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, 2018**

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**

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, 2018, 261,272,151common 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 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).

Yes [X] No [ ]

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company [ ]

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. [ ]

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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, 2018 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, 2018 and 2017, 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, 2018 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.

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, 2018, 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, 2018, 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 58 of Exhibit 99.3, Management's Discussion & Analysis for the Year Ended December 31, 2018, 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, 2018 that materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Management's report dated February 19, 2019 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, 2018 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, 2018 and 2017. 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, 2018 and 2017, 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, 2018.

AUDIT COMMITTEE IDENTIFICATION AND FINANCIAL EXPERT

As at December 31, 2018, the Registrant's audit committee consisted of Sarah B. Kavanagh, Carol T. Banducci, Alan J. Lenczner and Colin Osborne. The Registrant's board of directors has determined that each of Ms. Kavanagh, Ms. Banducci, Mr. Lenczner and Mr. Osborne is an "audit committee financial expert" within the meaning of the Commission's rules. Each of Ms. Kavanagh, Ms. Banducci, Mr. Lenczner and Mr. Osborne 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, Ms. Banducci, Mr. Lenczner and Mr. Osborne 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, Ms. Banducci, Mr. Lenczner and Mr. Osborne 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, 2018.

During the fiscal year ended December 31, 2018, the Registrant did not make any amendments to its Code of Ethics. All 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.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information provided under the heading “Audit Committee Disclosure” on page 49 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, 2018 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 50 of the AIF.

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 41 of Exhibit 99.3, Management’s Discussion & Analysis for the Year Ended December 31, 2018, 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 29, 2019

EXHIBIT INDEX

Exhibit	Description and Date of Document
Annual Information Form; Audited Financial Statements; Management's Discussion and Analysis; Mine Safety Disclosure	
99.1	Annual Information Form for the Year Ended December 31, 2018
99.2	Audited Annual Financial Statements for the Years Ended December 31, 2018 and 2017
99.3	Management's Discussion & Analysis for the Year Ended December 31, 2018
99.4	Disclosure Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act
Certifications	
99.5	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.6	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.7	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.8	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Consents	
99.9	Consent of Cashel Meagher, P.Geo., dated March 29, 2019
99.10	Consent of Olivier Tavchandjian, P.Geo., dated March 29, 2019
99.11	Consent of Deloitte LLP, dated March 29, 2019



HUDBAY MINERALS INC.
ANNUAL INFORMATION FORM
FOR THE
YEAR ENDED DECEMBER 31, 2018

March 29, 2019

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CAUTION REGARDING FORWARD-LOOKING INFORMATION

This annual information form ("**AIF**") contains "forward-looking information" within the meaning of applicable Canadian securities laws and "forward looking statements" within the meaning of the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. We refer to such forward-looking statements and forward-looking information together in this AIF as forward-looking information. 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, anticipated production at our mines and processing facilities, the expected benefits of implementing the metallurgical recovery and optimization initiatives at Constancia processing plant and expectations regarding the schedule for acquiring the Pampacancha surface rights and mining the Pampacancha deposit, the anticipated timing, cost and benefits of developing the Rosemont project and any litigation challenging Rosemont's permits, expectations regarding the financing, sanctioning and schedule for developing the Rosemont project, expectations regarding the Lalor gold strategy, including the refurbishment of the New Britannia mill, the low costs of the operation and the possibility of optimizing the value of our gold resources in Manitoba, the possibility of converting inferred mineral resource estimates to higher confidence categories, the potential and our anticipated plans for advancing our mining properties surrounding Constancia and the Ann Mason project, 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 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 schedule for the refurbishment of the New Britannia mill and the success of our Lalor gold strategy;
- the closing of the transaction to acquire the remaining 7.95% interest in the Rosemont project and the likelihood of finding a new minority joint venture partner;
- the ability to secure required land rights to develop and commence mining the Pampacancha deposit;
- the success of mining, processing, exploration and development activities;
- the scheduled maintenance and availability of our processing facilities;
- 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;
- maintaining good relations with the labour unions that represent certain of our employees in Manitoba and Peru;
- maintaining good relations with the communities in which we operate, including the communities surrounding the Constancia mine and Rosemont project and First Nations communities surrounding the Lalor mine;
- 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, financing, development and economics of the Rosemont project and related legal challenges), risks related to the new Lalor mine plan, including the schedule for the refurbishment of the New Britannia mill and the ability to convert inferred mineral resource estimates to higher confidence categories, risks related to the schedule for mining the Pampacancha deposit (including the timing and cost of acquiring the required surface rights and the impact of any schedule delays), risks related to the maturing nature of the 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 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 (and documents incorporated by reference herein) has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws.

Canadian reporting requirements for disclosure of mineral properties are governed by the Canadian Securities Administrators' National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("**NI 43-101**"). Subject to the SEC Modernization Rules described below, the United States reporting requirements are currently governed by the United States Securities and Exchange Commission ("**SEC**") Industry Guide 7 ("***SEC Industry Guide 7***") under the Securities Act of 1933, as amended.

The definitions used in NI 43-101 are incorporated by reference from the Canadian Institute of Mining, Metallurgy and Petroleum ("**CIM**") – Definition Standards adopted by CIM Council on May 10, 2014 (the "**CIM Definition Standards**"). For example, the terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in NI 43-101, and these definitions differ from the definitions in SEC Industry Guide 7. Furthermore, while the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by NI 43-101, these terms are not defined terms under SEC Industry Guide 7. Under SEC Industry Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority. Further, under SEC 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 the reserve determination is made. Reserve estimates contained in this AIF and documents incorporated by reference herein may not qualify as "reserves" under SEC Industry Guide 7. Further, until recently, the SEC has not recognized the reporting of mineral deposits which do not meet the SEC Industry Guide 7 definition of "reserve".

The SEC adopted amendments to its disclosure rules to modernize the mineral property disclosure requirements for issuers whose securities are registered with the SEC under the Securities Exchange Act of 1934, as amended. These amendments became effective February 25, 2019 (the "**SEC Modernization Rules**") with compliance required for the first fiscal year beginning on or after January 1, 2021. The SEC Modernization Rules replace the historical disclosure requirements for mining registrants that were included in SEC Industry Guide 7, which will be rescinded from and after the required compliance date of the SEC Modernization Rules. As a result of the adoption of the SEC Modernization Rules, the SEC now recognizes estimates of "measured mineral resources", "indicated mineral resources" and "inferred mineral resources". In addition, the SEC has amended its definitions of "proven mineral reserves" and "probable mineral reserves" to be "substantially similar" to the corresponding CIM Definition Standards, incorporated by reference in NI 43-101.

United States investors are cautioned that while the above terms are "substantially similar" to CIM definitions, there are differences in the definitions under the SEC Modernization Rules and the CIM Definition Standards. Accordingly, there is no assurance any mineral reserves or mineral resources that the Company may report as "proven mineral reserves", 'probable mineral reserves", "measured mineral resources", "indicated mineral resources" and "inferred mineral resources" under NI 43-101 would be the same had the Company prepared the reserve or resource estimates under the standards adopted under the SEC Modernization Rules.

United States investors are also cautioned that while the SEC will now recognize "measured mineral resources", "indicated mineral resources" and "inferred mineral resources", investors should not assume that any part or all of the mineralization in these categories will ever be converted into a higher category of mineral resources or into mineral reserves. Mineralization described using these terms has a greater amount of uncertainty as to their existence and feasibility than mineralization that has been characterized as reserves. Accordingly, investors are cautioned not to assume that any "measured mineral resources", "indicated mineral resources", or "inferred mineral resources" that the Company reports are or will be economically or legally mineable.

Further, "inferred mineral resources" have a greater amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Therefore, United States investors are also cautioned not to assume that all or any part of the "inferred mineral resources" exist. In accordance with Canadian rules, estimates of "inferred mineral resources" cannot form the basis of feasibility or other economic studies, except in limited circumstances where permitted under NI 43-101.

For the above reasons, information contained in this AIF containing descriptions of the Company's mineral deposits may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

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.

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 2018 and the closing exchange rate at December 31, 2018, as reported by the Bank of Canada, were one United States dollar per 1.2957 and 1.3642 Canadian dollars, respectively.

On March 28**,** 2019, the Bank of Canada daily exchange rate was one United States dollar per 1.3429 Canadian dollars.

NON-IFRS FINANCIAL PERFORMANCE MEASURES

Hudbay uses certain non-IFRS financial performance measures in its financial reports and in this AIF, including net debt, cash cost, sustaining and all-in sustaining cash cost per pound of copper produced, and cash cost and sustaining cash cost per pound of zinc produced. 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. For a description and reconciliation of each of these measures, please see the Non-IFRS Financial Performance Measures section on pages 45 to 56 of our management's discussion and analysis for the year ended December 31, 2018, a copy of which has been filed on SEDAR at www.sedar.com and EDGAR at www.sec.gov.

CORPORATE STRUCTURE

INCORPORATION AND REGISTERED OFFICE

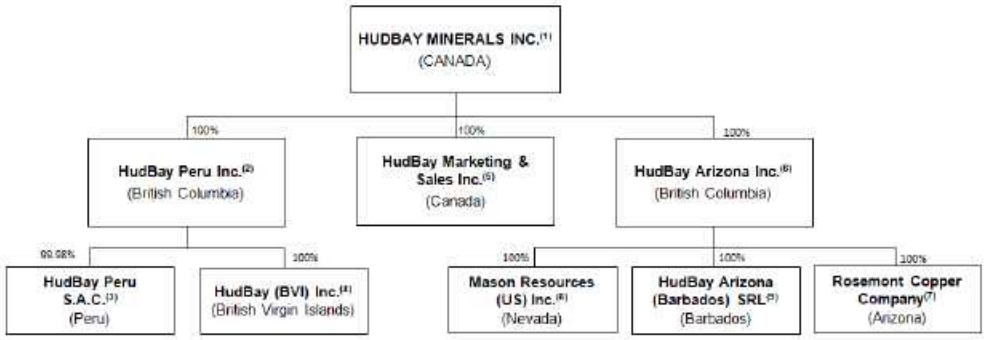
We were formed by the amalgamation of Pan American Resources Inc. and Marvas Developments Ltd. on January 16, 1996, pursuant to the Business Corporations Act (Ontario) and changed our name to Pan American Resources Inc. On March 12, 2002, we acquired ONTZINC Corporation, a private Ontario corporation, 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 333 Bay Street, Suite 3400, Bay Adelaide Centre, Toronto, Ontario M5H 2S7 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".

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 Canadian mining operations, is the borrower under our Canada Facility, the issuer of our Senior Unsecured Notes and a guarantor of our Peru Facility.
2. 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 Credit Facilities and our Senior Unsecured Notes.
3. Hudbay Peru owns the Constancia mine, is the borrower under our Peru Facility and is a guarantor of our Canada Facility and our Senior Unsecured Notes.
4. HudBay (BVI) Inc. ("Hudbay BVI") is the party to the precious metals stream agreement in respect of the Constancia mine.
5. HudBay Marketing & Sales Inc. markets and sells our copper concentrate and zinc metal produced in Manitoba and is a guarantor of our Credit Facilities and our Senior Unsecured Notes.
6. Hudbay Arizona Inc., through its subsidiaries, indirectly owns 100% of Rosemont Copper Company and Mason Resources (US) Inc. ("Mason US").
7. Rosemont Copper Company currently owns a 92.05% interest in the Rosemont project and has entered an agreement to acquire the remaining 7.95%.
8. Mason US owns a 100% interest in the Ann Mason project in Nevada.
9. HudBay Arizona (Barbados) SRL is the party to the precious metals stream agreement in respect of 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 jurisdictions that support responsible mining, and to see the regions and communities in which we operate benefit from our presence.

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 continuously work to optimize the value of our producing assets through efficient and safe operations.

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. These include the following:

- Geography: Potential acquisitions should be located in jurisdictions that support responsible 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, with strong rule of law and respect for human rights;
- Geology: We believe we have particular expertise in the exploration and development of porphyry and volcanogenic massive sulphide mineral deposits. While these types of deposits typically contain copper, zinc and precious metals in varying quantities, we have a primary focus on copper;
- Commodity: Among the metals we produce, we believe copper has the best long-term supply/demand fundamentals and the greatest opportunities for risk-adjusted returns;
- Quality: We are focused on adding long-life, low-cost assets to our existing portfolio of high quality assets. Long life assets can capture peak pricing of multiple commodity price cycles and low cost assets can generate free cash flow even through the trough of price cycles;
- Potential: We consider the full spectrum of acquisition opportunities from early-stage exploration to producing assets, but they must meet our stringent criteria for growth and value creation. 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. Therefore, we typically look for mineral assets that we believe offer significant potential for exploration, development and optimization;
- Process: Before we decide to make an acquisition, we develop a clear understanding of how we can add value to the acquired property primarily through the application of our technical, social, operational and project execution expertise, as well as through the provision of necessary financial capacity and other operational optimization opportunities;
- Operatorship: We believe real value is created through leading efficient project development and operations. Additionally, we believe that large, transformational mergers or acquisitions are risky and potentially value-destructive in the mining industry;
- Financial: 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

Rosemont

Since the acquisition of the Rosemont project in 2014, Hudbay has completed an extensive work program and, in March 2017, we filed our first National Instrument 43-101 technical report for Rosemont. The technical report projects that Rosemont will have a 19-year mine life and generate an after-tax, unlevered internal rate of return of 15.5%, based upon a long-term copper price of $3.00 per pound. For additional information, see “Rosemont Technical Report”.

In March 2019, the U.S. Army Corps of Engineers issued the Section 404 Water Permit for Rosemont. Rosemont received the Final Record of Decision from the U.S. Forest Service (“**USFS**”) in June 2017, following an extensive Environmental Impact Statement process, and in March 2019 the USFS approved the Mine Plan of Operations (“**MPO**”) for Rosemont. The issuance of the MPO was the final administrative step in the permitting process and Rosemont now has all of the required state and federal permits required to move into project development.

In addition to advancing the technical work and permitting at Rosemont, Hudbay has recently reached agreements with both United Copper & Moly LLC ("UCM") and Wheaton Precious Metals ("Wheaton"), to facilitate the future financing of the project. On March 13, 2019, Hudbay announced that it reached an agreement with UCM to purchase UCM's 7.95% joint venture interest in the Rosemont project, and all remaining earn-in rights, for $45 million, plus three annual installments of $10 million per year, subject only to the approval of the definitive agreement by the parties' respective boards of directors. Hudbay has also agreed with Wheaton to amend the Rosemont precious metals stream agreement that was entered into with Wheaton prior to Hudbay's acquisition of Rosemont. The amendments to the stream agreement include removal of the condition that the Rosemont permits be free of all challenges and appeals prior to funding.

On March 28, 2019, Hudbay announced a $122 million early works program at Rosemont as part of its initial development plan for the project. During the remainder of 2019, Hudbay intends to finalize its financing plans, advance the early works and carry out a process to find a new minority joint venture partner to further de-risk the project.

Lalor Mine

On February 19, 2019, Hudbay announced increased mineral reserves and mineral resources for its Lalor mine and nearby satellite deposits, and a new mine plan that includes the processing of gold and copper-gold ore at the company's New Britannia mill, which is currently on care and maintenance. Lalor annual gold production is expected to more than double from current levels once the New Britannia mill is refurbished with average annual production of approximately 140,000 ounces during the first five years, at a sustaining cash cost, net of by-product credits, of $450 per ounce, positioning Lalor as one of the lowest-cost gold mines in Canada.

The revised mine plan for Lalor supports a 10 year mine life, based solely on proven and probable reserves, and utilizes the existing mining capacity of 4,500 tonnes per day at Lalor for the first six years of the mine plan. The production plan has the copper-gold rich ore feeding a refurbished New Britannia mill starting in 2022 at an average feed rate of 1,100 tonnes per day at 6.7 g/t gold and 1.2% copper for seven years based on the current reserve estimate. The New Britannia mill is expected to achieve gold recoveries of approximately 93% compared to current gold recoveries of approximately 53% at the Stall mill. An estimated investment of $95 million (C$124 million) will be required between 2019 and 2021 for the refurbishment of the New Britannia mill.

The updated resource model at Lalor includes 5.9 million tonnes of inferred mineral resources, which has the potential to extend the mine life beyond 10 years while feeding both the Stall and New Britannia mills. In addition, the mineral resources at Hudbay's satellite deposits in the Snow Lake region, including the copper-gold WIM deposit, the former gold producing New Britannia mine and the zinc-rich Pen II deposit could provide feed for the Stall and New Britannia processing facilities and further extend the mine life.

For additional information, see "Material Mineral Projects – Lalor".

Acquisition of Ann Mason

On December 19, 2018, Hudbay completed the acquisition of Mason Resources Corp. (" **Mason**") and its wholly-owned Ann Mason project in Nevada, by way of a plan of arrangement where Hudbay acquired all of the issued and outstanding common shares of Mason which it did not already own for C$0.40 per common share. The Ann Mason project is a large greenfield copper deposit located in the historic Yerington District of Nevada and is one of the largest undeveloped copper porphyry deposits in North America, with measured and indicated resources comparable in size to Constancia and Rosemont.

Credit Facility Extension and Amendments

On July 14, 2017, we amended our $350 million corporate revolving credit facility (the " **Canada Facility**") and our $200 million Peru revolving credit facility (the "**Peru Facility**" and, together with the Canada Facility, the " **Credit Facilities**") to secure both facilities with substantially all of the Company's assets, other than assets related to the Rosemont project. This allowed us to amend the financial covenants, extend the maturity dates and reduce the interest rates of the Credit Facilities and enhance our financial flexibility. On June 15, 2018 we further amended our Credit Facilities by extending the maturity dates by an additional year to July 14, 2022.

Equity Financing

On September 27, 2017, we completed an equity offering of 24,000,000 common shares of the Company at a price of C$10.10 per share, for gross proceeds of C$242.4 million ($195.3 million). The intended use of proceeds from the offering was to advance Hudbay's growth projects, enhance our financial flexibility to pursue other growth opportunities, reduce debt and for general corporate purposes.

Amalgamation

On January 1, 2017, the Company amalgamated with two of its wholly-owned subsidiaries, 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 previously 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".

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. The CEO and COO transitions were based on succession plans previously considered by the Company's Compensation and Human Resources Committee.

DESCRIPTION OF OUR BUSINESS

GENERAL

We are an integrated mining company producing copper concentrate (containing copper, gold and silver), zinc concentrate 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 three polymetallic mines, four ore concentrators and a zinc production facility in northern Manitoba and Saskatchewan (Canada) and Cusco (Peru), and copper projects in Arizona and Nevada (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 acquisition, development and operation of high quality, long life deposits with exploration potential in jurisdictions that support responsible mining, and to see the regions and communities in which we operate benefit from our presence.

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, gold and copper mine near Snow Lake, Manitoba, which achieved commercial production in the third quarter of 2014;

3. our 92.05% owned Rosemont project, a copper development project in Pima County, Arizona; we agreed to acquire the remaining 7.95% ownership interest in Rosemont from UCM; and

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

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 special high-grade and continuous galvanizing grade aluminum alloy zinc metal. In 2015, we acquired the New Britannia mill, located in Snow Lake, which we plan to refurbish and utilize, commencing in 2022, as part of our revised Lalor mine plan. In Peru, we own and operate a processing facility at Constancia, which produces copper and molybdenum concentrates.

We also own a 100% interest in the Ann Mason project, an early stage copper project in Nevada with a substantial mineral resource, and own or have an interest in exploration properties in close proximity to our material mineral projects. Among these are a large, contiguous block of mineral rights within trucking distance of the Constancia processing facility, including the past producing Caballito property and the highly prospective Maria Reyna and Kusiorcco properties, and a number of properties in the Snow Lake region within trucking distance of the Stall and New Britannia mills that have the potential to provide additional feed to the Lalor mine plan.

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 and we have since been focused on optimizing the operation.

In 2018, Constancia achieved record mill throughput and copper recoveries as a result of several metallurgical and optimization initiatives.

In 2018 we also acquired control of a large, contiguous block of mineral rights to explore for mineable deposits within trucking distance of the Constancia processing facility, including the past producing Caballito property and the highly prospective Maria Reyna and Kusiorcco properties. Hudbay has commenced permitting, community relations and technical activities required to access and conduct drilling activities on these properties and has been successful in reaching a community agreement covering two of the properties to date with plans to drill those properties in 2019.

Negotiations with a local community to secure surface rights over the Pampacancha deposit are progressing, following the election of a new community council in the fourth quarter of 2018. We continue to be disciplined, measured and patient in our approach to these negotiations as this has proven to be an effective way of engaging in previous instances and is consistent with our long term strategy for securing social license and developing our business in Peru.

100% of the payable silver and 50% of the payable gold at Constancia is subject to a precious metals stream agreement with Wheaton Precious Metals. 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 March 29, 2018, we filed a technical report titled "NI 43-101 Technical Report, Constancia Mine, Cuzco, Peru", effective as of December 31, 2017, 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. The mineral reserve estimates effective January 1, 2019 are based on the same resource model and mine plan documented in the Constancia Technical Report with adjustments for the 2018 mining depletion and some minor changes due to the economic re-evaluation of some of the mineral resource estimates. 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.

