For the year ended December 31, 2016, the Group had unrecognized deferred mining tax assets of approximately $7,610 (December 31, 2015 - $5,641)

(h) Unrecognized taxable temporary differences associated with investments:

There are no taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, for which a deferred tax liability has not been recognized.

(i) Taxes receivable/payable:

The timing of payments results in significant variances in period-to-period comparisons of the tax receivable and tax payable balances.

(j) Other disclosure:

The tax rules and regulations applicable to mining companies are highly complex and subject to interpretation. The Group may be subject in the future to a review of its historic income and other tax filings and, in connection with such reviews disputes can arise with the taxing authorities over the interpretation or application of certain tax rules and regulations in respect of the Group's business. These reviews may alter the timing or amount of taxable income or deductions. The amount ultimately reassessed upon resolution of issues raised may differ from the amount accrued.

24. Share capital

(a) Preference shares:

Authorized: Unlimited preference shares without par value

(b) Common shares:

Authorized: Unlimited common shares without par value

Issued and fully paid:

	Year ended Dec. 31, 2016		Year ended Dec. 31, 2015	
	Common shares	**Amount**	**Common shares**	**Amount**
Balance, beginning of year	**235,231,688**	**$ 1,576,600**	233,615,857	$ 1,562,249
Exercise of stock options	**-**	**-**	258,831	1,152
Equity issuance	**2,039,500**	**11,814**	1,357,000	13,199
Share issue costs, net of tax	**-**	**(95)**		-
Balance, end of year	**237,271,188**	**$ 1,588,319**	235,231,688	$ 1,576,600

During the year, the Company issued 1,000,000 Hudbay common shares for net proceeds of $4,958 in connection with the vesting of restricted share units. On December 12, 2016 the Company issued 1,039,500 Hudbay common shares and 561,000 Hudbay warrants for net proceeds of $6,761 upon the exercise of 3,300,000 Augusta warrants which were assumed as part of the acquisition of Hudbay Arizona and which entitled the holder to acquire 0.315 of a Hudbay common share and 0.17 of a Hudbay warrant for each Augusta warrant (note 28e).

During the year, the Company paid two semi-annual dividends of C$0.01 per share each. The Company paid $1,773 and $1,794 on March 31, 2016 and September 30, 2016 to shareholders of record as of March 11, 2016 and September 9, 2016, respectively.

In 2015, the Company paid $1,842 and $1,762 on March 31, 2015 and September 30, 2015 to shareholders of record as of March 13, 2015 and September 11, 2015, respectively.

The Company declared a semi-annual dividend of C$0.01 per share on February 22, 2017. The dividend will be paid on March 31, 2017 to shareholders of record as of March 10, 2017 and is expected to total C$2,373.

25. Share-based payments

(a) Cash-settled share-based payments:

The Group has two cash-settled share-based payment plans, as described below.

Deferred Share Units (DSU)

At December 31, 2016, the carrying amount and the intrinsic value of the outstanding liability related to the DSU plan was $3,933 (December 31, 2015 - $2,803) (note 20). The following table outlines information related to DSUs granted, expenses recognized and payments made during the year.

	Year ended			
		Dec. 31, 2016		Dec. 31, 2015
Granted during the year:				
Number of units		**231,867**		147,867
Weighted average price (C$/unit)	**$**	**5.81**	$	7.20
Expenses (recovery) recognized during the year[1] (notes 7c, 20)	**$**	**2,111**	$	(1,437)
Payments made during the year (note 20)	**$**	**1,078**	$	-

[1] This expense (recovery) relates to the grant of DSUs, as well as mark-to-market adjustments, and is presented within selling and administrative expenses on the consolidated income statements.

Restricted Share Units (RSU)

RSUs granted under the LTEP Plan may be settled in the form of Hudbay common shares or, at the option of Hudbay, the cash equivalent based on the market price of the common shares as of the vesting date. RSUs may also be granted under Hudbay's Share Unit Plan, however; the RSUs granted under the Share Unit Plan may only be settled in cash. Hudbay has historically settled all RSUs in cash. The Company has determined that the appropriate accounting treatment is to classify the RSUs as cash-settled transactions.

At December 31, 2016, the carrying amount of the outstanding liability related to the RSU plan was $11,052 (December 31, 2015 - $4,388) (note 20). The following table outlines information related to RSUs granted, expenses recognized and payments made in the year.

	Year ended	
	Dec. 31, 2016	Dec. 31, 2015
Number of units, beginning of year	**1,943,507**	1,905,495
Number of units granted during the year	**2,576,957**	951,313
Credits for dividends	**14,776**	6,413
Number of units forfeited during the year	**(133,329)**	(14,770)
Number of units vested [1]	**(909,503)**	(904,944)
Number of units, end of year	**3,492,408**	1,943,507
Weighted average price - granted (C$/unit)	**$ 4.01**	$ 10.49
Expenses recognized during the year [2] (note 7c)	**$ 7,776**	$ 1,118
Payments made during the year (note 20)	**$ 2,736**	$ 4,798

[1] Includes 453,277 units that have vested; however, are unreleased and unpaid as of December 31, 2016.

[2] This net expense reflects recognition of RSU expense over the service period, as well as mark-to-market adjustments, and is presented mainly within cost of sales and selling and administrative expenses. Certain amounts related to the Arizona segment are capitalized.

(b) Equity-settled share-based payment - stock options:

The Group's stock option plan was approved in June 2005 and amended in May 2008 (the "Plan").

Under the amended Plan, the Group may grant to employees, officers, directors or consultants of the Group or its affiliates options to purchase up to a maximum of 13 million common shares of the Group. Options granted under the amended Plan have a maximum term of five years and become exercisable as follows: the first 33 1/3% are exercisable after one year, the next 33 1/3% are exercisable after two years, and the last 33 1/3% are exercisable after three years. Except in specified circumstances, options are not assignable and terminate upon, or within a specified time following, the optionee ceasing to be employed by or associated with the Group. The Plan further provides that the price at which common shares may be issued under the Plan cannot be less than the market price of the common shares on the last trading date before the relevant options are approved by the Board.

Prior to the May 2008 amendment, the Plan approved in June 2005 allowed the Group to grant options up to 10% (to a maximum of 8 million issued outstanding options) of the issued and outstanding common shares of the Group to employees, officers, and directors of the Group for a maximum term of ten years. Of the common shares covered by the stock option plan, the first 33 1/3% were exercisable immediately, the next 33 1/3% were exercisable after one year, and the last 33 1/3% were exercisable after two years.

The Board’s current policy is to not make share option grants to our executives and directors. No options were granted under the Plan during the years ended December 31, 2016 and December 31, 2015, and none have been granted since 2010.

The Group estimates expected life of options and expected volatility based on historical data, which may differ from actual outcomes.

	Year ended Dec. 31, 2016		Year ended Dec. 31, 2015	
	Number of shares subject to option	**Weighted average exercise price C$**	Number of shares subject to option	Weighted average exercise price C$
Balance, beginning of year	**1,904,185**	**$ 17.57**	2,190,299	$ 15.96
Exercised	**-**	**-**	(258,831)	3.89
Forfeited	**(125,677)**	**17.52**	(27,283)	18.14
Expired	**(308,131)**	**9.70**	-	-
Balance, end of year	**1,470,377**	**$ 19.24**	1,904,185	$ 17.57

For stock options exercised during 2015, the weighted average share price at the exercise date was C$11.29.

The following table summarizes the options outstanding:

Dec. 31, 2016

Range of exercise prices C$	**Number of options outstanding**	**Weighted-average remaining contractual life (years)**	**Weighted-average exercise price C$**	**Number of options exercisable**	**Weighted-average exercise price C$**
$ 15.86 - 18.33	**543,354**	**1.2**	**$ 15.86**	**543,354**	**$ 15.86**
18.34 - 21.28	**757,023**	**0.2**	**20.80**	**757,023**	**20.80**
21.29 - 21.98	**10,000**	**0.1**	**21.75**	**10,000**	**21.75**
21.99 - 22.97	**60,000**	**0.9**	**22.20**	**60,000**	**22.20**
22.98 - 23.74	**100,000**	**0.6**	**23.74**	**100,000**	**23.74**
$ 15.86 - 23.74	**1,470,377**	**0.6**	**$ 19.24**	**1,470,377**	**$ 19.24**

Dec. 31, 2015

Range of exercise prices C$	Number of options outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price C$	Number of options exercisable	Weighted-average exercise price C$
$ 9.70 - 12.78	320,465	0.2	$ 9.70	320,465	$ 9.70
12.79 - 18.33	603,359	2.2	15.86	603,359	15.86
18.34 - 21.28	810,361	1.2	20.80	810,361	20.80
21.29 - 22.97	70,000	1.8	22.14	70,000	22.14
22.98 - 23.74	100,000	1.6	23.74	100,000	23.74
$ 9.70 - 23.74	1,904,185	1.4	$ 17.57	1,904,185	$ 17.57

26. Loss per share data

	Year ended December 31,	
	2016	2015
Basic & diluted weighted average common shares outstanding	**235,807,509**	234,675,080

For periods where Hudbay records a loss, the Group calculates diluted loss per share using the basic weighted average number of shares. If the diluted weighted average number of shares was used, the result would be a reduction in the loss, which would be anti-dilutive. Consequently, for the year ended December 31, 2016, the Group calculated diluted loss per share using 235,807,509 common shares. For the year ended December 31, 2015, the Group calculated diluted loss per share using 234,675,080 common shares.

27. Capital management

The Group's definition of capital includes total equity and long-term debt. The Group's long-term debt balance as at December 31, 2016 was $1,215,674 (December 31, 2015 – $1,205,005).

The Group's objectives when managing capital are to maintain a strong capital base in order to:

- Advance the Group's corporate strategies to create long-term value for its stakeholders; and
- Sustain the Group's operations and growth throughout metals and materials cycles

Hudbay monitors its capital and capital structure on an ongoing basis to ensure they are sufficient to achieve the Group's short-term and long-term strategic objectives in a capital intensive industry. The Group faces several risks, including volatile metals prices, access to capital, and risk of delays and cost escalation associated with major capital projects. The Group continually assesses the adequacy of its capital structure to ensure its objectives are met. Hudbay monitors its cash and cash equivalents, which were $146,864 as at December 31, 2016 (2015 - $53,852), together with availability under its committed credit facilities. The Group invests its cash and cash equivalents primarily in Canadian bankers' acceptances, deposits at major Canadian banks, or treasury bills issued by the federal or provincial governments. In addition to the requirement to maintain sufficient cash balances to fund continuing operations, the Group must maintain sufficient cash to fund the interest expense on the long-term debt outstanding (note 18). As part of the Group's capital management activities, the Group monitors interest coverage ratios and leverage ratios.

28. Financial instruments

(a) Fair value and carrying value of financial instruments:

The following presents the fair value and carrying value of the Group's financial instruments and non- financial derivatives:

	Dec. 31, 2016		Dec. 31, 2015	
Recurring measurements	**Fair Value**	**Carrying Value**	Fair Value	Carrying Value
Loans and receivables				
Cash and cash equivalents [1]	**$ 146,864**	**$ 146,864**	$ 53,852	$ 53,852
Restricted cash [1]	**17,148**	**17,148**	63,465	63,465
Trade and other receivables [1,2]	**116,445**	**116,445**	145,154	145,154
Fair value through profit or loss				
Trade and other receivables - embedded derivatives[3]	**12,538**	**12,538**	(13,653)	(13,653)
Non-hedge derivative assets [3]	**3,397**	**3,397**	16,512	16,512
Prepayment option - embedded derivative [7]	**4,430**	**4,430**	-	-
Investments at FVTPL [4]	**192**	**192**	59	59
Available-for-sale investments[4]	**13,508**	**13,508**	9,206	9,206
Total financial assets	**314,522**	**314,522**	274,595	274,595
Financial liabilities at amortized cost				
Trade and other payables [1, 2]	**163,027**	**163,027**	179,576	179,576
Finance leases	**12,932**	**12,932**	3,225	3,225
Other financial liabilities [5]	**17,231**	**22,998**	12,045	24,479
Senior unsecured notes [6]	**1,040,178**	**991,004**	639,400	917,329
Equipment finance facility [8]	**50,267**	**50,267**	66,521	66,521
Senior secured revolving credit facilities [8]	**195,323**	**195,323**	291,030	291,030
Fair value through profit or loss				
Trade and other payables - embedded derivatives [3]	**86**	**86**	(118)	(118)
Warrant liabilities [3]	**7,588**	**7,588**	5,047	5,047
Option liabilities [3]	**570**	**570**	653	653
Non-hedge derivative liabilities [3]	**10,681**	**10,681**	4,426	4,426
Total financial liabilities	**1,497,883**	**1,454,476**	1,201,805	1,492,168
Net financial liability	**$ (1,183,361)**	**$ (1,139,954)**	$ (927,210)	$ (1,217,573)

1 Cash and cash equivalents, restricted cash, trade and other receivables and trade and other payables are recorded at carrying value, which approximates fair value due to their short-term nature and generally negligible credit losses.

2 Excludes embedded provisional pricing derivatives, as well as tax and other statutory amounts.

3 Derivatives and embedded provisional pricing derivatives are carried at their fair value, which is determined based on internal valuation models that reflect observable forward market commodity prices, currency exchange rates, and discount factors based on market US dollar interest rates adjusted for credit risk. For the warrant and option liabilities, fair value is determined based on quoted market closing price or the Black-Scholes model.

4 Available-for-sale investments are carried at their fair value, which is determined using quoted market bid prices in active markets for listed shares and determined using valuation models for shares of private companies. Investments at FVTPL consist of warrants to purchase listed shares, which are carried at fair value as determined using available market closing prices.

5 These financial liabilities relate to agreements with communities near the Constancia operation in Peru which allow Hudbay to extract minerals over the useful life of the Constancia operation, carry out exploration and evaluation activities in the area and provide Hudbay with community support to operate in the region. Fair values have been determined using a discounted cash flow analysis based on expected cash flows and a credit adjusted discount rate.

6 Fair value of the senior unsecured notes (note 18) has been determined using the quoted market price at the period end.

7 Fair value of the prepayment option embedded derivative related to the long-term debt has been determined using a binomial tree/lattice approach based on the Hull-White single factor interest rate term structure model.

8 The carrying value of the facilities approximates the fair value as the facilities are based on floating interest rates.

Fair value hierarchy

The table below provides an analysis by valuation method of financial instruments that are measured at fair value subsequent to recognition. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques use significant observable inputs, either directly or indirectly, or valuations are based on quoted prices for similar instruments; and
- Level 3: Valuation techniques use significant inputs that are not based on observable market data.

December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Financial assets at FVTPL:				
Embedded derivatives	**$ -**	**$ 12,538**	**$ -**	**$ 12,538**
Non-hedge derivatives	**-**	**3,397**	**-**	**3,397**
Investments at FVTPL	**-**	**192**	**-**	**192**
Prepayment option embedded derivative	**-**	**4,430**	**-**	**4,430**
Available-for-sale investments	**12,018**	**-**	**1,490**	**13,508**
	$ 12,018	**$ 20,557**	**$ 1,490**	**$ 34,065**
Financial liabilities measured at fair value				
Financial liabilities at FVTPL:				
Embedded derivatives	**$ -**	**$ 86**	**$ -**	**$ 86**
Non-hedge derivatives	**-**	**10,681**	**-**	**10,681**
Option liability	**-**	**570**	**-**	**570**
Warrant liabilities	**7,588**	**-**	**-**	**7,588**
	$ 7,588	**$ 11,337**	**$ -**	**$ 18,925**

December 31, 2015	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at FVTPL:				
Embedded derivatives	$ -	$ (13,653)	**$** -	$ (13,653)
Non-hedge derivatives	-	16,512	-	16,512
Investments at FVTPL	-	59	-	59
Available-for-sale investments	7,761	-	1,445	9,206
	$ 7,761	$ 2,918	$ 1,445	$ 12,124
Financial liabilities measured at fair value				
Financial liabilities at FVTPL:				
Embedded derivatives	$ -	$ (118)	$ -	$ (118)
Non-hedge derivatives	-	4,426	-	4,426
Option liability	-	653	-	653
Warrant liabilities	5,047	-	-	5,047
	$ 5,047	$ 4,961	$ -	$ 10,008

The Group's Level 3 investment relates to a minority investment in an unlisted junior mining company. As no observable inputs exist, the Group measures the Level 3 investment at the cost of the investment. The Group monitors business developments and the financial position of the investee to evaluate whether the fair value of the investment has changed significantly. Factors that could result in a significantly lower fair value measurement include poor exploration results or inadequate liquidity to continue as a going concern, among other factors. Factors that would result in a significantly higher fair value measurement include positive exploration results, among other factors.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the year ended December 31, 2016, the Group did not make any transfers.

(b) Derivatives and hedging:

Copper fixed for floating swaps

Hudbay enters into copper fixed for floating swaps in order to manage the risk associated with provisional pricing terms in copper concentrate sales agreements. As at December 31, 2016, the Group had 41,000 tonnes of copper fixed for floating swaps outstanding at an effective average price of $2.42/lb, which settle across February to June 2017. At December 31, 2015, the Group had 77,111 tonnes of copper fixed for floating swaps outstanding at an average fixed receivable price $2.37/lb, which settled across January 2016 through March 2016. The aggregate fair value of the transactions at December 31, 2016 was a liability position of $8,657 (December 31, 2015 - an asset position of $16,436).

Non-hedge derivative gold and silver contracts

From time to time, the Group enters into gold and silver forward sales contracts to hedge the commodity price risk associated with the future settlement of provisionally priced deliveries. At December 31, 2016, the Group held no gold or silver forward sales contracts. At December 31, 2015 the Group held 151,327 ounces of silver forward sales contracts and prices ranged from $14.17 to $15.21. The aggregate fair value of the transactions at December 31, 2015 was an asset position of $86.

Non-hedge derivative zinc contracts

Hudbay enters into fixed price sales contracts with zinc customers and, to ensure that the Group continues to receive a floating or unhedged realized zinc price, Hudbay enters into forward zinc purchase contracts that effectively offset the fixed price sales contracts. At December 31, 2016, the Group held contracts for forward zinc purchased of 2,644 tonnes (December 31, 2015 – 16,438 tonnes) that related to forward customer sales of zinc. Prices range from $1,514 to $2,783 per tonne (December 31, 2015 – $1,497 to $2,343) and settlement dates extend to November 2017. The aggregate fair value of the transactions at December 31, 2016 was a net asset position of $1,373 (December 31, 2015 – a net liability position of $4,386).

(c) Embedded derivatives

Provisional pricing embedded derivatives

The Group records embedded derivatives related to provisional pricing in concentrate purchase, concentrate sale and certain other sale contracts. Under the terms of these contracts, prices are subject to final adjustment at the end of a future period after title transfers based on quoted market prices during the quotation period specified in the contract. The period between provisional pricing and final pricing is typically up to three months.

Provisional pricing embedded derivatives are presented in trade and other receivables when they relate to sales contracts and in trade and other payables when they relate to purchase contracts. At each reporting date, provisionally priced metals are marked-to-market based on the forward market price for the quotation period stipulated in the contract, with changes in fair value recognized in revenue for sales contracts and in cost of sales for purchase concentrate contracts. Cash flows related to provisional pricing embedded derivatives are classified in operating activities.

As at December 31, 2016, the Group's net position consisted of contracts awaiting final pricing for sales of 32,750 tonnes of copper (December 31, 2015 – 79,033 tonnes). In addition, at December 31, 2016, the Group's net position consisted of contracts awaiting final pricing for sales of 13,827 ounces of gold and 116,912 ounces of silver (December 31, 2015 – 10,506 ounces of gold and 66,131 ounces of silver).

As at December 31, 2016, the Group's provisionally priced copper, gold and silver sales subject to final settlement were recorded at average prices of $2.51/lb (December 31, 2015 – $2.14/lb), $1,151/oz (December 31, 2015 – $1,060/oz) and $15.96/oz (December 31, 2015 – $13.78/oz), respectively.

The aggregate fair value of the embedded derivatives within the copper concentrate sales contracts at December 31, 2016, was an asset position of $12,538 (December 31, 2015 – a liability position of $13,653). The aggregate fair value of other embedded derivatives at December 31, 2016, was a liability position of $86 (December 31, 2015 – an asset position of $118).

Prepayment option embedded derivative

The senior unsecured notes (note 18) contain prepayment options, which represent embedded derivatives that require bifurcation from the host contract. The prepayment options are measured at fair value, with changes in the fair value being recognized as unrealized gains or losses in finance income and expense (note 7f). The fair value of the embedded derivative at December 31, 2016 was an asset of $4,430 (December 31, 2015 - $nil).

(d) Restricted cash

Hudbay Peru has $68,581 in letters of credit issued to support its reclamation obligations; these letters of credit had previously been cash collateralized. During the year ended December 31, 2016, Hudbay Peru reissued these letters of credit under the Peru facility and released the associated restricted cash, which in turn was utilized to repay indebtedness under the senior secured revolving credit facilities.

The restricted cash balance primarily relates to the Manitoba business unit which holds a cash-collateralized letter of credit to support its pension obligations. As at December 31, 2016, the restricted cash amount was $16,951 (December 31, 2015 - nil).

(e) Warrants and option liabilities

A total of 22,391,490 warrants were issued as a result of the acquisition of Hudbay Arizona which entitle the holder to acquire a common share of the Company at a price of C$15.00 per share on, but not prior to, July 20, 2018. The Company, may, at its option, upon written notice to the warrant holders, settle the exercise of warrants for the in-the-money value, in cash, shares or a combination thereof.

The purchase price of the acquisition of New Britannia Mine and Mill contained an option (European) that pays the seller $5,000 if the price of gold is equal to or above $1,400/oz on May 4, 2018.

(f) Financial risk management

The Group's financial risk management activities are governed by Board-approved policies addressing risk identification, hedging authorization procedures and limits and reporting. Hudbay's policy objective, when hedging activities are undertaken, is to reduce the volatility of future profit and cash flow within the strategic and economic goals of the Group. The Group from time to time employs derivative financial instruments, including forward and option contracts, to manage risk originating from exposures to commodity price risk, foreign exchange risk and interest rate risk. Significant derivative transactions are approved by the Board of Directors, and hedge accounting is applied when certain criteria have been met. The Group does not use derivative financial instruments for trading or speculation purposes.

The following is a discussion of the Group's risk exposures.

(i) Market risk

Market risk is the risk that changes in market prices, including foreign exchange rates, commodity prices and interest rates will cause fluctuations in the fair value or future cash flows of a financial instrument.

Foreign currency risk

The Group's primary exposure to foreign currency risk arises from:

- Translation of Canadian dollar denominated costs and, to a lesser extent, Peruvian Nuevo soles cost into US dollars. Substantially all of the Group's revenue are denominated in US dollars, while less than half of its costs are denominated in Canadian dollars. Generally, with gross profit, appreciation of the US dollar relative to the Canadian dollar will increase the Group's profit.

- Translation of foreign currency denominated cash and cash equivalents, trade and other receivables, trade and other payables, as well as other financial liabilities. Appreciation of the US dollar relative to a foreign currency will decrease the net asset value of these balances once they have been translated to US dollars, resulting in foreign currency translation losses on foreign currency denominated assets and gains on foreign currency denominated liabilities.

The Manitoba segment's primary financial instrument foreign currency exposure is on US denominated cash and cash equivalents, trade and other receivables and other financial liabilities. The Peru segment's primary financial instrument foreign currency exposure is on Peruvian Nuevo soles cash and cash equivalents, trade and other payables and other financial liabilities.

As a result of the Company's change in functional currency on July 1, 2015 to US dollars, the primary financial instrument foreign currency exposure for the Corporate and other activities segment has changed. The Corporate and other activities segment's primary financial instrument foreign currency exposure is now on Canadian denominated cash and cash equivalents and trade and other payables.

The Group's exposure to foreign currency risk was as follows based on notional financial instruments amounts stated in US equivalent dollars:

	Dec. 31, 2016			Dec. 31, 2015		
	CAD[1]	**USD [2]**	**PEN[3]**	CAD[1]	USD[2]	PEN[3]
Cash and cash equivalents	**$ 4,759**	**$ 8,121**	**$ 3,440**	$ 5,077	$ 5,524	$ 1,922
Trade and other receivables	**720**	**28,639**	**2,503**	530	27,262	9,428
Other financial assets	**13,279**	**-**	**-**	9,100	-	-
Trade and other payables	**(20,014)**	**(4,303)**	**(17,145)**	(4,557)	(5,354)	(8,844)
Other financial liabilities	**(7,588)**	**-**	**(22,998)**	(5,117)	(8,304)	(24,479)
	$ (8,844)	**$ 32,457**	**$ (34,200)**	$ 5,033	$ 19,128	$ (21,973)

[1] HMI is exposed to foreign currency risk on CAD.

[2] The Manitoba segment is exposed to foreign currency risk on USD.

[3] The Peru segment is exposed to foreign currency risk on PEN.

The following sensitivity analysis for foreign currency risk relates solely to financial instruments and non financial derivatives that were outstanding as at the year end date; each sensitivity calculation assumes all other variables are held constant. This analysis is based on values as at December 31, 2015 and does not reflect the overall effect that changes in market variables would have on the Group's results of operations.