Constancia Mineral Reserves – January 1, 2019 [1][2]					
	Tonnes	**Cu (%)**	**Mo (g/t)**	**Au (g/t)**	**Ag (g/t)**
Constancia					
Proven	421,800,000	0.30	94	0.035	2.87
Probable	72,000,000	0.23	72	0.035	3.06
Total Proven and Probable	**493,800,000**	**0.29**	**91**	**0.035**	**2.90**
Pampacancha					
Proven	32,400,000	0.59	178	0.368	4.48
Probable	7,500,000	0.62	173	0.325	5.75
Total Proven and Probable	**39,900,000**	**0.60**	**177**	**0.360**	**4.72**
Total Mineral Reserve	**533,700,000**	**0.31**	**97**	**0.059**	**3.03**

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 $4.54 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).

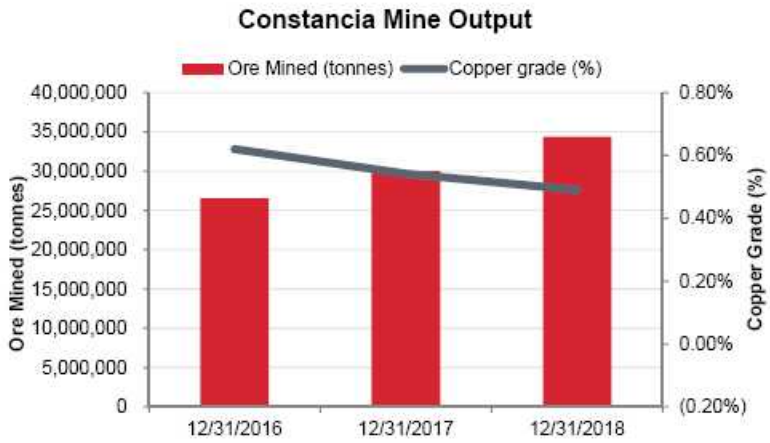
The following table sets forth our estimates of the mineral resources (exclusive of mineral reserves) at the Constancia mine.

Constancia Mineral Resources – January 1, 2019 [1][2]					
	Tonnes	**Cu (%)**	**Mo (g/t)**	**Au (g/t)**	**Ag (g/t)**
Constancia					
Measured	169,400,000	0.18	50	0.028	2.19
Indicated	180,500,000	0.20	56	0.034	2.16
Inferred	50,800,000	0.24	43	0.046	2.41
Pampacancha					
Measured	11,400,000	0.41	101	0.245	4.95
Indicated	6,000,000	0.35	84	0.285	5.16
Inferred	10,100,000	0.14	143	0.233	3.86
Total Measured & Indicated	**367,300,000**	**0.20**	**55**	**0.042**	**2.31**
Total Inferred	**60,900,000**	**0.22**	**60**	**0.077**	**2.65**

1. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Please refer to Schedule A "Glossary of Mining Terms".

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 three years:



Lalor

Our 100% owned Lalor mine 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.

The Lalor mine achieved commercial production in 2014 and base metal production has steadily ramped-up since that time. Lalor reached a nominal production rate of 4,500 tonnes in the first quarter of 2019.

On February 19, 2019, we announced increased mineral reserves and mineral resources for our Lalor mine and nearby satellite deposits, and a new mine plan that includes the processing of gold and copper-gold ore at the company's New Britannia mill. Lalor annual gold production is expected to more than double from current levels once the New Britannia mill is refurbished, with average annual production of approximately 140,000 ounces during the first five years, at a sustaining cash cost, net of by-product credits, of $450 per ounce, positioning Lalor as one of the lowest-cost gold mines in Canada.

The revised mine plan for Lalor supports a 10 year mine life, based solely on proven and probable reserves, and utilizes the existing mining capacity of 4,500 tonnes per day at Lalor for the first six years of the mine plan. The production plan has the copper-gold rich ore feeding a refurbished New Britannia mill starting in 2022 at an average feed rate of 1,100 tonnes per day at 6.7 g/t gold and 1.2% copper for seven years based on the current reserve estimate. The New Britannia mill is expected to achieve gold recoveries of approximately 93% compared to current gold recoveries of approximately 53% at the Stall mill. An estimated investment of $95 million (C$124 million) will be required between 2019 and 2021 for the refurbishment of the New Britannia mill.

The New Britannia development plan contemplates completion of detailed engineering by February 2020, environmental permitting completion in April 2020 and construction activities occurring between June 2020 and August 2021, with plant commissioning and ramp-up occurring during the fourth quarter of 2021. Permitting activities started in 2018 and are proceeding in line with the development plan.

The updated resource model at Lalor also includes 5.9 million tonnes of inferred mineral resources, which have the potential to extend the mine life beyond 10 years while feeding both the Stall and New Britannia mills. In addition, the mineral resources at Hudbay's satellite deposits in the Snow Lake region, including the copper-gold WIM deposit, the former gold producing New Britannia mine and the zinc-rich Pen II deposit could provide feed for the Stall and New Britannia processing facilities and further extend the mine life.

On March 28, 2019, we filed an updated NI 43-101 technical report titled "NI 43-101 Technical Report, Lalor and Snow Lake Operations, Manitoba, Canada", prepared by Olivier Tavchandjian (our Vice President, Exploration and Geology), dated March 28, 2019 and effective as of January 1, 2019 (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 table sets forth our estimates of the mineral reserves at the Lalor mine.

Lalor Mineral Reserve Estimates – January 1, 2019 [1][2][3]					
	Tonnes	**Zn Grade (%)**	**Au Grade (g/t)**	**Cu Grade (%)**	**Ag Grade (g/t)**
Base Metal Zone					
Proven	5,137,000	7.13	2.37	0.76	26.31
Probable	5,552,000	4.19	3.52	0.44	27.39
Gold Zone					
Proven	58,000	2.65	5.46	0.80	39.09
Probable	2,928,000	0.31	6.74	1.09	23.08
Total proven and probable	**13,675,000**	**4.46**	**3.78**	**0.70**	**26.11**

1. Totals may not add up correctly due to rounding.
2. Mineral reserves are estimated at an NSR cut-off of $96.19 per tonne for waste filled mining areas and a minimum of C$104.58 per tonne for paste filled mining areas.
3. A zinc price of $1.17 per pound (includes premium), copper price of $3.10 per pound, gold price of $1,260 per ounce and silver price of $18.00 per ounce and an exchange rate of 1.25 C$/US$ was used to estimate mineral reserves.

The following table sets forth our estimates of the mineral resources (exclusive of mineral reserves) at the Lalor mine.

Lalor Mineral Resource Estimates (Exclusive of Mineral Reserves) – January 1, 2019 [1][2]					
	Tonnes	**Zn Grade (%)**	**Au Grade (g/t)**	**Cu Grade (%)**	**Ag Grade (g/t)**
Base Metal Zone					
Inferred	1,385,000	2.30	4.49	0.70	43.58
Gold Zone					
Inferred	4,516,000	0.35	4.38	1.08	20.42
Total inferred	**5,901,000**	**0.81**	**4.41**	**0.99**	**25.85**

1. Totals may not add up correctly due to rounding.
2. Mineral resources are estimated at a minimum NSR cut-off of C$96.19 per tonne.
3. A zinc price of $1.17 per pound (includes premium), copper price of $3.10 per pound, gold price of $1,260 per ounce and silver price of $18.00 per ounce and an exchange rate of 1.25 C$/US$ was used to estimate mineral resources.
4. Mineral resources do not include mining dilution or recovery factors.
5. 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 three years:





Rosemont

Rosemont is a copper development project, located in Pima County, Arizona, approximately 50 kilometres southeast of Tucson. The Rosemont project will be an 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).

In March 2019, the U.S. Army Corps of Engineers issued the Section 404 Water Permit for Rosemont. Rosemont received the Final Record of Decision ("**FROD**") from the USFS in June 2017, following an extensive Environmental Impact Statement process. In March 2019, the USFS approved the Mine Plan of Operations ("**MPO**") for Rosemont. The issuance of the MPO was the final administrative step in the permitting process and Rosemont now has all of the required state and federal permits required to move into project development.

In addition to advancing the technical work and permitting at Rosemont, Hudbay has recently reached agreements with both UCM and Wheaton to facilitate the future financing of the project. On March 13, 2019, Hudbay announced that it reached an agreement with UCM to purchase UCM's 7.95% joint venture interest in the Rosemont project, and all remaining earn-in rights, for $45 million, plus three annual installments of $10 million per year, subject only to the approval of the definitive agreement by the parties' respective boards of directors.

Hudbay has also agreed with Wheaton to amend the Rosemont precious metals stream agreement that was entered into with Wheaton prior to Hudbay's acquisition of Rosemont. The amendments to the stream agreement include removal of the condition that the Rosemont permits be free of all challenges and appeals prior to funding. The stream agreement continues to contemplate an upfront initial deposit of $230 million following the receipt of permits, finalization of the financing plan and commencement of construction, in exchange for delivery of approximately 100% of payable silver and gold produced from Rosemont at a cash price of $450 per ounce for gold and $3.90 per ounce for silver, subject to escalation for inflation.

On March 28, 2019, Hudbay announced a $122 million early works program at Rosemont as part of its initial development plan for the project. The $122 million early works program is part of Rosemont's total project capital cost estimate of $1,921 million as disclosed in the Rosemont Technical Report. During the remainder of 2019, Hudbay intends to finalize its financing plans, advance the early works and carry out a process to find a new minority joint venture partner to further de-risk the project.

Opponents of the Rosemont project have filed three lawsuits against the USFS and the U.S. Fish and Wildlife Service challenging, among other things, the issuance of the FROD in respect of Rosemont. These lawsuits have been consolidated and will be heard as a single case. On March 27, 2019, opponents of the project filed a further lawsuit against the U.S. Army Corps of Engineers challenging the issuance of the Section 404 Water Permit for Rosemont. These lawsuits are four of the many legal challenges that have been advanced against the Rosemont permitting process over the past number of years and Hudbay is confident that Rosemont's permits will continue to be upheld.

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 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.

Rosemont Mineral Reserves – January 1, 2019 (1)(2)(3)				
	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**

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 (exclusive of mineral reserves) at the Rosemont project.

Rosemont Mineral Resources – January 1, 2019 [1][2]				
	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**

1. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Please refer to Schedule A "Glossary of Mining Terms".
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.

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. Based on the most recent estimate of mineral reserves, the 777 mine life has been extended from the end of 2021 to the second quarter of 2022.

Ore produced at the 777 mine is transported to our Flin Flon concentrator for processing into copper and zinc concentrates.

Pursuant to the precious metals stream agreement we entered into with Wheaton Precious Metals in respect of the 777 mine, we are 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 table sets forth our estimates of the mineral reserves at the 777 mine.

777 Mineral Reserves – January 1, 2019 (1)(2)					
777 Mine	**Tonnes**	**Cu (%)**	**Zn (%)**	**Au (g/t)**	**Ag (g/t)**
Proven	2,169,000	1.80	4.44	1.77	26.45
Probable	1,384,000	0.97	3.75	2.03	21.65
Total Mineral Reserve	**3,552,000**	**1.48**	**4.17**	**1.87**	**24.58**

1. Totals may not add up correctly due to rounding.
2. A zinc price of $1.24 per pound (includes premium), a copper price of $3.10 per pound, a gold price of $1,283 per ounce and a silver price of $17.50 per ounce using an exchange rate of 1.267 C$/US$ was used to estimate mineral reserves and mineral resources.

The following table sets forth our estimates of the mineral resources (exclusive of mineral reserves) at the 777 mine.

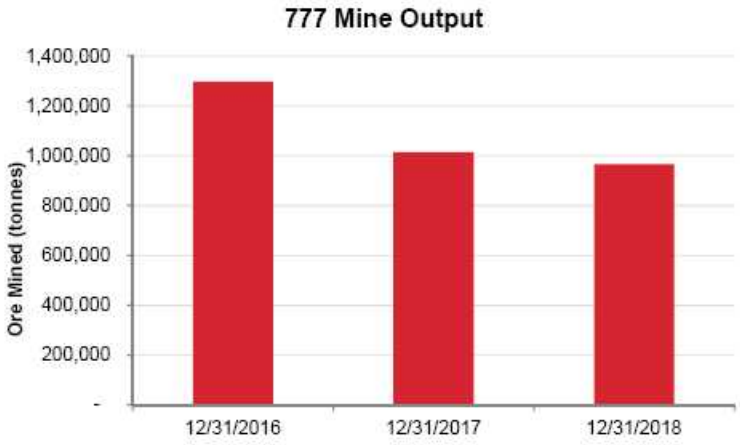
777 Indicated Mineral Resources – January 1, 2019 (1)(2)(3)					
	Tonnes	**Cu (%)**	**Zn (%)**	**Au (g/t)**	**Ag (g/t)**
Indicated Resource	375,000	1.13	4.05	1.79	29.57

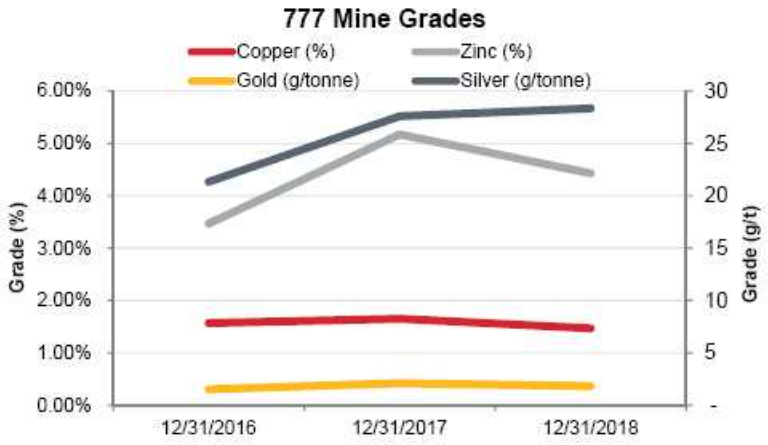
777 Inferred Mineral Resources – January 1, 2019 (1)(2)(3)					
	Tonnes	**Cu (%)**	**Zn (%)**	**Au (g/t)**	**Ag (g/t)**
Inferred Resource	395,000	1.43	5.03	3.09	40.44

1. Totals may not add up correctly due to rounding.
2. A zinc price of $1.24 per pound (includes premium), a copper price of $3.10 per pound, a gold price of $1,283 per ounce and a silver price of $17.50 per ounce using an exchange rate of 1.267 C$/US$ was used to estimate mineral reserves and mineral resources.
3. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Please refer to Schedule A "Glossary of Mining Terms".

Production

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





OTHER ASSETS

Snow Lake Regional Deposits

As discussed under Lalor above, the mineral resources at Hudbay's satellite deposits in the Snow Lake region, including the copper-gold WIM deposit, the former gold producing New Britannia mine and the zinc-rich Pen II deposit have the potential to provide feed for the Stall and New Britannia processing facilities and further extend Lalor's mine life into the future. The following table sets forth our estimates of the mineral resources at the Snow Lake regional deposits (excluding Lalor).

Snow Lake Regional Deposits Mineral Resource Estimates – January 1, 2019 [(1)(2)(3)(4)(5)(6)]					
	Tonnes	**Cu (%)**	**Zn (%)**	**Au (g/t)**	**Ag (g/t)**
Indicated Resources					
WIM	3,900,000	1.71	0.26	1.57	6.68
PEN II	500,000	0.49	8.89	0.35	6.81
Total Indicated	**4,400,000**	**1.57**	**1.24**	**1.43**	**6.69**
Inferred Resources					
WIM	700,000	1.03	0.37	1.76	4.65
PEN II	100,000	0.37	9.81	0.30	6.85
Total Inferred (Base Metals)	**800,000**	**0.95**	**1.55**	**1.58**	**4.93**
Birch & 3 Zone	1,700,000			5.34	
New Britannia	2,800,000			4.51	
Total Inferred (Gold)	**4,500,000**			**4.82**	

1. Totals may not add up correctly due to rounding.
2. Mineral resources that are not mineral reserves do not have demonstrated economic viability.
3. Mineral resources in the above tables do not include mining dilution or recovery factors.
4. WIM mineral resources reported based on a 1.3% CuEq cut-off for the underground portion, and a 0.5% cut-off for the open pit portion, assuming processing recoveries of 90% for copper and zinc and 70% for gold and silver, and using long-term prices of $3.00 per pound copper, $1,200 per ounce gold, $1.00 per pound zinc and $15.00 per ounce silver. A 20 metre crown pillar below the open pit bottom is excluded from resources.

5. Pen II mineral resources are estimated at a minimum NSR cut-off of C$65 per tonne and assume that the Pen II mineral resources would be amenable to processing at the Stall mill.
6. New Britannia mineral resource estimates have been reported at a minimum true width of 1.5 metres and with a cut-off grade varying from 2 grams per tonne (at 3 Zone and the lower part of New Britannia) to 3.3 grams per tonne (at Birch and for the upper part of New Britannia).

Ann Mason

The Ann Mason project is a large greenfield copper deposit located in the historic Yerington District of Nevada and is one of the largest undeveloped copper porphyry deposits in North America. The Ann Mason project's measured and indicated mineral resources are comparable in size to Constancia and Rosemont. We view the Ann Mason project as a long-term option for potential future development after Rosemont, and a strong addition to our pipeline of long-term growth opportunities. The Ann Mason project will become one of our high priority exploration projects in North America.

The following table sets forth the estimates of the mineral resources at the Ann Mason project.

Ann Mason Project Resource Estimates – March 3, 2017 (1)(2)

	Tonnes	Grade			
		Cu (%)	Au (g/t)	Ag (g/t)	Mo (%)
Measured & Indicated	1,400,000,000	0.32	0.03	0.65	0.006
Inferred	623,000,000	0.29	0.03	0.66	0.007

1. Mineral resources that are not mineral reserves do not have demonstrated economic viability.
2. For additional details relating to the estimates of mineral resources at the Ann Mason project, refer to the technical report dated March 3, 2017 and filed on SEDAR by Mason Resources Corp.

Processing Facilities

Manitoba Business Unit

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, a portion of the ore mined from our Lalor mine currently 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 zinc plant in Flin Flon, Manitoba produces special high-grade and continuous galvanizing grade aluminum alloy zinc metal in three cast shapes from zinc concentrate. We produced 102,053 tonnes of cast zinc in 2018 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 and storage 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 tailings cake residues containing gypsum, iron, and sulphur. Wastewater is treated and recycled through the zinc plant.

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, and the concentrator now processes approximately 3,600 tonnes per day of ore production from the Lalor mine and produces zinc and copper concentrates. The zinc concentrate is shipped by truck for further processing at our zinc plant in Flin Flon. The majority of the tailings produced from the Stall mill are pumped to the Lalor paste plant, where it is dewatered, mixed with cement and sent underground as pastefill.

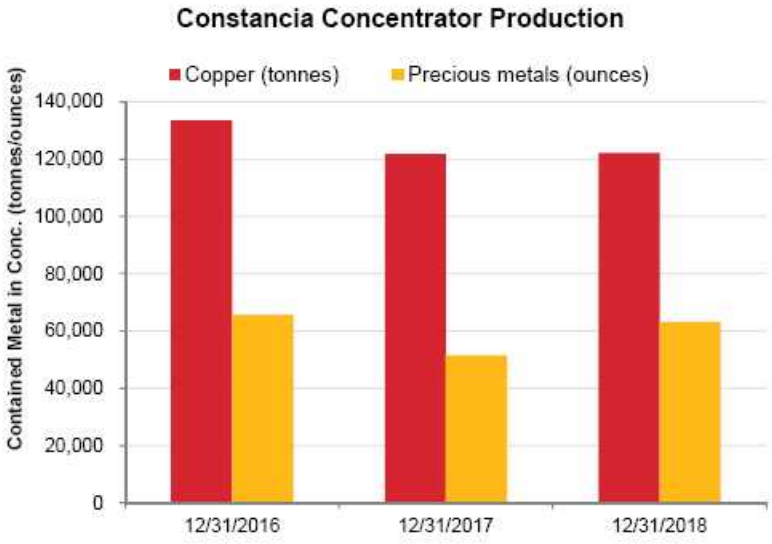
In 2015, Hudbay acquired a 100% interest in the New Britannia mine and mill, located in Snow Lake, Manitoba. Based on the detailed work completed in 2018, Hudbay plans to refurbish the New Britannia mill, including the addition of a copper flotation circuit, to optimize processing at Lalor.

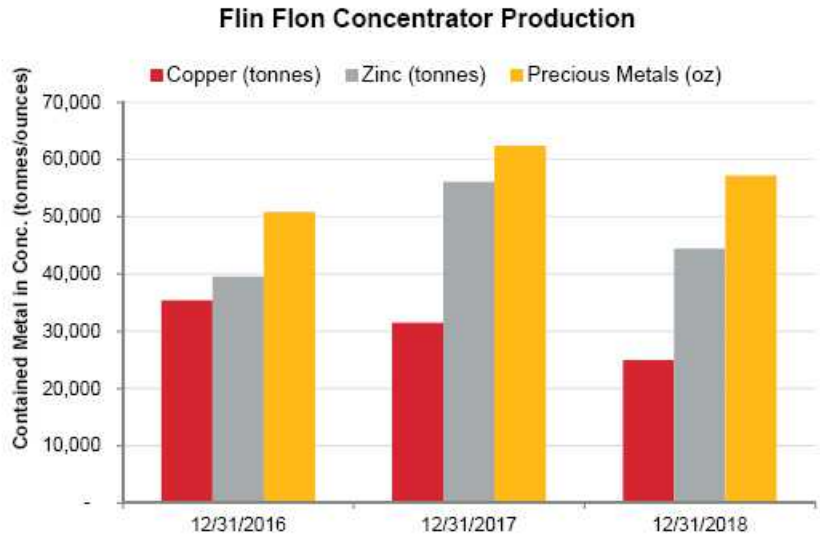
Peru Business Unit

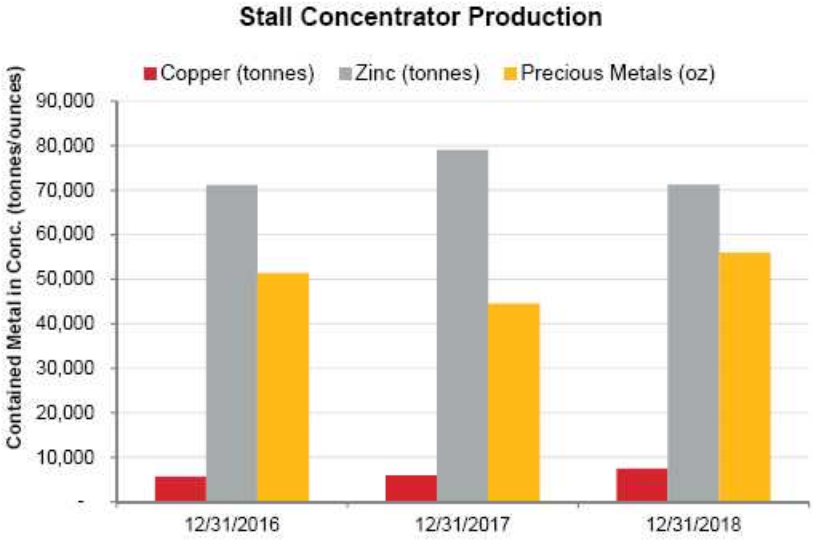
Our processing plant at Constancia has a nominal throughput capacity of 90,000 tonnes per day of ore and averaged throughput of approximately 86,000 tonnes per day in 2018, achieving record throughput and recoveries. We improved the performance of the plant in 2018 through technology and process improvements and plan to continue to implement such initiatives. The principal product of the concentrator is copper concentrate, although it also produces molybdenum 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.

Production

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







Tailings Management Facilities

We have seven tailings and water retainment structures and facilities, four in Manitoba and three at Constancia. The Flin Flon tailings impoundment area (FFTIA) is the only one with past construction using the upstream construction design method. More recent dam expansions have been constructed using the downstream method. Our Anderson tailings management facility in Snow Lake has historically used subaqueous deposition of tailings in Anderson Lake. In order to accommodate ongoing production from our Lalor mine, we are in the process of raising the dam around Anderson using the downstream method. Our Constancia tailings facility was constructed utilizing a downstream method which created a solid Rockfill Platform foundation. This foundation supports ongoing centerline construction which will continue until the end of the operating life of the structure. Reviews and inspections of these facilities in 2018 found all facilities and structures to be in compliance with our standards and industry best practices. In our Manitoba Business Unit, where some of our tailings storage facilities were built 80 years ago, we worked with our engineer of record to identity opportunities to proactively upgrade facilities and improve dam stability to increase the factor of safety of the structures over the next two years, particularly in areas previously constructed using the upstream method.

We established an Independent Peer Review Board ("IPRB") for our Constancia tailings management facilities in 2012 and extended this to our Manitoba business unit's facilities in 2017. In 2018, we developed a Tailings Governance Charter to further strengthen our internal governance processes related to tailings management. The charter details existing controls, including a Tailings Management System at the site or business unit that supports day-to-day activities such as planning, monitoring, risk identification and reporting. We conduct independent external reviews, which may include Engineer of Record inspections, IPRB reports and compliance audits. The Manitoba and Peru business units maintained their ratings (AA and A, respectively) across all the tailings management indicators in the Mining Association of Canada's 2018 Towards Sustainable Mining ("**TSM**") Progress Report.

At our Rosemont project in Arizona, we plan to use an alternative method of tailings disposal called dry stack or filtered tailings. This method offers numerous advantages over other tailings storage options, provided climactic conditions support the technology. Advantages include reduced water consumption, smaller land footprint and an ability to conduct concurrent reclamation. Dry stack also reduces the risk of groundwater contamination and dam breaches.

Exploration

Hudbay continues to grow its exploration portfolio of owned or optioned mineral properties, which now consists of approximately 885,000 hectares across Canada, Peru, the United States and Chile. Hudbay's 2019 exploration budget of $40 million, which includes option payments, will be focused on exploration near existing processing infrastructure in Manitoba and Peru, as well as exploration properties in Nevada, Chile and British Columbia.

In January 2018, Hudbay acquired control of a large, contiguous block of mineral rights to explore for mineable deposits within trucking distance of the Constancia processing facility, including the past producing Caballito property and the highly prospective Maria Reyna and Kusiorcco properties. Hudbay has commenced permitting, community relations and technical activities required to access and conduct drilling activities on these properties and has been successful in reaching a community agreement covering two of the properties to date with plans to drill those properties in 2019. In Manitoba, the company expects to conduct more underground drilling at Lalor to support the long-term gold strategy in Snow Lake as well as several regional greenfield exploration drill targets in an attempt to expand both the base metal and gold resource base.

Exploration activities at the Ann Mason project over 2019 will consist of geological mapping, geochemical sampling and geophysical surveys, as well as diamond drilling to identify potential sources of high grade mineralization that could enhance the feed grade in the early years of a future milling operation.

In 2018, Hudbay spent C$14 million on major airborne and ground geophysical surveys as well as on surface exploration drilling in the Flin Flon and Snow Lake regions of Manitoba. This work was instrumental in identifying several base metal and gold targets that are intended to be tested in 2019 with a comparable exploration budget.

An area of focus is the Lalor-Chisel-Photo area where Hudbay has recently discovered a new deposit by following up-dip a favourable plane with discrete copper-gold rich feeder intersections from drilling completed in 2011 and 2012 (see the news release dated February 26th, 2019 "Hudbay Announces Discovery of a New Deposit with High-Grade Zinc and High-Grade Gold Intersections Between the Chisel North and Lalor Mines"). Two drills will continue to operate in the immediate vicinity of this initial discovery in order to further confirm the continuity of the mineralization and its lateral extent while testing a recently reinterpreted electromagnetic conductive plate west of the two recent intersections. Depending on the success of future drilling, the company expects to develop an exploration drift off the ramp from Chisel North to the Lalor mine in order to drill this new discovery from an underground platform.

Strategic Investments

As at December 31, 2018, we held minority equity positions in 15 junior exploration companies, representing investments with a fair market value of approximately $15 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, 2018 were $515.5 million, and are held in low risk liquid investments and deposit accounts pursuant to our investment policy.

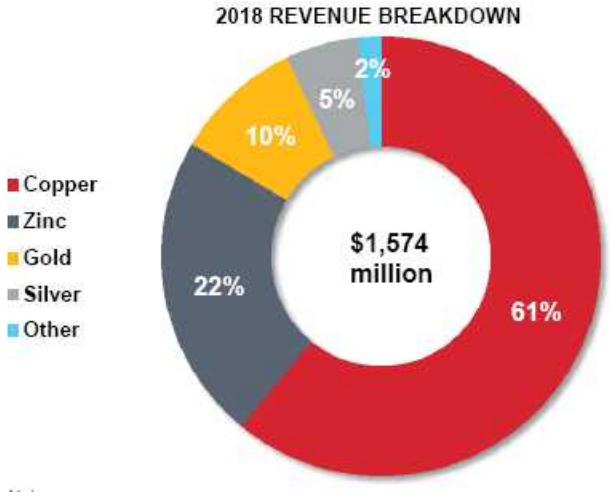
OTHER INFORMATION

Products and Marketing

Our principal products are copper concentrate, which contains payable copper, gold and silver, zinc concentrate, refined zinc metal and molybdenum concentrate. In 2018, we produced 657,923 tonnes of copper concentrate (512,984 tonnes from Constancia and 145,019 tonnes from our operations in Manitoba), 228,557 tonnes of zinc concentrate, the majority of which was processed in our Flin Flon zinc plant facility to produce 102,053 tonnes of cast zinc, and 1,782 tonnes of molybdenum concentrate.

In 2018, copper concentrate sales represented approximately 61% (2017 – 62%), zinc metal sales represented approximately 20% (2017 – 21%), zinc concentrate sales represented approximately 2% (2017 – 2%), and molybdenum sales represented approximately 1% (2017 – 1%), of our total gross consolidated revenue (which excludes mark-to-market adjustments on provisionally prices sales, realized and unrealized changes to fair value for non-hedge derivative contracts and adjustments to originally invoiced weights and assays).

Our 2018 revenue breakdown by commodity type is illustrated in the chart below:



Notes:

1. Revenue for the full year ended December 31, 2018. Gold and silver revenues include deferred revenue and cash payments applicable to precious metals stream sales.
2. This number excludes treatment and refining charges.

In 2018, approximately 65% (78% in 2017) of our copper concentrate sales were to third party purchasers at benchmark terms and for 2019 this is expected to decline to approximately 60%. The majority of the balance of our copper concentrate production is sold pursuant to shorter-term contracts (one to two years) with a small portion sold pursuant to spot market terms. Manitoba copper concentrate production is primarily sold for delivery to smelters in Canada and Europe, while Peru copper concentrate production is primarily sold for delivery to smelters in Asia, with the balance delivered within South America and Europe.

In 2018, zinc concentrate that was not processed internally at our Flin Flon zinc plant was delivered to smelters in Canada, Europe and Asia. All 30,050 tonnes of Lalor zinc concentrate sold and delivered to third party smelters in 2018 were sold at spot terms**.**

All molybdenum concentrate production in 2018 was sold to third party purchasers on spot terms and was delivered to roasters in South America, Asia and North America.

We sell gold and silver (contained in concentrate) from our 777 and Constancia mines to Wheaton Precious Metals 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.

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 and zinc declined significantly in 2018 compared to 2017, whereas precious metals prices were slightly lower.

For additional information refer to our market analysis of copper and zinc prices on pages 26 and 27 of our management's discussion and analysis for the year ended December 31, 2018, 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 – Recruitment, Retention and Labour Relations".

Competitive Conditions

The mining industry is intensely competitive and we compete with many companies in the search for and 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, zinc concentrate and refined zinc metal 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 and we have an environmental management program directed at environmental protection and compliance to achieve our goal and address these regulatory changes. For additional information, see "Tailings Management Facilities" above and "Corporate Social Responsibility".

Employees

As at December 31, 2018, we had 74 employees at our Toronto head office, 1,381 employees in Manitoba, 690 employees in Peru and 35 employees in Arizona.

We have entered into separate three-year collective bargaining agreements that expire at the end of 2020 with the unionized workforces at our Manitoba and Peru operations. Unionized workers represented approximately 78% of our employees in Manitoba and 34% of our employees in Peru as at December 31, 2018.

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.

In accordance with Peruvian law, Hudbay distributes 8% of the after-tax profit of the Peru Business Unit amongst all employees in Peru, including executive officers and key management personnel.

CORPORATE SOCIAL RESPONSIBILITY

At Hudbay, we view responsible corporate behaviour as integral to the successful execution of our business strategy. In particular, we pride ourselves on 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 wellbeing, 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 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 Safety and Environmental Management System Standards OHSAS 18001 and ISO 14001. 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 recordable injuries (Medical Aid, Restricted Work and Lost Time injuries) and comply with environmental requirements are significant factors in maintaining social license to operate and realizing opportunities to improve overall operational efficiency. Our safety management systems also focus on identifying and mitigating fatal risks, including implementing critical controls addressing fatal risks and also on thoroughly investigating any incidents that represent a potential fatality regardless of the actual outcome of the incident. In 2018, our recordable injury frequency per 200,000 hours worked was 4.3, an increase over our 2017 performance of 3.8. This increase was due to a higher number of Medical Aid injuries in Manitoba, where by regulation, any diagnostic visit to a doctor is considered Medical Aid regardless of whether any treatment is required. We have adjusted our systems to also classify injuries based on the International Council on Mining and Metals (ICMM) criteria and will report our 2019 performance on this more comparable basis. Our other key measure of performance, Lost Time Severity, also increased in 2018 to 14.3 days lost per 200,000 hours worked from 8.4 in 2017. This increase was due to a small number of injuries that involved significant time away from work and we are working to implement improved return to work programs to help address this. While we are focusing on total recordable injuries and lost time severity generally, Hudbay's Peru Business Unit achieved a noteworthy lost time frequency performance of 0.07 per 200,000 hours worked in 2018.

Our environmental management program consists of a corporate environmental policy, and at each site, comprehensive environmental management plans and procedures that are integrated with operating procedures, employee training, regular internal and external audits, and emergency response systems. 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 2018.

We maintain a 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 Stakeholder Engagement, 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. In early 2019 we formalized a corporate Security Management Policy and Standards to support a consistent and structured approach to security across our locations.

SUSTAINABILITY REPORTING

Each year we publish a combined Annual / Corporate Social Responsibility Report that presents and discusses our environmental, social, health and safety performance in the context of our overall business performance. This report is prepared pursuant to the Global Reporting Initiative guidelines, which is the world's most widely used sustainability framework. Our 2017 Annual / Corporate Social Responsibility 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 2018 report is expected to be released in the second quarter of 2019**.**

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, silver and molybdenum. 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 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 trade disputes or 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 finance our projects and 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 Lalor growth projects, including the refurbishment of the New Britannia mill) 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 (including three challenges in relation to the issuance of the FROD and a further challenge against the Section 404 Water Permit for the Rosemont Project) 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 (and to a lesser extent, to refurbish the New Britannia mill). 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 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 are not assured. There can be no assurance that administrative and legal challenges to Rosemont's permits (including those with respect to the FROD and Section 404 Water Permit) will be successfully resolved. Moreover, there may be further delays caused by additional administrative and legal challenges to Rosemont's permits.

We recently entered into an agreement with UCM to acquire their 7.95% interest in Rosemont. If for any reason we are unable to complete this acquisition, it is possible we would not be able to obtain UCM's consent for certain key project decisions. Similarly, assuming we complete the acquisition of UCM's interest, we intend to initiate a process to find a new minority joint venture partner for Rosemont. Certain project decisions under any such joint venture agreement are likely to require consent or collaboration among the joint venture partners, and any failure to achieve such consent or collaboration could hinder our ability to develop Rosemont.

The capital expenditures, timeline and other risks involved with developing a new mine, such as Rosemont, refurbishing and commissioning a new processing facility, such as the New Britannia mill, and mining a new deposit such as Pampacancha at our Constancia mine in Peru, are considerable. In the case of the New Britannia mill, the primary risk is the permitting schedule and the constraints imposed on construction by winter weather conditions in northern Manitoba. In the case of Pampacancha, there is a risk that we may not be able to secure the surface rights required to develop the deposit according to our schedule or at all. If we do not achieve certain production milestones from Pampacancha, we will be obliged to deliver additional ounces of gold to Wheaton Precious Metals; however, we do not consider any such delivery obligations to be material. Any inability to secure the required surface rights for Pampacancha or take possession of areas for which we hold surface rights could render us unable to carry out planned exploration, development and mining activities and expose us to financial risks. 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.

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 jurisdictions that we believe support responsible mining 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 explore the prospective mineral properties we acquired in close proximity to Constancia 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 operation (including the environmental or social impacts of our operation), 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. The risk of disruptions from such opposition tends to increase with national, regional and local elections in Peru as well as with change to the general political and social climate in the area in which we operate.

COMMUNITY RELATIONS AND ABORIGINAL RIGHTS

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 attention and advocacy relating to the real and 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.

Although we have entered into life of mine agreements with the two local communities directly affected by the Constancia mine, and have a number of agreements in place with other local communities in the area, there can be no assurance that disputes will not arise with these communities or with other communities with whom we do not have an agreement in place. 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 and explore the prospective mineral properties we own in close proximity to Constancia. Relations with local communities may be strained by real or perceived detrimental effects associated with our activities or those of other mining companies and those strains may impact our ability to enforce our existing community agreements or obtain necessary permits and approvals to operate the Constancia mine. Further, communities and other groups in Peru and elsewhere that self-identify as indigenous people may assert rights to be consulted and a right to free, prior and informed consent over project decisions.

Although we work to engage with and provide opportunities to aboriginal communities near our operations, asserted rights of aboriginal peoples may affect our ability to operate our Lalor mine and develop other mineral properties in Manitoba, including our plans for the Snow Lake region. In the past this has given rise to temporary disruptions of our operations at Lalor. 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.

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 fully mitigate this potential risk.

MINING, PROCESSING AND INSURANCE

Mining operations, including exploration, development and production of mineral deposits and disposal of tailings, 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, as well as intentional acts by individuals or groups who intend to harm or disrupt our operations. These risks could result in the destruction of mines or processing facilities, the failure of tailings management facilities and damage to infrastructure, causing partial or complete shutdowns, personal injury or death, environmental or other damage to our properties or the properties of others, monetary losses and potential legal liability. Although we conduct extensive maintenance and monitoring and incur significant costs to maintain our mines, equipment and infrastructure, including our tailings management facilities, unanticipated failures or damage may occur that cause injuries, production loss or environmental pollution and resulting legal and economic liability, which may be significant. We may be at a heightened risk of such anticipated failures or damage in Manitoba, where some of our mines, equipment and infrastructure, including our tailings management facilities, were built over 80 years ago and, in the case of FFTIA, were based on the upstream construction design method.

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.

Likewise, as processing facilities age, such as our Stall concentrator and the Flin Flon metallurgical complex, the risk of unexpected shutdowns and reduced availability increases. Any inability to provide adequate feed to our processing facilities or maintain the availability of our processing facilities could adversely impact our profitability and impair the viability of our operations.

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.

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 recently entered into an agreement with UCM to acquire their 7.95% interest in Rosemont. If for any reason we are unable to complete this acquisition, it is possible we would not be able to obtain UCM's consent for certain key project decisions, or they could fail to provide the required capital as anticipated. Similarly, assuming we complete the acquisition of UCM's interest, we intend to initiate a process to find a new minority joint venture partner for Rosemont. It is possible this process will not be successful, or that we may not be able to raise as much capital from this process as we would expect.

We have a significant amount of indebtedness. As of December 31, 2018, our total long-term debt was approximately $1.0 billion. 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 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.

GOVERNMENTAL APPROVALS 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. 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, including the public consultation process undertaken by regulatory agencies. 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.

Environmental regulation continues to evolve in a manner that requires 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, including laws governing our tailings storage facilities. 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.

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, we are now hauling a portion of the ore production from the Lalor mine approximately 200 kilometers by road to Flin Flon for processing. In Peru, concentrate production from the Constancia mine must travel approximately 450 kilometers by road to the Port of Matarani. The method and route of transportation of ore and concentrates to our processing facilities and for sale 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.

RECRUITMENT, RETENTION AND LABOUR RELATIONS

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.

Although we recently entered into three-year collective bargaining agreements with our unionized workforces in Manitoba and Peru and currently enjoy labour stability, there can be no assurance that our business will not suffer from a work stoppage at any location where we operate. In addition, 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.

TITLE TO MINERAL PROPERTIES

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.

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 Peru and other 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.

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 resources will be converted into mineral reserves and that mineral recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. This is heightened in the case of Lalor, which has substantial inferred mineral resources. 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.

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, financial reporting and financial condition. Our exposure to this risk 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.

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.

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.

REPUTATIONAL RISK

As a result of the increased usage and reach of social media and other internet platforms used to create and publish user-generated content, companies today are at much greater risk of losing control over how they are perceived in the marketplace. Publicity adverse to us, including as a result of such user-generated content, could result from the actual or perceived occurrence of any number of events (for example, with respect to the handling of environmental matters, community relations or litigation), whether true or not. Although Hudbay seeks to mitigate this risk through a number of measures, there can be no assurance that the Company's reputation will not be harmed. Reputation loss may lead to increased challenges in developing and maintaining community relations and decreased investor confidence and could ultimately have a material adverse impact on Hudbay.

CLIMATE CHANGE

Governments and regulatory bodies at the international, national, regional and local levels have introduced or may introduce legislatives changes to respond to the potential impacts of climate change. Additional government action to regulate (and price) climate change, including regulations on carbon emissions and energy and water use, could increase the direct and indirect costs of our operations and may have a material adverse effect on our business. In addition, our operations are subject to the physical risks of climate change, which may include:

- *Increased extreme weather events:* Our current operations are located in geographical areas where typical weather can be hazardous. Constancia is situated in an area susceptible to seismic activity and El Niño and La Niña weather systems, the Rosemont project is vulnerable to extreme dry heat and the Manitoba operations are predisposed to cold temperatures, heavy snowfall and the inherent risks associated with sudden and drastic changes in temperature. An increase in extreme weather events at our operations, including increased frequency and severity of storms, winds and changes in precipitation and temperatures, could result in unanticipated challenges and may adversely affect our operations.