December 31, 2016	**Change of:**	**Would have changed 2016 after-tax profit by:**	**Would have changed 2016 after-tax OCI by:**
USD/CAD exchange rate[1]	**+ 10%**	**3.9 million**	**(1.2) million**
USD/CAD exchange rate[1]	**- 10%**	**(4.9) million**	**1.5 million**
USD/PEN exchange rate[2]	**+ 10%**	**2.0 million**	**- million**
USD/PEN exchange rate[2]	**- 10%**	**(2.5) million**	**- million**

December 31, 2015	Change of:	Would have changed 2015 after-tax profit by:	Would have changed 2015 after-tax OCI by:
USD/CAD exchange rate[1]	+ 10%	$ 1.7 million	$ (0.8) million
USD/CAD exchange rate[1]	- 10%	(1.7) million	1.0 million
USD/PEN exchange rate[2]	+ 10%	1.3 million	- million
USD/PEN exchange rate[2]	- 10%	(1.6) million	- million

[1] Effect on profit due to foreign currency remeasurements of balances denominated in a currency different from a Hudbay subsidiary's functional currency; effect on OCI due to remeasurement of available-for-sale investments.

[2] Effect on profit due to foreign currency remeasurement of balances denominated in Peruvian Sol.

Commodity price risk

Hudbay is exposed to market risk from prices for the commodities the Group produces and sells, such as copper, zinc, gold and silver. From time to time, the Group maintains price protection programs and conducts commodity price risk management through the use of derivative contracts.

The following sensitivity analysis for commodity price risk relates solely to financial instruments and non financial derivatives that were outstanding as at the year end date; each sensitivity calculation assumes all other variables are held constant, This analysis is based on values as at December 31, 2016 and does not reflect the overall effect that changes in market variables would have on the Groups' results of operations.

December 31, 2016	**Change of:**	**Would have changed 2016 after-tax profit by:**	**Would have changed 2016 after-tax OCI by:**
Copper prices ($/lb) [3]	**+ $0.30**	**$ (4.8) million**	**$ - million**
Copper prices ($/lb) [3]	**- $0.30**	**4.7 million**	**- million**
Zinc prices ($/lb) [4]	**+ $0.10**	**0.3 million**	**- million**
Zinc prices ($/lb) [4]	**- $0.10**	**(0.3) million**	**- million**

December 31, 2015	Change of:	Would have changed 2015 after-tax profit by:	Would have changed 2015 after-tax OCI by:
Copper prices ($/lb) [3]	+ $0.30	$ 1.5 million	$ - million
Copper prices ($/lb) [3]	- $0.30	(1.0) million	- million
Zinc prices ($/lb) [4]	+ $0.10	3.0 million	- million
Zinc prices ($/lb) [4]	- $0.10	(2.3) million	- million

[3] Effect on profit due to embedded provisional pricing derivatives (note 28c) and copper fixed for floating swaps (note28b).
[4] Effect on profit due to embedded provisional pricing derivatives (note 28c) and non-hedge zinc derivatives (note 28b).

Share price risk

Hudbay is exposed to market risk from share prices for the Group's investments in listed Canadian metals and mining companies. These investments are made to foster strategic relationships, in connection with joint venture agreements and for investment purposes. Management monitors the value of these investments for the purposes of determining whether to add or reduce the Group's positions.

The following sensitivity analysis for share price risk relates solely to financial instruments and non financial derivatives that were outstanding as at the year-end date; each sensitivity calculation assumes all other variables are held constant. This analysis is based on values as at December 31, 2016 and does not reflect the overall effect that changes in market variables would have on the Group's finance expenses.

December 31, 2016	**Change of:**	**Would have changed 2016 after-tax profit by:**	**Would have changed 2016 after-tax OCI by:**
Share prices [5]	+ **25%**	**$ - million**	**$ 4.5 million**
Share prices [5]	- **25%**	**(0.8) million**	**(3.7) million**

December 31, 2015	Change of:	Would have changed 2015 after-tax profit by:	Would have changed 2015 after-tax OCI by:
Share prices [5]	+ 25%	$ - million	$ 2.3 million
Share prices [5]	- 25%	(1.1) million	(1.2) million

[5] Effect on OCI due to mark-to-market and effect on profit due to impairment on available-for-sale investments in listed shares (note 13).

Interest rate risk

The group is exposed to cash flow interest rate risk on its cash and cash equivalents, fair value interest rate risk on its embedded derivative associated with its Notes, and interest rate risk on its senior secured revolving credit facilities.

This analysis is based on values at December 31, 2016 and does not reflect the overall effect that changes in market variables would have on the group's finance expenses.

December 31, 2016	**Change of:**	**Would have changed 2016 after-tax profit by:**	**Would have changed 2016 after-tax OCI by:**
Interest rates	**+ 2.00%**	**$ (5.0) million**	**$ - million**
Interest rates	**- 2.00%**	**0.7 million**	**- million**

December 31, 2015	Change of:	Would have changed 2015 after-tax profit by:	Would have changed 2015 after-tax OCI by:
Interest rates	+ 2.00%	$ (5.1) million	$ - million
Interest rates	- 2.00%	1.6 million	- million

At December 31, 2016 and 2015,the effect of interest rate changes on the Group's cash equivalents would not have resulted in a significant tax impact on profit.

Refer to note 9 for information about the Group's cash and cash equivalents.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its obligations. The Group's maximum exposure to credit risk at the reporting date is represented by the carrying amount, net of any impairment losses recognized, of financial assets and non financial derivative assets recorded on the consolidated balance sheets. Refer to note 28a.

A large portion of the Group's cash and cash equivalents are represented by deposits with major Schedule 1 Canadian banks. Deposits and other investments with Schedule 1 Canadian banks represented 87% of total cash and cash equivalents as at December 31, 2016 (2015 – 90%). The Group's investment policy requires it to comply with a list of approved investment, concentration and maturity limits, as well as credit quality. Credit concentrations in the group's short term investments are monitored on an ongoing basis.

Transactions involving derivatives are with counterparties the Group believes to be creditworthy.

Management has a credit policy in place that requires the Group to obtain credit insurance from an investment grade credit insurance provider to mitigate exposure to credit risk in its receivables. At December 31, 2016, approximately 79% of the Group's trade receivables were insured or payable by letters of credit (2015 - 44% were insured or payable by letters of credit). Insured receivables have a credit insurance deductible of 10%. The deductible and any additional exposure to credit risk is monitored and approved on an ongoing basis.

Five customers accounted for approximately 79% of total trade receivables as at December 31, 2016 (2015 – six customers accounted for approximately 85%). Credit risk for these customers is assessed as medium to low risk.

As at December 31, 2016, none of the Group's trade receivables was aged more than 30 days (2015 – nil).

(iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations associated with financial liabilities. Hudbay's objective is to maintain sufficient liquid resources to meet operational and investing requirements.

The following summarizes the contractual undiscounted cash flows of the Group's non-derivative and derivative financial liabilities, including any interest payments, by remaining contractual maturity. The table includes all instruments held at the reporting date for which payments had been contractually agreed at the reporting date. The undiscounted amounts shown are gross amounts, unless the liabilities will be settled net. Amounts in foreign currency are translated at the closing rate at the reporting date. When a counterparty has a choice of when an amount is paid, the liability is allocated to the earliest possible time period.

Dec. 31, 2016	Carrying amount	Contractual cash flows	12 months or less	1 - 2 years	2 - 5 years	Maturing in over 5 years
Assets used to manage liquidity risk						
Cash and cash equivalents	$ 146,864	$ 146,864	$ 146,864	$ -	$ -	$ -
Trade and other receivables	116,445	116,445	96,221	1,543	18,681	-
Non-hedge derivative asset	3,397	3,397	3,397	-	-	-
	$ 266,706	$ 266,706	$ 246,482	$ 1,543	$ 18,681	$ -
Non-derivative financial liabilities						
Trade and other payables, including embedded derivative	$ (163,113)	$ (163,113)	$ (163,113)	$ -	$ -	$ -
Other financial liabilities	(22,998)	(35,392)	(4,025)	(3,303)	(4,616)	(23,448)
Long-term debt, including prepayment option embedded derivative	(1,232,164)	(1,946,925)	(105,278)	(105,278)	(544,957)	(1,191,412)
Finance lease liabilities	(12,932)	(13,720)	(3,508)	(3,338)	(6,874)	-
	$ (1,431,207)	$ (2,159,150)	$ (275,924)	$ (111,919)	$ (556,447)	$ (1,214,860)
Derivative financial liabilities						
Warrant liabilities	$ (7,588)	$ (7,588)	$ -	$ -	$ (7,588)	$ -
Gold option	(570)	(570)	-	-	(570)	-
Non-hedge derivative contracts	(10,681)	(10,681)	(10,681)	-	-	-
	$ (18,839)	$ (18,839)	$ (10,681)	$ -	$ (8,158)	$ -

Dec. 31, 2015	Carrying amount	Contractual cash flows	Maturing 12 months or less	1 - 2 years	2 - 5 years	in over 5 years
Assets used to manage liquidity risk						
Cash and cash equivalents	$ 53,852	$ 53,852	$ 53,852	$ -	$ -	$ -
Trade and other receivables	145,154	145,154	120,043	9,547	15,564	-
Non-hedge derivative assets	16,512	16,512	16,512	-	-	-
	$ 215,518	$ 215,518	$ 190,407	$ 9,547	$ 15,564	$ -
Non-derivative financial liabilities						
Trade and other payables, including embedded derivatives	$ (179,458)	$ (179,458)	$ (179,458)	$ -	$ -	$ -
Other financial liabilities	(24,479)	(37,721)	(7,037)	(1,516)	(4,548)	(24,620)
Long-term debt, including prepayment option embedded derivative	(1,274,880)	(1,734,695)	(165,026)	(406,040)	(1,163,629)	-
Finance lease liabilities	(3,225)	(3,533)	(728)	(728)	(2,077)	-
	$ (1,482,042)	$ (1,955,407)	$ (352,249)	$ (408,284)	$ (1,170,254)	$ (24,620)
Derivative financial liabilities						
Warrant liabilities	$ (5,047)	$ (5,047)	$ -	$ -	$ (5,047)	$ -
Gold option	(653)	(653)	-	-	(653)	-
Non-hedge derivative contracts	(4,426)	(4,426)	(4,426)	-	-	-
	$ (10,126)	$ (10,126)	$ (4,426)	$ -	$ (5,700)	$ -

29. Commitments and contingencies

(a) Operating lease commitments

The Group has entered into various lease commitments for facilities and equipment. The leases expire in periods ranging from one to eight years. There are no restrictions placed on the Group by entering into these leases. Future minimum lease payments under non-cancelable operating leases recognized in operating expenses at December 31 are:

		2016		2015
Within one year	**$**	**5,591**	$	5,454
After one year but not more than five years		**12,606**		13,151
More than five years		**442**		2,042
	$	**18,639**	$	20,647

Payments recognized in operating expenses:

		2016		2015
Minimum lease payments	**$**	**4,575**	$	4,953
Sub-lease payments received		**-**		(536)
	$	**4,575**	$	4,417

(b) Capital commitments

As at December 31, 2016, the Group had outstanding capital commitments in Canada of approximately $534 primarily related to equipment on order, of which approximately $186 cannot be terminated by the Group; approximately $44,598 in Peru, related to ongoing sustaining capital, of which all can be terminated by the Group, and approximately $163,030, primarily related to its Rosemont project, of which approximately $77,889 cannot be terminated by the Group.

(c) Contingent liabilities

Contingent liabilities

The Group is involved in various claims, litigation and other matters arising in the ordinary course and conduct of business. While it is not possible to determine the ultimate outcome of such actions at this time, and inherent uncertainties exist in predicting such outcomes, it is the Group's belief that the ultimate resolution of such actions is not reasonably likely to have a material adverse effect on its consolidated financial position or results of operations. The assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events. As a result of the assessment, no significant contingent liabilities have been recorded in these consolidated financial statements.

As part of the streaming agreement with Silver Wheaton for the 777 mine, the Group must repay, with precious metals credits, the legal deposit provided by Silver Wheaton by August 1, 2052, the expiry date of the agreement. If the legal deposit is not fully repaid with precious metals credits related to 777 production by the expiry date, a cash payment for the remaining amount will be due at the expiry date of the agreement. As a result of changes in the remaining 777 mine reserves and lower precious metals prices, there is a possibility that an amount of Silver Wheaton's legal deposit may not be repaid by means of 777 mine's precious metals credits over its expected remaining mine life. Given that reserve estimates, production timing and precious metals prices are subject to uncertainty, management has concluded that a cash payment at the expiry of the agreement with Silver Wheaton is unlikely. As at December 31, 2016 the fair value of the cash payment is not material to the consolidated financial statements.

Contingent assets

There were no significant contingent assets at December 31, 2016 or December 31, 2015.

30. Related parties

(a) Group companies

The financial statements include the financial statements of the Company and the following significant subsidiaries:

Name	Jurisdiction	Business	Entity's Parent	Beneficial ownership of ultimate controlling party (HudBay Minerals Inc.) 2016	2015
Hudson Bay Mining and Smelting Co., Limited	Canada	Zinc and copper production	HMI	100%	100%
Hudson Bay Exploration and Development Company Limited	Canada	Exploration and development	HBMS	100%	100%
HudBay Marketing & Sales Inc.	Canada	Marketing and sales	HBMS	100%	100%
HudBay Peru Inc.	British Columbia	Holding company	HMI	100%	100%
HudBay Peru S.A.C.	Peru	Exploration/ development	Peru Inc.	100%	100%
HudBay (BVI) Inc.	British Virgin Islands	Precious metals sales	Peru Inc.	100%	100%
HudBay Arizona Corporation	Canada	Holding company	8988277 Canada Inc.	100%	100%
Rosemont Copper Company [1]	Arizona	Exploration/ development	HudBay Arizona (US) Holding Corporation	100%	100%

[1] Rosemont Copper Company currently owns a 92.05% interest in the Rosemont project; its interest is subject to an earn-in agreement with United Copper & Moly LLC ("UCM"), pursuant to which UCM has earned a 7.95% interest in the project and may earn up to a 20% interest.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

(b) Compensation of key management personnel

The Group's key management includes members of the Board of Directors, the Group's Chief Executive Officer, the Group's senior vice presidents and vice presidents.

Total compensation to key management personnel was as follows:

		2016		2015
Short-term employee benefits[1]	**$**	**8,470**	$	7,755
Post-employment benefits		**594**		1,050
Long-term share-based awards		**5,479**		3,350
	$	**14,543**	$	12,155

[1] Such as salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (fully vested and payable in cash (2015) or share units (2016)) and non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees.

31. Supplementary cash flow information

(a) Change in non-cash working capital:

	Year ended December 31,		
		2016	2015 Restated (note 4)
Change in:			
Trade and other receivables	**$**	**68,270**	$ (55,586)
Other financial assets/liabilities		**19,181**	(11,494)
Inventories		**2,653**	(44,581)
Prepaid expenses and other current assets		**3,646**	(2,802)
Trade and other payables		**(8,339)**	55,539
Changes in taxes payable/receivable		**3,666**	14,077
Other		**(1,871)**	(1,309)
	$	**87,206**	$ (46,156)

(b) Non-cash transactions:

During the year ended December 31, 2016, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statements of cash flows:

- Remeasurements of the Group's decommissioning and restoration liabilities for the year ended December 31, 2016 led to a net increase in related property, plant and equipment assets of $24,956 mainly as a result of increased disturbance at Constancia and a revised closure plan for a Manitoba site, offset by increased discount rates. For the year ended December 31, 2015, such remeasurements led to increases in property, plant and equipment assets of $22,506 mainly as a result of the increased disturbance in Peru and the acquisition of New Britannia Mine and Mill (note 6).

- Property, plant and equipment included an immaterial amount of additions which were not yet paid for as at December 31, 2016 and December 31, 2015. These purchases will be reflected in the consolidated statements of cash flows in the periods payments are made. Property, plant and equipment also included $12,932 of additions related to capital additions under finance lease (December 31, 2015 - nil).

32. Segmented information

The Group is an integrated metals producer. When making decisions on expansions, opening or closing mines, as well as day to day operations, management evaluates the profitability of the overall operation of the Group. The Group's main mining operations are located in Manitoba and Saskatchewan (Canada) and Cusco (Peru) and are included in the Manitoba segment and Peru segment, respectively. The Manitoba and Peru segments generate the Group's revenue. The Manitoba segment sells copper concentrate (containing copper, gold and silver), zinc metal and other products. The Peru segment consists of the Group's Constancia operation and sells copper concentrate. The Group’s Arizona segment consists of the Group’s Rosemont project in Arizona. Corporate and other activities include the Group’s exploration activities in Chile as well as the former Balmat segment, which consisted of a zinc mine and concentrator that was on care and maintenance and was sold on November 2, 2015. The exploration entities are not individually significant, as they do not meet the minimum quantitative thresholds. Corporate activities are not considered a segment and are included as a reconciliation to total consolidated results. Accounting policies for each reported segment are the same. Segment profit or loss represents the profit earned by each segment without allocation of corporate costs. This is the measure reported to the chief operating decision-maker, the Group's President and Chief Executive Officer, for the purposes of resource allocation and the assessment of segment performance. Total assets and liabilities do not reflect intercompany balances, which have been eliminated on consolidation.

Year ended December 31, 2016					
	Manitoba	Peru	Arizona	Corporate and other activities	Total
Revenue from external customers	$ 512,671	$ 616,007	$ -	$ -	$ 1,128,678
Cost of sales					
Mine operating costs	318,037	289,133	-	-	607,170
Depreciation and amortization	120,531	178,099	-	-	298,630
Gross profit	74,103	148,775	-	-	222,878
Selling and administrative expenses	-	-	-	37,774	37,774
Exploration and evaluation	1,228	1,262	-	2,252	4,742
Other operating expenses and income	5,490	7,790	618	(3,312)	10,586
Results from operating activities	$ 67,385	$ 139,723	$ (618)	$ (36,714)	$ 169,776
Finance income					(2,792)
Finance expenses					167,071
Other finance gains					(108)
Profit before tax					5,605
Tax expense					40,798
Loss for the year					$ (35,193)

December 31, 2016					
	Manitoba	Peru	Arizona	Corporate and other activities	Total
Total assets	$ 769,561	$ 2,720,441	$ 822,498	$ 144,056	$ 4,456,556
Total liabilities	528,326	876,056	158,236	1,130,726	2,693,344
Property, plant and equipment	606,348	2,452,917	800,542	6,016	3,865,823

Year ended December 31, 2016					
	Manitoba	Peru	Arizona	Corporate and other activities	Total
Additions to property, plant and equipment	$ 65,521	$ 125,489	$ 25,856	$ 19	$ 216,885

Year ended December 31, 2015					
	Manitoba	Peru	Arizona	Corporate and other activities	Total
Revenue from external customers	$ 499,568	$ 386,483	$ -	$ -	$ 886,051
Cost of sales					
Mine operating costs	373,187	177,508	-	-	550,695
Depreciation and amortization	108,555	108,437	-	-	216,992
Gross profit	17,826	100,538	-	-	118,364
Selling and administrative expenses	-	-	-	30,937	30,937
Exploration and evaluation	6,866	1,510	-	1,050	9,426
Other operating expenses	1,983	6,415	3,372	(1,695)	10,075
Asset and goodwill impairment	19,916	264,442	149,024	-	433,382
Gain on disposition of subsidiary	-	-	-	(37,026)	(37,026)
Results from operating activities	$ (10,939)	$ (171,829)	$ (152,396)	$ 6,734	$ (328,430)
Finance income					(3,995)
Finance expenses					77,463
Other finance gains					(2,857)
Loss before tax					(399,041)
Tax recovery					(67,613)
Loss for the year					$ (331,428)

December 31, 2015					
	Manitoba	Peru	Arizona	Corporate and other activities	Total
Total assets	$ 765,159	$ 2,832,384	$ 783,487	$ 98,555	$ 4,479,585
Total liabilities	509,875	919,950	154,277	1,108,193	2,692,295
Property, plant and equipment	623,980	2,498,350	762,193	5,753	3,890,276

Year ended December 31, 2015					
	Manitoba	Peru	Arizona	Corporate and other activities	Total
Additions to property, plant and equipment	$ 93,131	$ 282,283	$ 49,082	$ 1,736	$ 426,232

Geographical Segments

The following tables represent revenue information regarding the Group's geographical segments for the years ended December 31:

		2016		2015
Revenue by customer location [1]				
Canada	**$**	**372,439**	$	353,339
United States		**146,419**		77,673
Switzerland		**256,377**		264,468
Germany		**39,703**		94,114
China		**139,200**		108,388
Peru		**68,964**		-
Philippines		**70,933**		-
Other		**34,643**		44,287
		1,128,678		942,269
Pre-production revenue		**-**		(56,218)
	$	**1,128,678**	$	886,051

[1] Presented based on the ultimate destination of the product if known. If the eventual destination of the product sold through traders is not known then revenue is allocated to the location of the customer's business office and not the ultimate destination of the product.

During the year ended December 31, 2016, five customers accounted for approximately 27%, 22%, 13%, 12%, and 6%, respectively, of total revenue during the year. Revenue from these customers has been presented in the Manitoba and Peru operating segments. During the year ended December 31, 2015, six customers accounted for approximately 20%, 19%, 12%, 11%, 10% and 8%, respectively, of total revenue during the year. Revenue from these customers has been presented in the Manitoba and Peru operating segment.

33. Subsequent event

Amalgamation of HudBay Minerals Inc. and certain Manitoba subsidiaries

Effective January 1, 2017, HBMS and HBED amalgamated with HudBay Minerals Inc. As a result of the amalgamation, the name of the Company changed from "HudBay Minerals Inc." to "Hudbay Minerals Inc.".



Management's Discussion and Analysis of Results of Operations and Financial Condition

For the year ended
December 31, 2016

February 22, 2017

HUDBAY

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") dated February 22, 2017 is intended to supplement Hudbay Minerals Inc.'s audited consolidated financial statements and related notes for the year ended December 31, 2016 (the "consolidated financial statements"). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

References to "Hudbay", the "Company", "we", "us", "our" or similar terms refer to Hudbay Minerals Inc. and its direct and indirect subsidiaries as at December 31, 2016. "Hudbay Peru" refers to HudBay Peru S.A.C., our wholly-owned subsidiary which owns a 100% interest in the Constancia mine, and "Augusta" and "Hudbay Arizona" refer to HudBay Arizona Corporation (formerly named Augusta Resource Corporation), our wholly-owned subsidiary, which indirectly owns a 92.05% interest in the Rosemont project.

Readers should be aware that:

- This MD&A contains certain "forward-looking statements" and "forward-looking information" (collectively, "forward-looking information") that are subject to risk factors set out in a cautionary note contained in our MD&A.
- This MD&A has been prepared in accordance with the requirements of the securities laws in effect in Canada, which may differ materially from the requirements of United States securities laws applicable to US issuers.
- We use a number of non-IFRS financial performance measures in our MD&A.
- The technical and scientific information in this MD&A has been approved by qualified persons based on a variety of assumptions and estimates.

For a discussion of each of the above matters, readers are urged to review the "Notes to Reader" discussion beginning on page 51 of this MD&A.

Additional information regarding Hudbay, including the risks related to our business and those that are reasonably likely to affect our financial statements in the future, is contained in our continuous disclosure materials, including our most recent Annual Information Form ("AIF"), consolidated financial statements and Management Information Circular available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

All amounts are in US dollars unless otherwise noted.

OUR BUSINESS

We are an integrated mining company producing copper concentrate (containing copper, gold and silver) and zinc metal. With assets in North and South America, we are focused on the discovery, production and marketing of base and precious metals. Directly and through our subsidiaries, we own four polymetallic mines, four ore concentrators and a zinc production facility in northern Manitoba and Saskatchewan (Canada) and Cusco (Peru), and a copper project in Arizona (United States). Our growth strategy is focused on the exploration and development of properties we already control, as well as other mineral assets we may acquire that fit our strategic criteria. Our vision is to become a top-tier operator of long-life, low-cost mines in the Americas. Our mission is to create sustainable value through the acquisition, development and operation of high-quality and growing long-life deposits in mining-friendly jurisdictions. We are governed by the *Canada Business Corporations Act* and our shares are listed under the symbol "HBM" on the Toronto Stock Exchange, New York Stock Exchange and Bolsa de Valores de Lima. We also have warrants listed under the symbol "HBM.WT" on the Toronto Stock Exchange and "HBM/WS" on the New York Stock Exchange.

STRATEGY

Our mission is to create sustainable value through acquisition, development and operation of high quality, long life deposits with exploration potential in mining friendly jurisdictions.

We believe that the greatest opportunities for shareholder value creation in the mining industry are in the discovery of new mineral deposits and the development of new facilities to profitably extract ore from those deposits. We also believe that our successful development, ramp-up and operation of the Constancia mine in Peru, along with our long history of mining and experience in northern Manitoba provide us with a competitive advantage in these respects relative to other mining companies of similar scale.