- *Rising sea levels*: A change in sea level can disrupt supply shipping channels, impacting both the transportation of equipment and resources to our operations and the delivery of our products to smelters and other purchasers.

- *Water availability*: Climate change may adversely affect the availability of water in arid locations, including the Southwestern United States (where our Rosemont project is located) and Chile (where we have an active exploration program). Water scarcity and shortage can lead to pressure and government action to reduce industrial water consumption which may restrict the use of existing water rights.

Despite efforts to anticipate and mitigate against the hazards and risks of climate change, the above risks and other factors may impact production forecasts, results of operations, financial condition, corporate strategy and share price.

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.

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 and our board of directors may determine to cease our past practice of making dividend payments at any time.

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, shareholder activism 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 (including in the context of shareholder activism campaigns) 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.

GROWTH STRATEGY

We evaluate growth opportunities and continue to consider the acquisition and disposition of exploration and development properties and other 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.

"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.

DESCRIPTION OF CAPITAL STRUCTURE

COMMON SHARES

We are authorized to issue an unlimited number of common shares, of which there were 261,272,151 common shares issued and outstanding as of March 28, 2019.

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.

SHAREHOLDER RIGHTS PLAN

On March 12, 2019 we entered into a Shareholder Rights Plan Agreement with TSX Trust Company, as Rights Agent. As of that date, one right (a "**Right**") was issued and attached to each Common Share outstanding at that time. A Right will also be attached to each Common Share issued after that date. The issuance of the Rights will not change the manner in which shareholders trade their Common Shares. The Rights Plan is similar to shareholder rights plans adopted by other public companies. Subject to the terms of the Rights Plan, the Rights issued under the Rights Plan become exercisable only if a person (the "**Acquiring Person**"), together with certain related persons, acquires or announces its intention to acquire 20% or more of the Common Shares without complying with the "Permitted Bid" provisions of the Rights Plan. Following a transaction that results in a person becoming an Acquiring Person, the Rights entitle the holder thereof to purchase Common Shares at a significant discount to the market price.

Under the Rights Plan, a "Permitted Bid" is a take-over bid made in compliance with the Canadian take-over bid regime. Specifically, a Permitted Bid is a take-over bid that is made to all shareholders, that is open for 105 days (or such shorter period as is permitted under the bid regime) and that contains certain conditions, including that no Common Shares will be taken up and paid for unless 50% of the Common Shares that are held by independent shareholders are tendered to the take-over bid.

While the Rights Plan is effective as of March 12, 2019, it is subject to shareholder ratification within six months of its adoption. If the Rights Plan is not ratified by the Company's shareholders, it will automatically terminate on September 12, 2019.

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 3, 2018 and Moody's Investors Services ("**Moody's**") on August 23, 2018.

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

On October 3, 2018, S&P reaffirmed its long-term corporate credit rating of 'B+ stable' for Hudbay, while also reaffirming its 'B+' issue-level rating and a '3' recovery rating to the Senior Unsecured Notes.

S&P's corporate 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 issue 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 corporate 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 corporate 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 23, 2018, Moody's reaffirmed our corporate family rating of 'B2', our speculative grade liquidity rating of 'SGL-2', our probability of default rating of 'B2-PD', and our 'stable' outlook. It also reaffirmed our 'B3' rating for our Senior Unsecured Notes.

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 on 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 of C$0.01 per share. 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 (2018)	**High (C$)**	**Low (C$)**	**Volume (common shares)**	**High ($)**	**Low ($)**	**Volume (common shares)**
January	12.65	10.50	37,040,922	10.25	8.50	21,979,809
February	11.24	9.15	40,749,504	8.95	7.21	16,303,265
March	10.48	8.60	40,024,051	8.13	6.65	13,017,679
April	9.72	8.36	34,644,223	7.70	6.50	12,246,958
May	9.74	8.22	38,160,554	7.63	6.30	10,526,409
June	9.33	7.02	38,661,227	7.20	5.25	11,073,465
July	7.39	6.62	33,943,980	5.65	5.05	9,351,965
August	6.77	5.77	34,759,373	5.23	4.35	11,543,354
September	6.97	5.44	26,456,184	5.38	4.13	9,631,491
October	6.98	4.51	43,565,064	5.44	3.44	18,111,022
November	7.00	5.48	38,238,375	5.28	4.19	15,424,165
December	7.34	5.97	24,858,093	5.55	4.41	12,026,884

On March 28, 2019, the closing prices of our common shares on the TSX and NYSE were C$9.29 and $6.91 per common share, respectively.

The warrants that were issued in 2014 in connection with our acquisition of Augusta Resource Corporation expired on July 20, 2018. The last available closing prices of our warrants on the TSX and NYSE prior to expiry were C$0.005 and $0.0009 per warrant, respectively.

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

Carol T. Banducci *Toronto, Ontario, Canada*	Director since: May 4, 2017 Committee membership: • Audit Committee • Environmental, Health, Safety and Sustainability (" **EHSS**") Committee	Ms. Banducci is Executive Vice President and Chief Financial Officer of IAMGOLD Corporation. She joined IAMGOLD in July 2007, and she currently oversees all aspects of the finance, information technology and investor relations functions.
Igor Gonzales *Lima, Peru*	Director since: July 31, 2013 Committee memberships: • EHSS Committee • Technical Committee	Mr. Gonzales has more than 30 years of experience in the mining industry. He joined Sierra Metals as President and CEO in April 2017, following over two years as Vice President of Operations of Compañia de Minas Buenaventura S.A.A. Prior to that, Mr. Gonzales was with Barrick Gold Corporation from 1998 to 2013, most recently as Executive Vice President and Chief Operating Officer.
Alan Hair *Toronto, Ontario, Canada*	Director since: January 1, 2016	Mr. Hair is Hudbay's President and Chief Executive Officer and was appointed in January 2016. From 2012 to 2015 Mr. Hair served as Hudbay's Senior Vice President and Chief Operating Officer and, prior to that, he held a number of senior leadership roles in business development and operations since joining Hudbay in 1996.
Alan R. Hibben *Toronto, Ontario, Canada*	Director since: March 23, 2009 Committee memberships: • Corporate Governance and Nominating (" **CGN**") Committee (Chair)	Mr. Hibben is Hudbay's Chair and was appointed in May 2017. He 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.
W. Warren Holmes *Stratford, Ontario, Canada*	Director since: March 23, 2009 Committee memberships: • EHSS Committee (Chair) • Technical Committee	Mr. Holmes is Hudbay's former Chair 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) • CGN 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 and Human Resources (" **CHR**") Committee (Chair) • CGN 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 positions in wholesale marketing, refining, transportation and commercial trading as well as leadership roles in planning and business development throughout her career in the U.S. and Europe. She is currently a corporate director.

Alan J. Lenczner *Toronto, Ontario, Canada*	Director since: March 23, 2009 Committee memberships: • Audit Committee • CHR 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.
Colin Osborne *Burlington, Ontario, Canada*	Director since: May 2018 Committee memberships: • Audit Committee • Technical Committee	Mr. Osborne is President and Chief Operating Officer of Samuel Son & Co. He joined Samuel Son & Co. in August 2015. From October 2007 through June 2015, Mr. Osborne was Chief Executive Officer and President of Vicwest Inc., and prior to that he was Chief Operating Officer at Stelco Inc. where his duties included overseeing mining operations.
Kenneth G. Stowe *Oakville, Ontario, Canada*	Director since: June 24, 2010 Committee memberships: • Technical Committee (Chair) • CHR 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.

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 as Chief Financial Officer since August 2008. Prior to joining Hudbay, Mr. Bryson held senior finance positions with Skye Resources Inc. and with Terasen Inc., a Vancouver-based energy infrastructure firm.
Eugene Lei *Toronto, Ontario, Canada* Senior Vice President, Corporate Development and Strategy	Mr. Lei joined Hudbay in 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.
Cashel Meagher *Mississauga, 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.
Peter Amelunxen *Cole Bay, Sint Maarten, Dutch Caribbean* Vice President, Technical Services	Mr. Amelunxen joined Hudbay in September 2018. Mr. Amelunxen has experience working in various jurisdictions and has worked for 20 years in diverse roles including consulting, grinding and flotation circuit modeling, plant operations, engineering and laboratory testing.

Robert Assabgui *Toronto, Ontario, Canada* Vice President, Manitoba Business Unit	Mr. Assabgui was appointed Vice President, Manitoba Business Unit in April 2018, following a year in the role of Vice President, Technical Services. He is an accomplished senior operations manager with 27 years of progressive experience in operations, project management and engineering in the mining industry. Prior to joining the company in 2017, Mr. Assabgui was Director, Mining at Vale's Sudbury Operations.
Adrienne Blazo *Toronto, Ontario, Canada* Vice President, Organizational Effectiveness	Ms. Blazo joined Hudbay in September 2017 and brings a wide-ranging track record of operating and corporate experience in the extractive industry. Prior to joining Hudbay, Ms. Blazo was Vice President Operations at Canadian Oil Sands, developing direction for the Syncrude joint venture's operations and growth strategies, with a focus on major projects, value enhancement and excellence in environmental performance. Ms. Blazo previously held successively senior roles during a career of more than 20 years with Suncor Energy.
David Clarry *Toronto, Ontario, Canada* Vice President, Corporate Social Responsibility	Mr. Clarry joined Hudbay in 2011. From 2009 to 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.
Javier Del Rio *Lima, Peru* Vice President, South America Business Unit	Prior to being appointed to his current role in 2017, Mr. Del Rio was Executive Director, Business Development – South America. Mr. Del Rio joined Hudbay in 2010 and has over 25 years of mining experience. He has held management positions in business planning, optimization process, and business analysis with Newmont Mining Corporation in the United States and Peru.
Patrick Donnelly *Oakville, Ontario, Canada* Vice President and General Counsel	Prior to being appointed to his current role in 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 and Treasurer	Mr. Douglas joined Hudbay in 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 2015, prior to which she was Corporate Controller for IAMGOLD Corporation since 2012. From 2007 to 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.
André Lauzon *Tucson, Arizona, United States* Vice President, Arizona Business Unit	Mr. Lauzon was appointed Vice President, Arizona Business Unit in April 2018, following almost two years in the role of Vice President, Manitoba Business Unit. Mr. Lauzon has experience with both open pit and underground mines. He has worked in and supported projects and mines in a wide range of challenging locations and conditions, from Voisey's Bay in Newfoundland, to Turkey, Alaska, Australia, Indonesia, Brazil and most recently, northern Ontario, with Vale.
Olivier Tavchandjian *Beaconsfield, Quebec, Canada* Vice President, Exploration and Geology	Mr. Tavchandjian joined Hudbay in September 2017 and brings 25 years of experience in mineral resource and mineral reserve estimation and reporting, exploration, strategic and life of mine planning, technical support to operations and corporate development. Prior to joining Hudbay, Mr. Tavchandjian was VP Resource Evaluation for Anemka Resources, the mining portfolio company of a large private investment firm.

As of March 28, 2019, our directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 669,165 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 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 2018 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, 2018, the Audit Committee consisted of Sarah B. Kavanagh (Chair), Carol T. Banducci, Alan J. Lenczner and Colin Osborne.

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 or her responsibilities as an Audit Committee member.

Ms. Kavanagh is a corporate director and holds the ICD.D designation from the Institute of Corporate Directors. She 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 Bausch Health Companies Inc. Ms. Kavanagh is a director and Chair of the Audit Committee at AST and AST (Canada) and a director and Chair of the Audit Committee of Sustainable Development Technology Canada. She is a former Commissioner at the Ontario Securities Commission, where she served from 2011 to 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.

Ms. Banducci is Executive Vice President and Chief Financial Officer of IAMGOLD Corporation. She joined IAMGOLD in July 2007, and she currently oversees all aspects of the finance, information technology and investor relations functions. From 2005 to 2007, Ms. Banducci was Vice President, Financial Operations of Royal Group Technologies. Previous executive finance roles include Chief Financial Officer of Canadian General-Tower Limited and Chief Financial Officer of Orica Explosives North America and ICI Explosives Canada & Latin America. Ms. Banducci has extensive finance experience in capital markets, statutory and management reporting, audit, budgeting, capital programs, treasury, tax, acquisitions and divestments, pension fund management, insurance and information technology. She holds a Bachelor of Commerce degree from the University of Toronto.

Mr. 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.

Mr. Osborne is President and Chief Operating Officer of Samuel Son & Co. He joined Samuel Son & Co. in August 2015. From October 2007 through June 2015, Mr. Osborne was Chief Executive Officer and President of Vicwest Inc., and prior to that he was the Chief Operating Officer at Stelco Inc. where his duties included overseeing mining operations. Mr. Osborne has 30 years of broad experience in the metals, mining and manufacturing industry. He has completed the Executive Program at Queen's University School of Business and holds a Bachelor of Engineering in Mining and Metallurgy from McGill University.

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, 2018 and 2017.

Category of Fees	2018	2017
Audit fees	C$1,972,713	C$1,827,735
Audit-related fees	C$123,600	C$459,303
Tax fees	-	-
All other fees	-	-
Total	**C$2,096,313**	**C$2,287,038**

"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 audit work related to our pension, benefit and profit sharing plans, and work related to our joint venture in respect of the Reed mine. "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 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 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

Except as otherwise disclosed in this AIF, since January 1, 2016, 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 Wheaton Precious Metals (previously Silver Wheaton), whereby we agreed to sell a portion of the precious metals production from our 777 mine to Wheaton Precious Metals.

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 Wheaton Precious Metals (International) Ltd. ("**Wheaton International**", previously Silver Wheaton (Caymans) Ltd.), whereby we agreed to sell 100% of the silver production and 50% of the gold production from our Constancia mine to Wheaton International.

3. the Amended and Restated Precious Metals Purchase Agreement, dated as of February 8, 2019 between HudBay Arizona (Barbados) SRL, Hudbay, Wheaton International and Wheaton Precious Metals;

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; in March 2019, we agreed to acquire UCM's 7.95% interest in the Rosemont project and terminate its rights and obligations under the joint venture and earn-in agreements;

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; in March 2019, we agreed to acquire UCM's 7.95% interest in the Rosemont project and terminate its rights and obligations under the joint venture and earn-in agreements;

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 "Description of Capital Structure – Senior Unsecured Notes";

7. the Fourth 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 July 14, 2017, as amended, providing for a four year $350 million revolving credit facility; and

8. the Second 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 July 14, 2017, as amended, providing for a four 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 contained in this AIF related to our other material mineral projects has been approved by Olivier Tavchandjian, P.Geo., our Vice President, Exploration and Geology. Messrs. Meagher and Tavchandjian 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 Olivier Tavchandjian, P.Geo., 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 March 29, 2018. Additional financial information is provided in our financial statements and management's discussion and analysis for the fiscal year ended December 31, 2018.

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" Thatpartofameasuredorindicatedmineralresource whichcouldbeeconomicallymined,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 4,000 to 4,500 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 Wheaton Precious Metals, 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 the Constancia and Pampacancha deposits since the early 2000s. The three most recent drilling programs were completed by Hudbay, with prior drilling programs conducted by Rio Tinto and Norsemont Mining. The various drilling campaigns conducted at Constancia and Pampacancha totaled 207,000 meters of drilling with approximately 90% of the drilling being conducted by diamond drilling (coring) methods and only 10% done by reverse circulation (RC).

Out of the total drilling completed over the two deposits, 418 holes (128,240m) at Constancia and 147 holes (39,696m) at Pampacancha were used to conduct grade estimation within the mineralized envelopes and to report the current mineral resource and mineral reserve estimates.

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 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.

1,247 and 633 bulk density measurements were respectively conducted at Constancia and Pampacancha by ALS Chemex using the paraffin wax coat method. These measurements are representative of the different rock and mineralization domains recognized to date.

During the Hudbay drilling campaigns conducted between 2011 and 2015, 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 Constancia and Pampacancha deposits by us and were analyzed and certified by Acme labs. 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. Duplicates were inserted approximately every 30 samples.

As for the 2017 twin hole drilling program, 13% of blanks and 5% of standards were inserted at site, prior to dispatching the core boxes to Certimin and SGS laboratories. In addition, 10% of all the pulps samples and 10% of all the coarse reject samples were reclaimed. 50% were resent to the initial laboratory and the other 50% were sent to an umpire lab for duplicate analysis. 5% of blanks, 5% of standards and 5% of duplicates were added to the re-analysis streams.

Data Validation

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

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. The data entry spreadsheets have a number of built-in logical checks to improve the validity of the database. We checked collar positions visually on plans and down-hole surveys were validated by examining significant deviations.

No significant discrepancies were found between the log data and the assay certificates and the drill hole database is accurate and suitable to estimate the mineral resources at both deposits.

In 2017, 17 holes representing over 4,167m of sampling previously drilled by Norsemont and Hudbay and covering the full extent of the Constancia reserve pit were twined in order to further investigate the impact of suspected losses of fine material in the original drilling both on grade estimation and on the metallurgical model. The 2017 drilling was done with the greatest level of care using triple tube coring and lubricants to maximize core recovery. The new holes were located within 2 meters of the old holes for each pair. The 2017 twin hole has evidenced an under-estimation bias in the copper grade in the old drilling but only for the supergene portion of the Constancia deposit. In the hypogene part of the deposit, the improved recovery of fines has no material impact on the copper grade. A robust correction was developed to address the grade bias evidenced in the supergene samples.

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 2018, the Constancia plant achieved a copper recovery of 82.6% . Copper recoveries over the remaining life of mine are expected to average 86%. The recoveries will vary based on ore type and processing plant flow sheet improvements currently in progress.

Mineral Resource and Mineral Reserve Estimates

The mineral resource and mineral reserve estimates for the Constancia and Pampacancha properties are effective January 1, 2019. Other than as disclosed in this AIF, there are no known metallurgical, environmental, permitting, legal, taxation, socio-economic, marketing or political issues that could reasonably be expected to materially impact the mineral resource and mineral reserve estimates.

Resource estimations for the Constancia and Pampacancha deposits are based on the most up to date geological interpretations and geochemical results from the drilling data currently available. 418 holes totaling 128,241m were used for the resource model of Constancia while 140 holes totaling 38,240m were used to support the resource model of Pampacancha. Multi pass ordinary kriging interpolation setup was used to interpolate the grades in the block model while honoring the geology.

A thorough reconciliation exercise was conducted at the end of 2017 in order to diagnose the reasons for a persistent positive copper grade bias experienced at Constancia between the mill reported production and the reserve estimates over the past two years. By correcting the under-estimation bias in the previous drilling campaigns for the sampling of the supergene mineralization and by closely monitoring and correcting any over-smoothing in the kriging interpolation, a new resource model developed in 2017 provides much improved reconciliation results with past production and was used to estimate the current mineral resource and mineral reserve estimates presented in this document. In 2018, a reconciliation between the reserve model and the reported production from the mine credited by the mill showed that tonnes and quantity of copper were both within 5%.

At Pampacancha, the resource model was also updated in 2017, in order to improve the geological modeling and better control the smoothing in the grade interpolation but also and more significantly to properly weight grade interpolation by density as a strong positive correlation was recognized between density and the grade of the main metals of economic interest. As expected, properly weighting grade interpolation by density results in an improved average grade for copper but also for gold, molybdenum and silver.

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 mine production plan contains 584 Mt of waste and 534 Mt of ore, yielding a waste to ore stripping ratio of 1.1 to 1.0. An average life of mine 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 31.0 Mt/a. The ore production schedule for the life of mine shows average grades of 0.31% Cu, 0.009% Mo, 0.06 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. There has been no change in the resource model or in the mine plan in 2019. The changes in mineral reserve and mineral resource estimates are solely due to mining depletion and to the removal of certain mineral resources reported in 2018 that are no longer deemed to be amenable to concentration by the mill due to their high contaminant content. An (upward) adjustment to the silver and gold grade in the inferred mineral resource estimates of Constancia was also done to correct an immaterial reporting error in the 2017 AIF filing.

Constancia

Mineral Reserve Reconciliation (Proven & Probable)	Tonnes[1]	Cu%	Mo (g/t)	Ag (g/t)	Au (g/t)	Tonnes Cu
A 2018 Mineral Reserve	528,700,000	0.29	93	3.0	0.035	1,558,000
B 2018 Production (from Reserve)	31,300,000	0.47	134	4.1	0.051	148,000
C (A - B) = Depleted Reserve	497,400,000	-	-	-	-	1,410,000
D Mine Planning and Economics Gain/(Loss)	(3,600,000)	-	-	-	-	7,000
E 2019 Reserve (C - D)	493,800,000	0.29	91	2.9	0.035	1,417,000

Mineral Resource Reconciliation (Measured & Indicated)	Tonnes[1]	Cu%	Mo (g/t)	Ag (g/t)	Au (g/t)	Tonnes Cu
A 2018 Mineral Resource	356,000,000	0.20	54	2.1	0.030	701,000
B 2019 Mineral Resource	350,000,000	0.19	53	2.2	0.031	670,000
C (B-A) Gain[(2)(3)]/(Loss)	(6,000,000)	-	-	-	-	(31,000)

Mineral Resource Reconciliation (Inferred)	Tonnes[1]	Cu%	Mo (g/t)	Ag[(3)] (g/t)	Au[(3)] (g/t)	Tonnes Cu
A 2018 Mineral Resource	54,100,000	0.24	43	2.4	0.046	127,000
B 2019 Mineral Resource	50,800,000	0.24	43	2.4	0.046	120,000
C (B - A) Gain[(2)]/(Loss)	(3,300,000)	-	-	-	-	(7,000)

Notes:

1. Totals may not add up correctly due to rounding.
2. Re-evaluation of economic viability.
3. A reporting error in the 2018 precious metal grade of the inferred mineral resource estimates for the Constancia pit has been corrected in 2019.

Pampacancha

Mineral Reserve Reconciliation (Proven & Probable)	Tonnes[1]	Cu%	Mo (g/t)	Ag (g/t)	Au (g/t)	Tonnes Cu
A 2018 Mineral Reserve	39,900,000	0.60	177	4.7	0.360	238,000
B 2018 Production (Depletion)	-	-	-	-	-	-

C (A - B)	39,900,000	0.60	177	4.7	0.360	238,000
F Geology (Gain/Loss)	-	-	-	-	-	-
G Mine Planning & Economics (Gain/Loss)	-	-	-	-	-	-
H 2019 Mineral Reserve (C + F + G)	39,900,000	0.60	177	4.7	0.360	238,000

Mineral Resource Reconciliation (Measured & Indicated)	Tonnes[1]	Cu%	Mo (g/t)	Ag (g/t)	Au (g/t)	Tonnes Cu
I 2018 Mineral Resource (Measured & Indicated)	17,400,000	0.39	95	5.0	0.258	69,000
J 2019 Mineral Resource (Measured & Indicated)	17,400,000	0.39	95	5.0	0.258	69,000
K (J - I) Gain/(Loss)	-	-	-	-	-	-

Mineral Resource Reconciliation (Inferred)	Tonnes[1]	Cu%	Mo (g/t)	Ag (g/t)	Au (g/t)	Tonnes Cu
L 2018 Mineral Resource (Inferred)	10,100,000	0.14	143	3.9	0.233	14,000
M 2019 Mineral Resource (Inferred)	10,100,000	0.14	143	3.9	0.233	14,000
N (M - L) Gain/(Loss)	-	-	-	-	-	-

Notes:

1. Totals may not add up correctly due to number rounding.

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 and molybdenum. Silver and a small quantity of payable gold reports to the copper concentrate. The Pampacancha deposit exhibits higher grades of copper and gold and is scheduled to enter into production once we have acquired the necessary surface rights.

To match the production requirements, operations are conducted from 15 metre high benches using large-scale mine equipment, including: 10-5/8-inch-diameter rotary blast hole drills, 27 m^3 class hydraulic shovels, 19 m^3 front-end loaders, 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). During 2018, it processed 31 Mt achieving the objective.

The primary crusher, belt conveyors, thickeners, tanks, flotation cells, mills and various other types of equipment are located outdoors and are not protected by buildings or enclosures. To facilitate the appropriate level of operation and maintenance, the 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 by using gravity flows to minimize pumping requirements and to reduce the height of steel structures.

An instrumentation plan will enhance the Processing Plant's performance with various initiatives implemented at different sub-process levels. These initiatives include video cameras at the apron feeder and belts, froth cameras at the flotation cells and a particle-size analyzer, all of which have been installed, with some commissioned. These initiatives are part of an overall automation plan integrated into the Processing Plant system.

Infrastructure, Permitting, and Compliance Activities

The infrastructure includes the waste rock facility, tailings management facility, water management system, electrical power supply and transmission and improvements to the roads and port. The primary road to the site consists of a 70 km 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 purpose of the amendment was to increase the processing capacity and to match the Detailed Design Feasibility Study.

In April 2015, the second amendment to the ESIA (MOD II) was approved. This amendment allowed for the expansion of the Constancia Pit and inclusion of the Pampacancha deposit, resulting in an increase in reserves and the expansion of both the waste rock facility (WRF) and tailings management facility (TMF), among others. The corresponding Mine Closure Plan changes included on ESIA MOD I and ESIA MOD II was approved in June 2015.

Between 2015 and 2016 two environmental technical reports were approved by competent authorities to include auxiliary components required by the operation.

As a result, Hudbay has secured all necessary permits and authorizations to operate the mine and related facilities.

Hudbay has presented a third amendment to the ESIA (ESIA MOD III). If accepted, this amendment will provide Constancia and Pampacancha with an early discharge from the TMF supernatant, which is intended only as a contingency. Further it will allow for the optimization of the water balance and management plan, an alternate access road for transportation of the concentrate, improvements to the TMF dike design criteria and other benefits. Once the ESIA MOD III is approved, specific permitting processes and mine closure plan amendments will commence.

In addition, the permits required for the pre-stripping and operation of the Pampacancha Pit are in process. In December 2017, the first stage of the water license for pit dewatering was approved, the pumping wells are under construction and the pumping test for the hydrogeological model is underway as part of the permitting program.

Capital and Operating Costs

The LOM Sustaining CAPEX is estimated to be $748M (excluding capitalized stripping) and Pampacancha project capex is estimated to be $19M (excluding the cost of acquiring the surface rights). All capex items are reported in real 2018 $USD.

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

The operating costs are divided in three categories: mining, milling and G&A. The LOM operating costs are shown in the table below.

Operating Costs[1]	2019	2020	2021	2022	2023-2036	LOM
Mining	2.80	2.93	2.89	2.83	2.78	2.81
Milling	4.21	4.32	4.36	4.32	4.25	4.25
G&A	1.66	1.57	1.53	1.53	1.35	1.41
Total Operating Costs (Before Capitalized Stripping)	8.67	8.82	8.78	8.68	8.38	8.48
Total Operating Costs (After Capitalized Stripping)	8.41	8.34	8.11	8.34	7.86	7.96

Note:

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 2019, subject to the acquisition of the required surface rights.

In addition, we recently acquired a large, contiguous block of mineral rights to explore for mineable deposits within trucking distance of the Constancia processing facility and we have commenced permitting, community relations and technical activities required to access and conduct drilling activities on these properties.

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 are 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.

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.

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. The Snow Lake arc assemblage hosts the producing and past-producing mines in the Snow Lake area.

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.

Underground drilling at Lalor has been continuous since January 2012. Holes are drilled at all dips and azimuths needed to provide adequate coverage of the orebody for interpretation and mining purposes.

The drill hole database contains 3,502 assayed drill holes totaling approximately 527,610 metres that were used to support the mineral resource estimate of the 2019 block model and resource estimate update. All diamond drilling completed from surface or underground retrieved whole core sizes of BQ and NQ with core recovery near 100%.

In 2017 and 2018, a total of 106,819 metres in 1,219 underground drill holes were added to support continued base metal mine ramp up and expansion. During the same period 18,848 metres in 17 surface drill holes were completed to test exploration targets.

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.

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 1,400 metres in the north-south direction and 780 metres in the east-west direction.

Sulphide mineralization is pyrite, sphalerite and chalcopyrite.

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 1,400 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.

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 average length for the sample intervals is 1.62 metres.

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.

Prior to 2017, a total of 160,804 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.

As of January 1, 2019, a total of 171,555 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). Since 2017, 100% of the samples are analyzed at Bureau Veritas. 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 fire assay followed by atomic absorption spectroscopy (AAS).

As of January 1, 2019, a total of 74,299 density measurements were collected by Hudbay. These measurements were performed at the Flin Flon laboratory, Bureau Veritas laboratory or at Hudbay logging facility, using a non-wax-sealed immersion technique to measure the weight of each sample in air and in water and pycnometry methods.

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. Since 2017, 3,272 pulp samples have also been submitted to the SGS laboratory in order to monitor reproducibility of Bureau Veritas results, which represent 3% of the sample stream and duplicate analyses concluded the accuracy achieved by Bureau Veritas for copper, zinc, silver and gold during 2017 and 2018 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 are located on the mine site and all sample splitting and shipping activities are conducted by technicians under the supervision of Hudbay geologists. The 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 Processing and Metallurgical Testing

The Stall concentrator is an operating plant running at steady state and as a result, several of the initial metallurgical testing and assumptions have been revised to reflect the operating experience and performance of the plant over the past 6 years of operation in processing the ore produced from the Lalor mine. The Stall concentrator is producing a copper concentrate grade of 21% copper at 83 to 85% recovery and a zinc concentrate grade of 51% zinc at 90 to 95% recovery.

In 2017 and 2018, the Flin Flon Concentrator ran a total of ten plant trials for the Lalor ore. The plant trial was generally quite smooth and successful from ore crushing, feed transition, grinding, flotation to filtration. Stable gold, copper and zinc recoveries were obtained after the optimization of operational parameters. The copper concentrate produced from the Lalor ore has a grade of about 18% Cu at 85 to 90% recovery and a zinc concentrate grade of about 53% Zn at 84 to 92% recovery.

In order to establish the future performance of the New Britannia mill, a laboratory program was conducted at SGS in 2015-2016. All sample composites were submitted for mineralogical analysis by QEMSCAN to identify minerals and their liberation as well as to Bond rod mill work index and Bond ball mill work index tests, gravity concentration test, rougher and cleaner flotation tests, cyanidation tests, and rolling bottle leach tests. In addition, CIP modelling was completed as per standard SGS procedures (SGS, 2015) to predict the gold extraction performance of a CIP or CIL circuit. Cyanide destruction tests using the SO2/Air process were also carried out following standard SGS procedure of completing batch tests first to confirm applicability and to optimize retention times and reagent requirements. A total of six locked cycle tests were completed to confirm the flowsheet, and to generate tailings for the cyanidation testwork. Results of the locked cycle tests which covered a wide range of copper head grades from 0.22% Cu to 3.69% Cu form the basis for the recovery models. Detailed chemical analyses were completed on eight of the copper concentrates produced in the test program. Based on these analyses, no significant penalties are expected.

Mineral Resource Estimates

The mineral resource and mineral reserve estimates for Lalor are effective January 1, 2019. Other than as disclosed in this AIF, there are no known metallurgical, environmental, permitting, legal, taxation, socioeconomic, marketing or political issues that could reasonably be expected to materially impact the mineral resource and mineral reserve 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 described in the most recent technical report.

The construction of the mineralized envelopes was based on the type of mineralization intersected.

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 (when required), and estimation and interpolation parameters consistent with industry standards.

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
- Comparison between the nearest neighbour and the OK methods to confirm the absence of global bias in the model
- Smoothing correction to remove the smoothing effect of the grade interpolation

Mineral Reserve Estimates

The 2019 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.

Average dilution of the mineral resources that are in the LOM production plan is 23.8% . 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 87.8% .

Diluted and recovered mineral resources exceeding a Net Smelter Return (NSR) cut-off were included in the mineral reserves using the following:

- C$105 per tonne for longhole filled with paste directed to the Stall mill
- C$96 per tonne for longhole filled with waste directed to the Stall mill
- C$112 per tonne for longhole filled with paste directed to the New Britannia mill
- C$118 per tonne for the post pillar cut and fill directed to the Stall mill
- C$125 per tonne for the post pillar cut and fill directed to the New Britannia mill

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 $1.17 per pound zinc (includes premium), $1,260/oz gold, $3.10/lb copper, and $18.00/oz silver with a CAD/US foreign exchange of 1.25 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, base metal ore and gold rich ore:

- Base metals ores will be treated using conventional flotation at the Stall mill and the zinc concentrate will be shipped to Hudbay Flin Flon metallurgical complex for production of a refined zinc for the 2019-2021 period. The copper concentrate and the zinc concentrate produced after 2021 will be shipped to third party smelters.

- Gold rich ores will be treated using copper flotation and leaching at the New Britannia mill. Gold concentrate and Gold dore produced at New Britannia will also be shipped to third parties.

Reconciliation of Reserves and Resources

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

Lalor Mine					
Mineral Reserve Reconciliation (Proven & Probable)	**Tonnes**	**Cu (t)**	**Zn (t)**	**Au (oz)**	**Ag (oz)**
A 2018 Mineral Reserve	12,995,000	87,500	627,300	1,096,500	11,003,900
B 2018 Production (from Reserve)	1,260,200	9,400	78,700	88,600	1,028,600
C (A - B) = Depleted Reserve	11,734,800	78,100	548,600	1,007,900	9,975,200
D 2019 Reserve Update	13,675,000	95,800	609,500	1,664,400	11,480,000
E (D - C) Gain/(Loss)	1,940,200	17,700	61,000	656,500	1,504,800

Mineral Resource Reconciliation – Base Metal (Measured &	**Tonnes**	**Cu (t)**	**Zn (t)**	**Au (oz)**	**Ag (oz)**
Indicated)					
F 2018 Mineral Resource	2,100,000	10,200	112,200	113,900	1,897,300
G 2019 Reserve Update	-	-	-	-	-
H (G - F) Gain/(Loss)	(2,100,000)	(10,200)	(112,200)	(113,900)	(1,897,300)

Mineral Resource Reconciliation – Base Metal (Inferred)	**Tonnes**	**Cu (t)**	**Zn (t)**	**Au (oz)**	**Ag (oz)**
I 2018 Mineral Resource	545,000	1,700	44,400	25,400	39,500
J 2019 Resource Update	1,385,000	9,700	31,900	199,900	1,940,600
K (J - I) Gain/(Loss)	840,000	8,000	(12,500)	174,400	1,901,100

Mineral Resource Reconciliation – Gold Zones (Measured & Indicated)	**Tonnes**	**Cu (t)**	**Zn (t)**	**Au (oz)**	**Ag (oz)**
L 2018 Mineral Resource	1,750,000	6,000	7,000	291,300	1,722,200
M 2019 Resource Update	-	-	-	-	-
N (M - L) Gain/(Loss)	(1,750,000)	(6,000)	(7,000)	(291,300)	(1,722,200)

Mineral Resource Reconciliation – Gold Zones (Inferred)	**Tonnes**	**Cu (t)**	**Zn (t)**	**Au (oz)**	**Ag (oz)**
O 2018 Mineral Resource	4,124,000	37,100	12,600	665,300	3,656,700

P 2019 Resources Update	4,516,000	48,800	15,800	635,900	2,694,800
Q (P – O) Glain/(Loss)	392,000	11,700	3,200	(29,400)	(691,900)

Note:

1. Totals may not add up due to number rounding.

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. 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. Mine water reports to the water treatment plant at Chisel Lake where it is treated and released. 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 2018, we mined 1,260,243 tonnes of ore via the production shaft at Lalor and ore was trucked to the Stall concentrator and Flin Flon 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 65 tonne units that haul both ore and waste. Autonomous operation of a LHD loader underground is currently being trialed from surface by tele-remote monitoring. 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 Hudbay concentrators. 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. Following mucking, standard ground support 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 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.

Production rates have achieved 4,500 tonnes per day. The production is supported by a hoisting plant capable of 6,000 tpd, transitioning to more bulk mining methods 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 a paste backfill plant commissioned 2018.

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 paste plant is located northeast of the existing headframe complex at Lalor mine and delivery capacity of the paste can achieve 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 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 are installed between the Anderson booster pump station and the paste plant located at Lalor mine site, approximately a 13 kilometre distance. Paste is 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.

A network of underground lateral piping and level to level boreholes transfer the paste from the base of the discharge hopper to the required underground locations.

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 were 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.

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 and is contemplated by the anticipated development timeline below.

As a requirement of the Lalor mine EAL, an updated closure plan was submitted to the regulatory authorities in September 2014. 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.

Capital and Operating Costs

Unit Operating Costs and Cash Costs

Unit Operating Costs		**LOM Average**
Mining	C$/tonne	$92.04
Milling – Stall	C$/tonne	$25.72
Milling – New Britannia	C$/tonne	$41.63

Note:

1. Unit operating costs exclude general and administrative costs related to shared services incurred in Flin Flon and allocated between 777 and Lalor mines.
2. Mining costs include costs to truck approximately 1,000 tonnes per day from Lalor to Flin Flon until New Britannia is operating in 2022.

Lalor's significant by-product credits reduce its cash operating costs and sustaining cash costs on both a zinc and gold basis. During the first five years of operation with New Britannia (2022 to 2026), Lalor is estimated to produce approximately 140,000 ounces of gold annually at a sustaining cash cost, net of by-product credits, of $450/oz. This positions Lalor to be one of the lowest cost gold mines in Canada.

Cash Costs		**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**LOM**
Zinc Basis												
Contained zinc	tonnes (000s)	79	88	89	63	70	64	32	18	26	23	**552**
Cash costs	US$/lb	$0.61	$0.73	$0.55	($0.05)	$0.03	($0.18)	($1.21)	($0.87)	($0.68)	($1.08)	**$0.09**
Sustaining cash costs	US$/lb	$1.04	$1.14	$0.78	$0.26	$0.22	($0.04)	($0.95)	($0.77)	($0.67)	($1.07)	**$0.35**
Gold Basis												
Contained gold	ounces (000s)	69	58	75	143	137	138	172	114	119	108	**1,134**
Cash costs	US$/oz	($672)	($308)	$35	$268	$211	$85	$333	$581	$448	$278	**$198**
Sustaining cash costs	US$/oz	$400	$1,051	$616	$571	$416	$229	$442	$618	$456	$279	**$473**

Note:

1. "LOM" refers to life-of-mine.
2. Cash costs include all onsite (mining, milling and general and administrative) and offsite costs associated with Lalor and are reported net of by-product credits. By-product credits calculated using the following assumptions: zinc price of $1.28 per pound in 2019, $1.27 per pound in 2020, $1.17 per pound 2021 and long-term (includes premium); gold price of $1,250 per ounce in 2019, $1,300 per ounce in 2020 and 2021, $1,250 per ounce in 2022 and long-term; copper price of $3.00 per pound in 2019, $3.10 per pound in 2020, $3.20 per pound in 2021 and 2022, and $3.10 per pound long-term; silver price of $16.50 per ounce in 2019, $18.00 per ounce in 2020 and long-term; C$/US$ exchange rate of 1.30 in 2019 and 1.25 in 2020 and long-term.

3. Sustaining cash costs incorporate all costs included in cash costs calculation plus sustaining capital expenditures.
4. Cash costs and sustaining cash costs are non-IFRS financial performance measures with no standardized definition under IFRS. For further details on why Hudbay believes cash costs are a useful performance indicator, please refer to the Company's most recent Management's Discussion and Analysis for the year ended December 31, 2018.

Sustaining and Capital Costs

The total sustaining capital and growth capital expenditures are shown below.

Capital Expenditures		**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**LOM**
Sustaining Capital												
Capitalized development	C$ millions	$64	$57	$44	$33	$20	$12	$9	$5	$1	-	**$246**
Mine equipment and buildings	C$ millions	$9	$35	$10	$11	$14	$8	$14	-	-	-	**$102**
Stall equipment and buildings	C$ millions	$4	$3	$1	$1	$1	$1	-	-	-	-	**$11**
Shared general plant	C$ millions	$11	$3	-	-	-	-	-	-	-	-	**$14**
Environmental	C$ millions	$8	-	-	$8	-	$4	-	-	-	-	**$21**
Total sustaining capital	C$ millions	$97	$98	$55	$54	$35	$25	$23	$5	$1	-	**$394**
Total sustaining capital	**US$ millions**	**$74**	**$76**	**$42**	**$42**	**$27**	**$19**	**$18**	**$4**	**$1**	**-**	**$303**
Growth Capital												
New Britannia capital	C$ millions	$13	$69	$42	-	-	-	-	-	-	-	**$124**
New Britannia capital	**US$ millions**	**$10**	**$53**	**$32**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**$95**

Note: Totals may not add up correctly due to rounding. "LOM" refers to life-of-mine. Canadian dollar capital expenditures converted to U.S. dollar capital expenditures at an exchange rate of 1.30 C$/US$.

Exploration, Development and Production

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.

Since 2017, exploration drilling at Lalor has both focused on adding and converting inferred mineral resource estimates with a strong emphasis on confirming the continuity of the gold mineralization. Surface drilling has identified a new Cu-Au feeder type zone named Lens 17 which is deemed to be an analog to the now well defined Lens 27 and to constitute the feeder zone of Lens 10. Approximately 7,500m of exploration underground drilling has been conducted per year at Lalor since 2017.

Test mining of the Lalor gold Zone 25 began extended from February to September 2018 from which a total of 21,172 tonnes were mined. This test mining provided a bench mark for the evaluations of options for processing of Lalor gold.

A decline to access the copper-gold Zone 27 commenced in January 2018 and drilling platforms were established for infill drilling. In 2019, Hudbay brought Zone 27 into the mine plan and underground development is underway. The ore from this zone will be processed at the New Britannia mill once refurbished.

Refurbishing New Britannia is expected to significantly increase gold production from Lalor and enable new gold and copper-gold exploration opportunities in the Snow Lake region by having an operating processing facility with substantially higher gold and copper recoveries. New Britannia was placed on care and maintenance in 2005 by its previous owner after producing 1.6 million ounces of gold.