We intend to grow Hudbay through exploration and development of properties we already control, such as our Rosemont project in Arizona, as well as through the acquisition of other properties that fit our strategic criteria. We also intend to optimize the value of our producing assets through efficient and safe operations.

In an attempt to ensure that any acquisitions we undertake create sustainable value for stakeholders, we have established a number of criteria for evaluating mineral property acquisition opportunities, which include the following:

- Potential acquisitions should be located in jurisdictions that are supportive of mining activity and have acceptable levels of political risk. Given our current scale and geographic footprint, our current geographic focus is on select investment grade countries in the Americas;
- We believe we have particular expertise in the exploration and development of volcanogenic massive sulphide and porphyry mineral deposits. While these types of deposits typically contain copper, zinc and precious metals in varying quantities, we are not targeting any one type of metal; rather, we focus on properties where we see the greatest opportunities for risk-adjusted returns;
- We typically look for mineral assets that we believe offer significant potential for exploration, development and optimization. We believe that the market for mineral assets is sophisticated and fully values delineated resources and reserves, especially at properties that are already in production, which makes it difficult to acquire properties for substantially less than their fair value. However, markets may undervalue the potential of prospective properties, and more rarely producing properties, providing us with an opportunity to create value through exploration, development and optimization of acquired properties;
- We believe that large, transformational mergers or acquisitions are risky and potentially value destructive in the mining industry, so we typically focus on specific high quality (low cost, long life) mines, development projects and earlier stage projects unless exceptional opportunities present themselves;
- Before we make an acquisition, we develop a clear understanding of how we can add value to the acquired property through the application of our social, technical, operational and project execution expertise, the provision of necessary financial capacity and other optimization opportunities; and
- Acquisitions should be accretive to Hudbay on a per share basis. Given that our strategic focus includes the acquisition of non-producing assets at various stages of development, when evaluating accretion we will consider measures such as net asset value per share and the contained value of reserves and resources per share.

Our key objectives for 2017 are to:

- Continue to pursue efficiency improvements in our operations to sustain cost reductions achieved in 2016 and generate incremental free cash flow and increase net asset value;
- Advance high-return in-house brownfield opportunities to increase throughput from the Lalor mine and related milling facilities, incrementally adding zinc and gold production in the near and medium term, respectively;
- Deliver on plans to advance the development of the high grade Pampacancha deposit so that it can start to be mined late in 2018;
- Advance permitting and technical work at the Rosemont project;
- Utilize free cash flow generation to reduce debt and further reduce our cost of capital; and
- Continue to evaluate exploration and acquisition opportunities that meet our criteria described above, and pursue those opportunities that we determine to be in the best interest of the company and our stakeholders.

SUMMARY RESULTS

Summary of Fourth Quarter Results

Operating cash flow before change in non-cash working capital increased to $122.3 million in the fourth quarter of 2016 from $117.4 million in the same quarter of 2015. While sales volumes were lower compared to the same quarter last year, we benefited from lower operating costs and higher realized prices on all metals. In addition, cash inflows from favourable changes in working capital were a function of substantially increased receipts of statutory amounts from Peru and lower on-hand inventory levels.

Net loss and loss per share in the fourth quarter of 2016 were $47.3 million and $0.20, respectively, compared to a net loss and loss per share of $255.5 million and $1.09, respectively, in the fourth quarter of 2015. The prior period loss was mainly due to an after-tax asset and goodwill impairment charge of $313.3 million recorded in the Peru and Arizona business units. While the fourth quarter of 2016 benefited from an increase in gross profit of $19.4 million compared to the same period last year, this was offset in part by $49.9 million in costs primarily relating to the call premium paid to facilitate early redemption of our $920 million of 9.50% senior unsecured notes due 2020 (the "Redeemed Notes").

Net loss and loss per share in the fourth quarter of 2016 were affected by, among other things, the following items:

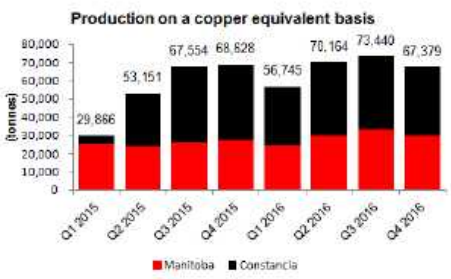
	Pre-tax loss ($ millions)	After-tax loss ($ millions)	Per share ($/share)
Costs on refinancing of 9.50% senior unsecured notes due 2020	(49.9)	(36.5)	(0.15)
Net loss on mark-to-market of various items	(13.7)	(10.9)	(0.05)
Non-cash deferred tax adjustments	-	(20.7)	(0.09)

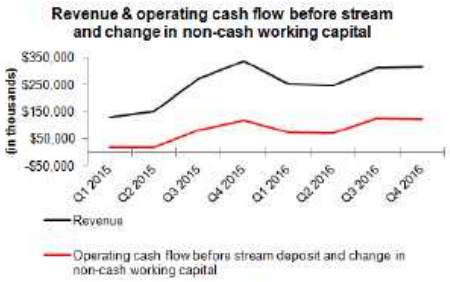
Our operations achieved strong quarterly consolidated copper-equivalent production and continued low cash costs in both Peru and Manitoba. In the fourth quarter of 2016, consolidated cash cost per pound of copper produced, net of by-product credits, was $0.85, a significant decrease compared to $1.24 in the same period last year[1]. Incorporating sustaining capital, capitalized exploration, royalties and corporate selling and administrative expenses, consolidated all-in sustaining cash cost per pound of copper produced, net of by-product credits, in the fourth quarter of 2016 declined to $1.46 from $2.00 in the fourth quarter of 2015[1]. The decline was driven by substantial reductions in sustaining capital expenditures.

The annual cost reduction initiatives announced on February 24, 2016 were achieved and we met or exceeded all of our production and operating cost guidance for 2016.

Net debt declined to $1,085.3 million at December 31, 2016 from $1,105.2 million at September 30, 2016. Our outstanding senior unsecured debt increased by $80.0 million upon completion of the refinancing of the Redeemed Notes in the fourth quarter of 2016. The US$1.0 billion of New Notes (as defined below) have extended maturity dates, significantly reduced interest costs and a more flexible covenant structure. The increase in debt related to the New Notes was more than offset by strong cash flow generation from our business, which was utilized in part to repay debt on our revolving credit facilities.

[1] Cash cost and all-in sustaining cash cost, net of by-product credits, per pound and operating cash flow per share are not recognized under IFRS. For a detailed description of each of these non-IFRS financial performance measures used in this MD&A, please see the discussion under "Non-IFRS Financial Performance Measures" beginning on page 40 of this MD&A.





Production on a copper equivalent basis is calculated by converting contained metal in concentrate produced at realized prices.

Summary of Full Year Results

Operating cash flow before change in non-cash working capital increased in 2016 to $387.9 million from $231.8 million in 2015. This increase reflects the first full year of commercial production from the Constancia mine in 2016 and the resulting growth in sales volumes of all metals. The increase in sales volumes and associated economies of scale in 2016 were complemented by lower operating costs and an increase in realized sales prices for zinc and precious metals compared to last year. In addition, cash inflows from favourable changes in working capital were a function of substantially increased receipts of statutory amounts from Peru and lower on-hand inventory levels.

Net loss and loss per share for 2016 were $35.2 million and $0.15, respectively, compared to a net loss and loss per share of $331.4 million and $1.41, respectively, in 2015. The prior year loss was mostly the result of an after-tax $313.3 million asset and goodwill impairment charge recorded on our Peru and Arizona business units in the fourth quarter of 2015. The write-downs were primarily due to lower expectations for both short and long-term commodity prices. We also recorded an impairment loss of $54.5 million in the second and third quarters of 2015 related to the write-down of Lalor concentrator assets and certain equipment and long-lead deposits in the Arizona business unit. In addition, there was a $104.5 million increase in gross profit from $118.4 million in 2015 to $222.9 million in 2016. The increase is a function of the higher sales volumes noted earlier. Offsetting these favourable effects was an increase in finance expenses of $89.6 million, from $77.5 million in 2015 to $167.1 million in 2016. This increase is partly the result of a $49.9 million charge taken in relation to the call premium that was paid to bondholders to facilitate the early redemption of our $920 million of Redeemed Notes and the write-down of unamortized transaction costs associated with the Redeemed Notes. In addition, the achievement of commercial production at Constancia triggered the cessation of capitalization of interest costs associated with our Redeemed Notes resulting in the recognition of approximately $27.3 million of additional interest costs on the consolidated income statements. Lastly, tax expense for 2016 increased by $108.4 million compared to 2015 primarily as a result of a significant deferred tax recovery recorded in 2015 related to the asset impairment expense.

HUDBAY

KEY FINANCIAL RESULTS

Financial Condition		
(in $ thousands)	**Dec. 31, 2016**	Dec. 31, 2015
Cash and cash equivalents	**146,864**	53,852
Total long-term debt	**1,232,164**	1,274,880
Net debt [1]	**1,085,300**	1,221,028
Working capital	**121,539**	57,613
Total assets	**4,456,556**	4,479,585
Equity	**1,763,212**	1,787,290

Financial Performance	Three months ended		Year ended	
(in $ thousands, except per share amounts)	**Dec. 31, 2016**	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015
Revenue	**316,654**	336,641	**1,128,678**	886,051
Cost of sales	**238,449**	277,838	**905,800**	767,687
(Loss) profit before tax	**(26,065)**	(325,610)	**5,605**	(399,041)
Loss	**(47,273)**	(255,468)	**(35,193)**	(331,428)
Basic and diluted loss per share	**(0.20)**	(1.09)	**(0.15)**	(1.41)
Operating cash flows before change in non-cash working capital	**122,257**	117,408	**387,868**	231,821
Operating cash flow per share [1]	**0.52**	0.50	**1.64**	0.99

Net debt and operating cash flow per share, are non-IFRS financial performance measures with no standardized definition under IFRS. For further information and a detailed reconciliation, please see the discussion under "Non-IFRS Financial Reporting Measures" beginning on page 40 of this MD&A.

HUDBAY

KEY PRODUCTION RESULTS

		Three months ended Dec. 31, 2016			Three months ended Dec. 31, 2015		
		Peru	**Manitoba**	**Total**	Peru	Manitoba	Total
Contained metal in concentrate produced [1]							
Copper	*tonnes*	**33,986**	**9,797**	**43,783**	37,735	10,404	48,139
Gold	*oz*	**5,033**	**22,449**	**27,482**	6,560	20,184	26,744
Silver	*oz*	**723,392**	**269,286**	**992,678**	636,514	229,360	865,874
Zinc	*tonnes*	**-**	**29,144**	**29,144**	-	32,362	32,362
Payable metal in concentrate sold							
Copper	*tonnes*	**35,969**	**8,223**	**44,192**	48,898	9,816	58,714
Gold	*oz*	**6,183**	**19,158**	**25,341**	7,888	23,996	31,884
Silver	*oz*	**701,654**	**209,671**	**911,325**	511,148	239,967	751,115
Refined zinc	*tonnes*	**-**	**28,094**	**28,094**	-	27,064	27,064
Cash cost[2]	$/lb	**1.11**	**(0.06)**	**0.85**	1.32	0.93	1.24
Sustaining cash cost[2]	$/lb	**1.54**	**0.58**	**-**	1.93	1.95	-
All-in sustaining cash cost[2]	$/lb	**-**	**-**	**1.46**	**-**	**-**	2.00

		Year ended Dec. 31, 2016			Year ended Dec. 31, 2015		
		Peru	**Manitoba**	**Total**	Peru	Manitoba	Total
Contained metal in concentrate produced [1]							
Copper	*tonnes*	**133,432**	**41,059**	**174,491**	105,897	41,383	147,280
Gold	*oz*	**26,276**	**88,020**	**114,296**	18,839	81,338	100,177
Silver	*oz*	**2,760,332**	**995,564**	**3,755,896**	1,989,664	801,872	2,791,536
Zinc	*tonnes*	**-**	**110,582**	**110,582**	-	102,919	102,919
Payable metal in concentrate sold							
Copper	*tonnes*	**132,663**	**38,788**	**171,451**	94,694	39,906	134,600
Gold	*oz*	**24,199**	**71,328**	**95,527**	15,869	77,910	93,779
Silver	*oz*	**2,423,165**	**758,594**	**3,181,759**	1,159,993	713,183	1,873,176
Refined zinc	*tonnes*	**-**	**103,453**	**103,453**	-	101,920	101,920
Cash cost[2]	$/lb	**1.09**	**0.41**	**0.93**	1.16	1.10	1.15
Sustaining cash cost[2]	$/lb	**1.51**	**1.16**	**-**	1.92	2.02	-
All-in sustaining cash cost[2]	$/lb	**-**	**-**	**1.52**	**-**	**-**	2.05

[1] Metal reported in concentrate is prior to deductions associated with smelter contract terms.

[2] Cash cost, sustaining cash cost and all-in sustaining cash cost per pound of copper produced, net of by-product credits are non-IFRS financial performance measures with no standardized definition under IFRS. For further information and a detailed reconciliation, please see the discussion under "Non-IFRS Financial Reporting Measures" beginning on page 40 of this MD&A.

RECENT DEVELOPMENTS

Senior Unsecured Notes Refinancing

On December 12, 2016, we completed an offering of $1.0 billion aggregate principal amount of senior notes (the "New Notes") in two series: (i) a series of 7.250% senior notes due 2023 in an aggregate principal amount of $400 million and (ii) a series of 7.625% senior notes due 2025 in an aggregate principal amount of $600 million. The New Notes are governed by an indenture, dated as of December 12, 2016, among the Company, the subsidiaries of the Company party thereto as guarantors and U.S. Bank National Association, as trustee.

The proceeds from this offering were used to redeem all US$920 million of our outstanding Redeemed Notes and to pay a call premium of $47.7 million, prepaid interest associated with the redemption of the Redeemed Notes and transaction costs associated with the New Notes.

Dividend Declared

We declared a semi-annual dividend of C$0.01 per share on February 22, 2017. The dividend will be paid on March 31, 2017 to shareholders of record as of March 10, 2017.

Amalgamation

On January 1, 2017, the Company amalgamated with two of its wholly-owned subsidiaries, being Hudson Bay Mining and Smelting Co., Limited and Hudson Bay Exploration and Development Company Limited, and changed its name from "HudBay Minerals Inc." to "Hudbay Minerals Inc.".

HUDBAY

CONSTANCIA OPERATIONS REVIEW

		Three months ended		Year ended		Guidance [1]	
		Dec. 31, 2016	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015	2016	Annual 2017
Ore mined	*tonnes*	**6,215,160**	8,235,629	**26,519,954**	25,828,849		
Copper	*%*	**0.61**	0.66	**0.62**	0.68		
Gold	*g/tonne*	**0.05**	0.06	**0.07**	0.06		
Silver	*g/tonne*	**4.24**	4.48	**4.25**	4.90		
Ore milled	*tonnes*	**7,202,321**	7,445,905	**27,032,775**	23,522,010		
Copper	*%*	**0.58**	0.63	**0.60**	0.62		
Gold	*g/tonne*	**0.05**	0.07	**0.06**	0.07		
Silver	*g/tonne*	**4.65**	5.36	**4.90**	5.83		
Copper concentrate	*tonnes*	**132,741**	148,982	**527,296**	399,189		
Concentrate grade	*% Cu*	**25.60**	25.33	**25.31**	26.53		
Copper recovery	*%*	**81.6**	79.8	**82.4**	72.0		
Gold recovery	*%*	**43.9**	39.1	**48.4**	36.0		
Silver recovery	*%*	**67.1**	49.6	**64.9**	45.1		
Combined unit operating costs [1]	*$/tonne*	**7.98**	8.57	**8.09**	8.41	7.30 - 8.20	7.20 - 8.80

[1] Reflects combined mine, mill and general and administrative ("G&A") costs per tonne of ore milled. Reflects the deduction of expected capitalized stripping costs and excludes costs and tonnes associated with pre-commercial production output.

Ore mined at our Constancia mine during the fourth quarter of 2016 decreased by 25% compared to the same period in 2015 as ore production rates were aligned to mill throughput rates. Mined and milled copper grades in the fourth quarter of 2016 were approximately 8% lower than the same period in 2015 as the mine plan continues to advance to lower levels in the pit.

Optimization of plant performance remains the primary focus for Constancia. Total copper recovery was 81.6% in the fourth quarter of 2016, compared to 79.8% in the same period in 2015, as oxidized copper in the ore feed was lower in the current quarter and the metallurgy associated with the varying ore types is better understood. Gold and silver recoveries also improved in 2016 compared to 2015. Recoveries of all metals were slightly lower in the fourth quarter of 2016 compared to the third quarter as mining began on phase two of the Constancia open pit where the initial near-surface ore contains a greater amount of altered and oxidized mineralization.

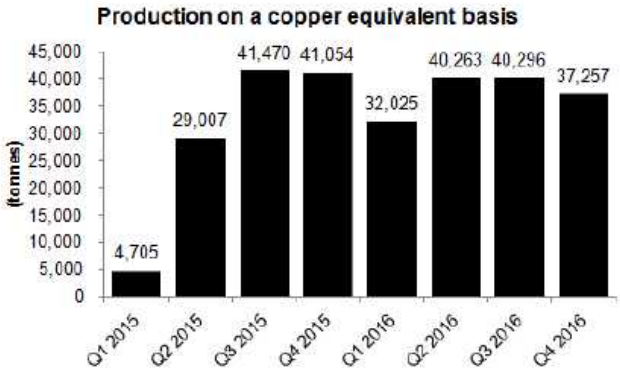
Combined mine, mill and G&A unit operating costs in the fourth quarter and full year of 2016 benefited from lower mining costs due to ongoing improvement initiatives. Combined unit operating costs for the full year of 2016 were within guidance expectations.

As is typical with large Peruvian mining operations following startup, some of the employees at Constancia have formed a labour union. Negotiations to establish an initial collective agreement are ongoing with representatives of the union.

Contained metal in concentrate produced		Three months ended Dec. 31, 2016	Dec. 31, 2015	Year ended Dec. 31, 2016	Dec. 31, 2015	Guidance Annual 2016	2017
Copper	*tonnes*	**33,986**	37,735	**133,432**	105,897	110,000 - 130,000	100,000 - 115,000
Gold	*oz*	**5,033**	6,560	**26,276**	18,839		
Silver	*oz*	**723,392**	636,514	**2,760,332**	1,989,664		
Precious metals[1]	*oz*	**15,367**	15,653	**65,709**	47,263	50,000 - 65,000	55,000 - 65,000

[1] Precious metals production includes gold and silver production on a gold equivalent basis. Silver converted to gold at a ratio of 70:1.

In 2016, metal production at Constancia was above the guidance range for all metals.



Constancia's production of copper equivalent tonnes rapidly ramped up from pre-commercial production in the first quarter of 2015 to commercial production, which began during the second quarter of 2015. Subsequent to commercial production being achieved, metal production has remained fairly consistent quarter over quarter with the exception of the first quarter of 2016 when the planned replacement of the mill trunnions damaged during commissioning resulted in downtime of approximately five weeks for grinding line 2.

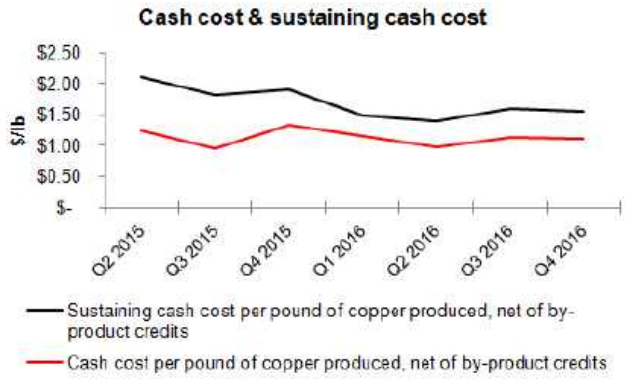
Peru Cash Cost and Sustaining Cash Cost

		Three months ended Dec. 31, 2016	Dec. 31, 2015	Year ended Dec. 31, 2016	Dec. 31, 2015
Cash cost per pound of copper produced, net of by-product credits [1]	*/$lb*	**1.11**	1.32	**1.09**	1.16
Sustaining cash cost per pound of copper produced, net of by-product credits [1]	*$/lb*	**1.54**	1.93	**1.51**	1.92

[1] Cash cost and sustaining cash costs per pound of copper produced, net of by-product credits, are not recognized under IFRS. For more detail on this non-IFRS financial performance measure, please see the discussion under "Non-IFRS Financial Performance Measures" beginning on page 40 of this MD&A.

Cash cost per pound of copper produced, net of by-product credits, for the three months and year ended December 31, 2016 was $1.11 and $1.09, respectively, a decrease from the same periods in 2015 of 16% and 6%, respectively, as a result of continued cost optimization and maintenance timing.

Sustaining cash cost per pound of copper produced, net of by-product credits, for the three months and year ended December 31, 2016 was $1.54 and $1.51, respectively, a decrease from the same period in 2015 of 20% and 21%, respectively, as a result of lower capital costs from tailings impoundment construction.



Metal Sold

		Three months ended		Year ended	
		Dec. 31, 2016	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015
Payable metal in concentrate					
Copper	*tonnes*	**35,969**	48,898	**132,663**	94,694
Gold	*oz*	**6,183**	7,888	**24,199**	15,869
Silver	*oz*	**701,654**	511,148	**2,423,165**	1,159,993

MANITOBA OPERATIONS REVIEW

Mines

		Three months ended		Year ended	
		Dec. 31, 2016	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015
777					
Ore	*tonnes*	**298,135**	368,801	**1,297,829**	1,235,053
Copper	*%*	**1.67**	1.57	**1.57**	1.99
Zinc	*%*	**3.81**	3.37	**3.47**	3.04
Gold	*g/tonne*	**1.64**	1.60	**1.52**	1.58
Silver	*g/tonne*	**24.06**	19.99	**21.34**	19.42
Lalor					
Ore	*tonnes*	**272,156**	284,029	**1,086,362**	934,277
Copper	*%*	**0.58**	0.67	**0.62**	0.71
Zinc	*%*	**7.42**	8.74	**7.01**	8.18
Gold	*g/tonne*	**2.07**	2.16	**2.24**	2.53
Silver	*g/tonne*	**21.73**	22.44	**21.63**	21.38
Reed [1]					
Ore	*tonnes*	**104,719**	119,183	**443,561**	463,375
Copper	*%*	**2.90**	3.51	**3.96**	3.16
Zinc	*%*	**0.63**	0.88	**0.62**	0.99
Gold	*g/tonne*	**0.44**	0.49	**0.50**	0.55
Silver	*g/tonne*	**5.76**	7.56	**6.78**	6.76
Total Mines					
Ore	*tonnes*	**675,010**	772,013	**2,827,752**	2,632,705
Copper	*%*	**1.42**	1.54	**1.58**	1.74
Zinc	*%*	**4.77**	4.96	**4.38**	4.50
Gold	*g/tonne*	**1.63**	1.63	**1.64**	1.74
Silver	*g/tonne*	**20.28**	18.98	**19.17**	17.89

[1] Includes 100% of Reed mine production. We purchase 30% of the Reed ore production from our joint venture partner on market-based terms.

		Three months ended		Year ended	
Unit Operating Costs		**Dec. 31, 2016**	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015
Mines					
777	*C$/tonne*	**53.40**	57.65	**52.27**	60.33
Lalor	*C$/tonne*	**69.14**	75.54	**66.41**	75.20
Reed	*C$/tonne*	**57.39**	59.73	**48.29**	62.36
Total Mines	*C$/tonne*	**60.51**	64.79	**57.51**	66.17

Ore mined at our Manitoba mines during the fourth quarter of 2016 decreased by 13% compared to the same period in 2015 primarily as a result of lower production at the 777 mine. Ore mined at the 777 mine declined as ground conditions necessitated the implementation of a more conservative stope sequence in order to adapt to more challenging operating conditions as the mine ages. Overall copper and zinc grades were lower in the fourth quarter of 2016 compared to the same period in 2015 by 8% and 4%, respectively, due to lower grades at Lalor and Reed. Unit operating costs in the fourth quarter of 2016 were 7% lower compared to the same period in 2015, reflecting ongoing cost reduction efforts.

Full year ore production at our Manitoba mines in 2016 was 7% higher than in 2015 as a result of increased production at our Lalor and 777 mines. Copper, zinc and gold grades in 2016 were lower compared with the grades in 2015 by 9%, 3% and 6%, respectively, and silver grades were higher by 7%. Unit operating costs in 2016 decreased by 13% compared to 2015, reflecting ongoing cost reduction efforts and increased production.