With the inclusion of the New Britannia mill, net revenue at Lalor will shift from primarily zinc to primarily gold in the updated production profile, positioning Lalor as a primary gold mine with significant zinc, copper and silver by-products. The life-of-mine net revenue from Lalor is approximately 50% precious metals, 33% zinc and 17% copper[1]. Once the New Britannia mill is operational in 2022, revenue from precious metals through the remaining life-of-mine is expected to be approximately 60% of total revenue. Significant zinc and copper revenue provides diversified commodity exposure.

Contained Metal	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	LOM
Cu tonnes (000s)	8	8	9	10	10	15	11	4	4	6	83
Zn tonnes (000s)	79	88	89	63	70	64	32	18	26	23	552
Au ounces (000s)	69	58	75	143	137	138	172	114	119	108	1,134
Ag ounces (000s)	651	692	725	781	742	764	749	478	547	513	6,644

Note: Production includes metal contained in concentrate and doré.

Snow Lake Regional Potential

The WIM deposit was acquired by Hudbay in the third quarter of 2018 for approximately C$0.5 million. WIM is a copper-gold deposit that starts from surface and is located approximately 15 kilometres by road from New Britannia. Golder Associates was engaged by Hudbay following the acquisition to independently validate the previous mineral resource estimates. Golder Associates has independently confirmed that WIM hosts an indicated resource of 3.9 million tonnes grading 1.7% copper, 1.6 g/t gold, 6.7 g/t silver and 0.26% Zn plus an inferred resource of 0.7 million tonnes grading 1.0% copper, 1.8 g/t gold, 4.7 g/t silver and 0.37% zinc. Hudbay is developing a mine plan and conducting metallurgical testing on the WIM deposit with the objective to upgrade the measured and indicated resource to a mineral reserve. WIM has the potential to be developed via an underground ramp and could feed the New Britannia mill after the richest portions of the Lalor reserves and resources have been depleted.

New Britannia is a former producing gold mine that produced approximately 600,000 ounces between 1949 and 1958 and an additional 800,000 ounces between 1995 and 2005. Significant mineral resources remain accessible at New Britannia as well as in the nearby Birch and 3 Zone with some investment in the existing mining infrastructure. WSP was engaged in 2018 to audit and restate the historical resource estimates previously reported for these deposits. Based on this recent work, WSP has re-estimated a combined inferred resource of 4.4 -5 million tonnes grading 4.8 g/t gold. Hudbay plans to initiate technical studies in the second half of 2019 to determine the technical and economic viability of the existing mineral resources and the potential to process this material at the New Britannia mill.

Pen II is a low tonnage and high-grade zinc deposit that starts from surface and is located approximately six kilometres by road from the Stall mill. Based on recent infill drilling, Hudbay has updated the resource model in 2018 to reflect of 0.5 million tonnes of indicated resources at 8.9% Zn, 0.5% Cu, 0.4g/t Au and 6.8 g/t Ag and of 0.1 million tonnes of inferred resources at 9.8% Zn, 0.4% Cu, 0.3 g/t Au and 6.9 g/t Ag. Pen II could constitute a supplemental source of feed for the Stall mill. In 2019, Hudbay will continue metallurgical testing, infill drilling on the inferred resource estimates and technical studies in an attempt to confirm the technical and economic viability of the mineral resource estimates.

[1] Net revenue calculated net of zinc refining and using the following assumptions: zinc price of $1.28 per pound in 2019, $1.27 per pound in 2020, $1.17 per pound 2021 and long-term (includes premium); gold price of $1,250 per ounce in 2019, $1,300 per ounce in 2020 and 2021, $1,250 per ounce in 2022 and long-term; copper price of $3.00 per pound in 2019, $3.10 per pound in 2020, $3.20 per pound in 2021 and 2022, and $3.10 per pound long-term; silver price of $16.50 per ounce in 2019, $18.00 per ounce in 2020 and long-term; C$/US$ exchange rate of 1.30 in 2019 and 1.25 in 2020 and long-term.

In 2018, Hudbay re-initiated a systematic exploration program for lode gold deposits in the Snow Lake area and completed an Induced Polarization (IP) survey and an unmanned aerial vehicle (UAV) magnetic survey over the northern part of the (SLGP) encompassing the Birch, No. 3 Zone and the Boundary deposit areas. Further south, two additional properties: the Tern Lake and Purple Sandy Beach prospects were also covered by the survey. The IP results were deemed successful and have been used to define drill targets that will be tested in 2019.

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 a precious metals stream agreement with Wheaton Precious Metals as well as an earn-in agreement with UCM, the latter of which will be terminated upon the completion of our acquisition of UCM's ownership interest in Rosemont.

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 a take-over bid, and subsequent acquisition transaction in 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. In total, 155,686 metres of drilling have been completed on the property.

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. 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.

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

Following the acquisition of Rosemont in 2014, Hudbay completed two drilling programs 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.

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 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.

The mineral resource and mineral reserve estimates for Rosemont are effective January 1, 2019. Other than as disclosed in this AIF, there are no known metallurgical, environmental, permitting, legal, taxation, socio-economic, marketing or political issues that could reasonably be expected to materially impact the mineral resource and mineral reserve estimates.

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.

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.

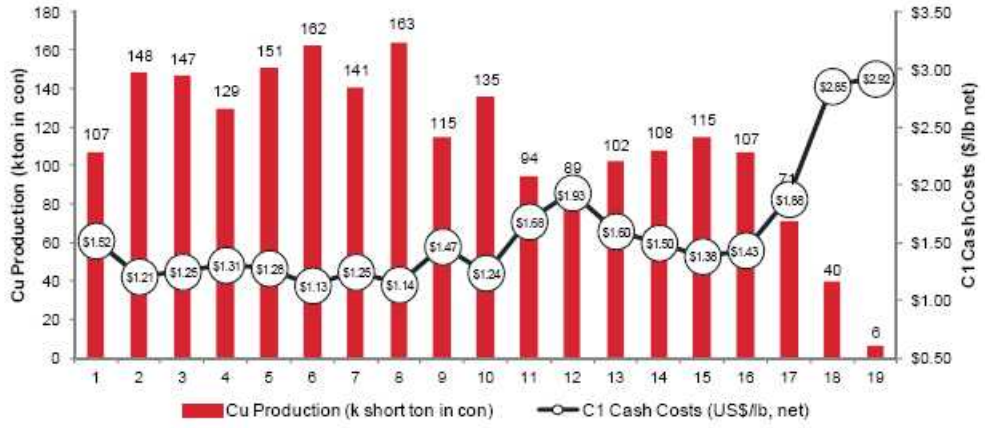
Metal Price Assumptions:	
Spot Copper:	$3.00 (US$/lb)
Spot Molybdenum:	$11.00 (US$/lb)
Spot Silver:	$18.00 (US$/oz)
Streamed Silver[1]:	$3.90 (US$/oz)

(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

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.

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$6,527 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 2021 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 is in place to address the closure obligations associated with demolition and remediation activities outlined in such closure plans. 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 Wheaton Precious Metals, 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 November 2018, a total of 2,743 holes and 380,051 metres had been drilled. Drill hole spacing along the 777 deposit is generally 30 to 50 metres.

Standard procedure is that the core is initially logged and 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.

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.

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°.

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.

Mineral Processing and Metallurgical Testing

The Flin Flon concentrator is an operating plant running at steady state and as a result, several of the initial metallurgical testing and assumptions have been replaced by the operating experience and performance of the plant over its 15 years of operation in processing the ore produced from the 777 mine.

Sampling Methods and Analysis, Quality Assurance and Quality Control and Sample Security

The samples preparation methods performed on the 777 samples are generally the same as the ones used for the Lalor mine samples, described in the previous pages of this Schedule B.

Mineral Resource and Mineral Reserve Estimates

The mineral resource and mineral reserve estimates for 777 are effective January 1, 2019. Other than as disclosed in this AIF, there are no known metallurgical, environmental, permitting, legal, taxation, socioeconomic, marketing or political issues that could reasonably be expected to materially impact the 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 mineral resource estimate was completed using MineSight 12.0 -2 software in mine coordinates. 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.

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, 2019. 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**	**Cu (t)**	**Zn (t)**	**Au (oz)**	**Ag (oz)**
A 2018 Mineral Reserve	3,880,000	60,500	164,400	216,000	3,213,600
B 2018 Production (Reserves)	970,000	14,200	42,800	56,700	880,700
C (A - B)	2,910,000	46,300	121,600	159,300	2,332,900
D 2019 Mineral Reserve	3,550,000	52,600	148,200	213,700	2,807,400
E (D - C) Gain/(Loss)	640,000	6,300	26,700	54,400	474,500

Mineral Resource Reconciliation - Base Metal (Measured and Indicated)	**Tonnes**	**Cu (t)**	**Zn (t)**	**Au (oz)**	**Ag (oz)**
F 2018 Mineral Resource	740,000	7,300	26,000	43,100	620,900
G 2019 Mineral Resource	370,000	4,200	21,600	356,400	15,200
H (G - F) Gain/(Loss)	(360,000)	(3,100)	(4,400)	313,300	(605,700)

Mineral Resource Reconciliation -	**Tonnes**	**Cu (t)**	**Zn (t)**	**Au (oz)**	**Ag (oz)**

Base Metal (Inferred)					
I 2018 Mineral Resource	670,000	6,800	28,700	37,200	669,700
J 2019 Mineral Resource	390,000	5,600	19,900	39,200	513,100
K (J - I) Gain/(Loss)	(280,000)	(1,200)	(8,800)	2,000	(156,600)

Notes:

1. Totals may not add up due to number rounding.

Mining Operations

The 777 mine is a multi-lens orebody with shaft access down to the 1,508 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 the 777 mine is loaded by LHDs to underground haul trucks, which dump to a series of ore passes that feed three chutes on 1,412 metre level. Haul trucks are loaded from the chutes and haul the ore directly to the main ore pass system on 1,412 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 1,508 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 the 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 and continuous galvanizing grade aluminum alloy zinc metal 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".

Exploration and Development

The 777 mine life has been extended to the second quarter of 2022, based on the most recent estimate of mineral reserves.

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, 2018 and 2017

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, 2018 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, 2018.

The effectiveness of the Company's ICFR as at December 31, 2018 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, 2018.

Alan Hair
President and Chief Executive Officer

David Bryson
Senior Vice President and Chief Financial Officer

Toronto, Canada

February 19, 2019

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Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Hudbay Minerals Inc. and subsidiaries (the "Company") as of December 31, 2018, December 31, 2017, and January 1, 2017, the related consolidated income statements, consolidated statements of comprehensive income, changes in equity and cash flows for each of the two years in the period ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, December 31, 2017, and January 1, 2017, and its financial performance and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 19, 2019, expressed an unqualified opinion on the Company's internal control over financial reporting.

Change in Accounting Principle
As discussed in Note 4 to the financial statements, effective January 1, 2018, the Company has retrospectively changed its method of accounting for revenue due to the adoption of IFRS 15, Revenue from Contracts with Customers.

Basis for Opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada

February 19, 2019

We have served as the Company's auditor since 2005.

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Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control over Financial Reporting
We have audited the internal control over financial reporting of Hudbay Minerals Inc. and subsidiaries (the "Company") as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2018 of the Company and our report dated February 19, 2019, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company's change in method of accounting for revenue due to the adoption of IFRS 15, Revenue from Contracts with Customers.

Basis for Opinion
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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control over Financial Reporting
A company's internal control over financial reporting is a process designed 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. 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 generally accepted accounting principles, 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness 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 deteriorate.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
February 19, 2019

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

	Note	Dec. 31, 2018	Dec. 31, 2017 Restated (note 4)	Jan 1, 2017 Restated (note 4)
Assets				
Current assets				
Cash and cash equivalents	7	**$ 515,497**	$ 356,499	$ 146,864
Trade and other receivables	8	**117,153**	155,522	152,567
Inventories	9	**118,474**	141,682	112,464
Prepaid expenses and other current assets		**8,894**	8,995	3,992
Other financial assets	10	**10,366**	2,841	3,397
Taxes receivable		**2,008**	3	17,319
		772,392	665,542	436,603
Receivables	8	**39,121**	32,459	32,648
Inventories	9	**19,476**	5,809	4,537
Other financial assets	10	**15,159**	22,461	30,848
Intangible assets - computer software	11	**4,162**	5,575	6,614
Property, plant and equipment	12	**3,819,812**	3,964,233	3,953,752
Deferred tax assets	22b	**15,513**	31,937	40,162
		$ 4,685,635	$ 4,728,016	$ 4,505,164
Liabilities				
Current liabilities				
Trade and other payables	13	**$ 171,952**	$ 199,117	$ 169,662
Taxes payable		**5,508**	10,794	4,419
Other liabilities	14	**30,551**	51,962	42,207
Other financial liabilities	15	**12,425**	26,760	13,495
Finance lease obligations	16	**20,472**	18,327	3,172
Long term debt	17	**—**	—	16,490
Deferred revenue	18	**86,256**	107,194	87,411
		327,164	414,154	336,856
Other financial liabilities	15	**18,771**	20,801	28,343
Finance lease obligations	16	**53,763**	66,246	9,760
Long term debt	17	**981,030**	979,575	1,215,674
Deferred revenue	18	**479,822**	494,736	528,835
Provisions	19	**204,648**	200,138	179,702
Pension obligations	20	**23,863**	22,221	28,379
Other employee benefits	21	**93,628**	108,397	89,273
Deferred tax liabilities	22b	**324,090**	309,403	328,263
		2,506,779	2,615,671	2,745,085
Equity				
Share capital	23b	**1,777,340**	1,777,409	1,588,319
Reserves		**(41,254)**	(26,463)	(53,633)
Retained earnings		**442,770**	361,399	225,393
		2,178,856	2,112,345	1,760,079
		$ 4,685,635	$ 4,728,016	$ 4,505,164

Commitments (note 28)

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

	Note	Year ended December 31, 2018	2017 Restated (note 4)
Cash generated from (used in) operating activities:			
Profit for the year		**$ 85,416**	$ 139,692
Tax expense	22a	**85,421**	33,219
Items not affecting cash:			
Depreciation and amortization	6b	**333,144**	297,825
Share- based payment (recoveries) expenses	6c	**(2,373)**	15,919
Net finance expense	6f	**143,550**	166,593
Change in fair value of derivatives	6f	**(1,514)**	1,790
Amortization of deferred revenue	18	**(93,382)**	(88,744)
Change in taxes receivable/payable, net	30a	**(7,881)**	(39,326)
Unrealized (gain) on warrants	6f	**(6,748)**	(1,051)
(Gain) loss on investments	6f	**3,798**	(3,511)
Pension and other employee benefit payments, net of accruals		**(94)**	3,142
Asset impairment losses	6g	**—**	11,320
Other and foreign exchange		**(8,571)**	4,310
Taxes paid		**(37,295)**	(10,617)
Operating cash flow before change in non-cash working capital		**493,471**	530,561
Change in non-cash working capital	30a	**(13,919)**	9,015
		479,552	539,576
Cash generated from (used in) investing activities:			
Acquisition of property, plant and equipment		**(190,899)**	(249,763)
Net sale (purchase) of investments		**53**	(2,245)
Acquisition of Mason	5	**(19,050)**	—
Proceeds from disposition of property, plant and equipment		**4,224**	—
Change in restricted cash		**(3,196)**	16,854
Net interest received		**6,732**	890
		(202,136)	(234,264)
Cash generated from (used in) financing activities:			
Long term borrowing		**—**	25,000
Principal repayments		**—**	(281,439)
Interest paid on long-term debt		**(74,750)**	(52,743)
Financing costs		**(20,564)**	(26,597)
Sale leaseback		**—**	67,275
Payment of finance lease		**(20,926)**	(7,509)
Net proceeds from equity transactions		**(69)**	186,852
Dividends paid	23b	**(4,045)**	(3,686)
		(120,354)	(92,847)
Effect of movement in exchange rates on cash and cash equivalents		**1,936**	(2,830)
Net increase in cash and cash equivalents		**158,998**	209,635
Cash and cash equivalents, beginning of the year		**356,499**	146,864
Cash and cash equivalents, end of the year		**$ 515,497**	$ 356,499

For supplemental information, see note 30.

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

	Note	Year ended December 31, 2018	2017 Restated (note 4)
Revenue	6a	**$ 1,472,366**	$ 1,402,339
Cost of sales			
Mine operating costs		**765,959**	695,728
Depreciation and amortization	6b	**332,667**	297,470
		1,098,626	993,198
Gross profit		**373,740**	409,141
Selling and administrative expenses		**27,243**	42,283
Exploration and evaluation expenses		**28,570**	15,474
Other operating expenses (income)	6e	**19,071**	(12,440)
Asset impairment loss	6g	**—**	11,320
Results from operating activities		**298,856**	352,504
Finance income	6f	**(8,450)**	(2,849)
Finance expenses	6f	**152,000**	169,442
Other finance (gain) losses	6f	**(15,531)**	13,000
Net finance expense		**128,019**	179,593
Profit before tax		**170,837**	172,911
Tax expense	22a	**85,421**	33,219
Profit for the year		**$ 85,416**	$ 139,692
Earnings per share			
Basic and diluted		**$ 0.33**	$ 0.57
Weighted average number of common shares outstanding (note 25):			
Basic and Diluted		**261,271,621**	243,500,696

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

	Year ended December 31,	
	2018	2017 Restated (note 4)
Profit for the year	**$ 85,416**	$ 139,692
Other comprehensive (loss) income:		
Item that will be reclassified subsequently to profit or loss:		
Recognized directly in equity:		
Net exchange (loss) gain on translation of foreign currency balances	**(24,371)**	21,695
	(24,371)	21,695
Items that will not be reclassified subsequently to profit or loss:		
Recognized directly in equity:		
Remeasurement - actuarial gain	**9,060**	6,299
Tax effect	**520**	(3,845)
	9,580	2,454
Transferred to income statement:		
Wind up of subsidiaries	**—**	3,021
	—	3,021
Other comprehensive (loss) income net of tax, for the year	**(14,791)**	27,170
Total comprehensive income for the year	**$ 70,625**	$ 166,862

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

	Share capital (note 23)	Other capital reserves	Foreign currency translation reserve (Restated, note 4)	Remeasurement reserve	Retained earnings (Restated, note 4)	Total equity (Restated, note 4)
Balance, January 1, 2017	$ 1,588,319	$ 28,837	$ (12,164)	$ (70,306)	$ 225,393	$ 1,760,079
Profit	—	—	—	—	139,692	139,692
Other comprehensive income	—	—	24,716	2,454	—	27,170
Total comprehensive income	—	—	24,716	2,454	139,692	166,862
Contributions by and distributions to owners:						
Equity issuance (note 23b)	195,295	—	—	—	—	195,295
Share issue costs, net of tax (note 23b)	(6,205)	—	—	—	—	(6,205)
Dividends (note 23b)	—	—	—	—	(3,686)	(3,686)
Total contributions by and distributions to owners	189,090	—	—	—	(3,686)	185,404
Balance, December 31, 2017	$ 1,777,409	$ 28,837	$ 12,552	$ (67,852)	$ 361,399	$ 2,112,345

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

	Share capital (note 23)	Other capital reserves	Foreign currency translation reserve	Remeasurement reserve	Retained earnings	Total equity
Balance, January 1, 2018	$ 1,777,409	$ 28,837	$ 12,552	$ (67,852)	$ 361,399	$ 2,112,345
Profit	—	—	—	—	85,416	85,416
Other comprehensive (loss) income	—	—	(24,371)	9,580	—	(14,791)
Total comprehensive (loss) income	—	—	(24,371)	9,580	85,416	70,625
Contributions by and distributions to owners:						
Share issue costs, net of tax (note 23b)	(80)	—	—	—	—	(80)
Warrants exercised (note 23b)	11	—	—	—	—	11
Dividends (note 23b)	—	—	—	—	(4,045)	(4,045)
Total contributions by and distributions to owners	(69)	—	—	—	(4,045)	(4,114)
Balance, December 31, 2018	**$ 1,777,340**	**$ 28,837**	**$ (11,819)**	**$ (58,272)**	**$ 442,770**	**$ 2,178,856**

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 year ended December 31, 2018 and 2017 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, 2018 include HudBay Marketing & Sales Inc. ("HMS"), HudBay Peru Inc., HudBay Peru S.A.C. ("Hudbay Peru"), HudBay (BVI) Inc., Hudbay Arizona Inc. and Rosemont Copper Company ("Rosemont").

Hudbay is an integrated mining company primarily producing copper concentrate (containing copper, gold and silver), molybdenum concentrate 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 three polymetallic mines, four ore concentrators and a zinc production facility in northern Manitoba and Saskatchewan (Canada) and Cusco (Peru) and copper projects in Arizona and Nevada (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.

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, 2018.

The Board of Directors approved these consolidated financial statements on February 19, 2019.