Processing Facilities

		Three months ended		Year ended	
		Dec. 31, 2016	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015
Flin Flon Concentrator					
Ore	*tonnes*	**464,747**	480,177	**1,764,725**	1,685,974
Copper	*%*	**2.04**	2.07	**2.18**	2.31
Zinc	*%*	**2.96**	2.74	**2.74**	2.45
Gold	*g/tonne*	**1.32**	1.32	**1.26**	1.30
Silver	*g/tonne*	**19.23**	16.85	**17.63**	15.87
Copper concentrate	*tonnes*	**36,695**	38,723	**148,706**	151,872
Concentrate grade	*% Cu*	**23.44**	23.12	**23.82**	23.59
Zinc concentrate	*tonnes*	**22,518**	21,341	**76,730**	66,656
Concentrate grade	*% Zn*	**51.34**	50.55	**51.49**	50.52
Copper recovery	*%*	**90.6**	90.1	**92.2**	91.9
Zinc recovery	*%*	**84.2**	81.9	**81.6**	81.4
Gold recovery	*%*	**60.6**	51.4	**59.7**	55.9
Silver recovery	*%*	**57.7**	49.2	**56.7**	52.8
Contained metal in concentrate produced					
Copper	*tonnes*	**8,602**	8,954	**35,422**	35,831
Zinc	*tonnes*	**11,562**	10,787	**39,504**	33,676
Precious metals [1]	*oz*	**14,344**	12,290	**50,861**	45,746
Stall Concentrator					
Ore	*tonnes*	**257,759**	264,343	**1,089,530**	928,501
Copper	*%*	**0.58**	0.66	**0.63**	0.71
Zinc	*%*	**7.39**	8.79	**7.03**	8.21
Gold	*g/tonne*	**2.10**	2.14	**2.25**	2.53
Silver	*g/tonne*	**21.77**	22.46	**21.67**	21.28
Copper concentrate	*tonnes*	**5,951**	7,151	**27,298**	26,849
Concentrate grade	*% Cu*	**20.08**	20.28	**20.65**	20.68
Zinc concentrate	*tonnes*	**33,995**	42,094	**138,056**	133,809
Concentrate grade	*% Zn*	**51.72**	51.25	**51.48**	51.75
Copper recovery	*%*	**80.0**	83.0	**82.1**	84.5
Zinc recovery	*%*	**92.3**	92.8	**92.8**	90.8
Gold recovery	*%*	**60.3**	53.5	**57.4**	55.8
Silver recovery	*%*	**57.4**	53.1	**56.4**	54.8
Contained metal in concentrate produced					
Copper	*tonnes*	**1,195**	1,450	**5,637**	5,552
Zinc	*tonnes*	**17,582**	21,575	**71,075**	69,243
Precious metals [1]	*oz*	**11,952**	11,171	**51,381**	47,047

[1] Precious metals production includes gold and silver production on a gold-equivalent basis. Silver is converted to gold at a ratio of 70:1.

Unit Operating Costs		Three months ended Dec. 31, 2016	Dec. 31, 2015	Year ended Dec. 31, 2016	Dec. 31, 2015	Guidance Annual 2016	2017
Concentrators							
Flin Flon	*C$/tonne*	**18.48**	13.58	**18.32**	14.63		
Stall	*C$/tonne*	**27.58**	23.97	**23.62**	26.78		
Combined mine/mill unit operating costs [1]							
Manitoba	*C$/tonne*	**96.38**	100.43	**92.77**	103.67	80 -100	88 -108

[1] Reflects combined mine, mill and G&A costs per tonne of ore milled. Includes the cost of ore purchased from our joint venture partner at the Reed mine. For 2015, combined mine and mill unit operating costs have been restated on the same basis for consistency.

Ore processed in the Flin Flon concentrator in the fourth quarter of 2016 was 3% lower than the same period in 2015 primarily as a result of lower mine production. Zinc and precious metals recoveries were higher in the fourth quarter of 2016 compared to the same period in 2015 as a result of higher head grades. Unit operating costs at the Flin Flon concentrator were 36% higher in the fourth quarter of 2016 compared to the same period in 2015 as a result of higher maintenance expenditures. Ore processed at the Stall concentrator in the fourth quarter of 2016 was consistent with the same period in 2015. Unit operating costs at the Stall concentrator were 15% higher in the fourth quarter of 2016 compared to the same period in 2015 as a result of higher maintenance expenditures resulting from unplanned repairs.

For the full year, ore processed in Flin Flon was 5% higher than in 2015 as a result of higher mine production at our 777 mine, partially offset by unscheduled maintenance. Copper and zinc recoveries in 2016 were fairly consistent with 2015, while precious metals recoveries were higher as a result of higher head grades. Unit operating costs at the Flin Flon concentrator in 2016 were 25% higher than in 2015 as a result of unscheduled maintenance in the first quarter of 2016 and the completion of staged repairs throughout the remainder of the year aligned with maintaining the asset to match the expected mine life. For the full year, ore processed at the Stall concentrator was 17% higher than in 2015 as a result of higher production at Lalor. Unit operating costs at the Stall concentrator in 2016 were 12% lower than in 2015 as a result of higher production throughout 2016.

Manitoba combined mine, mill and G&A unit operating costs in the fourth quarter and full year in 2016 were 4% and 11% lower, respectively, than in the same periods in 2015 as a result of ongoing cost reduction initiatives, and were in line with full year guidance expectations.

Manitoba contained metal in concentrate produced [1,2]		Three months ended Dec. 31, 2016	Dec. 31, 2015	Year ended Dec. 31, 2016	Dec. 31, 2015	Guidance Annual 2016	2017
Copper	*tonnes*	**9,797**	10,404	**41,059**	41,383	40,000 - 50,000	32,500 - 42,500
Gold	*oz*	**22,449**	20,184	**88,020**	81,338	-	-
Silver	*oz*	**269,286**	229,360	**995,564**	801,872	-	-
Zinc	*tonnes*	**29,144**	32,362	**110,582**	102,919	100,000 - 125,000	125,000 - 150,000
Precious metals[3]	*oz*	**26,296**	23,461	**102,242**	92,793	95,000 - 115,000	90,000 - 110,000

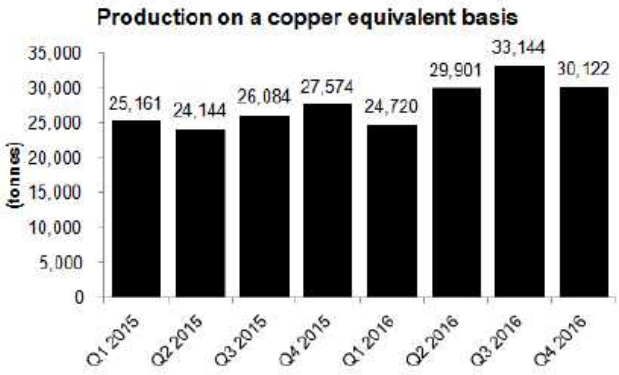
[1] Includes 100% of Reed mine production. We own a 70% interest in the Reed mine and purchase 30% of the Reed ore production from our joint venture partner on market based terms.

[2] Metal reported in concentrate is prior to deductions associated with smelter terms.

[3] Precious metals production includes gold and silver production on a gold-equivalent basis. Silver is converted to gold at a ratio of 70:1.

For the fourth quarter of 2016, production of copper and zinc was lower than the fourth quarter of 2015 by 6% and 10%, respectively, mainly as a result of lower mill throughput as well as lower grades from our Lalor mine, while gold and silver production was higher than the fourth quarter of 2015 by 11% and 17%, respectively, as a result of higher gold and silver recoveries.

In 2016, production of copper was consistent with 2015 levels while production of the other metals increased compared to 2015 as a result of increased production at Lalor and 777. Production of all metals was within guidance ranges.



Manitoba's production of copper equivalent tonnes has remained fairly consistent quarter over quarter.

		Three months ended		Year ended		Guidance	
		Dec. 31,	Dec. 31,	**Dec. 31,**	Dec. 31,	Annual	
Zinc Production		**2016**	2015	**2016**	2015	2016	2017
Zinc Concentrate Treated							
Domestic	*tonnes*	**60,350**	59,130	**216,982**	188,138		
Purchased	*tonnes*	**-**	-	**-**	22,161		
Total	*tonnes*	**60,350**	59,130	**216,982**	210,299		
Refined Metal Produced							
Domestic	*tonnes*	**28,899**	28,160	**102,594**	91,893		
Purchased	*tonnes*	**-**	-	**-**	11,359		
Total	*tonnes*	**28,899**	28,160	**102,594**	103,252	100,000-120,000	95,000-115,000

		Three months ended		Year ended		Guidance	
		Dec. 31,	Dec. 31,	**Dec. 31,**	Dec. 31,	Annual	
Unit Operating Costs		**2016**	2015	**2016**	2015	2016	2017
Zinc Plant [1]	*C$/lb*	**0.44**	0.43	**0.45**	0.44	0.38 - 0.46	0.40 - 0.50

[1] Zinc unit operating costs include G&A costs. For 2015, zinc unit operating costs have been restated to include G&A costs for consistency.

Production of cast zinc and operating cost per pound of zinc metal produced in the fourth quarter and full year of 2016 were consistent with the same periods in 2015. Zinc plant production and unit costs were within guidance ranges.

Manitoba Cash Cost and Sustaining Cash Cost

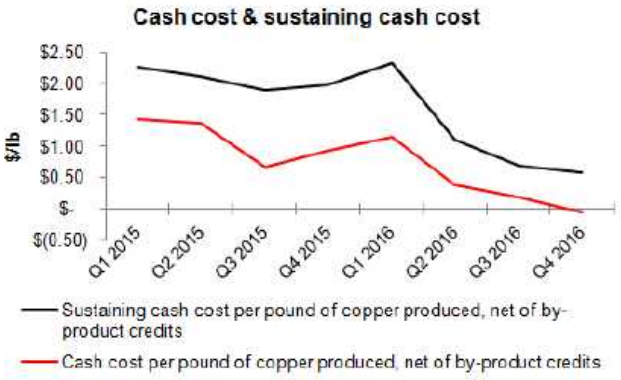
		Three months ended		Year ended	
		Dec. 31, 2016	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015
Cost per pound of copper produced					
Cash cost per pound of copper produced, net of by-product credits [1]	*$/lb*	**(0.06)**	0.93	**0.41**	1.10
Sustaining cash cost per pound of copper produced, net of by-product credits [1]	*$/lb*	**0.58**	1.95	**1.16**	2.02
Cost per pound of zinc produced					
Cash cost per pound of zinc produced, net of by-product credits [1]	*$/lb*	**0.36**	0.36	**0.32**	0.47
Sustaining cash cost per pound of zinc produced, net of by-product credits [1]	*$/lb*	**0.57**	0.69	**0.61**	0.83

[1] Cash cost and sustaining cash cost per pound of copper & zinc produced, net of by-product credits, are not recognized under IFRS. For more detail on this non-IFRS financial performance measure, please see the discussion under "Non-IFRS Financial Performance Measures" beginning on page 40 of this MD&A.

In Manitoba, cash cost per pound of copper produced, net of by-product credits, in the fourth quarter of 2016 and full year were negative $0.06 and $0.41 per pound of copper produced, respectively. These were lower compared to the same periods in 2015 due to higher realized zinc prices, decreased purchases of zinc concentrate for processing, and a decrease in general support costs as a result of cost reduction initiatives. Full year 2016 cash cost was positively impacted by increased sales of precious metals.

Sustaining cash cost per pound of copper produced, net of by-product credits, in the fourth quarter of 2016 and full year were $0.58 and $1.16 per pound of copper produced, respectively, representing a decrease of 70% and 43% per pound, respectively, compared to the same periods in 2015. The decrease in sustaining costs resulted from the same factors described above as well as reduced capital expenditures.

Cash cost and sustaining cash cost per pound of zinc produced, net of by-product credits, were impacted by the same factors impacting cash cost and sustaining cash cost of copper produced. Fourth quarter results were impacted by lower zinc production compared to the same period in 2015. The impact of lower costs in full year 2016 was partially offset by lower by-product credits resulting primarily from lower realized copper prices in 2016 compared to 2015.



Manitoba cash cost and sustaining cash cost per pound of copper produced, net of by-product credits in the past three quarters have declined due to reduced G&A costs incurred during 2016 as well as increased by-product credits realized.

Metal Sold

		Three months ended		Year ended	
		Dec. 31, 2016	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015
Payable metal in concentrate					
Copper	*tonnes*	**8,223**	9,816	**38,788**	39,906
Gold	*oz*	**19,158**	23,996	**71,328**	77,910
Silver	*oz*	**209,671**	239,967	**758,594**	713,183
Refined zinc	*tonnes*	**28,094**	27,064	**103,453**	101,920

OUTLOOK

The outlook and financial targets only relate to fiscal 2017. This outlook includes forward-looking information about our operations and financial expectations based on our expectations and outlook as of February 22, 2017. This outlook, including expected results and targets, is subject to various risks, uncertainties and assumptions, which may impact future performance and our achievement of the results and targets discussed in this section. For additional information on forward-looking information, refer to "Forward-Looking Information" on page 51 of this MD&A. We may update our outlook depending on changes in metals prices and other factors.

In addition to this section, refer to the "Operations Review" and "Financial Review" sections for additional details on our outlook for 2017. For information on our sensitivity to metals prices, refer below to the "Commodity Markets" and "Sensitivity Analysis" sections of this MD&A.

Material Assumptions

Our 2017 operational and financial performance will be influenced by a number of factors. At the macro-level, the general performance of the Chinese, North American and global economies will influence the demand for our products. The realized prices we achieve in the commodity markets significantly affect our performance. Our general expectations regarding metals prices and foreign exchange rates are included below in the "Commodity Markets" and "Sensitivity Analysis" sections of this MD&A.

2017 Mine and Mill Production (Contained Metal in Concentrate)

		Year ended December 31, 2016	2017 Guidance
Copper	*tonnes*	**174,491**	132,500 - 157,500
Zinc	*tonnes*	**110,582**	125,000 - 150,000
Precious metals[1]	*oz*	**167,951**	145,000 - 175,000

[1] Precious metals production includes gold and silver production on a gold-equivalent basis. Silver converted to gold at a ratio of 70:1.

In 2017, production of zinc contained in concentrate is forecast to increase by approximately 25% compared to 2016 production, reflecting the continued ramp up of Lalor ore production and the re-sequencing of the mine plan at 777 to prioritize stopes containing higher zinc grades in order to take advantage of favourable expected zinc prices. Copper and precious metals production in 2017 is expected to decline by 17% and 5%, respectively, from 2016 levels due to lower copper grades at Constancia, as per the recently released 43-101 technical report, as well as reduced mining rates and lower copper grades at the 777 mine. Declining production at the 777 mine reflects more challenging operating conditions as the mine ages. Lower expected copper grades at the 777 mine are due to the re-sequencing of the mine plan to prioritize stopes containing higher zinc grades and is expected to result in improved overall economics per tonne at 777.

Commodity Markets

In addition to our production, financial performance is directly affected by a number of factors, including metals prices, foreign exchange rates, and input costs, including energy prices. Average prices for copper were significantly lower in 2016 compared to 2015, whereas zinc and precious metals prices were higher.

We have developed the following market analysis from various information sources including analyst and industry experts.

Copper

In 2016, the London Metal Exchange ("LME") copper price averaged $2.21 per pound ("/lb"), with prices ranging between $1.96/lb and $2.70/lb. Copper refined metal markets experienced a moderate surplus in 2016, as strong growth in mine supply from projects sanctioned several years ago and relatively few production disruptions were partly offset by lower copper scrap availability due to weak metal prices. Demand growth in China and globally was moderate, exceeding weak expectations earlier in 2016.

In 2017, total mine production is expected to be similar to 2016, although there is greater than usual risk of production disruptions due to renegotiations of labour agreements at major copper mines and underinvestment in higher-cost copper mines to preserve cash flow during the recent low price environment. Copper demand in 2017 is forecast to grow moderately again with a strong US economy and reflationary macroeconomic policies expected to be supportive of global copper demand.

We believe current copper prices remain at levels that are too low to incentivize significant investments in new copper production. New copper production will be needed to replace mine depletion and progressively lower mine grades globally. As a result, copper mine supply is expected to peak before the end of the decade which, assuming continued global and Chinese economic growth, is expected to be followed by copper market deficits and significantly higher copper prices.

Zinc

In 2016, the LME zinc price averaged $0.95/lb, with prices ranging from $0.66/lb to $1.32/lb. Zinc market deficits that have been in place for several years accelerated in 2016 with a number of mine production suspensions due to low prices. As a result, global zinc concentrate stocks were significantly depleted by late 2016, causing a sharp decline in zinc treatment charges and reduced zinc smelter production due to lack of feed. Zinc demand in China and globally saw moderate growth in 2016, which is expected to continue into 2017. Zinc prices rose during the second half of 2016 in anticipation of a shortage of physical zinc metal, and a continued drawdown in zinc metal inventories is expected to cause stocks to reach critically low levels during 2017, likely causing further price increases sufficient to restart higher-cost supply and constrain marginal demand.

Precious Metals

Gold and silver prices averaged $1,249 per ounce and $17.12 per ounce, respectively, during 2016. Prices rose substantially in the first quarter of 2016, as concerns about negative interest rate policies and low inflation improved sentiment for gold. However, following the US presidential election the introduction of pro-growth, inflationary macroeconomic policies and related expectations for higher US interest rates led to a fall in precious metal prices in the fourth quarter. The outlook for gold and silver is likely to remain dependent on market sentiment and the trajectory of interest rates and inflation.

Sensitivity Analysis

The following table displays the estimated impact of changes in metals prices and foreign exchange rates on our 2017 net profit, earnings per share and operating cash flow, assuming that our operational performance is consistent with our guidance for 2017. The effects of a given change in an assumption are isolated.

	2017 Base	Change of 10% represented by:	Impact on Profit	Impact on EPS[1]	Impact on operating cash flow[2]
Metals Prices [3]					
Copper price	*$2.50/lb*	+/- $0.25/lb	+/- $51M	+/- 0.21	+/- $73M
Zinc price	*$1.20/lb*	+/- $0.12/lb	+/- $24M	+/- 0.10	+/- $30M
Gold price[4]	*$1,200/oz*	+/- $120/oz	+/- $8M	+/- 0.03	+/- $10M
Exchange Rates[5]					
C$/US$	*1.30*	+/- 0.13	+/- $35M	+/- 0.15	+/- $30M

[1] Based on estimated weighted average number of common shares outstanding as at December 31, 2016 of 237.3 million.

[2] Operating cash flow before changes in non-cash working capital.

[3] Copper and zinc prices are based on quoted LME prices and gold price is based on London Bullion Market Association prices.

[4] Gold price sensitivity also includes the impact of a +/-10% change in the silver price (2017 assumption: $18/oz of silver).

[5] Change in profit from operational performance only, does not include change in profit arising from translation of balance sheet accounts.

FINANCIAL REVIEW

Financial Results

In the fourth quarter of 2016, our loss was $47.3 million compared to a loss of $255.5 million for the fourth quarter of 2015. For the full year 2016, we recorded a loss of $35.2 million compared to a loss of $331.4 million in 2015.

The following table provides further details of this variance:

(in $ millions)	Three months ended Dec. 31, 2016	Year ended Dec. 31, 2016
Increase (decrease) in components of profit or loss:		
Revenues	**(19.9)**	**242.6**
Cost of sales		
Mine operating costs	**25.3**	**(56.5)**
Depreciation and amortization	**14.1**	**(81.6)**
Asset and goodwill impairment loss	**378.9**	**433.4**
Gain on disposal of subsidiary	**(37.0)**	**(37.0)**
Finance expenses	**(49.2)**	**(89.6)**
Other	**(12.6)**	**(6.7)**
Tax	**(91.4)**	**(108.4)**
Decrease in loss for the period	**208.2**	**296.2**

Revenue

Total revenue for the fourth quarter of 2016 was $316.7 million, $19.9 million lower than the same period in 2015. This decrease was primarily due to lower copper and gold sales volumes compared to the fourth quarter of 2015. Lower sales volumes were partially offset by higher prices for all metals and the effect of lower treatment and refining charges.

For the full year 2016, revenue was $1,128.7 million, $242.6 million higher than in 2015, due to higher sales volumes at Constancia and lower pre-production revenue which was capitalized. These increases were partially offset by higher treatment and refining charges as well as lower copper prices. The following table provides further details of this variance:

(in $ millions)	Three months ended Dec. 31, 2016	Year ended Dec. 31, 2016
Metals prices[1]		
Higher (lower) copper prices	**12.6**	**(27.9)**
Higher zinc prices	**21.9**	**9.4**
Higher gold prices	**3.3**	**14.7**
Higher silver prices	**1.0**	**4.2**
Sales volumes		
(Lower) higher copper sales volumes	**(65.2)**	**176.6**
Higher zinc sales volumes	**1.9**	**3.3**
Lower gold sales volumes	**(6.5)**	**(1.4)**
Higher silver sales volumes	**2.2**	**18.2**
Other		
Derivative mark-to-market (decrease) increase	**(1.9)**	**10.1**
Pre-production revenue (increase) decrease	**(1.6)**	**56.2**
Other volume and pricing differences	**(0.3)**	**(0.2)**
Effect of lower (higher) treatment and refining charges	**12.7**	**(20.6)**
(Decrease) increase in revenue in 2016 compared to 2015	**(19.9)**	**242.6**

[1] See discussion below for further information regarding metals prices.

Our revenue by significant product type is summarized below:

	Three months ended		Year ended	
(in $ millions)	**Dec. 31, 2016**	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015
Copper	**230.7**	283.3	**835.5**	686.0
Zinc	**71.6**	49.9	**237.0**	214.2
Gold	**28.8**	32.0	**119.8**	106.7
Silver	**14.3**	11.1	**52.1**	29.7
Other	**0.7**	0.8	**2.7**	3.5
Gross revenue[1]	**346.1**	377.1	**1,247.1**	1,040.1
Treatment and refining charges	**(29.4)**	(42.1)	**(118.4)**	(97.8)
Pre-production revenue	**-**	1.6	**-**	(56.2)
Revenue	**316.7**	336.6	**1,128.7**	886.1

[1] Copper, gold and silver revenues include unrealized gains and losses related to non-hedge derivative contracts including fixed for floating swaps, that are included in realized prices. Zinc revenues include unrealized gains and losses related to non-hedge derivative contracts that are not included in realized prices.

Realized sales prices This measure is intended to enable management and investors to understand the average realized price of metals sold to third parties in each reporting period. The average realized price per unit sold does not have any standardized meaning prescribed by IFRS, is unlikely to be comparable to similar measures presented by other issuers, and should not be considered in isolation or a substitute for measures of performance prepared in accordance with IFRS.

For sales of copper, gold and silver there are outstanding non-hedge derivatives ("QP hedges") which are intended to manage the provisional pricing risk arising from quotational period terms in concentrate sales agreements. The QP hedges are not removed from the calculation of realized prices. We expect that gains and losses on QP hedges will offset provisional pricing adjustments on concentrate sales contracts.

Our realized prices for the fourth quarter and full year of 2016 and 2015, respectively, are summarized below:

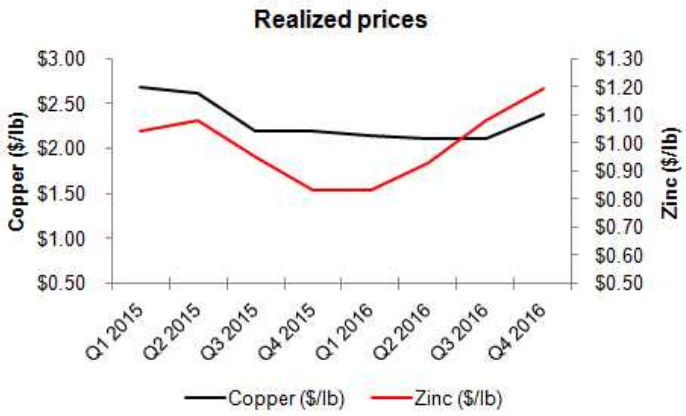
			Realized prices[1] for the Three months ended			Realized prices[1] for the Year ended	
		LME QTD 2016[2]	**Dec. 31, 2016**	Dec. 31, 2015	**LME YTD 2016[2]**	**Dec. 31, 2016**	Dec. 31, 2015
Prices							
Copper	*$/lb*	**2.40**	**2.37**	2.19	**2.21**	**2.21**	2.31
Zinc[3]	*$/lb*	**1.14**	**1.19**	0.83	**0.95**	**1.01**	0.97
Gold[4]	*$/oz*		**1,136**	1,005		**1,254**	1,136
Silver[4]	*$/oz*		**15.72**	14.82		**16.38**	15.82

[1] Realized prices exclude refining and treatment charges and are on the sale of finished metal or metal in concentrate. Realized prices include the effect of provisional pricing adjustments on prior period sales.

[2] London Metal Exchange average for copper and zinc prices.

[3] Zinc realized prices include premiums paid by customers for delivery of refined zinc metal, but exclude unrealized gains and losses related to non-hedge derivative contracts that are included in zinc revenues. For the three months ended December 31, 2016, the unrealized component of the zinc derivative resulted in a loss of $0.03/lb.

[4] Sales of gold and silver from our 777 and Constancia mines are subject to our precious metals stream agreement with Silver Wheaton, pursuant to which we recognize deferred revenue for precious metals deliveries and also receive cash payments. Stream sales are included within realized prices and their respective deferred revenue and cash payment rates can be found on page 24.



The following table provides a reconciliation of average realized price per unit sold, by metal, to revenues as shown in the consolidated financial statements:

	Three months ended December 31, 2016					
(in $ millions) [1]	**Copper**	**Zinc**	**Gold**	**Silver**	**Other**	**Total**
Revenue per financial statements	**230.7**	**71.6**	**28.8**	**14.3**	**0.7**	**346.1**
Derivative mark-to-market [2]	**-**	**1.8**	**-**	**-**	**-**	**1.8**
Revenue, excluding mark-to-market on non-QP hedges	**230.7**	**73.4**	**28.8**	**14.3**	**0.7**	**347.9**
Payable metal in concentrate sold [3]	**44,192**	**28,094**	**25,341**	**911,325**	**-**	**-**
Realized price [4]	**5,221**	**2,614**	**1,136**	**15.72**	**-**	**-**
Realized price [5]	**2.37**	**1.19**	**-**	**-**	**-**	**-**

	Year ended December 31, 2016					
(in $ millions) [1]	**Copper**	**Zinc**	**Gold**	**Silver**	**Other**	**Total**
Revenue per financial statements	**835.5**	**237.0**	**119.8**	**52.1**	**2.7**	**1,247.1**
Derivative mark-to-market [2]	**-**	**(6.0)**	**-**	**-**	**-**	**(6.0)**
Revenue, excluding mark-to-market on non-QP hedges	**835.5**	**231.0**	**119.8**	**52.1**	**2.7**	**1,241.1**
Payable metal in concentrate sold [3]	**171,451**	**103,453**	**95,527**	**3,181,759**	**-**	**-**
Realized price [4]	**4,872**	**2,233**	**1,254**	**16.38**	**-**	**-**
Realized price [5]	**2.21**	**1.01**	**-**	**-**	**-**	**-**

	Three months ended December 31, 2015					
(in $ millions) [1]	Copper	Zinc	Gold	Silver	Other	Total
Revenue per financial statements	283.3	49.9	32.0	11.1	0.8	377.1
Derivative mark-to-market [2]	-	(0.1)	-	-	-	(0.1)
Revenue, excluding mark-to-market on non-QP hedges	283.3	49.8	32.0	11.1	0.8	377.0
Payable metal in concentrate sold [3]	58,714	27,064	31,884	751,115	-	-
Realized price [4]	4,826	1,835	1,005	14.82	-	-
Realized price [5]	2.19	0.83	-	-	-	-

	Year ended December 31, 2015					
(in $ millions) [1]	Copper	Zinc	Gold	Silver	Other	Total
Revenue per financial statements	686.0	214.2	106.7	29.7	3.5	1,040.1
Derivative mark-to-market [2]	-	4.1	-	-	-	4.1
Difference in average versus realized exchange rate	0.7	0.3	(0.2)	-	-	0.8
Revenue, excluding mark-to-market on non-QP hedges	686.7	218.6	106.5	29.7	3.5	1,045.0
Payable metal in concentrate sold [3]	134,600	101,920	93,779	1,873,176	-	-
Realized price [4]	5,102	2,145	1,136	15.82	-	-
Realized price [5]	2.31	0.97	-	-	-	-

[1] Average realized price per unit sold may not calculate based on amounts presented in this table due to rounding.

[2] Derivative mark-to-market excludes mark-to-market on QP hedges.

[3] Copper and zinc shown in tonnes and gold and silver shown in ounces.

[4] Realized price for copper and zinc in $/metric tonne and realized price for gold and silver in $/oz. [5] Realized price for copper and zinc in $/lb.

The price, quantity and mix of metals sold, affect our revenue, operating cash flow and profit. Revenue from metals sales can vary from quarter to quarter due to production levels, shipping volumes and transfer of risk and title to customers.

Metals Prices

For details on market metal prices refer to the discussion on "Commodity Markets" section beginning on page 18 of this MD&A.

Stream Sales

The following table shows stream sales included within realized prices and their respective deferred revenue and cash payment rates:

		Three months ended Dec. 31, 2016		Year ended Dec. 31, 2016	
		Manitoba	**Peru**	**Manitoba**	**Peru**
Gold	*oz*	**6,314**	**3,343**	**32,051**	**15,280**
Silver	*oz*	**83,838**	**701,654**	**395,724**	**2,423,165**
Gold deferred revenue drawdown rate[1]	*$/oz*	**977**	**432**	**1,049**	**435**
Gold cash rate [2]	*$/oz*	**408**	**400**	**405**	**400**
Silver deferred revenue drawdown rate[1]	*$/oz*	**17.89**	**7.40**	**19.14**	**7.39**
Silver cash rate [2]	*$/oz*	**6.02**	**5.90**	**5.98**	**5.90**

		Three months ended Dec. 31, 2015		Year ended Dec. 31, 2015	
		Manitoba	Peru	Manitoba	Peru
Gold	*oz*	6,362	4,473	33,089	10,397
Silver	*oz*	77,895	511,148	331,995	1,159,993
Gold deferred revenue drawdown rate[1]	*$/oz*	921	436	967	436
Gold cash rate [2]	*$/oz*	404	400	401	400
Silver deferred revenue drawdown rate[1]	*$/oz*	18.68	7.63	19.51	7.63
Silver cash rate [2]	*$/oz*	5.96	5.90	5.92	5.90

[1] Deferred revenue amortization is recorded in Manitoba at C$1,382/oz and C$25.23/oz for gold and silver, respectively, (2015 - C$1,243/oz and C$25.18/oz) and converted to US dollars at the exchange rate in effect at the time of revenue recognition.

[2] The gold and silver cash rate for Manitoba increased by 1% from $400/oz and $5.90/oz effective August 1, 2015. Subsequently every year, on August 1, the cash rate will increase by 1% compounded. The weighted average cash rate is disclosed.

Cost of Sales

Our detailed cost of sales is summarized as follows:

	Three months ended		Year ended	
(in $ thousands)	**Dec. 31, 2016**	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015
Peru				
Mine	**12,261**	20,780	**55,570**	46,602
Concentrator	**32,253**	29,792	**118,721**	78,253
Changes in product inventory	**8,538**	11,008	**13,544**	(24,717)
Depreciation and amortization	**48,847**	62,278	**178,099**	108,437
G&A	**12,957**	13,232	**44,401**	31,077
Freight, royalties and other charges	**13,038**	23,574	**56,897**	46,293
Total Peru cost of sales	**127,894**	160,664	**467,232**	285,945
Manitoba				
Manitoba mines	**29,193**	35,685	**116,973**	128,907
Manitoba concentrators	**11,767**	9,635	**43,885**	38,768
Zinc plant	**17,113**	15,959	**65,587**	62,795
Purchased ore and concentrate (before inventory changes)	**4,501**	2,514	**16,705**	30,677
Changes in product inventory	**(4,894)**	327	**(3,027)**	(2,647)
Depreciation and amortization	**29,345**	30,012	**120,531**	108,555
G&A	**13,291**	12,300	**39,970**	73,140
Freight, royalties and other charges	**10,239**	10,742	**37,944**	41,547
Total Manitoba cost of sales	**110,555**	117,174	**438,568**	481,742
Cost of sales	**238,449**	277,838	**905,800**	767,687

Total cost of sales for the fourth quarter of 2016 was $238.4 million, reflecting a decrease of $39.4 million from the fourth quarter of 2015. Cost of sales related to Peru was $32.8 million lower primarily due to lower mining and freight costs as a result of reduced ore production and lower concentrate sales. Mining costs in Manitoba decreased as a result of cost reduction efforts.

Cost of sales for the full year in 2016 was $905.8 million, an increase of $138.1 million compared to 2015. Cost of sales related to Peru was $181.3 million higher primarily as a result of the commencement of commercial production at Constancia during 2015. Cost of sales related to Manitoba was $43.2 million lower primarily as a result of reductions of purchased zinc concentrate and a decline in G&A costs as a result of cost reduction efforts and the fact that the prior year included $17.1 million in pension costs associated with new collective bargaining agreements.

For details on unit operating costs refer to the respective tables in the "Operations Review" section beginning on page 8 of this MD&A.

For the fourth quarter of 2016, other significant variances in expenses, compared to the same period in 2015, include the following:

– **Asset and goodwill impairment expenses** of $378.9 million in the fourth quarter of 2015 were related to impairments at our Peru and Arizona business units primarily resulting from lower expected short and long-term copper prices and an expected delay in Rosemont construction.

- **Gain on disposal of subsidiary** of $37.0 million in the fourth quarter of 2015 is related to the sale of Balmat on November 2, 2015 to Star Mountain Resources, Inc.

- **Finance expense increased** by $49.2 million compared to the fourth quarter of 2015. This increase is mostly the result of the $47.7 million call premium paid to facilitate the early redemption of our Redeemed Notes.

- **Selling and administrative expenses** increased by $5.1 million compared to the same period in 2015. The increase was primarily due to an increase in stock based compensation charges of $4.1 million for previously issued share units. The increase resulted primarily from share price appreciation during the fourth quarter of 2016.

- **Other finance losses** increased by $6.9 million, compared to the same period in 2015, primarily as a result of:

  - A fair value adjustment on the embedded derivative related to the Redeemed Notes and our gold option liability related to the acquisition of the New Britannia Mine and Mill ("New Britannia") resulted in a loss of $5.4 million in the fourth quarter of 2016 compared to a gain of $0.2 million in the fourth quarter of 2015.
  - Mark-to-market on warrants resulted in losses of $4.1 million in the fourth quarter of 2016 compared to gains of $0.5 million in the fourth quarter of 2015.
  - Foreign exchange gains in the fourth quarter of 2016 were $1.2 million, $3.2 million higher than the same period in 2015. The favourable variance is a function of a weakening Canadian dollar versus the US dollar providing gains on US denominated receivables in the Manitoba business unit and Canadian denominated liabilities in the parent entity. Also contributing to the higher gains was a stronger Peruvian Sol which increases the value of Sol denominated statutory receivables in the South American business unit.

For the full year, other significant variances in expenses in 2016, compared to 2015 include the following:

- **Asset and goodwill impairment expenses** were $433.4 million for 2015. This mainly resulted from the following impairments:

  - Goodwill impairment charges of $114.5 million recorded on the Arizona business unit. The goodwill impairment charge was triggered primarily due to lower expected copper prices and an expected delay in the start of construction at the Rosemont project.
  - Goodwill and asset impairment charges of $67.1 million and $197.3 million, respectively, for the Peru business unit. These charges were triggered primarily due to lower expected copper prices.
  - An impairment of $34.5 million in the Arizona business unit taken in the third quarter of 2015 related to equipment previously purchased or ordered by prior Augusta management which was deemed unsuitable to achieve the design objectives for Rosemont.
  - An impairment charge of $19.9 million taken in the second quarter of 2015 as a result of the decision not to proceed with construction of a new concentrator at Lalor following the New Britannia acquisition in May 2015.

- **Gain on disposition of subsidiaries** of $37.0 million for 2015 occurred in the fourth quarter and is related to the sale of Balmat.

- **Selling and administrative expenses** increased by $6.8 million in 2016 compared to 2015. The increase was primarily due to an increase in stock based compensation charges of $9.0 million for share units, resulting primarily from share price appreciation during 2016. This was partially offset by a decrease in general support costs as a result of efforts to reduce discretionary spending.

- **Finance expenses** increased by $89.6 million in 2016 compared to 2015. This increase is mainly the result of the $47.7 million call premium paid to facilitate the early redemption of our Redeemed Notes. In addition, the achievement of commercial production at Constancia triggered the cessation of capitalization of interest costs associated with our Redeemed Notes resulting in the recognition of approximately $27.3 million of additional interest costs on the consolidated income statements in 2016. We also incurred higher interest costs and amortization of finance fees on our Credit Facilities, which were a function of drawdowns on our Credit Facilities in 2015 and early 2016.

Tax Expense (Recovery)

For the three months ended and year ended December 31, 2016, tax expense increased by $91.4 million and $108.4 million, respectively, compared to the same periods in 2015. The following table provides further details:

	Three months ended		Year ended	
(in $ thousands)	**Dec. 31, 2016**	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015
Deferred tax expense (recovery) - income tax [1]	**12,154**	(63,269)	**21,028**	(75,201)
Deferred tax expense (recovery) - mining tax [1]	**1,717**	(11,390)	**2,490**	(8,312)
Total deferred tax expense (recovery)	**13,871**	(74,659)	**23,518**	(83,513)
Current tax expense - income tax	**1,320**	1,782	**7,000**	8,087
Current tax expense - mining tax	**6,017**	2,735	**10,280**	7,813
Total current tax expense	**7,337**	4,517	**17,280**	15,900
Tax expense (recovery)	**21,208**	(70,142)	**40,798**	(67,613)

[1] Deferred tax expense (recovery) represents our draw down/increase of non-cash deferred income and mining tax assets/liabilities.

Income Tax Expense

For 2016, applying the estimated Canadian statutory income tax rate of 27.0% to our income before taxes of $5.6 million would have resulted in a tax expense of approximately $1.5 million; however, we recorded an income tax expense of $28.0 million. The significant items causing our effective income tax rate to be different than the 27.0% estimated Manitoba statutory income tax rate include:

- Certain deductible temporary differences with respect to liabilities for Manitoba decommissioning and restoration and other employee benefit liabilities were not recognized, as it was not probable that we would realize the recovery based on the timing of the reversals of the deductible temporary differences and the future projected taxable profit of the Manitoba operations, resulting in an increase in deferred tax expense of approximately $13.8 million;
- Management revised its estimated reversals of taxable temporary differences in Peru using projected accounting and tax depreciation rates in addition to taking into account newly enacted tax legislation in Peru that increased the corporate income tax rate to 29.5%. As a result, certain taxable temporary differences were determined probable to reverse outside the timeframe of the 15 year tax stability agreement in Peru and will be subject to the newly enacted income tax rate of 29.5% rather than the previously enacted income tax rate of 26%, resulting in an increase in deferred tax expense of $8.0 million;
- The tax benefit of certain Peruvian expenses was not recognized in the year since it was not considered probable that the benefit of these expenditures would be realized as the tax authorities in Peru would view them as non-deductible expenditures for income tax purposes, resulting in an increase in deferred tax expense of $7.3 million;
- Certain deductible temporary differences with respect to our foreign operations are recorded using an income tax rate other than the Canadian statutory income tax rate of 27.0%, resulting in an increase in deferred tax expense of $2.3 million; and

- A decrease in the deferred tax expense of $3.4 million due to the fact that certain Canadian non-monetary assets are recognized at historical cost while the tax bases of the assets change as exchange rates fluctuate, which gives rise to taxable temporary differences.

For 2015, applying the estimated Canadian statutory income tax rate of 27.0% to our loss before taxes of $399.0 million would have resulted in a tax recovery of approximately $107.7 million; however, we recorded an income tax recovery of $67.1 million. The significant items causing our effective income tax rate to be different than the 27.0% estimated Manitoba statutory income tax rate include:

- Under IFRS, no deferred taxes are recorded with respect to temporary differences initially arising on goodwill in a business combination. As a result, the impairment of the goodwill of approximately $181.6 million does not result in a corresponding tax recovery resulting in an increase in deferred tax expense of $49 million;
- The tax benefit of certain Peruvian expenses were not recognized in the year since it was not considered probable that the benefit of these expenditures would be realized as the tax authorities in Peru would view them as non-deductible expenditures for income tax purposes, resulting in an increase in deferred tax expense of $5.5 million;
- Certain deductible temporary differences with respect to additional liabilities for Manitoba decommissioning and restoration and other employee benefit liabilities were not recognized, as it was not probable that we would realize the recovery based on the timing of the reversals of the deductible temporary differences and the future projected taxable profit of the Manitoba operations, resulting in an increase in deferred tax expense of approximately $4.4 million;
- An increase in the deferred tax expense of $4.4 million due to the fact that certain Canadian non-monetary assets are recognized at historical cost while the tax base of the assets change as exchange rates fluctuate, which gives rise to taxable temporary differences;
- Certain foreign exchange losses of $9.2 million are not deductible for local income tax purposes and therefore result in an increase in deferred tax expense of approximately $2.5 million;
- Increases to our decommissioning and restoration liabilities in Manitoba resulting from a decrease in discount rates required us to record a corresponding non-cash increase to property, plant, and equipment. We recognized a deferred tax expense of $2.1 million related to the increase in property, plant and equipment; however, we did not recognize a deferred tax recovery related to the increase in the decommissioning and restoration liabilities because we determined it is not probable that we will realize the benefit of the recovery;
- Management revised its estimated reversals of taxable temporary differences in Peru using projected accounting and tax depreciation rates. The revised projections reflects revised allocations to specific tax pools taking into consideration the risk of loss carryforwards expiring within the four year carryforward period based on future forecasted commodity prices and additional capital expenditures. As a result, certain taxable temporary differences were determined probable to reverse inside the timeframe of the 15 year tax stability agreement in Peru and will be subject to the income tax rate of 32% rather than the income tax rate of 26% that will apply outside the tax stability agreement, resulting in an increase in deferred tax expense of $1.3 million;
- Certain deductible temporary differences with respect to our foreign operations are recorded using an income tax rate other than the Manitoba statutory income tax rate of 27.0%, resulting in a decrease in deferred tax expense of $18.7 million; and,
- The $37.0 million gain on the Balmat sale is mainly the result of the derecognition of net liabilities and foreign currency translation adjustments which are non-taxable for local income tax purposes and is not reflected in the income tax provision as the deductible temporary differences related to Balmat were not recognized in the income tax provision as it was not probable that the deductible temporary differences would be realized, resulting in a decrease in deferred tax expense of $10.0 million.

Mining Tax Expense

Applying the estimated Manitoba mining tax rate of 10.0% to our income before taxes of $5.6 million for the year ended December 31, 2016 would have resulted in a tax expense of approximately $0.6 million and we recorded a mining tax expense of $12.8 million (2015 – recovery $0.5 million). Effective mining tax rates can vary significantly based on the composition of our earnings and the expected amount of mining taxable profits. Corporate costs and other costs not related to mining operations are not deductible in computing mining profits. A brief description of how mining taxes are calculated in our various business units is discussed below.

Manitoba

The Province of Manitoba imposes mining tax on profit related to the sale of mineral products mined in the Province of Manitoba (mining taxable profit) at the following rates:

- 10% of total mining taxable profit if mining profit is $50 million or less;
- 15% of total mining taxable profit if mining profits are between $55 million and $100 million; and
- 17% of total mining taxable profit if mining profits exceed $105 million.

We estimate that the tax rate that will be applicable when temporary differences reverse will be approximately 10.0% .

Peru

The Peruvian government imposes two parallel mining tax regimes, the Special Mining Tax and the Modified Royalty, on companies' operating mining income on a sliding scale, with progressive rates ranging from 2.0% to 8.4% and 1.0% to 12.0%, respectively. Based on financial forecasts, we have recorded a deferred tax liability as at December 31, 2016 at the tax rate we expect to apply when temporary differences reverse.

LIQUIDITY AND CAPITAL RESOURCES

Senior Unsecured Notes Refinancing

On December 12, 2016, we completed an offering of $1.0 billion aggregate principal amount of senior notes in two series: (i) a series of 7.250% senior notes due 2023 in an aggregate principal amount of $400 million and (ii) a series of 7.625% senior notes due 2025 in an aggregate principal amount of $600 million. The New Notes are governed by an indenture, dated as of December 12, 2016, among the Company, the subsidiaries of the Company party thereto as guarantors and U.S. Bank National Association, as trustee.

The proceeds from this offering were used to redeem all US$920 million of our outstanding Redeemed Notes and to pay a call premium of $47.7 million, prepaid interest associated with the redemption of the Redeemed Notes and transaction costs associated with the New Notes.

Senior Secured Revolving Credit Facilities

On March 30, 2016, we amended and restated our Canadian and Peruvian senior secured revolving credit facilities (the “Credit Facilities”) to consolidate the lender groups and restructure the two Credit Facilities to provide, among other things, more flexible financial covenants. Additional commitments were received during the second and fourth quarters to bring total commitments under the Credit Facilities to $550 million.

We have approximately $68.6 million in letters of credit issued to support Peruvian reclamation obligations; these letters of credit had previously been cash collateralized. During the year ended 2016, we reissued these letters of credit under our Peru facility and released the associated restricted cash, which in turn was utilized to repay indebtedness under the Credit Facilities.

As at December 31, 2016, between our two Credit Facilities we have drawn $202.1 million in cash and $104.0 in letters of credit, leaving total undrawn availability of $243.9 million.

As at December 31, 2016, we were in compliance with our covenants under the Credit Facilities.

Equipment Finance Facility

As at December 31, 2016, we had approximately $54.4 million owing under the facility.

Financial Condition

Financial Condition as at December 31, 2016 compared to December 31, 2015

Cash and cash equivalents increased by $93.0 million from December 31, 2015 to $146.9 million as at December 31, 2016. This increase was mainly a result of operating cash flow of $475.1 million and a net release of restricted cash of $45.9 million. These amounts were partly offset by $192.8 million of capital investments primarily at our Peru and Manitoba operations, interest payments of $126.5 million, financing costs of $21.8 million, payment of tender premiums of $47.7 million to refinance our Redeemed Notes and net borrowing on our long-term debt instruments of $45.3 million. We hold the majority of our cash and cash equivalents in low-risk, liquid investments with major Canadian and Peruvian financial institutions.

Working capital increased by $63.9 million to $121.5 million from December 31, 2015 to December 31, 2016. In addition to the increased cash and cash equivalents position:

- Current portion of long-term debt decreased by $53.4 million mainly as a result of amendments to the Credit Facilities;
- Trade and other payables decreased by $17.5 million primarily as a result of the timing of capital spending;
- Receivables decreased by $76.1 million, primarily due to the timing of sales and statutory payments from Peru;
- Other financial assets decreased by $13.1 million, mainly due to mark-to-market valuations on QP hedging; and
- Inventories decreased by $7.7 million as a result of the timing of concentrate shipments.

Cash Flows

The following table summarizes our cash flows for the three months and year ended December 31, 2016 and December 31, 2015:

	Three months ended		Year ended	
(in $ thousands)	**Dec. 31, 2016**	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015
Loss for the period	**(47,273)**	(255,468)	**(35,193)**	(331,428)
Tax expense (recovery)	**21,208**	(70,142)	**40,798**	(67,613)
Items not affecting cash	**151,523**	443,768	**395,877**	632,685
Taxes paid	**(3,201)**	(750)	**(13,614)**	(1,823)
Operating cash flows before changes in non-cash working capital	**122,257**	117,408	**387,868**	231,821
Change in non-cash working capital	**17,868**	(46,640)	**87,206**	(46,156)
Cash generated from operating activities	**140,125**	70,768	**475,074**	185,665
Cash used in investing activities	**(43,870)**	(89,543)	**(147,056)**	(485,544)
Cash (used) generated in financing activities	**(68,464)**	(30,461)	**(236,077)**	187,959
Effect of movement in exchange rates on cash and cash equivalents	**815**	(10,880)	**1,071**	(12,896)
Increase (decrease) in cash and cash equivalents	**28,606**	(60,116)	**93,012**	(124,816)

Cash Flow from Operating Activities

Cash generated from operating activities was $140.1 million during the fourth quarter of 2016, an increase of $69.4 million compared with the same period last year. Changes in non-cash working capital generated $17.9 million of cash in the current quarter mostly due to the timing of trade payables. Operating cash flows before change in non-cash working capital was $122.3 million during the fourth quarter of 2016, reflecting an increase of $4.8 million compared to the fourth quarter of 2015. Operating cash flows benefited from higher overall realized sales prices and lower costs, which was partially offset by lower sales volumes compared to the fourth quarter of 2015.

Year-to-date cash generated from operating activities was $475.1 million in 2016, an increase of $289.4 million compared to 2015. Operating cash flows before changes in non-cash working capital were $387.9 million, an increase of $156.0 million compared to 2015. The significant increases are mainly the result of higher sales volumes from the Constancia site as it generated a full year of operating cash flow in the current year compared to only a partial period of time last year. In addition, there was a substantial increase in cash generated from changes in non-cash working capital mostly due to receipts of statutory receivable amounts from Peru.

Cash Flow from Investing and Financing Activities

During the fourth quarter of 2016, we used $112.3 million in investing and financing activities primarily driven by the repayment of $64.0 million in principal on our Credit Facilities and capital expenditures of $43.5 million.

Year-to-date, we used $383.1 million of cash in investing and financing activities primarily driven by net principal repayments on our Credit Facilities of $95.0 million, principal paid on our equipment finance facility of $16.5 million, capital expenditures of $192.8 million, interest paid of $126.5 million, partially offset by funds released from restricted cash of $45.9 million.