(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 the Company's Manitoba business unit, which has 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, and financial assets measured at fair value through profit or loss ("FVTPL");
- 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 critical and significant judgements and estimates impacting the consolidated financial statements:

- *Indicators and testing of impairment (reversal of impairment) of non-financial assets* (notes 3h, 3j and 12) - there are a number of potential indicators that could trigger non-financial asset impairment or reversal of impairment. These indicators may require critical judgements to determine the extent that external and/or internal environmental business changes may impact the Group's overall assessment of the recoverability of non-financial assets. Such business changes include changes to the life of mine ("LOM") plan, changes to budget, and changes to long-term commodity prices. If an impairment or impairment reversal indicator is noted then there are also critical 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 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 future commodity prices, the value of mineral resources not included in the Constancia and Arizona LOM plan, production based on current estimates of recoverable reserves, discount rates, future operating and capital costs and future foreign exchange rates. Most critical to the value of the recoverable amount are the assumptions of future commodity prices and the value of mineral resources not included in the Constancia and Arizona 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.

- *IFRS 15 - Revenue - adoption for stream transactions* (note 18) - upon adoption of IFRS 15 as of January 1, 2018, the Group has determined that precious metals stream contracts are subject to variable consideration and contain a significant financing component. As such, the Group started recognizing a financing charge at each reporting period and will gross up the deferred revenue balance to recognize the significant financing element that is part of these contracts. The Group restated prior year comparative information to reflect the impact of the adoption of this standard in the Company's consolidated financial statements. Critical judgements were required in the adoption of IFRS 15 for stream accounting in determining appropriate discount rates for the significant financing component, assessing variable consideration as to its impact on the amortization of deferred revenue and determining the extent and nature the restatement would have on previous impairments and the capitalization of borrowing costs. In addition, significant judgement was required in determining if the stream transactions were to be accounted for as deferred revenue. Management has determined that the stream transactions are not derivatives as such obligations 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.

- *Mineral reserves and resources* (notes 3i, 3m, 3o and 18) - 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;
  - the carrying value of deferred tax assets; and
  - the amortization of deferred revenue.

- *Property, plant and equipment* (notes 3i and 12) - 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.

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 5) - during the acquisition of Mason Resources, judgement was required to determine if the acquisition represented a business combination or an asset purchase. More specifically, management concluded that the Mason Resource acquisition 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.

- *Tax provisions* (notes 3o and 22) - 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.

- *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 19) - 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.

- *Pensions and other employee benefits* (notes 3l, 20 and 21) - 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 is 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 issuance 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 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 or 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. Revenue from the sale of by-products is included within revenue.

Sales revenue is recognized when control of the goods sold has been transferred to the buyer. Control is deemed to have passed to the customer when significant risk and reward of the product has passed to the buyer, Hudbay has a present right to payment and physical possession of the product has been transferred to the buyer. Sale of concentrate and finished zinc frequently occur under the following terms, and management has assessed these terms in order to determine timing of transfer of control.

Incoterms used by Hudbay	**Revenue recognized when goods:**
Cost, Insurance and Freight (CIF)	Are loaded on board the vessel
Free on Board (FOB)	Are loaded on board the vessel
Delivered at place (DAP)	Arrive at the named place of destination
Delivered at terminal (DAT)	Arrive at the named place of destination
Free Carrier (FCA)	Arrive at the named place of delivery

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 achieved, using weight and assay results and forward market prices to estimate the fair value of the total consideration receivable. Therefore, revenue is initially recorded based on an initial provisional invoice. Subsequently, at each reporting date, until the provisionally priced sale is finalized, sales receivables are marked to market, with adjustments (both gains and losses) recorded within revenue separately as “Pricing and volume adjustments” in the notes to the consolidated financial statements and in trade and other receivables on the consolidated balance sheets. As per IFRS 15 Revenue, variability in price is deemed to be fair value movements on provisionally priced receivables under the scope of IFRS 9 Financial Instruments; variability in quantities is deemed to be variable consideration. The variable consideration from weights and assay changes to quantities has been assessed to be insignificant to warrant precluding revenue being recorded as a result of possible future sales reversals. An annual analysis of the accuracy of our weights and assays is completed, and if the accuracy rate falls below a certain threshold, management may record a provision due to a high risk of a significant revenue reversal.

The Group only includes in the transaction price an amount which is not highly likely to be subject to significant subsequent revenue reversal. Within sales contracts with customers, separate performance obligations may arise pertaining to the shipping of goods sold. Where significant, costs and the transaction price are allocated on a relative stand alone selling basis to any separate performance obligations and are recognized over the period of time the goods sold are shipped, on a gross basis.

The Group recognizes deferred revenue in the event it receives payments from customers before a sale meets criteria for revenue recognition. There is a significant financing component associated with the Group's precious metal streaming arrangements since funds were received in advance of the delivery of concentrate. When a significant financing component is recognized, finance expense will be higher and revenues will be higher as the larger deferred revenue balance is amortized to revenues. A market-based discount rate is utilized at the inception of each of the respective stream agreements to determine a discount rate for computing the interest charges for the significant financing component of the deferred revenue balance. As product is delivered, the deferred revenue amount including accreted interest will be drawn down. The draw down rate requires the use of proven and probable reserves and certain resources in the calculation that are beyond proven and probable reserves which management is reasonably confident are transferable to reserves. Key estimates used in determining the significant financing component include the discount rate and the reserve and resources assumed for conversion.

(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. 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.

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
• Plant and Equipment	
– Equipment	- straight-line over 1 to 21 years
– Other plant assets	- straight-line over 1 to 21 years / unit-of-production

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 greenfield exploration and evaluation assets.

The Group allocates near mine exploration and evaluation assets to CGUs based on their operating segment, geographic location and management’s intended use for the property. Near mine exploration and evaluation assets are allocated to CGUs separate from those containing producing or development-phase assets, except where such 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 pro-rated 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:

Non-derivative financial instruments are initially recognized at fair value plus, in the case of a financial asset or financial liability not measured 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.

The classification of financial assets is based on the results of the contractual characteristics test and the business model assessment which will result in the financial asset being classified as either: amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVTOCI").

(i) Non-derivative financial instruments – classification:

Financial assets at fair value through profit or loss

Provisionally priced copper sales receivables, warrants, investments in securities of junior mining companies and the Group's joint venture receivables are classified as financial assets at fair value through profit or loss and are measured at fair value. The unrealized gains or losses related to changes in fair value are reported in other finance income/expense in the consolidated income statements.

Amortized cost

Cash and cash equivalents and restricted cash are classified as and measured at amortized cost and are carried at amortized cost using the effective interest rate method, less impairment losses, if any.

Non-derivative financial liabilities

Accounts payable and senior unsecured notes are initially recognised at FVTPL and subsequently accounted for at amortized cost, using the effective interest rate method. The amortization of senior unsecured notes issue costs is calculated using the effective interest rate method.

(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) 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 27.

(v) Impairment of financial instruments:

The Group recognizes loss allowances for Expected Credit Losses ("ECL") for trade receivables not measured at FVTPL.

Loss allowances for trade receivables are measured at an amount equal to lifetime ECL. ECL is a probability-weighted estimate and measured as at the present value of all cash shortfalls including the impact of forward looking information.

The Company has established a provision based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The loss allowance is presented as a deduction to trade receivables in the balance sheets.

(vi) 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 or when its terms are modified and the cash flows of the modified liability are substantially different.

(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.

(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 had options outstanding under a stock option plan. These plans are included in provisions on the consolidated balance sheets and further described in note 24. 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. As RSUs are typically granted in the first quarter of each year, their vesting period is typically slightly less than three years. 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 previously consisted 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 31.

(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. New standards

New standards and interpretations adopted

(a) IFRS 9, Financial Instruments ("IFRS 9") and IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

Issued on July 24, 2014, IFRS 9 is the IASB's replacement of IAS 39, Financial Instruments: Recognition and Measurement. 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. The Group finalized its determination of the effect of adoption of IFRS 9 on its consolidated financial statements starting with March 31, 2018:

- Investments previously classified as Available for Sale ("AFS") investments are no longer measured at FVTOCI. Under IFRS 9, they are measured at FVTPL. Retrospectively, the accumulated OCI reserve balance is closed to retained earnings, resulting in an opening retained earnings adjustment. The change in fair value of the investments is restated and recognized as finance income/expense retrospectively and going forward. A line item within finance income and expenses called "Change in the fair value of financial assets and liabilities at fair value through profit or loss: Investments" was utilized for changes in fair value of the investments. The restatement caused an increase to previously reported retained earnings for the consolidated balance sheets of January 1, 2017 and December 31, 2017.
- There is no longer a concept of impairment to such investments under IFRS 9; all impairments of AFS investments that had been recognized within the consolidated income statements were restated and re-classified to the "Change in the fair value of financial assets and liabilities at fair value through profit or loss: Investments" line item. There was no impact to earnings as a result of this.
- The embedded derivatives within our provisionally priced sales receivables are no longer bifurcated from the accounts receivable recorded; therefore, both are presented together on the balance sheets, and provisionally priced sales receivables are recorded at FVTPL.
- An expected credit loss model is used to impair any financial assets measured at amortized cost when material. No material impacts were noted.

In May 2014, the IASB issued IFRS 15 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 finalized its determination of the effect of adoption of IFRS 15 on its consolidated financial statements starting with March 31, 2018.

Metal revenue not subject to precious metals stream contracts

- The Group does not have any differences pertaining to the timing or the amount of revenue recognition for either concentrate (copper, zinc, molybdenum) or finished zinc sales.
- Within sales contracts with customers, separate performance obligations may arise pertaining to the shipping of goods sold. Where significant, costs and the revenue allocated to this separate performance obligation are recognized over the period of time the goods sold are shipped, on a gross basis. No material impacts occurred as a result of separate performance obligations.
- The Group has disclosed revenue generated from changes in mark-to-market of its provisionally priced sales separately from revenue from contracts. This has created differences in revenue by metal type as reported previously due to fair value adjustments subsequent to initial provisional invoicing being reported on a separate line.

Metal revenue subject to precious metal stream contracts

- Since the stream deposits were received in advance of the Group's performance of its obligation, there is an inherent financing component in the transactions. The Group's deferred revenue balance associated with stream transactions was increased to reflect interest accretion since initial recognition of the transactions due to the recognition of a significant financing component on existing streaming transactions. The increased deferred revenue balance increases the realized deferred revenue per unit of metal sold pursuant to the stream transactions.
- As a result of the above change to the accounting for stream contracts, adjustments to previously reported periods caused a material net increase to previously reported precious metals revenues and finance expenses as well as increases to the carrying value of the deferred revenue deposit.
- For the Peru segment, the interest accretion of the deferred revenue balance during the site's precommercial phase has been capitalized. This has resulted in an increase to Property, Plant & Equipment, net of impairment adjustments related to changes in the Peru cash generating unit's carrying value resulting from the restatement.

The Group applied these standards on January 1, 2018 retrospectively. Changes to previously reported balances are disclosed in Note 4(c).

(b) IFRIC Interpretation 22, Foreign Currency Transactions and Advance Consideration ("IFRIC 22")

IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance. The Interpretations Committee concluded that the exchange rate should be the rate used to initially measure the non- monetary asset (prepaid asset) or liability (deferred credit) when the advance was made. If there were multiple advances, each receipt or payment would be measured at the date the non-monetary asset or liability is recognized. This interpretation is effective for annual periods beginning on or after January 1, 2018, is consistent with the Group's existing policies, and therefore did not have any effect on the Group's financial results.

(c) New standards adopted - Impact Summary

Consolidated Balance Sheet

	January 1, 2017			
	As reported	IFRS 9	IFRS 15	Restated
Property, plant and equipment	$ 3,865,823	-	$ 87,929	$ 3,953,752
Deferred tax assets [1]	45,103	-	(4,941)	40,162
Deferred revenue (current)	65,619	-	21,792	87,411
Deferred revenue (non-current)	472,233	-	56,602	528,835
Deferred tax liabilities [1]	320,536	-	7,727	328,263
Reserves	(42,040)	(5,025)	(6,568)	(53,633)
Retained Earnings	216,933	5,025	3,435	225,393

[1] Refer to note 22(b) for further information

	December 31, 2017			
	As reported	IFRS 9	IFRS 15	Restated
Property, plant and equipment	$ 3,880,894	-	$ 83,339	$ 3,964,233
Deferred tax assets	35,989	-	(4,052)	31,937
Deferred revenue (current)	49,907	-	57,287	107,194
Deferred revenue (non-current)	448,137	-	46,599	494,736
Deferred tax liabilities	302,092	-	7,311	309,403
Reserves	(10,300)	(10,424)	(5,739)	(26,463)
Retained Earnings	377,146	10,424	(26,171)	361,399

Consolidated Income Statement

	Twelve Months Ended December 31, 2017			
	As reported	IFRS 9	IFRS 15	Restated
Revenue	$ 1,362,553	$ —	$ 39,786	$ 1,402,339
Depreciation and amortization	292,880	—	4,590	297,470
Finance expenses	103,028	—	66,414	169,442
Other finance loss	18,401	(5,401)	—	13,000
Profit before tax	198,728	5,401	(31,218)	172,911
Tax expense	34,829	—	(1,610)	33,219
Profit for the year	163,899	5,401	(29,608)	139,692
Other comprehensive income for the year	31,740	(5,401)	831	27,170
Earnings (loss) per share - Basic and diluted	0.67	0.02	(0.12)	0.57

Consolidated Statement of Cash Flow

	Twelve Months Ended December 31, 2017			
	As reported	IFRS 9	IFRS 15	Restated
Profit for the period	$ 163,899	$ 5,401	$ (29,608)	$ 139,692
Tax expense	34,829	-	(1,610)	33,219
Depreciation and amortization	293,235	-	4,590	297,825
Net finance expense	100,179	-	66,414	166,593
Change in deferred revenue related to stream	(48,958)	-	(39,786)	(88,744)
Gain on investments at FVTPL	-	(3,511)	-	(3,511)
Loss on available-for-sale investments	1,970	(1,970)	-	-
Other and foreign exchange	4,230	80	-	4,310

New standards and interpretations not yet adopted

(d) 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 using the modified retrospective approach. Early adoption is permitted, but only in conjunction with IFRS 15, Revenue from Contracts with Customers. 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, which will cause, with limited exceptions, most leases to be recorded 'on balance sheet'.

Hudbay has selected the modified retrospective approach as a result of the non-significant impact expected to the financial statements. The Company is currently quantifying the effect of this standard on the financial statements. During the fourth quarter, the Company continued its scoping of contracts across its operations and continued a detailed review of contracts. The Company also continued to develop calculation methodologies and draft financial statement disclosures. On the transition date of January 1, 2019, the Company expects to recognize additional leases on the consolidated balance sheet, which will increase finance lease obligations and property, plant and equipment balances. As a result of recognizing additional finance lease obligations, the expected impact is a reduction in cost of sales, as operating lease expense will be replaced by depreciation expense and finance expense.

5. Acquisition of Mason

On December 19, 2018, the Group acquired the remaining issued and outstanding shares it did not already own of Mason Resources Corp. ("Mason") for C$0.40 per share, which resulted in a cash purchase price of C$27,972 (C$27,070 plus transaction costs of C$902). Hudbay already owned 13.8% of the issued and outstanding shares, which had a market value of C$4,342 on the date of acquisition.

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. Mason is a company that is engaged in the exploration and development of mineral resource properties (and, in particular, the Ann Mason project) in the United States. There is currently no development or operations in existence.

The purchase price was finalized and allocated to the assets acquired based on the fair value of the total consideration at the closing date of the acquisition. All financial assets acquired were recorded at their relative fair values. The fair values of mineral properties have been calculated using the residual value method. The fair values of various cash and working capital amounts were subtracted from the acquisition cost to determine the residual value for the mineral properties.

Immediately prior to the acquisition, Mason settled its outstanding in the money stock options and warrants in cash under the terms of the arrangement agreement.

The following summarizes the acquisition date fair value of the major classes of consideration transferred:

		USD		CAD equivalent
Cash	$	20,126	$	27,070
Transaction costs		671		902
Total cash consideration		**20,797**		**27,972**
Fair value of shares previously owned by the Group (10,854,170 shares)		3,228		4,342
Total consideration	**$**	**24,025**	**$**	**32,314**

The following summarizes the acquisition date allocation of the relative fair values of the major classes of asset and liabilities acquired:

		Fair value
Cash	$	1,747
Other assets		624
Mineral properties		21,654
Total assets acquired	**$**	**24,025**

6. Revenue and expenses

(a) Revenue

The Group's revenue by significant product types:

	Year ended December 31,			
		2018		2017 (Restated)
Copper	**$**	**963,063**	$	927,029
Zinc		**357,396**		347,680
Gold		**149,043**		137,326
Silver		**85,808**		76,850
Molybdenum		**20,995**		9,381
Other		**4,726**		4,992
		1,581,031		1,503,258
Pricing and volume adjustments [1]		**(6,756)**		5,147
		1,574,275		1,508,405
Treatment and refining charges		**(101,909)**		(106,066)
	$	**1,472,366**	$	1,402,339

[1] Pricing and volume adjustments represent mark-to-market adjustments on initial estimate of provisionally priced sales, realized and unrealized changes to fair value for non-hedge derivative contracts and adjustments to originally invoiced weights and assays.

(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,	
	2018	2017 (Restated)
Cost of sales	**$ 332,667**	$ 297,470
Selling and administrative expenses	**477**	355
	$ 333,144	$ 297,825

(c) Share-based payment expenses (recoveries)

Share-based payment expenses (recoveries) are reflected in the consolidated income statements as follows:

	Cash-settled		
	RSUs (note 24a)	DSUs (note 24a)	Total share-based payment expense
Year ended December 31, 2018			
Cost of sales	**$ 160**	**$ —**	**$ 160**
Selling and administrative	**(702)**	**(1,877)**	**(2,579)**
Other operating	**46**	**—**	**46**
	$ (496)	**$ (1,877)**	**$ (2,373)**
Year ended December 31, 2017			
Cost of sales	$ 1,946	$ —	$ 1,946
Selling and administrative	9,667	2,982	12,649
Other operating	1,324	—	1,324
	$ 12,937	$ 2,982	$ 15,919

(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,	
	2018	2017
Current employee benefits	**$ 176,571**	$ 147,760
Profit-sharing plan expense	**9,228**	19,757
Share-based payments (notes 6c, 19, 24)		
Cash-settled restricted share units	**(496)**	12,937
Cash-settled deferred share units	**(1,877)**	2,982
Employee share purchase plan	**1,533**	1,328
Post-employee pension benefits		
Defined benefit plans	**12,295**	10,132
Defined contribution plans	**1,511**	2,443
Past service costs	**383**	10,442
Other post-retirement employee benefits	**9,248**	7,250
Termination benefits	**1,206**	419
	$ 209,602	$ 215,450

Manitoba has a profit sharing plan required by the collective bargaining agreement 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.

Peru has a profit sharing plan required by Peruvian law whereby 8% of Peru's taxable income will be distributed to all employees within Peru's operations.

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 20 for a description of the Group's pension plans and note 21 for the Group's other employee benefit plans.

(e) Other operating income and expenses

	Year ended December 31,	
	2018	2017
Regional costs	**$ 4,673**	$ 4,308
Pampacancha delivery obligation	**7,218**	—
Pension settlement loss (note 20)	**2,163**	—
Constancia insurance recovery	**—**	(12,857)
Realized gain on contingent consideration of Balmat	**—**	(6,400)
Loss on disposals and other	**5,017**	2,509
	$ 19,071	$(12,440)

During the fourth quarter of 2018, the Group realized a loss on the settlement of the sale of a portion of its net pension liability.

During the first quarter of 2018, the Group recognized an obligation to deliver additional precious metal credits to Wheaton Precious Metals ("Wheaton") as a result of the Group's expectation that mining at the Pampacancha deposit will not begin until later in 2019.

During the first and third quarters of 2017, the Group accounted for amounts to be received from its insurers and counterparties to partially indemnify the Group for losses suffered as a result of an incident in 2015 that caused damage to Line 2 of the Constancia processing facilities and a delay in commissioning the process plant. These funds were received during 2017.

During the fourth quarter of 2017, the Group realized a gain from contingent consideration received upon the sale of Balmat in 2015 as a result of certain project milestones being achieved.

(f) Finance income and expenses

	Year ended December 31,	
	2018	2017 (Restated)
Finance income	**$ (8,450)**	$ (2,849)
Finance expenses		
Interest expense on long-term debt	**77,783**	87,819
Accretion on financial liabilities at amortized cost	**1,244**	1,302
Finance costs on deferred revenue (note 18)	**64,921**	66,414
Unwinding of discounts on provisions (note 19)	**4,684**	4,159
Withholding taxes	**9,424**	9,641
Other finance expense	**7,116**	13,256
	165,172	182,591
Interest capitalized	**(13,172)**	(13,149)
	152,000	169,442
Other finance (gains) losses		
Net foreign exchange (gains) losses	**(11,067)**	15,772
Change in fair value of financial assets and liabilities at fair value through profit or loss:		
Hudbay warrants	**(6,748)**	(1,051)
Embedded derivatives	**(1,514)**	1,790
Investments	**3,798**	(3,511)
	(15,531)	13,000
Net finance expense and other finance losses	**$ 128,019**	$179,593

Interest expense related to certain long-term debt has been capitalized to the Rosemont project until commercial production is reached.

Other finance expense relates primarily to fees on the Group's revolving credit facilities and finance leases.