Capital Expenditures

The following summarizes accrued and cash additions to capital assets for the periods indicated:

	Three months ended		Year ended		Guidance Annual [1]	
(in $ millions)	**Dec. 31, 2016**	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015	2016	2017
Manitoba sustaining capital expenditures	**12.2**	20.4	**60.0**	72.7	80.0	65.0
Peru sustaining capital expenditures	**31.7**	48.6	**118.0**	183.6	140.0	120.0
Total sustaining capital expenditures	**43.9**	69.0	**178.0**	256.3	220.0	185.0
Arizona other capitalized costs	**3.4**	14.6	**25.4**	49.7	30.0	20.0
Peru other capitalized costs	**(3.9)**	0.8	**13.8**	57.1		25.0
Manitoba other capitalized costs	**7.0**	1.7	**22.8**	22.4		40.0
Capitalized exploration	**-**	1.7	**1.9**	5.0	3.0	2.0
Capitalized interest	**3.7**	3.7	**14.7**	42.0		
Other capitalized costs	**-**	0.6	**-**	0.7		
Total other capitalized costs	**10.2**	23.1	**78.6**	176.9		
Total accrued capital additions	**54.1**	92.1	**256.6**	433.2		
Reconciliation to cash capital additions:						
Decommissioning and restoration obligation	**1.9**	(6.0)	**(25.0)**	(22.5)		
Capitalized interest	**(3.7)**	(3.7)	**(14.7)**	(42.0)		
Changes in capital accruals and other	**(8.8)**	15.5	**(24.1)**	122.0		
Total cash capital additions	**43.5**	97.9	**192.8**	490.7		

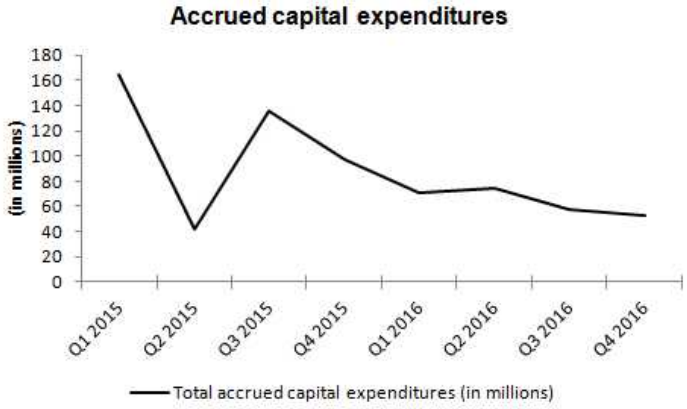
[1] Capital expenditure guidance excludes capitalized interest.

Sustaining capital expenditures in 2016 were lower than guidance as a result of cost savings and deferral of certain expenditures to 2017 and subsequent years.

Sustaining capital expenditures in Manitoba for the three months and year ended December 31, 2016 were $12.2 million and $60.0 million, respectively, a decrease of $8.2 million and $12.7 million, respectively, compared to the same period in 2015. This decrease is primarily due to decreases in capitalized underground mine development.

Sustaining capital expenditures in Peru for the three months and year ended December 31, 2016 were $31.7 million and $118.0 million, respectively, a decrease of $16.9 million and $65.6 million, respectively, compared to the same period in 2015. This decrease is mainly the result of reduced capitalized stripping and lower capital costs from tailings improvement construction.

Other Peru capitalized costs include capitalized pre-commercial production operating costs, net of pre-commercial production sales receipts for 2015, and decommissioning and restoration adjustments. Other Manitoba capitalized costs include decommissioning and restoration adjustments.



Accrued capital expenditures have significantly decreased quarter over quarter. The decrease is primarily due to decreased expenditures at our Constancia project due to the completion of the Constancia mine during the second quarter of 2015. In Peru capital expenditures include pre-production net revenues, which is the primary reason why there was a large decline in Q2 2015 accrued capital additions.

Peru's planned sustaining capital expenditures in 2017 include approximately $52 million of expenditures related to the tailings management facility and approximately $15 million of capitalized stripping costs. Expenditures on the tailings management facility are expected to decline substantially after 2017. Manitoba growth capital of $40 million is allocated to the construction of a new paste backfill plant for our Lalor mine. The paste backfill plant is intended to reduce operating costs, increase mining rates and maximize ore recovery. Peru growth capital of $25 million is allocated to initial expenditures for developing the Pampacancha deposit, which is expected to begin ore production in late 2018. Arizona spending of $20 million on the Rosemont project is intended to support ongoing permitting efforts.

Contractual Obligations and Commitments

The following table summarizes, as at December 31, 2016, certain of our contractual obligations for the periods specified:

Payment Schedule (in $ thousands)	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt obligations including interest	1,946,925	107,731	515,306	154,523	1,169,365
Capital lease obligations	13,720	3,508	6,667	3,545	-
Operating lease obligations	7,414	3,379	3,636	399	-
Purchase obligation - capital commitments [1]	208,162	57,740	20,877	186	129,359
Purchase obligation - other commitments [2]	662,572	166,366	193,917	117,445	184,844
Pension and other employee future benefits obligations	142,018	26,571	34,183	6,323	74,941
Decommissioning and restoration obligations [3]	186,498	999	14,080	13,568	157,851
Total	**3,167,309**	**366,294**	**788,666**	**295,989**	**1,716,360**

[1] Amounts classified as after 5 years relate to the mobile fleet for the Rosemont project. The obligation has been classified as after 5 yearsdue to our ability to defer this obligation.

[2] Primarily made up of a long-term agreement with operational suppliers, obligation for power purchase, concentrate, fleet and port services.

[3] Before inflation.

In addition to the contractual obligations included in the above payment schedule, we also have the following commitments which impact our financial position:

- A profit-sharing plan with most Manitoba employees;
- Silver Wheaton precious metals stream agreements for the 777 and Constancia mines; and
- A net smelter returns royalty agreement related to the 777 mine.

Liquidity

As at December 31, 2016, we had total liquidity of approximately $390.8 million, including $146.9 million in cash and cash equivalents, as well as $243.9 million in availability under our Credit Facilities. We expect that our current liquidity and future cash flows will be sufficient to meet our obligations in the coming year.

Outstanding Share Data

As of February 21, 2017, there were 237,271,188 common shares of Hudbay issued and outstanding. In addition, Hudbay warrants to acquire an aggregate of 22,391,490 common shares of Hudbay were outstanding and options for an aggregate of 1,460,377 common shares outstanding.

FINANCIAL RISK MANAGEMENT

From time to time, we maintain price protection programs and conduct commodity price risk management to reduce risk through the use of financial instruments.

Base Metals Price Strategic Risk Management

Our strategic objective is to provide our investors with exposure to base metals prices, unless a reason exists to implement a hedging arrangement. In the normal course, we typically consider base metal price hedging:

- In conjunction with a major capital commitment to a growth opportunity for which operating cash flow is a key funding source;
- To ensure the viability of a shorter life and/or higher cost mine;
- To manage the risk associated with provisional pricing terms in concentrate purchase and sale agreements;
- To offset fixed price zinc sales contracts with customers.

During 2016, we entered into copper hedging transactions intended to manage the risk associated with provisional pricing terms in concentrate sales agreements. As at December 31, 2016, we had 41,000 tonnes of copper fixed for floating swaps outstanding at an average fixed receivable price of $2.42/lb associated with provisional pricing risk in concentrate sales agreements. These swaps settle across February to June 2017.

To provide a service to customers who purchase zinc from our plants and require known future prices, we enter into fixed price sales contracts. To ensure that we continue to receive a floating or unhedged realized zinc price, we enter into forward zinc purchase contracts that effectively offset the fixed price sales contracts with our customers.

From time to time, we enter into gold and silver forward sales contracts to hedge the commodity price risk associated with the future settlement of provisionally priced deliveries. We are generally obligated to deliver gold and silver to Silver Wheaton prior to the determination of final settlement prices. These forward sales contracts are entered into at the time we deliver gold and silver to Silver Wheaton, and are intended to mitigate the risk of subsequent adverse gold and silver price changes. Gains and losses resulting from the settlement of these derivatives are recorded directly to revenue, as the forward sales contracts do not achieve hedge accounting, and the associated cash flows are classified in operating activities.

Our swap agreements are with counterparties we believe to be creditworthy and do not require us to provide collateral.

Interest Rate and Foreign Exchange Risk Management

To the extent that we incur indebtedness at variable interest rates to fund our growth objectives, we may enter into interest rate hedging arrangements to manage our exposure to short-term interest rates. To the extent that we make commitments to capital expenditures denominated in foreign currencies, we may enter into foreign exchange forwards or acquire foreign currency outright, which may result in foreign exchange gains or losses in our consolidated income statements.

At December 31, 2016, approximately $116.2 million of our cash and cash equivalents was held in US dollars, approximately $27.2 million of our cash and cash equivalents was held in Canadian dollars, and approximately $3.5 million of our cash and cash equivalents was held in PEN.

TREND ANALYSIS AND QUARTERLY REVIEW

The following table sets forth selected consolidated financial information for each of our eight most recently completed quarters:

	2016				2015			
(in $ thousands)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	316,654	311,424	246,975	253,625	336,641	269,808	150,889	128,713
(Loss) profit before tax	(26,065)	42,001	6,557	(16,888)	(325,611)	(16,132)	(45,818)	(11,480)
(Loss) profit	(47,273)	33,571	(5,703)	(15,788)	(255,468)	(11,833)	(44,290)	(19,837)
(Loss) earnings per share:								
Basic	(0.20)	0.14	(0.02)	(0.07)	(1.09)	(0.05)	(0.19)	(0.08)
Diluted	(0.20)	0.14	(0.02)	(0.07)	(1.09)	(0.05)	(0.19)	(0.08)
Operating cash flow per share[1, 2]	0.52	0.53	0.30	0.30	0.50	0.34	0.07	0.08

[1] Operating cash flow per share is before precious metals stream deposit and change in non-cash working capital. It is a non-IFRS financial performance measure with no standardized definition under IFRS. For further information and a detailed reconciliation, refer to the discussion under "Non-IFRS Financial Reporting Measures" beginning on page 40 of this MD&A.

[2] Operating cash flow per share has been restated to reflect the presentation changes with respect to receivable and payable balances associated with copper fixed for floating swaps. For more information on this change, refer to note 4 of our December 31, 2016 consolidated financial statements.

Fiscal 2016 marks the first year where both the Constancia and Lalor mines were operating near capacity and also marks a year with considerable commodity price volatility. We benefited from rising copper and zinc prices during the fourth quarter of 2016 and from lower unit operating costs as a result of our cost containment commitment for 2016. The higher and stable operating cash flows generated from our operations enabled the net repayment of $95 million in principal on our Credit Facilities. In addition, during the fourth quarter, we re-financed our Redeemed Notes with New Notes that have later maturities and lower interest rates. We incurred a $47.7 million call premium during the fourth quarter of 2016 to facilitate the early redemption of the Redeemed Notes. As indicated, the fourth quarter of 2016 continued the trend of high and consistent production from our Constancia and Manitoba operations which contributed significantly to generating a gross profit of $78.2 million during the quarter.

In the third quarter of 2016, the steady increase in production and sales continued the trend of increasing revenues. The increase in production of concentrate in both Peru and Manitoba has resulted in lower unit costs as a result of the economies of scale achieved and the focus on cost optimization at all sites. The result of this production driven growth was an increase in gross profits compared to the prior year and prior quarters. Despite volatility in commodity price markets, particularly precious metals, realized prices in the third quarter were marginally higher than the most recent quarters.

In the second quarter of 2016, revenues remained consistent with the first quarter of 2016 as higher realized prices for precious metals offset marginal declines in sales volume due to the timing of production. Gross margins and cash generated from operating activities improved compared to the first quarter of 2016 as costs at Constancia benefited from continued site optimization and the Manitoba business unit benefited from cost reduction efforts as well as the weaker Canadian dollar.

In the first quarter of 2016, we continued to benefit from increased sales volumes following from commercial production being attained at Constancia. Lower average realized prices of copper compared to the quarters in 2015 partially offset the continued strong production volumes from the Peru operation and caused both gross profit and operating cash flow per share to be lower than in the fourth quarter of 2015.

The ramp-up of Constancia after reaching commercial production in the second quarter of 2015, drove revenues and gross profit higher in the third and fourth quarters of 2015, notwithstanding lower realized metals prices. Following from Constancia reaching commercial production, we no longer capitalize interest costs associated with financing Constancia development and therefore those charges are recognized in finance expenses. In addition, mining costs were favourably impacted in the Manitoba business unit with the weakening of the Canadian dollar versus the US dollar, which lowers costs denominated in Canadian dollars.

In the fourth quarter of 2015, we recognized a gain of $37.0 million on the disposal of the Balmat mine and took pre-tax goodwill and asset impairments for the Peru and Arizona business units of $378.9 million, mainly as a result of lower expected copper prices and an expected delay in construction at Rosemont.

In addition, in the third quarter of 2015 we incurred impairment charges of $34.5 million related to an equipment impairment in the Arizona business unit. Beginning July 1, 2015, Hudbay's parent entity changed its functional currency to the US dollar to reflect the achievement of commercial production at Constancia, which conducts most business in US dollars. The result is limited exposure for Hudbay on its consolidated income statements to fluctuations in the Canadian to US dollar exchange rate. During the second quarter of 2015, Constancia achieved commercial production with associated net proceeds from sales related to pre-production being credited to property, plant and equipment. This also resulted in the interest costs on our Redeemed Notes beginning to be treated as a finance expense. Constancia reported sales revenue from shipments in late June 2015, which resulted in an increase in sales compared to previous quarters.

There were a number of non-cash accounting adjustments in the second quarter of 2015 including the negative impact to cost of sales of the $17.1 million charge related to pension enhancements, which arose as a result of new collective agreements with all seven unions in Manitoba. In addition, during the second quarter of 2015, we recognized an impairment on our Lalor concentrator assets of $19.9 million as a result of the decision not to proceed with construction of a new concentrator at Lalor following the New Britannia acquisition in May 2015.

In the first quarter of 2015, sales revenue and operating cash flow per share increased primarily as a result of higher copper and zinc sales volumes offset partially by lower realized copper prices. The continued strengthening of the US dollar against the Canadian dollar positively impacted revenues while negatively impacting net profit as a result of unrealized losses on the revaluation of US dollar denominated net liability monetary items while the parent entity's functional currency was Canadian dollars.

In general, over the past eight quarters, revenues have varied as a result of volatile commodity prices and the timing of shipments, however, in most recent quarters we have benefited significantly from increased production from Constancia, Lalor and Reed.

The following table sets forth selected consolidated financial information for each of the three most recently completed years:

(in $ thousands, except for earnings (loss) per share and dividends declared per share)	**2016**	2015	2014
Revenue	**1,128,678**	886,051	507,515
Profit (loss) before tax	**5,605**	(399,041)	13,942
(Loss) profit	**(35,193)**	(331,428)	65,269
(Loss) earnings per share[1]	**(0.15)**	(1.41)	0.31
Total assets	**4,456,556**	4,479,585	4,850,881
Operating cash flow[2,3]	**387,868**	231,821	16,771
Total long-term financial liabilities[4]	**1,253,777**	1,232,640	1,016,722
Dividends declared per share - C$[5]	**0.02**	0.02	0.02

[1]Attributable to owners of the Company.

[2] Operating cash flow before precious metals stream deposit and change in non-cash working capital is a non-IFRS financial performance measure with no standardized definition under IFRS. For further information and a detailed reconciliation, please see page 40 of this MD&A.

[3] Operating cash flow per share has been restated to reflect the presentation changes with respect to receivable and payable balances associated with copper fixed for floating swaps. For more information on this change, refer to note 4 of our December 31, 2016 consolidated financial statements.

[4] Total long-term financial liabilities include non-current portions of net long-term debt, other financial liabilities.

[5]Dividend paid during March and September of each year.

In 2016, copper metal in concentrate produced rose by 18% compared to 2015 as a result of having a full year of operations at our Constancia operation. Zinc production rose 7% in Manitoba compared to 2015 while precious metals production climbed 20% compared to 2015. The higher production of metals allowed us to capitalize on higher copper and zinc prices later in 2016 and strong prices for precious metals earlier in 2016. The result was a 156% increase in cash generated from operations of $289.4 million to $475.1 million. Cash generated from operations also benefited from the collection of statutory receivables in Peru and reduced inventory levels. Operating cash flow before change in non-cash working capital rose by $156.0 million or 67%. Interest costs were approximately $27.3 million higher in 2016 compared to 2015 due to the cessation of capitalized interest following commercial production at Constancia. In 2016, we re-financed our Redeemed Notes and took a $47.7 million charge in relation to the call premium that was paid to facilitate the early redemption of the Redeemed Notes.

Although profit before tax was lower in 2015 compared to 2014, after excluding depreciation and impairment charges, profit was higher by 157% in 2015 driven by the aforementioned gross profit increases, a $37.0 million gain on disposal of Balmat in the fourth quarter of 2015 and the weakening of the Canadian dollar versus the US dollar which favourably impacts Canadian dollar costs in the Manitoba business unit. Impairment charges were taken in the third quarter of 2015 of $54.5 million related to certain equipment and long lead deposits in the Arizona business unit and Lalor concentrator assets in the Manitoba business unit. Goodwill and asset impairments for the Peru and Arizona business units were taken in the fourth quarter of 2015 of $313.3 million, after-tax, mainly as a result of lower expected copper prices and an expected delay in construction at Rosemont.

Operating cash flow before stream deposit and change in non-cash working capital was higher in 2015 compared to 2014 by $205.4 million as a result of the aforementioned sales volume growth.

ACCOUNTING CHANGES

New standards and interpretations adopted in 2016

For information on our adoption of new accounting standards and interpretations, refer to note 5 of our audited consolidated financial statements for the year ended in December 31, 2016.

New standards and interpretations not yet adopted

For information on new standards and interpretations not yet adopted, refer to note 5 of our audited consolidated financial statements for the year ended December 31, 2016.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires us to make judgements, estimates and assumptions that affect the application of accounting policies, reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

We review these estimates and underlying assumptions on an ongoing basis based on our experience and other factors, including expectations of future events that we believe to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Certain accounting estimates and judgements have been identified as being "critical" to the presentation of our financial condition and results of operations because they require us to make subjective and/or complex judgments about matters that are inherently uncertain; or there is a reasonable likelihood that materially different amounts could be reported under different conditions or using different assumptions and estimates.

The following are significant judgements and estimates impacting the consolidated financial statements:

- Judgements and estimates that affect multiple areas of the consolidated financial statements:
  - Mineral reserves and resources which form the basis of life of mine plans which are utilized in impairment testing, timing of payments related to decommissioning obligations and depreciation of capital assets. We estimate our ore reserves and mineral resources based on information compiled by qualified persons as defined in accordance with NI 43-101;
  - Determination of functional currency;
  - Income and mining taxes, including estimates of future taxable profit which impacts the ability to realize deferred tax assets on our balance sheet;
  - Commencement of commercial production which impacts the timing of revenue recognition, reclassification of capital works in progress and depreciation commencement;
  - Acquisition method accounting; and
  - In respect of the outcome of uncertain future events as it concerns recognizing contingent liabilities.
- Judgements and estimates that relate mainly to assets (these judgements may also affect other areas of the consolidated financial statements):
  - Property, plant and equipment:
    - Cost allocations for mine development;
    - Mining properties expenditures capitalized;
    - Classification of supply costs as related to capital development or inventory acquisition;
    - Determining when exploration and evaluation assets should be transferred to capital works in progress within property, plant and equipment;
    - Determination of when an asset or group of assets is in the condition and location to be ready for use as intended by management for the purposes of commencing deprecation;
    - Componentization;
    - Assessment of impairment, including determination of cash generating units and assessing indicators of impairment;
    - Recoverability of exploration and evaluation assets, including determination of cash generating units and assessing for indications of impairment;
    - Determining whether assets meet criteria for classification as held for sale;
    - Units of production depreciation;
    - Plant and equipment estimated useful lives and residual values;

  - Capitalized stripping costs; and
  - Finite life intangible assets.

- Impairment of non-financial assets:

  - Future production levels and timing;
  - Operating and capital costs;
  - Future commodity prices;
  - Foreign exchange rates; and
  - Risk adjusted discount rates.

- Valuation of acquired assets;
- Measurement and classification of Peruvian sales taxes paid; and
- In process inventory quantities, inventory cost allocations and inventory valuation.

- Judgements and estimates that relate mainly to liabilities (these judgements may also affect other areas of the consolidated financial statements):

  - Determining the accounting classification of the precious metals stream deposit;
  - Determination of deferred revenue per unit related to the precious metals stream transactions and determination of current portion of deferred revenue;
  - Pensions and other employee benefits;
  - Decommissioning, restoration and similar liabilities including estimated future costs and timing of spending;
  - Contingent liabilities; and
  - Capital commitments.

- Estimates that relate mainly to the consolidated income statements:

  - Assaying used to determine revenues and recoverability of inventories.

For more information on judgements and estimates, refer to note 2d of our consolidated financial statements for the year ended December 31, 2016.

NON-IFRS FINANCIAL PERFORMANCE MEASURES

Operating cash flow per share is included in this MD&A because we believe that it helps investors and management to evaluate changes in cash flow generated from the various operations while taking into account changes in shares outstanding. Net debt is shown because it is a performance measure used by the Company to assess our financial position. Cash cost, sustaining and all-in sustaining cash cost per pound of copper produced are shown because we believe they help investors and management assess the performance of our operations, including the margin generated by the operations and the company. Cash cost and sustaining cash cost per pound of zinc produced are shown because we believe they help investors and management assess the performance of our Manitoba operations. These measures do not have a meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS and are not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate these measures differently.

Operating Cash Flow per Share The following table presents our calculation of operating cash flow per share for the three months ended and year ended December 31, 2016 and December 31, 2015:

	Three months ended		Year ended	
(in $ thousands, except shares and per share amounts)	**Dec. 31, 2016**	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015
Cash generated in operating activities	**140,125**	70,768	**475,074**	185,665
Change in non-cash working capital	**(17,868)**	46,640	**(87,206)**	46,156
Operating cash flows before change in non-cash working capital	**122,257**	117,408	**387,868**	231,821
Weighted average shares outstanding - basic	**236,446,367**	235,231,688	**235,807,509**	234,675,080
Operating cash flows per share	**$ 0.52**	$ 0.50	**$ 1.64**	$ 0.99

Net Debt

The following table presents our calculation of net debt as at December 31, 2016 and December 31, 2015:

(in $ thousands)	**Dec. 31, 2016**	Dec. 31, 2015
Total long-term debt	**1,232,164**	1,274,880
Cash and cash equivalents	**(146,864)**	(53,852)
Net debt	**1,085,300**	1,221,028

Cash Cost, Sustaining and All-in Sustaining Cash Cost (Copper basis)

Cash cost per pound of copper produced ("cash cost") is a non-IFRS measure that management uses as a key performance indicator to assess the performance of our operations. Our calculation designates copper as our primary metal of production as it has been the largest component of revenues. The calculation is presented in four manners:

- **Cash cost, before by-product credits -** This measure is gross of by-product revenues and is a function of the efforts and costs incurred to mine and process all ore mined. However, the measure divides this aggregate cost over only pounds of copper produced, our primary metal of production. This measure is generally less volatile from period to period, as it is not affected by changes in the price received for by-product metals. It is, however, significantly affected by the relative mix of copper concentrate and finished zinc production, where the sale of the zinc will occur later, and an increase in production of zinc metal will tend to result in an increase in cash cost under this measure.

- **Cash cost, net of by-product credits -** In order to calculate the net cost to produce and sell copper, the net of by-product credits measure subtracts the revenues realized from the sale of the metals other than copper. The by-product revenues from zinc, gold, and silver are significant and are integral to the economics of our operations. The economics that support our decision to produce and sell copper would be different if we did not receive revenues from the other significant metals being extracted and processed. This measure provides management and investors with an indication of the minimum copper price consistent with positive operating cash flows and operating margins, assuming realized by-product metal prices are consistent with those prevailing during the reporting period. It also serves as an important operating statistic that management and investors utilize to measure our operating performance versus that of our competitors. However, it is important to understand that if by-product metal prices decline alongside copper prices, the cash cost net of by-product credits would increase, requiring a higher copper price than that reported to maintain positive cash flows and operating margins.

- **Sustaining cash cost, net of by-product credits -** This measure is an extension of cash cost that includes sustaining capital expenditures, capitalized exploration and net smelter returns royalties. It does not include corporate selling and administrative expenses. It provides a more fulsome measurement of the cost of sustaining production than cash cost, which is focused on operating costs only.

- **All-in sustaining cash cost, net of by-product credits -** This measure is an extension of sustaining cash cost that includes corporate G&A. Due to the inclusion of corporate selling and administrative expenses, all-in sustaining cash cost is presented on a consolidated basis only.

The tables below present a detailed build-up of cash cost and sustaining cash cost, net of by-product credits, by business unit in addition to consolidated all-in sustaining cash cost, net of by-product credits, and reconciliations between cash cost, net of by-product credits, to the most comparable IFRS measures of cost of sales for the years ended December 31, 2016 and 2015. Cash cost, net of by-product credits may not calculate exactly based on amounts presented in the tables below due to rounding.

Consolidated	Three months ended		Year ended	
Net pounds of copper produced[1]				
(in thousands)	**Dec. 31, 2016**	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015
Peru	**74,927**	83,194	**294,168**	206,183
Manitoba	**21,599**	22,937	**90,519**	91,234
Net pounds of copper produced[1]	**96,526**	106,131	**384,687**	297,417

[1] Contained copper in concentrate, exclusive of Constancia copper produced prior to the achievement of commercial production on May 1, 2015.

Consolidated	Three months ended				Year ended			
Cash cost per pound of	**Dec. 31, 2016**		Dec. 31, 2015		**Dec. 31, 2016**		Dec. 31, 2015	
copper produced	**$000s**	**$/lb**	$000s	$/lb	**$000s**	**$/lb**	$000s	$/lb
Cash cost, before by-product credits	**182,677**	**1.89**	213,495	2.01	**701,979**	**1.82**	641,290	2.16
By-product credits	**(101,043)**	**(1.05)**	(81,936)	(0.77)	**(345,828)**	**(0.90)**	(301,257)	(1.01)
Cash cost, net of by-product credits	**81,634**	**0.85**	131,559	1.24	**356,151**	**0.93**	340,033	1.15

Consolidated	Three months ended				Year ended			
Supplementary cash cost	**Dec. 31, 2016**		Dec. 31, 2015		**Dec. 31, 2016**		Dec. 31, 2015	
information	**000s**	**/lb** [1]	000s	/lb [1]	**000s**	**/lb** [1]	000s	/lb [1]
By-product credits:								
Zinc	**71,588**	**0.74**	49,936	0.47	**236,971**	**0.62**	214,151	0.72
Gold	**28,792**	**0.30**	32,038	0.30	**119,792**	**0.31**	106,671	0.36
Silver	**14,327**	**0.15**	11,134	0.10	**52,108**	**0.14**	29,652	0.10
Other	**640**	**0.01**	844	0.01	**2,719**	**0.01**	3,647	0.01
Total by-product credits	**115,347**	**1.20**	93,952	0.88	**411,590**	**1.08**	354,121	1.19
Less: deferred revenue	**(14,304)**	**(0.15)**	(13,169)	(0.12)	**(65,762)**	**(0.17)**	(51,860)	(0.17)
Less: pre-production credits	**-**	**-**	1,153	0.01	**-**	**-**	(1,004)	-
Total by-product credits, net of pre-production credits	**101,043**	**1.05**	81,936	0.77	**345,828**	**0.90**	301,257	1.01
Reconciliation to IFRS:								
Cash cost, net of by-product credits	**81,634**		131,559		**356,151**		340,033	
By-product credits	**115,347**		93,952		**411,590**		354,121	
Change in deferred revenues	**(14,304)**		(13,169)		**(65,762)**		(51,860)	
Pre-production revenues	**-**		1,153		**-**		(1,004)	
Treatment and refining charges [2]	**(29,401)**		(42,334)		**(118,382)**		(90,170)	
Share-based payment	**537**		199		**860**		209	
Pension enhancement	**-**		-		**-**		17,064	
Change in product inventory	**3,644**		11,335		**10,517**		(27,364)	
Royalties	**2,800**		2,853		**12,196**		9,666	
Depreciation and amortization[3]	**78,192**		92,290		**298,630**		216,992	
Cost of sales	**238,449**		277,838		**905,800**		767,687	

[1] Per pound of copper produced.

[2] Excludes $7,664 of treatment and refining charges which were incurred prior to commercial production during the year ended December 31, 2015.

[3] Depreciation is based on concentrate sold.

Peru	Three months ended		Year ended	
(in thousands)	**Dec. 31, 2016**	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015
Pounds of copper produced [1]	**74,927**	83,194	**294,168**	233,465
Less: pre-production production of copper produced [1]	**-**	-	**-**	(27,282)
Net pounds of copper produced [1]	**74,927**	83,194	**294,168**	206,183

[1] Contained copper in concentrate.

Peru	Three months ended				Year ended			
Cash cost per pound of copper produced		**Dec. 31, 2016**		Dec. 31, 2015		**Dec. 31, 2016**		Dec. 31, 2015
	$000s	**$/lb**	$000s	$/lb	**$000s**	**$/lb**	$000s	$/lb
Mining	**12,261**	**0.16**	20,780	0.25	**55,570**	**0.19**	46,602	0.23
Milling	**32,253**	**0.43**	29,792	0.36	**118,721**	**0.40**	78,253	0.38
G&A	**12,957**	**0.17**	13,232	0.16	**44,401**	**0.15**	31,077	0.15
Onsite costs	**57,471**	**0.77**	63,804	0.77	**218,692**	**0.74**	155,932	0.76
Treatment & refining	**23,256**	**0.31**	32,712	0.39	**83,574**	**0.28**	55,143	0.27
Freight & other	**11,806**	**0.16**	22,019	0.26	**51,205**	**0.17**	42,428	0.21
Cash cost, before by-product credits	**92,533**	**1.23**	118,535	1.42	**353,471**	**1.20**	253,503	1.23
By-product credits	**(9,691)**	**(0.13)**	(8,403)	(0.10)	**(34,045)**	**(0.12)**	(14,006)	(0.07)
Cash cost, net of by-product credits	**82,842**	**1.11**	110,132	1.32	**319,426**	**1.09**	239,497	1.16

Peru	Three months ended				Year ended			
Supplementary cash cost	**Dec. 31, 2016**		Dec. 31, 2015		**Dec. 31, 2016**		Dec. 31, 2015	
information	**$000s**	**$/lb [1]**	$000s	$/lb [1]	**$000s**	**$/lb [1]**	$000s	$/lb [1]
By-product credits:								
Gold	**5,961**	**0.08**	5,873	0.07	**22,886**	**0.08**	12,451	0.06
Silver	**10,366**	**0.14**	7,230	0.09	**35,589**	**0.12**	15,948	0.08
Other	**-**	**-**	-	-	**129**	**-**	-	-
Total by-product credits	**16,327**	**0.22**	13,103	0.16	**58,604**	**0.20**	28,399	0.14
Less: deferred revenue	**(6,636)**	**(0.09)**	(5,853)	(0.07)	**(24,559)**	**(0.08)**	(13,389)	(0.06)
Less: pre-production credits	**-**	**-**	1,153	0.01	**-**	**-**	(1,004)	-
Total by-product credits, net of pre-production credits	**9,691**	**0.13**	8,403	0.10	**34,045**	**0.12**	14,006	0.07
Reconciliation to IFRS:								
Cash cost, net of by-product credits	**82,842**		110,132		**319,426**		239,497	
By-product credits	**16,327**		13,103		**58,604**		28,399	
Change in deferred revenues	**(6,636)**		(5,853)		**(24,559)**		(13,389)	
Pre-production revenues	**-**		1,153		**-**		(1,004)	
Treatment and refining charges[2]	**(23,256)**		(32,712)		**(83,574)**		(55,143)	
Share-based payment	**43**		-		**112**		-	
Change in product inventory	**8,538**		11,008		**13,544**		(24,717)	
Royalties	**1,189**		1,555		**5,580**		3,865	
Depreciation and amortization[3]	**48,847**		62,278		**178,099**		108,437	
Cost of sales	**127,894**		160,664		**467,232**		285,945	

[1] Per pound of copper produced.

[2] Excludes $7,664 of treatment and refining charges which were incurred prior to commercial production during the year ended December 31, 2016.

[3] Depreciation is based on concentrate sold.

Manitoba	Three months ended		Year ended	
(in thousands)	**Dec. 31, 2016**	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015
Net pounds of copper produced[1]	**21,599**	22,937	**90,519**	91,234

[1] Contained copper in concentrate.

Manitoba	Three months ended				Year ended			
Cash cost per pound of	**Dec. 31, 2016**		Dec. 31, 2015		**Dec. 31, 2016**		Dec. 31, 2015	
copper produced	**$ 000s**	**$/lb**	$000s	$/lb	**$000s**	**$/lb**	$000s	$/lb
Mining	**29,193**	**1.35**	35,685	1.56	**116,973**	**1.29**	128,907	1.41
Milling	**11,767**	**0.54**	9,635	0.42	**43,885**	**0.48**	38,768	0.42
Refining (zinc)	**17,113**	**0.79**	15,959	0.70	**65,587**	**0.72**	62,795	0.69
G&A	**13,291**	**0.62**	12,300	0.54	**39,970**	**0.44**	56,076	0.61
Purchased ore and zinc concentrates	**4,501**	**0.21**	2,514	0.11	**16,705**	**0.18**	30,677	0.34
Onsite costs	**75,865**	**3.51**	76,093	3.32	**283,120**	**3.13**	317,223	3.48
Treatment & refining	**6,145**	**0.28**	9,622	0.42	**34,808**	**0.38**	35,027	0.38
Freight & other	**8,134**	**0.38**	9,245	0.40	**30,580**	**0.34**	35,537	0.39
Cash cost, before by-product credits	**90,144**	**4.17**	94,960	4.14	**348,508**	**3.85**	387,787	4.25
By-product credits	**(91,352)**	**(4.23)**	(73,533)	(3.21)	**(311,783)**	**(3.44)**	(287,251)	(3.15)
Cash cost, net of by-product credits	**(1,208)**	**(0.06)**	21,427	0.93	**36,725**	**0.41**	100,536	1.10

Manitoba	Three months ended				Year ended			
Supplementary cash cost	**Dec. 31, 2016**		Dec. 31, 2015		**Dec. 31, 2016**		Dec. 31, 2015	
information	**$000s**	**$/lb [1]**	$000s	$/lb [1]	**$000s**	**$/lb [1]**	$000s	$/lb [1]
By-product credits:								
Zinc	**71,588**	**3.31**	49,936	2.18	**236,971**	**2.62**	214,151	2.35
Gold	**22,831**	**1.06**	26,165	1.14	**96,906**	**1.07**	94,220	1.03
Silver	**3,961**	**0.18**	3,904	0.17	**16,519**	**0.18**	13,704	0.15
Other	**640**	**0.03**	844	0.04	**2,590**	**0.03**	3,647	0.04
Total by-product credits	**99,020**	**4.58**	80,849	3.52	**352,986**	**3.90**	325,722	3.57
Less: deferred revenue	**(7,668)**	**(0.35)**	(7,316)	(0.32)	**(41,203)**	**(0.46)**	(38,471)	(0.42)
Total by-product credits, net of pre-production credits	**91,352**	**4.23**	73,533	3.21	**311,783**	**3.44**	287,251	3.15
Reconciliation to IFRS:								
Cash cost, net of by-product credits	**(1,208)**		21,427		**36,725**		100,536	
By-product credits	**99,020**		80,849		**352,986**		325,722	
Change in deferred revenues	**(7,668)**		(7,316)		**(41,203)**		(38,471)	
Treatment and refining charges	**(6,145)**		(9,622)		**(34,808)**		(35,027)	
Share-based payment	**494**		199		**748**		209	
Pension enhancement	**-**		-		**-**		17,064	
Change in product inventory	**(4,894)**		327		**(3,027)**		(2,647)	
Royalties	**1,611**		1,298		**6,616**		5,801	
Depreciation and amortization[2]	**29,345**		30,012		**120,531**		108,555	
Cost of sales	**110,555**		117,174		**438,568**		481,742	

[1] Per pound of copper produced.

[2] Depreciation is based on concentrate sold.

Consolidated			Three months ended		Year ended			
All-in sustaining cash cost per	**Dec. 31, 2016**		Dec. 31, 2015		**Dec. 31, 2016**		Dec. 31, 2015	
pound of copper produced	**$000s**	**$/lb**	$000s	$/lb	**$000s**	**$/lb**	$000s	$/lb
Cash cost, net of by-product credits	**81,634**	**0.85**	131,559	1.24	**356,151**	**0.93**	340,033	1.15
Sustaining capital expenditures-cash[1]	**43,831**	**0.45**	69,074	0.65	**178,023**	**0.46**	224,965	0.76
Capitalized exploration	**-**	**-**	1,686	0.02	**1,898**	**-**	4,951	0.02
Royalties	**2,800**	**0.03**	2,853	0.03	**12,196**	**0.03**	9,666	0.03
Sustaining cash cost, net of by-product credits	**128,265**	**1.33**	205,172	1.93	**548,268**	**1.43**	579,615	1.95
Corporate selling and administrative expenses	**12,623**	**0.13**	7,572	0.07	**37,774**	**0.10**	30,937	0.10
All-in sustaining cash cost, net of by-product credits	**140,888**	**1.46**	212,744	2.00	**586,042**	**1.52**	610,552	2.05

[1] Excludes costs associated with pre-commercial production output.

Peru			Three months ended		Year ended			
Sustaining cash cost per pound	**Dec. 31, 2016**		Dec. 31, 2015		**Dec. 31, 2016**		Dec. 31, 2015	
of copper produced	**$000s**	**$/lb**	$000s	$/lb	**$000s**	**$/lb**	$000s	$/lb
Cash cost, net of by-product credits	**82,842**	**1.11**	110,132	1.32	**319,426**	**1.09**	239,497	1.16
Sustaining capital expenditures-cash[1]	**31,673**	**0.42**	48,646	0.58	**118,034**	**0.40**	152,285	0.74
Royalties	**1,189**	**0.02**	1,555	0.02	**5,580**	**0.02**	3,865	0.02
Sustaining cash cost per pound of copper produced	**115,704**	**1.54**	160,333	1.93	**443,040**	**1.51**	395,647	1.92

[1] Excludes costs associated with pre-commercial production output.

Manitoba			Three months ended		Year ended			
Sustaining cash cost per pound	**Dec. 31, 2016**		Dec. 31, 2015		**Dec. 31, 2016**		Dec. 31, 2015	
of copper produced	**$000s**	**$/lb**	$000s	$/lb	**$000s**	**$/lb**	$000s	$/lb
Cash cost, net of by-product credits	**(1,208)**	**(0.06)**	21,427	0.93	**36,725**	**0.41**	100,536	1.10
Sustaining capital expenditures - cash	**12,158**	**0.56**	20,428	0.89	**59,989**	**0.66**	72,680	0.80
Capitalized exploration	**-**	**-**	1,686	0.07	**1,898**	**0.02**	4,951	0.05
Royalties	**1,611**	**0.07**	1,298	0.06	**6,616**	**0.07**	5,801	0.06
Sustaining cash cost per pound of copper produced	**12,561**	**0.58**	44,839	1.95	**105,228**	**1.16**	183,968	2.02

Zinc Cash Cost and Zinc Sustaining Cash Cost

Cash cost per pound of zinc produced ("zinc cash cost") is a non-IFRS measure that management uses as a key performance indicator to assess the performance of our Manitoba operations. This alternative cash cost calculation designates zinc as our primary metal of production as it is becoming the largest component of revenues for our Manitoba business unit, and should therefore be less volatile over time than Manitoba cash cost per pound of copper. The calculation is presented in three manners:

- **Zinc cash cost, before by-product credits -** This measure is gross of by-product revenues and is a function of the efforts and costs incurred to mine and process all ore mined. However, the measure divides this aggregate cost over only pounds of zinc produced, our primary metal of production. This measure is generally less volatile from period to period, as it is not affected by changes in the price received for by-product metals. It is, however, significantly affected by the relative mix of copper concentrate and finished zinc production, where the sale of the copper will occur later, and an increase in production of copper metal will tend to result in an increase in zinc cash cost under this measure.

- **Zinc cash cost, net of by-product credits -** In order to calculate the net cost to produce and sell zinc, the net of by-product credits measure subtracts the revenues realized from the sale of the metals other than zinc. The by-product revenues from copper, gold, and silver are significant and are integral to the economics of our Manitoba operation. The economics that support our decision to produce and sell zinc would be different if we did not receive revenues from the other significant metals being extracted and processed. This measure provides management and investors with an indication of the minimum zinc price consistent with positive operating cash flows and operating margins, assuming realized by-product metal prices are consistent with those prevailing during the reporting period. It also serves as an important operating statistic that management and investors utilize to measure our operating performance at Manitoba operation versus that of our competitors. However, it is important to understand that if by-product metal prices decline alongside zinc prices, the zinc cash cost net of by-product credits would increase, requiring a higher zinc price than that reported to maintain positive cash flows and operating margins.

- **Zinc sustaining cash cost, net of by-product credits -** This measure is an extension of zinc cash cost that includes sustaining capital expenditures, capitalized exploration and net smelter returns royalties. It does not include corporate selling and administrative expenses. It provides a more fulsome measurement of the cost of sustaining production than zinc cash cost, which is focused on operating costs only.

The tables below present a detailed build-up of zinc cash cost and zinc sustaining cash cost, net of by-product credits, for the Manitoba business unit, and reconciliations between zinc cash cost, net of by-product credits, to the most comparable IFRS measures of cost of sales for the years ended December 31, 2016 and 2015. Zinc cash cost, net of by-product credits, may not calculate exactly based on amounts presented in the tables below due to rounding.

Manitoba	Three months ended		Year ended	
(in thousands)	**Dec. 31, 2016**	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015
Pounds of zinc produced[1]	**64,251**	71,346	**243,791**	226,897
Less: pre-production pounds of				
Net pounds of zinc produced[1]	**64,251**	71,346	**243,791**	226,897

[1] Contained zinc in concentrate.

Manitoba	Three months ended				Year ended			
Cash cost per pound of	**Dec. 31, 2016**		Dec. 31, 2015		**Dec. 31, 2016**		Dec. 31, 2015	
zinc produced	**$000s**	**$/lb**	$000s	$/lb	**$000s**	**$/lb**	$000s	$/lb
Cash cost, before by-product credits[1]	**90,144**	**1.40**	94,960	1.33	**348,508**	**1.43**	387,787	1.71
By-product credits	**(67,025)**	**(1.04)**	(68,943)	(0.97)	**(269,304)**	**(1.10)**	(281,973)	(1.24)
Zinc cash cost, net of by-product credits	**23,119**	**0.36**	26,017	0.36	**79,204**	**0.32**	105,814	0.47

[1] For additional detail on cash cost, before by-product credits please see page 45 of this MD&A.

	Three months ended				Year ended			
Supplementary cash cost	**Dec. 31, 2016**		Dec. 31, 2015		**Dec. 31, 2016**		Dec. 31, 2015	
information	**$000s**	**$/lb [1]**	$000s	$/lb [1]	**$000s**	**$/lb [1]**	$000s	$/lb [1]
By-product credits:								
Copper	**47,261**	**0.74**	45,346	0.64	**194,492**	**0.80**	208,873	0.92
Gold	**22,831**	**0.36**	26,165	0.37	**96,906**	**0.40**	94,220	0.42
Silver	**3,961**	**0.06**	3,904	0.05	**16,519**	**0.07**	13,704	0.06
Other	**640**	**0.01**	844	0.01	**2,590**	**0.01**	3,647	0.02
Total by-product credits	**74,693**	**1.16**	76,259	1.07	**310,507**	**1.27**	320,444	1.41
Less: deferred revenue	**(7,668)**	**(0.12)**	(7,316)	(0.10)	**(41,203)**	**(0.17)**	(38,471)	(0.17)
Total by-product credits, net of pre-production credits	**67,025**	**1.04**	68,943	0.97	**269,304**	**1.10**	281,973	1.24
Reconciliation to IFRS:								
Cash cost, net of by-product credits	**23,119**		26,017		**79,204**		105,814	
By-product credits	**74,693**		76,259		**310,507**		320,444	
Change in deferred revenues	**(7,668)**		(7,316)		**(41,203)**		(38,471)	
Treatment and refining charges	**(6,145)**		(9,622)		**(34,808)**		(35,027)	
Share-based payment	**494**		199		**748**		209	
Pension enhancement	**-**		-		**-**		17,064	
Change in product inventory	**(4,894)**		327		**(3,027)**		(2,647)	
Royalties	**1,611**		1,298		**6,616**		5,801	
Depreciation and amortization[2]	**29,345**		30,012		**120,531**		108,555	
Cost of sales	**110,555**		117,174		**438,568**		481,742	

[1] Per pound of zinc produced.

[2] Depreciation is based on concentrate sold.

Manitoba	Three months ended				Year ended			
Sustaining cash cost per pound	**Dec. 31, 2016**		Dec. 31, 2015		**Dec. 31, 2016**		Dec. 31, 2015	
of zinc produced	**$000s**	**$/lb**	$000s	$/lb	**$000s**	**$/lb**	$000s	$/lb
Zinc cash cost, net of by-product credits	**23,119**	**0.36**	26,017	0.36	**79,204**	**0.32**	105,814	0.47
Sustaining capital expenditures - cash	**12,158**	**0.19**	20,428	0.29	**59,989**	**0.25**	72,680	0.32
Capitalized exploration	**-**	**-**	1,686	0.02	**1,898**	**0.01**	4,951	0.02
Royalties	**1,611**	**0.03**	1,298	0.02	**6,616**	**0.03**	5,801	0.03
Sustaining cash cost per pound of zinc produced	**36,888**	**0.57**	49,429	0.69	**147,707**	**0.61**	189,246	0.83

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures ("DC&P")

Management is responsible for establishing and maintaining adequate DC&P. As of December 31, 2016, we have evaluated the effectiveness of the design and operation of our DC&P in accordance with requirements of National Instrument 52-109 of the Canadian Securities Commission ("NI 52-109") and the Sarbanes Oxley Act of 2002 (as adopted by the US Securities and Exchange Commission). Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") supervised and participated in this evaluation.

As of December 31, 2016, based on management's evaluation, our CEO and CFO concluded that our DC&P were effective to ensure that information required to be disclosed by us in reports we file or submit is recorded, processed, summarized and reported within the time periods specified in securities legislation and is accumulated and communicated to our management, including our CEO and CFO, to allow timely decisions regarding required disclosure.

Internal control over financial reporting ("ICFR")

Management is responsible for establishing and maintaining adequate ICFR. Under the supervision and with the participation of our management, including our CEO and CFO, we evaluated the effectiveness of our ICFR based upon the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management's evaluation, our CEO and CFO concluded that our ICFR was effective as of December 31, 2016.

The Company's internal control over financial reporting as at December 31, 2016 has been audited by Deloitte LLP, Independent Registered Public Accounting Firm who also audited the Company's consolidated financial statements for the year ended December 31, 2016. Deloitte LLP expressed an unqualified opinion on the Company's internal control over financial reporting.

Changes in ICFR

We did not make any changes to ICFR during the year ended December 31, 2016 that materially affected, or are reasonably likely to materially affect, our ICFR.

Inherent limitations of controls and procedures

All internal control systems, no matter how well designed, have inherent limitations. As a result, even systems determined to be effective may not prevent or detect misstatements on a timely basis, as systems can provide only reasonable assurance that the objectives of the control system are met. In addition, projections of any evaluation of the effectiveness of ICFR to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may change.

NOTES TO READER

Forward-Looking Information

This MD&A contains forward-looking information within the meaning of applicable Canadian and United States securities legislation. All information contained in this MD&A, other than statements of current and historical fact, is forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects”, “budget”, “guidance”, “scheduled”, “estimates”, “forecasts”, “strategy”, “target”, “intends”, “objective”, “goal”, “understands”, “anticipates” and “believes” (and variations of these or similar words) and statements that certain actions, events or results “may”, “could”, “would”, “should”, “might” “occur” or “be achieved” or “will be taken” (and variations of these or similar expressions). All of the forward-looking information in this MD&A is qualified by this cautionary note.

Forward-looking information includes, but is not limited to, production, cost and capital and exploration expenditure guidance, including anticipated capital and operating cost savings and anticipated production at our mines and processing facilities, the anticipated timing, cost and benefits of developing the Pampacancha deposit and Lalor paste backfill plant, anticipated mine plans, anticipated metals prices and the anticipated sensitivity of our financial performance to metals prices, events that may affect our operations and development projects, anticipated cash flows from operations and related liquidity requirements, the potential outcome of labour negotiations in Peru, the anticipated effect of external factors on revenue, such as commodity prices, economic outlook, government regulation of mining operations, and business and acquisition strategies. Forward-looking information is not, and cannot be, a guarantee of future results or events. Forward-looking information is based on, among other things, opinions, assumptions, estimates and analyses that, while considered reasonable by us at the date the forward-looking information is provided, inherently are subject to significant risks, uncertainties, contingencies and other factors that may cause actual results and events to be materially different from those expressed or implied by the forward-looking information.

The material factors or assumptions that we identified and were applied by us in drawing conclusions or making forecasts or projections set out in the forward-looking information include, but are not limited to:

- the success of mining, processing, exploration and development activities;
- the scheduled maintenance and availability of our processing facilities;
- the sustainability and success of Hudbay’s cost reduction initiatives;
- the accuracy of geological, mining and metallurgical estimates;
- anticipated metals prices and the costs of production;
- the supply and demand for metals we produce;
- the supply and availability of all forms of energy and fuels at reasonable prices;
- no significant unanticipated operational or technical difficulties;
- the execution of our business and growth strategies, including the success of our strategic investments and initiatives;
- the availability of additional financing, if needed;
- the ability to complete project targets on time and on budget and other events that may affect our ability to develop our projects;
- the timing and receipt of various regulatory and governmental approvals;
- the availability of personnel for our exploration, development and operational projects and ongoing employee relations;
- the ability to secure required land rights to develop the Pampacancha deposit;
- maintaining good relations with the communities in which we operate, including the communities surrounding our Constancia mine and Rosemont project and First Nations communities surrounding our Lalor and Reed mines;
- no significant unanticipated challenges with stakeholders at our various projects;
- the ability to successfully conclude a collective agreement with the labour union at Constancia;
- no significant unanticipated events or changes relating to regulatory, environmental, health and safety matters;

- no contests over title to our properties, including as a result of rights or claimed rights of aboriginal peoples;
- the timing and possible outcome of pending litigation and no significant unanticipated litigation;
- certain tax matters, including, but not limited to current tax laws and regulations and the refund of certain value added taxes from the Canadian and Peruvian governments; and
- no significant and continuing adverse changes in general economic conditions or conditions in the financial markets (including commodity prices and foreign exchange rates).

The risks, uncertainties, contingencies and other factors that may cause actual results to differ materially from those expressed or implied by the forward-looking information may include, but are not limited to, risks generally associated with the mining industry, such as economic factors (including future commodity prices, currency fluctuations, energy prices and general cost escalation), uncertainties related to the development and operation of our projects (including risks associated with the economics and permitting of the Rosemont project and related legal challenges), risks related to the maturing nature of our 777 mine and its impact on the related Flin Flon metallurgical complex, dependence on key personnel and employee and union relations, risks related to political or social unrest or change, risks in respect of aboriginal and community relations, rights and title claims, operational risks and hazards, including unanticipated environmental, industrial and geological events and developments and the inability to insure against all risks, failure of plant, equipment, processes, transportation and other infrastructure to operate as anticipated, compliance with government and environmental regulations, including permitting requirements and anti-bribery legislation, depletion of our reserves, volatile financial markets that may affect our ability to obtain additional financing on acceptable terms, the permitting and development of the Rosemont project not occurring as planned, the failure to obtain required approvals or clearances from government authorities on a timely basis, uncertainties related to the geology, continuity, grade and estimates of mineral reserves and resources, and the potential for variations in grade and recovery rates, uncertain costs of reclamation activities, our ability to comply with our pension and other post-retirement obligations, our ability to abide by the covenants in our debt instruments and other material contracts, tax refunds, hedging transactions, as well as the risks discussed under the heading “Risk Factors” in our most recent Annual Information Form.

Should one or more risk, uncertainty, contingency or other factor materialize or should any factor or assumption prove incorrect, actual results could vary materially from those expressed or implied in the forward-looking information. Accordingly, you should not place undue reliance on forward-looking information. We do not assume any obligation to update or revise any forward-looking information after the date of this MD&A or to explain any material difference between subsequent actual events and any forward-looking information, except as required by applicable law.

Note to United States Investors

This MD&A has been prepared in accordance with the requirements of the securities laws in effect in Canada, which may differ materially from the requirements of United States securities laws applicable to US issuers.

Qualified Person

The technical and scientific information in this MD&A related to the Constancia mine has been approved by Cashel Meagher, P. Geo, our Senior Vice President and Chief Operating Officer. The technical and scientific information related to all other sites and projects contained in this MD&A has been approved by Robert Carter, P. Eng, our Lalor Mine Manager. Messrs. Meagher and Carter are qualified persons pursuant to NI 43-101. For a description of the key assumptions, parameters and methods used to estimate mineral reserves and resources, as well as data verification procedures and a general discussion of the extent to which the estimates of scientific and technical information may be affected by any known environmental, permitting, legal title, taxation, sociopolitical, marketing or other relevant factors, please see the Technical Reports for our material properties as filed by us on SEDAR at www.sedar.com.

Exhibit 99.4

Disclosure Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act

Hudbay Minerals Inc. ("Hudbay" or the "Registrant") is committed to the health and safety of its employees and to providing an incident free workplace.

Hudbay's U.S. mining operations are subject to Federal Mine Safety and Health Administration (the "MSHA") regulation under the U.S. Federal Mine Safety and Health Act of 1977 (the "FMSH Act"). The MSHA inspects Hudbay's mines on a regular basis and issues various citations and orders when it believes a violation has occurred under the FMSH Act. Whenever the MSHA issues a citation or order, it also generally proposes a civil penalty, or fine, related to the alleged violation.

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine are required to disclose in their periodic reports filed with the Commission information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities. During the fiscal year ended December 31, 2016, the Registrant's Rosemont Copper Project did not receive any citations or orders from the MSHA alleging violations specified by the Dodd-Frank Act.

In addition, as required by the reporting requirements regarding mine safety included in section 1503(a)(2) of the Dodd-Frank Act, for the year ended December 31, 2016, none of the mines operated by Hudbay received written notice from the MSHA of (a) a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of mine health or safety hazards under section 104(e) of the FMSH Act or (b) the potential to have such a pattern.

HUDBAY MINERALS INC.
(the "**Company**")

CODE OF BUSINESS CONDUCT AND ETHICS

INTRODUCTION

This Code of Business Conduct and Ethics (" **Code**") sets out basic principles to guide all directors, officers and employees of the Company or any of its subsidiaries or affiliates[1] (collectively, the "**HB Group**") and all other persons acting on behalf of the HB Group (collectively, with the directors, officers and employees of the HB Group, "**HB Personnel**") in the ethical conduct of business. All HB Personnel must conduct themselves accordingly and seek to avoid even the appearance of improper behavior. If a law conflicts with a policy in this Code, HB Personnel must comply with the law.

The HB Group is committed to conducting business honestly, ethically and in compliance with the laws of the jurisdictions in which it operates and owns assets, and expects its suppliers and service providers to act in the same manner. Operating our company openly, fairly and with integrity, and insisting that others who act on our behalf do the same, is the proper way to run our business and the right way to treat our stakeholders.

HB Personnel who violate the standards in this Code will be subject to disciplinary action, which could include the termination of their employment or other relationship with the HB Group. **If you are in a situation that you believe may violate or lead to a violation of this Code, follow the guidelines described below under "Compliance Procedures"**.

PURPOSE

The purpose of the Code is to:

- Promote honest and ethical conduct of all HB Personnel and promote the HB Group's longstanding culture of honesty and accountability;
- Promote avoidance of conflicts of interest between personal interests of HB Personnel and professional interests of the HB Group, and provide guidance in the ethical handling of actual or apparent conflicts of interest;
- Promote full, fair, accurate, timely and understandable disclosure in the HB Group's documents submitted to or filed with securities regulators, and in its other public communications;
- Ensure compliance with applicable laws, rules and regulations;

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1 A company is a subsidiary of another company if it is controlled, directly or indirectly, by that other company (through one or more intermediaries or otherwise). A company is an affiliate of another company if either one of them is the subsidiary of the other company or if both are subsidiaries of the same company or if each of them is controlled by the same person or company.

- Promote the prompt internal reporting to an appropriate person of violations of this Code, including, through the use of the HB Group's confidential 'whistleblower' service.

LEGAL COMPLIANCE

Compliance with Laws, Rules and Regulations (including Insider Trading Laws and Timely Disclosure)

HB Personnel are expected to comply in good faith at all times with all applicable laws, rules and regulations and behave in an ethical manner.

HB Personnel are required to comply with the Company's Timely Disclosure, Confidentiality and Insider Trading Policy and all other policies and procedures applicable to them that are adopted by the Company from time to time.

HB Personnel must cooperate fully with Company officers in the preparation of documents to be filed with the securities regulatory authorities and all other publicly disclosed materials to ensure those persons are aware in a timely manner of all information that is required to be disclosed. HB Personnel should also cooperate fully with the independent auditors in their audits and in assisting in the preparation of financial disclosure.

THIRD PARTY RELATIONSHIPS

Conflict of Interest

HB Personnel are required to act with honesty and integrity and to avoid any relationship or activity that might create, or appear to create, a conflict between their personal interests and the interests of the HB Group.

"Conflicts of interest" arise where an individual's private interests interfere in any way with the interests of the HB Group. A conflict of interest can arise when HB Personnel take actions or have interests that may interfere with the performance of their work for the HB Group objectively, giving priority to the HB Group's professional interests over their personal interests, or interests of a third party. HB Personnel shall perform the responsibilities of their positions on the basis of what is in the best interests of the HB Group, free from the influence of personal considerations and third party relationships.

Conflicts of interest may not always be clear-cut. If you have a question, you should consult with your supervisor, department head, or the Head of the Legal group. Any HB Personnel who become aware of a conflict or potential conflict should bring it to the attention of their supervisor, department head or Head of the Legal group and consult the procedures described below under "**Compliance Procedures**".

Gifts, Entertainment and Hospitality

Business gifts and entertainment are customary courtesies designed to build goodwill and constructive relationships among business partners. However, a problem may arise when these courtesies compromise, or appear to compromise, the HB Group's ability to make fair and objective business decisions or to gain an unfair advantage.

HB Personnel or their immediate families shall not use their position with the HB Group to solicit any cash, gifts or free services from any HB Group customer, supplier or contractor for their or their immediate family's or friend's personal benefit. Gifts or entertainment from others should not be accepted if they could be reasonably considered to be extravagant for the employee, officer or director who receives it, or otherwise improperly influence the HB Group's business relationship with or create an obligation to a customer, supplier or contractor. In no circumstance will it be acceptable for HB Personnel to accept a cash gift, regardless of the amount.

Similarly, no HB Personnel should ever offer, give or provide any gift, entertainment or hospitality unless it is not a cash gift, is consistent with customary business practices, is not excessive in value, cannot be construed as a bribe or payoff, and does not violate any applicable laws. **Strict rules apply when the HB Group does business with governmental agencies and officials, as discussed in more detail below.**

In general, nominal gifts such as pens, caps, shirts and mugs are acceptable. Invitations to social, cultural or sporting events may be accepted if the cost is reasonable and your attendance serves a customary business purpose such as networking. More extravagant or costly invitations should only be accepted in consultation with your manager, and when in doubt, the Company's Legal Department.

Payments to Government Personnel

All HB Personnel must comply with all laws prohibiting improper payments to government officials, including the *Corruption of Foreign Public Officials Act* (Canada) (the "**CFPOA**") and the *Foreign Corrupt Practices Act* (US) (the "**FCPA**"). These Acts prohibit, among other things, offering, promising or giving (or authorizing any of those activities) anything of value, directly or indirectly, to a foreign government official, official of a political party or political candidate, or to any official of any public international organization to influence any of their acts or decisions or to obtain or retain business or secure any other improper advantage.

Similarly, other governments have laws regarding business gifts that may be accepted by government personnel. The promise, offer or delivery to an official or employee of various governments of a gift, favour or other gratuity in violation of these laws would not only violate Company policy but could also be a criminal offense. It is important for HB Personnel to consult with the Company's Legal Department whenever they believe they may be embarking on conduct that may raise potential issues under applicable anti-corruption laws.

HB Personnel must also ensure that any agents, consultants, or other intermediaries engaged by HB understand and comply with the CFPOA and FCPA, and no third party should be engaged by the Company if the third party engages in, or is suspected of engaging in, bribes, kickbacks, improper payments, or any other conduct that may violate the CFPOA or FCPA. HB Personnel should consult with the Company's Legal Department when agents, consultants, or other intermediaries may interact with foreign government officials.

Penalties for violations of the FCPA are severe and may include fines against an individual of up to US$250,000 for each violation and fines against the Company of up to US$2 million. The

financial consequences of an FCPA violation can escalate significantly through ‘disgorgement of profits’ and other penalty enhancers.

In the event that payments are made to third parties on behalf of governmental entities for legitimate purposes, HB Personnel should closely monitor such payments for fair valuation of the payments compared to the goods or services being provided to reduce the risk of kickbacks from the third-party suppliers to the applicable governmental personnel. HB Personnel should ensure that any such payments are properly recorded in the applicable business entity’s books and records, including documentation of the specific deliverables received. HB Personnel may not make or authorize cash or cash equivalent (e.g., check) reimbursements or payments of any kind to individual government officials without prior written authorization from the Company’s Legal Department.

Laws of certain countries in respect of anti-bribery and corruption do not limit the restriction on bribery and improper gifts and payments to government officials and, accordingly, any bribe, or improper gift or payment to any third party with the intent to obtain an improper advantage or to retain business is prohibited.

Facilitation payments are unofficial payments (as opposed to legitimate and official fees and taxes) made to an individual for the purpose of securing or accelerating the performance of a service or a routine government action to which the person or company paying is already entitled. These types of payments are prohibited.

There are narrow exceptions to the provisions of the FCPA. Because the legality of payments to government officials in particular situations is hard to determine, HB Personnel must consult with the Company’s Legal Department before making any such payments to avoid potential liability or even the appearance of impropriety. Any HB Personnel who has reason to believe that either the CFPOA or FCPA has been violated should report such conduct as discussed below and in the Company’s Whistleblower Policy.

Government Relations and Political Contributions; Influencing Testimony

HB Personnel may participate in the political process as private citizens. HB Personnel may not work on behalf of a candidate’s campaign while at work or use the HB Group’s facilities for that purpose. It is important to separate personal political activity from the HB Group’s interests, in order to comply with applicable laws relating to lobbying or attempting to influence government officials.

All HB Personnel are prohibited from making political contributions on behalf of any member of the HB Group to any political candidate, party, organization or other political entity at all levels of government without the prior written approval of the Company’s Chief Executive Officer.

In addition, HB Personnel are strictly prohibited from attempting to influence any person’s testimony in any manner whatsoever in courts of justice or any administrative tribunals or other government bodies.

As in effect March 2016

Directorship

HB Personnel shall not act as directors or officers of any other corporate entity or organization, public or private, without the prior written approval of the Chief Executive Officer. Directorships or officerships with such entities will not be authorized if they are considered to be contrary to the interest of the HB Group. HB Personnel may, however, act as directors or officers of charitable organizations whose purposes do not conflict with the HB Group's interests, and such directorship/officership will not otherwise interfere with the due performance of the their work.

INFORMATION AND RECORDS

Confidential and Proprietary Information and Trade Secrets

HB Personnel may be exposed to certain information that is considered confidential by the HB Group or entrusted to the HB Group by persons with whom the HB Group does business. HB Personnel shall not disclose such confidential information to persons outside the HB Group, including family members, and should share it only with other HB Personnel who have a "need to know" unless the disclosure is specifically authorized by the Chief Executive Officer or Head of the Legal group.

Financial Reporting and Records

The HB Group requires honest and accurate recording and reporting of information to make responsible business decisions. The HB Group's accounting records are relied upon to produce reports for our management, directors, shareholders, governmental agencies and persons with whom the HB Group does business. All of the HB Group's financial statements and the books, records and accounts on which they are based must appropriately reflect the HB Group's activities and conform to applicable legal and accounting requirements and to the HB Group's system of internal controls. Unrecorded or "off the books" funds or assets should not be maintained unless required by applicable law or regulation.

The U.S. FCPA's accounting and internal-controls ("books-and-records") provisions, which require accurate and transparent accounting records and internal accounting controls sufficient to prevent improper payments, apply to the Company and to other companies in which the Company may be considered to have a controlling interest. These accounting, transparency, and internal-controls requirements are viewed by FCPA enforcers as bases for strict liability for any improper payment regardless of whether any knowledge of impropriety can be established regarding the Company.

Accordingly, companies within the HB Group must implement internal accounting controls based upon sound accounting principles and maintain and provide to the Company, upon request, accurate documentation regarding all transactions.

All HB Personnel have a responsibility, within the scope of their positions, to ensure that the HB Group's accounting records do not contain any false or intentionally misleading entries. The HB Group does not permit intentional misclassification of transactions as to accounts, departments or

accounting records. All transactions must be supported by accurate documentation in reasonable detail and recorded in the proper accounts and in the proper accounting period.

Business records and communications often become public through legal or regulatory proceedings or the media. HB Personnel should avoid exaggeration, derogatory remarks, guesswork or inappropriate characterizations that can be misunderstood. This requirement applies equally to communications of all kinds, including internal and external e-mail, informal notes, internal memos, and formal reports.

Record Retention

The HB Group maintains all records in accordance with laws, rules and regulations regarding retention of business records. The HB Group prohibits the unauthorized destruction of or tampering with any records, whether written or in electronic form, where the HB Group is required by laws, rules or regulations to maintain such records or where it has reason to know of a threatened or pending government investigation or litigation relating to such records.

COMPANY ASSETS

Use of Company Property

All HB Personnel should endeavor to protect the HB Group's assets and ensure their efficient use. The HB Group's assets (such as funds, products or proprietary information) may be used only for legitimate business purposes. Theft, carelessness, and waste have a direct impact on the HB Group's profitability. Any suspected incident of fraud or theft should be reported immediately to your department head or the head of the Legal group for investigation. Any employee theft or fraud will result in immediate termination of the responsible employee. In such circumstances, management reserves the right to seek criminal prosecution or pursue civil charges where appropriate based on the nature of the offending behavior.

Information Technology

The HB Group's information technology systems, including computers, e-mail, intranet and internet access, telephones and voice mail are the property of the HB Group and are to be used primarily for business purposes in compliance with the Company's Information Technology Policy.

Electronic documents and messages (including voice-mail, e-mail and SMS) sent, received, created or modified by HB Personnel are considered HB Group property and HB Personnel should recognize that they are not "personal" or "private". Unless prohibited by law, the Company reserves the right to access and disclose (both internally and externally) electronic documents and messages, as well as, to specify, configure and restrict its electronic systems as necessary for its business purposes. HB Personnel should use good judgment and not access, send messages or store any information that they would not want to be seen or heard by others.

As in effect March 2016

WORKPLACE AND BUSINESS PRACTICES

A Nondiscriminatory and Harrassment-Free Workplace

The HB Group fosters a work environment in which all individuals are treated with respect and dignity. The HB Group is an equal opportunity employer and does not discriminate against HB Personnel or potential employees, officers or directors on the basis of race, color, religion, sex, national origin, age, sexual orientation or disability or any other category protected by applicable laws The HB Group is committed to actions and policies to assure fair employment and will not tolerate discrimination by HB Personnel.

The HB Group will not tolerate harassment of HB Personnel, customers or suppliers in any form.

Sexual Harassment

Sexual harassment is illegal and all HB Personnel are prohibited from engaging in any form of sexually harassing behavior. Sexual harassment means unwelcome sexual conduct, either visual, verbal or physical, and may include, but is not limited to, unwanted sexual advances; unwanted touching and suggestive touching, language of a sexual nature, telling sexual jokes, innuendoes, suggestions, suggestive looks and displaying sexually suggestive visual materials.

Substance Abuse

The HB Group is committed to maintaining a safe and healthy work environment free of substance abuse. HB Personnel are expected to perform their responsibilities in a professional manner and, to the degree that job performance or judgment may be hindered, be free from the effects of drugs and/or alcohol.

Workplace Violence

The workplace must be free from violent behavior. Threatening, intimidating or aggressive behavior, as well as bullying, subjecting to ridicule or other similar behavior toward fellow employees or others in the workplace will not be tolerated.

Employment of Family Members

Employment of more than one family member at an HB Group office or other premises is permissible provided that the hiring of a family member must be approved by the head of the applicable business unit or the Chief Operating Officer. The employment of a family member or any other personal relationship between HB Personnel must not create a situation where there is preferential treatment or that might improperly influence sound, objective business decisions in compliance with applicable Company policies and internal controls. For purposes of this paragraph, “family member” means an individual’s spouse, parent, child, sibling, mother- or father-in-law, brother- or sister-in-law and anyone who shares the individual’s home.

Health and Safety

The HB Group is committed to providing a healthy and safe workplace in compliance with applicable laws. HB Personnel must be aware of the safety issues and policies that affect their job, other HB Personnel and the community in general.

Environment

The Company is committed to protecting the environment and undertakes to do business in an environmentally responsible and sustainable manner. HB Personnel must observe all environmental laws and Company policies that apply to them and their business unit.

Fair Business Practices

All HB Personnel must engage in fair and competitive business practices which are compliance with applicable anti-trust and competition law in the jurisdictions in which we do business.

Human Rights Policy

The Company has adopted a Human Rights Policy that sets forth the HB Group's commitment to protecting human rights through ethical business practices, fair labour practices, community participation, and security measures that respect human rights.

WAIVERS OF THE CODE

Any waiver of this Code for directors or members of senior management (Vice President and above) may be made only by the Board of Directors (or a committee of the Board of Directors to whom that authority has been delegated) and will be disclosed promptly[2] if required by law or stock exchange regulation, including the filing of a material change report describing the date of waiver, the parties involved, the reasons of the Board of Directors for approving the waiver or not sanctioning the respective departure and any measures taken by the Board of Directors to address the situation. Waivers for other HB Personnel may be provided by the Chief Executive Officer.

REPORTING ANY ILLEGAL OR UNETHICAL BEHAVIOR

HB Personnel are encouraged to talk to their supervisors, department head or other appropriate personnel about observed illegal or unethical behavior and about the best course of action in a particular situation. It is the policy of the HB Group not to allow retaliation for reports of misconduct by others made in good faith. It is, at the same time, unacceptable to file a report knowing that it is false. All HB Personnel are expected to cooperate in internal investigations of misconduct.

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2 The Canadian Securities Administrators consider that conduct of directors or executive officers that constitutes a material departure from the Code, whether or not sanctioned by the Board of Directors, will likely constitute a "material change" (which would require the Company to issue a press release forthwith and to file a material change report within ten days of the change).

Procedures for the confidential and anonymous reporting of complaints concerning accounting, internal accounting control and auditing matters are provided in the Company's Whistleblower Policy.

COMPLIANCE PROCEDURES

HB Personnel must endeavour to ensure prompt and consistent action against violations of this Code. As situations that arise may not be clear cut the following steps provide an approach a new situations that may raise issues associated :

- Make sure you have all the facts. In order to reach the right solutions, we must be as fully informed as possible.
- Ask yourself: What specifically am I being asked to do and does it seem unethical or improper? Use your judgment and common sense - if something seems unethical or improper, it probably is.
- Discuss the problem with your supervisor, department head or Head of the Legal group.
- You may report ethical violations in confidence and without fear of retaliation. If your situation requires that your identity be kept secret, your anonymity will be protected. The HB Group does not permit retaliation of any kind against employees for good faith reports of ethical violations.
- Always ask first, act later: If you are unsure of what to do in any situation, seek guidance before you act.

APPLICABLE LAW

The provisions of this Code of Business Conduct and Ethics will be modified, as and to the extent necessary, to comply with applicable laws, regulations or policies imposed by the various jurisdictions in which the HB Group and HB Personnel operate.

As in effect March 2016

Exhibit 99.6

Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Alan Hair, certify that:

1) I have reviewed this annual report on Form 40-F of Hudbay Minerals Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4) The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5) The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 31, 2017

/s/ Alan Hair
Alan Hair
Chief Executive Officer
(Principal Executive Officer)

Exhibit 99.7

Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David S. Bryson, certify that:

1) I have reviewed this annual report on Form 40-F of Hudbay Minerals Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4) The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5) The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 31, 2017

/s/ David S. Bryson
David S. Bryson
Chief Financial Officer
(Principal Financial Officer)

Exhibit 99.8

CERTIFICATION PURSUANT TO

18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Hudbay Minerals Inc. (the "Registrant") on Form 40-F for the period ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alan Hair, Chief Executive Officer of the Registrant, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

March 31, 2017

/s/ Alan Hair
Alan Hair
Chief Executive Officer
(Principal Executive Officer)

Exhibit 99.9

CERTIFICATION PURSUANT TO

18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Hudbay Minerals Inc. (the "Registrant") on Form 40-F for the period ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David S. Bryson, Chief Financial Officer of the Registrant, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

March 31, 2017

/s/ David S. Bryson
David S. Bryson
Chief Financial Officer
(Principal Financial Officer)

Exhibit 99.10

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Hudbay Minerals Inc. ("Hudbay") for the year ended December 31, 2016, and any amendments thereto (the "Form 40-F"), I, Cashel Meagher, P.Geo., hereby consent to the use of my name in connection with the references to and summaries of scientific and technical information relating to Hudbay's mineral properties (collectively, the "Incorporated Information") and to the inclusion of the Incorporated Information in the Annual Information Form and Management's Discussion and Analysis of Results of Operations and Financial Condition for the year ended December 31, 2016, each filed as an exhibit to the Form 40-F and incorporated by reference therein.

I do also hereby consent to the use of my name and the incorporation by reference of the Incorporated Information in Registration Statement Nos. 333-170295, 333-197080 and 333-212750 on Form S-8 (including, in each case, any amendments thereto).

Yours very truly

/s/ Cashel Meagher
Cashel Meagher, P.Geo.

Dated: March 31, 2017

Exhibit 99.11

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Hudbay Minerals Inc. ("Hudbay") for the year ended December 31, 2016, and any amendments thereto (the "Form 40-F"), I, Robert Carter, P.Eng., hereby consent to the use of my name in connection with the references to and summaries of scientific and technical information relating to Hudbay's mineral properties (collectively, the "Incorporated Information") and to the inclusion of the Incorporated Information in the Annual Information Form and Management's Discussion and Analysis of Results of Operations and Financial Condition for the year ended December 31, 2016, each filed as an exhibit to the Form 40-F and incorporated by reference therein.

I do also hereby consent to the use of my name and the incorporation by reference of the Incorporated Information in Registration Statement Nos. 333-170295, 333-197080 and 333-212750 on Form S-8 (including, in each case, any amendments thereto).

Yours very truly

/s/ Robert Carter
Robert Carter, P.Eng.

Dated: March 31, 2017

Exhibit 99.12

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements Nos. 333-170295, 333-197080 and 333-212750 on Form S-8 and to the use of our reports dated February 22, 2017 relating to the consolidated financial statements of Hudbay Minerals Inc. (the "Company") and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 40-F of the Company for the year ended December 31, 2016.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 31, 2017