(g) Impairment

For the year ended December 31, 2018, the Group recorded no impairment losses.

During the year ended December 31, 2017, the Group recorded impairment losses of $11,320 for non- current assets.

	Manitoba
Pre-tax impairment to:	
Property, plant & equipment (note 12)	$ 11,320
Tax impact - (recovery)	(3,849)
After-tax impairment charge	$ 7,471

As a result of analyzing various scenario planning alternatives surrounding the Stall mill and New Britannia processing facilities, it was determined that certain assets that were previously purchased to build a new concentrator in Snow Lake, Manitoba are no longer useful. As a result, during the year ended December 31, 2017, the Group recognized an impairment loss of $11,320 related to these assets. 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 segment in note 31.

The fair value measurements for the determination of the impairment charges in their entirety are categorized as Level 2 based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value.

7. Cash and cash equivalents

	Dec. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
Cash on hand and demand deposits	**$ 515,497**	$ 356,499	$ 129,850
Short-term money market instruments with maturities of of three months or less at acquisition date	**—**	—	17,014
	$ 515,497	$ 356,499	$ 146,864

8. Trade and other receivables

	Dec. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
Current			
Trade receivables	**$ 102,112**	$136,482	$ 97,924
Statutory receivables	**12,764**	13,961	43,808
Receivable from joint venture partners	**245**	2,808	—
Other receivables	**2,032**	2,271	10,835
	117,153	155,522	152,567
Non-current			
Taxes receivable	**17,199**	14,394	12,424
Receivable from joint venture partners	**20,404**	16,414	18,681
Other receivables	**1,518**	1,651	1,543
	39,121	32,459	32,648
	$ 156,274	$187,981	$ 185,215

As at December 31, 2018, $11,670 (December 31, 2017 and January 1, 2017 - $10,905 and $42,273, respectively) of the current statutory receivables related to refundable sales taxes in Peru that Hudbay Peru has paid on capital expenditures and operating expenses.

The non-current receivable from joint venture partners is from the Group's joint venture partner for the Rosemont project in Arizona.

9. Inventories

	Dec. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
Current			
Stockpile	**$ 5,463**	$ 13,468	$ 9,368
Work in progress	**1,762**	14,552	9,100
Finished goods	**62,546**	71,906	54,583
Materials and supplies	**48,703**	41,756	39,413
	118,474	141,682	112,464
Non-current			
Stockpile	**14,730**	—	—
Materials and supplies	**4,746**	5,809	4,537
	19,476	5,809	4,537
	$ 137,950	$ 147,491	$ 117,001

The cost of inventories recognized as an expense, including depreciation, and included in cost of sales amounted to $975,354 for the year ended December 31, 2018 (year ended December 31, 2017 - $855,141).

10. Other financial assets

	Dec. 31, 2018	Dec. 31, 2017 (Restated)	Jan. 1, 2017 (Restated)
Current			
Derivative assets	**$ 6,628**	$ 2,841	$ 3,397
Restricted cash	**3,738**	—	—
	$ 10,366	$ 2,841	$ 3,397
Non-current			
Investments at fair value through profit or loss	**15,159**	22,255	13,700
Restricted cash	**—**	206	17,148
	15,159	22,461	30,848
	$ 25,525	$ 25,302	$ 34,245

Investments at fair value through profit or loss consist of securities in Canadian metals and mining companies, all of which are publicly traded. The change in investments at fair value through profit or loss is mostly attributed to fluctuation in market price, foreign exchange impact and net disposals.

11. Intangible assets - computer software

	Dec. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
Cost			
Balance, beginning of year	**$ 19,169**	$ 16,998	$ 16,179
Additions	**590**	1,203	407
Effects of movement in exchange rates	**(1,202)**	968	412
Balance, end of year	**18,557**	19,169	16,998
Accumulated amortization			
Balance, beginning of year	**13,594**	10,384	7,320
Additions	**1,793**	2,541	2,882
Effects of movement in exchange rates	**(992)**	669	182
Balance, end of year	**14,395**	13,594	10,384
Net book value	**$ 4,162**	$ 5,575	$ 6,614

12. Property, plant and equipment

Dec. 31, 2018	Exploration and evaluation assets	Capital works in progress	Mining properties	Plant and equipment	Total
Balance, beginning of year (Restated)	$ 23,010	$ 933,531	$ 1,975,061	$ 2,536,019	$ 5,467,621
Additions	9,950	88,920	—	16,689	115,559
Acquisitions (note 5)	21,654	—	—	—	21,654
Capitalized stripping and development	—	—	84,023	—	84,023
Decommissioning and restoration	—	15	1,711	7,272	8,998
Interest capitalized	—	13,172	—	—	13,172
Transfers and other movements	—	(152,781)	2,132	150,649	—
Disposals	(1,208)	(4,034)	—	(9,749)	(14,991)
Effects of movements in exchange rates	(1,197)	(3,873)	(65,434)	(62,757)	(133,261)
Other	(3)	(1,169)	946	224	(2)
Balance, end of year	52,206	873,781	1,998,439	2,638,347	5,562,773
Accumulated depreciation					
Balance, beginning of year (Restated)	—	—	683,183	820,205	1,503,388
Depreciation for the year	—	—	141,218	189,354	330,572
Disposals	—	—	—	(6,780)	(6,780)
Effects of movement in exchange rates	—	—	(43,469)	(40,211)	(83,680)
Other	—	—	(178)	(361)	(539)
Balance, end of year	—	—	780,754	962,207	1,742,961
Net book value	$ 52,206	$ 873,781	$ 1,217,685	$ 1,676,140	$ 3,819,812

Dec. 31, 2017	Exploration and evaluation assets	Capital works in progress	Mining properties	Plant and equipment	Total
Balance, beginning of year (Restated)	$ 15,015	$ 844,759	$ 1,852,705	$ 2,385,995	$ 5,098,474
Additions	7,000	156,807	—	26,830	190,637
Capitalized stripping and development	—	—	69,178	—	69,178
Decommissioning and restoration	—	51	5,509	5,101	10,661
Interest capitalized	—	13,149	—	—	13,149
Transfers and other movements	—	(79,671)	—	79,671	—
Impairment (note 6g)	—	(11,320)	—	—	(11,320)
Disposals	—	(13)	(1,600)	(9,586)	(11,199)
Effects of movements in exchange rates	995	2,955	49,184	47,553	100,687
Other	—	6,814	85	455	7,354
Balance, end of year (Restated)	23,010	933,531	1,975,061	2,536,019	5,467,621
Accumulated depreciation					
Balance, beginning of year (Restated)	—	—	529,242	615,480	1,144,722
Depreciation for the year (Restated)	—	—	122,444	183,452	305,896
Disposals	—	—	—	(7,540)	(7,540)
Effects of movement in exchange rates	—	—	31,516	28,741	60,257
Other	—	—	(19)	72	53
Balance, end of year (Restated)	—	—	683,183	820,205	1,503,388
Net book value (Restated)	$ 23,010	$ 933,531	$ 1,291,878	$ 1,715,814	$ 3,964,233

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 intangibles 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 6b for amounts recognized in the consolidated income statements.

For non-financial assets, management examined internal and external indicators of impairment or reversals. Management calculated a market capitalization deficiency as at December 31, 2018, which is an indicator of impairment.

The impairment indicator as at December 31, 2018 was related to carrying values being higher than market capitalization for successive quarters during 2018. As such, management determined that a detailed impairment evaluation as at December 31, 2018 was required for the Arizona CGU and Peru CGU.

For the impairment test, 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 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 18 years for the Peru CGU and 22 years for the Arizona CGU. The Arizona CGU production cash flows are expected to commence in three years.

The discount rate was based on the CGU'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 6.25% (December 31, 2016 - 7.50%) for the Peru CGU and 7.50% (December 31, 2016 - 8.75%) 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 CGUs, the cash flow calculations were based on estimates of future production levels applying forecasts for metal prices, which included forecasts for each year from 2019 to 2022 and long-term forecasts for years beginning in 2023. The cash flow calculations utilized a copper price of $3.00/lb in 2019, $3.10/lb in 2020 and $3.20/lb in 2021 and 2022. The cash flow calculations utilized a long-term copper price of $3.10/lb (December 31, 2016 - $3.00/lb), molybdenum long-term prices of $11.00/lb (December 31, 2016 - $11.00/lb), and capital, operating and reclamation costs based on the most current LOM plans. For the Peru and Arizona CGUs, a value of $237,500 and $287,900 (December 31, 2015 - $272,000 and $212,000, 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, 2018, the estimated recoverable amounts of the Peru and Arizona CGUs exceeded their carrying amount, consequently no impairment was required.

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 $368 million or $105 million, respectively (December 31, 2016 - $381 million or $143 million, respectively).

As at December 31, 2018, the difference between the FVLCD and the CGUs carrying value tested was $165 million for the Peru CGU (December 31, 2016 - $75 million).

13. Trade and other payables

	Dec. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
Trade payables	**$ 61,395**	$ 71,336	$ 80,509
Accruals and payables	**68,386**	86,078	78,154
Accrued interest	**34,662**	34,848	4,300
Exploration and evaluation payables	**185**	186	64
Embedded derivatives - provisional pricing (note 27c)	**—**	373	86
Statutory payables	**7,324**	6,296	6,549
	$ 171,952	$ 199,117	$ 169,662

Accruals and payables include operational and capital costs and employee benefit amounts owing.

14. Other liabilities

	Dec. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
Current			
Provisions (note 19)	**$ 14,276**	$ 27,370	$ 14,367
Pension liability (note 20)	**11,854**	19,401	24,635
Other employee benefits (note 21)	**2,564**	2,756	2,356
Unearned revenue	**1,857**	2,435	849
	$ 30,551	$ 51,962	$ 42,207

15. Other financial liabilities

	Dec. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
Current			
Derivative liabilities	**$ 2,634**	$ 16,140	$ 10,682
Warrants at fair value through profit or loss	**—**	6,961	—
Contingent consideration - gold price option	**—**	732	—
Other financial liabilities at amortized cost	**2,590**	2,630	2,813
Embedded derivatives (note 27c)	**7,201**	297	—
	12,425	26,760	13,495
Non-current			
Contingent consideration - gold price option	**—**	—	570
Warrants at fair value through profit or loss	**—**	—	7,588
Other financial liabilities at amortized cost	**18,771**	19,938	20,185
Embedded derivatives (note 27c)	**—**	863	—
	18,771	20,801	28,343
	$ 31,196	$ 47,561	$ 41,838

Other financial liabilities at amortized cost relate to agreements with communities near the Constancia operation 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.

The derivative liabilities include derivative and hedging transactions as well as warrants issued as consideration for the acquisition of Augusta Resource Corporation. Derivative liabilities are carried at their fair value with changes in fair value recorded to the consolidated income statements. The fair value adjustments for hedging type derivatives are recorded in revenue. Fair value adjustments for contract derivatives, warrants and the gold option derivatives are recorded in other finance (gain) loss. The fair value of derivative and hedging transactions are determined based on internal valuation models and the fair value of warrants issued are determined based on the quoted market prices for the listed warrants. A total of 22,391,490 warrants were issued which entitled the holders 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. As at December 31, 2018, all warrants had either been exercised or expired.

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 was equal to or above $1,400/oz on May 4, 2018. The option represented a financial liability and was recorded at fair value at the acquisition date of New Britannia and was remeasured at each reporting date with the change in the fair value being recognized as unrealized gains or losses in finance income and expense. This option expired, unexercised, on May 4, 2018.

16. Finance lease obligations

	Dec. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
Total minimum lease payments	**$ 78,174**	$ 89,750	$ 13,720
Effect of discounting	**(3,939)**	(5,177)	(788)
Present value of minimum lease payments	**74,235**	84,573	12,932
Less: current portion	**(20,472)**	(18,327)	(3,172)
	53,763	66,246	9,760
Minimum payments under finance leases			
Less than 12 months	**$ 18,448**	20,186	3,508
13 - 36 months	**40,615**	40,253	6,667
37 - 60 months	**19,111**	29,311	3,545
	$ 78,174	$ 89,750	$ 13,720

The Group has entered into equipment leases for its South American and Manitoba business units which expire between 2020 and 2023 and with interest rates between 1.95% to 4.45%, per annum. The Group has the option to purchase the equipment and vehicles leased at the end of the terms of the leases. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. The present value of the net minimum lease payments has been recognized as a finance lease asset, which was included as a non-cash addition to property, plant and equipment, and a corresponding amount as a finance lease obligation. The fair value of the finance lease liabilities approximates their carrying amount.

17. Long- term debt

Long-term debt is comprised of the following:

	Dec. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
Senior unsecured notes (a)	**$ 989,306**	$ 987,903	$ 986,574
Equipment finance facility (b)	**—**	—	50,267
Senior secured revolving credit facilities (c)	**—**	—	202,075
Less: Unamortized transaction costs - revolving credit facilities (d)	**(8,276)**	(8,328)	(6,752)
	981,030	979,575	1,232,164
Less: current portion	**-**	-	(16,490)
	$ 981,030	$ 979,575	$ 1,215,674

(a) Senior unsecured notes

Balance, January 1, 2017	$	986,574
Transaction costs		(133)
Change in fair value of embedded derivative (prepayment option)		450
Accretion of transaction costs and premiums		1,012
Balance, December 31, 2017	$	987,903
Change in fair value of embedded derivative (prepayment option)		**316**
Accretion of transaction costs and premiums		**1,087**
Balance, December 31, 2018	**$**	**989,306**

The $1,000,000 aggregate principal amount of senior notes are comprised of two series: (i) a series of 7.25% senior notes due 2023 in an aggregate principal amount of $400,000 and (ii) a series of 7.625% senior notes due 2025 in an aggregate principal amount of $600,000.

The senior notes are guaranteed on a senior unsecured basis by substantially all of the Company's subsidiaries, other than HudBay (BVI) Inc. and certain excluded subsidiaries, which include the Company's subsidiaries that own an interest in the Rosemont project and any newly formed or acquired subsidiaries that primarily hold or may develop non-producing mineral assets that are in the pre- construction phase of development.

(b) Equipment finance facility

Balance, January 1, 2017	$	50,267
Transaction costs		(326)
Payments made		(54,364)
Write-down of unamortized transaction costs		3,552
Accretion of transaction costs		871
Balance, December 31, 2017	$	—

The equipment finance facility was repaid and extinguished during the third quarter of 2017 resulting in the write-down of unamortized transaction costs.

(c) Senior secured revolving credit facilities

Balance, January 1, 2017	$	202,075
Addition to Principal		25,000
Payments made		(227,075)
Balance, December 31, 2017	$	—

On June 15, 2018, the Group entered into amendments to its two senior credit facilities to extend the maturity dates from July 14, 2021 to July 14, 2022 and to incorporate various amendments to the terms and conditions of the facilities to provide greater flexibility. The two facilities have substantially similar terms and conditions.

As at December 31, 2018, the South American business unit had $77,567 in letters of credit issued under the Peru facility to support its reclamation obligations and the Manitoba business unit had $50,973 in letters of credit issued under the Canada facility to support its reclamation and pension obligations. Given that these letters of credit are issued under the senior credit facilities, no cash collateral is required to be posted.

(d) Unamortized transaction costs - revolving credit facilities

Balance, January 1, 2017	$	6,752
Accretion of transaction costs		(3,291)
Transaction costs		4,867
Balance, December 31, 2017	$	8,328
Accretion of transaction costs		**(1,946)**
Transaction costs		**1,894**
Balance, December 31, 2018	**$**	**8,276**

18. Deferred revenue

On August 8, 2012 and November 4, 2013, the Group entered into precious metals stream transactions with 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 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 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 Wheaton over the life of the 777 and Constancia LOM plans. The Group estimates the current portion of deferred revenue based on deliveries anticipated over the next twelve months.

In February 2010, Augusta Resource Corporation entered into a precious metals stream transaction with Wheaton whereby the Group will receive deposit payments of $230,000 against delivery of approximately 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 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.

With the implementation of IFRS 15 as of January 1, 2018, the Group has determined that precious metals stream contracts are subject to variable consideration and contain a significant financing component. As such, the Company now recognizes a financing charge at each reporting period and will gross up the deferred revenue balance to recognize the significant financing element that is part of these contracts.

The Group expects that the remaining performance obligations for the 777 and Constancia streams will be settled by the expiry of their respective stream agreements, which is no earlier than 2036.

The Group restated prior year comparative information to reflect the impact of the adoption of this standard in the Company's annual financial statements.

The following table summarizes changes in deferred revenue:

Balance, January 1, 2017 (Restated)	$	616,246
Recognition of revenue		(88,744)
Finance costs		66,414
Effects of changes in foreign exchange		8,014
Balance, December 31, 2017 (Restated)	$	601,930
Amortization of deferred revenue		
Liability drawdown		**(96,038)**
Variable consideration adjustment		**2,656**
Finance costs (note 6f)		**64,921**
Effects of changes in foreign exchange		**(7,391)**
Balance, December 31, 2018	**$**	**566,078**

Consideration from the Company's stream agreement is considered variable. Gold and silver revenue can be subject to cumulative adjustments when the number of ounces to be delivered under the contract changes. During the year ended December 31, 2018, the Company recognized an adjustment to gold and silver revenue and finance costs due to an increase in the Company's reserve and resource estimates.

Deferred revenue is reflected in the consolidated balance sheets as follows:

	Dec. 31, 2018	Dec. 31, 2017 (Restated)	Jan. 1, 2017 (Restated)
Current	**$ 86,256**	$ 107,194	$ 87,411
Non-current	**479,822**	494,736	528,835
	$ 566,078	$ 601,930	$ 616,246

19. Provisions

	Decommissioning, restoration and similar liabilities	Deferred share units (note 24a)	Restricted share units[1] (note 24a)	Other	Total
Balance, January 1, 2018	$ 200,041	$ 6,623	$ 19,409	$ 1,435	$ 227,508
Net additional provisions made	9,031	973	7,493	—	17,497
Amounts used	(188)	—	(6,435)	(770)	(7,393)
Unwinding of discount (note 6f)	4,684	—	—	—	4,684
Effect of change in discount rate	(462)	—	—	—	(462)
Effect of foreign exchange	(11,082)	(458)	(973)	(74)	(12,587)
Effect of change in share price	—	(2,850)	(7,293)	(180)	(10,323)
Balance, December 31, 2018	**$ 202,024**	**$ 4,288**	**$ 12,201**	**$ 411**	**$ 218,924**

[1] Certain amounts relating to the Arizona segment are capitalized.

Provisions are reflected in the consolidated balance sheets as follows:

December 31, 2018	Decommissioning, restoration and similar liabilities	Deferred share units (note 24a)	Restricted share units[1] (note 24a)	Other	Total
Current (note 14)	$ 1,234	$ 4,288	$ 8,412	$ 342	$ 14,276
Non-current	200,790	—	3,789	69	204,648
	$ 202,024	$ 4,288	$ 12,201	$ 411	$ 218,924

	Decommissioning, restoration and similar liabilities	Deferred share units (note 24a)	Restricted share units[1] (note 24a)	Other	Total
Balance, January 1, 2017	$ 177,296	$ 3,933	$ 11,052	$ 1,788	$ 194,069
Net additional provisions made	6,485	868	7,327	202	14,882
Amounts used	(69)	(638)	(5,491)	(937)	(7,135)
Unwinding of discount (note 6f)	4,159	—	—	—	4,159
Effect of change in discount rate	2,658	—	—	—	2,658
Effect of foreign exchange	9,512	346	1,194	95	11,147
Effect of change in share price	—	2,114	5,327	287	7,728
Balance, December 31, 2017	$ 200,041	$ 6,623	$ 19,409	$ 1,435	$ 227,508

[1] Certain amounts relating to the Arizona segment are capitalized.

Provisions are reflected in the consolidated balance sheets as follows:

December 31, 2017	Decommis-sioning, restoration and similar liabilities	Deferred share units (note 24a)	Restricted share units[1] (note 24a)	Other	Total
Current (note 14)	$ 2,344	$ 6,623	$ 17,119	$ 1,284	$ 27,370
Non-current	197,697	—	2,290	151	200,138
	$ 200,041	$ 6,623	$ 19,409	$ 1,435	$ 227,508

January 1, 2017	Decommis-sioning, restoration and similar liabilities	Deferred share units (note 24a)	Restricted share units[1] (note 24a)	Other	Total
Current (note 14)	$ 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

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, 2018 additional provisions were recognized as a result of increased mine activity footprints and the resulting higher disturbance at the Constancia operation.

During the year ended December 31, 2017 additional provisions were recognized as a result of an increased pit footprint, as per mine plan, at the Constancia operation.

The Group's decommissioning and restoration liabilities relate mainly to its Manitoba operations. Management anticipates that the assets in Flin Flon will be placed on care and maintenance once mining activities are completed at 777 mine in order to maintain optionality for restart should a new mine be found in the Flin Flon area. The majority of closure activities will occur once all mining activities in Manitoba are completed, which is currently anticipated in 2028. 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 2035 to 2070, which include ongoing monitoring and water treatment requirements.

These estimates have been discounted to their present value at rates ranging from 1.80% to 3.02% per annum (2017 - 1.43% to 2.74%), using pre-tax risk-free interest rates that reflect the estimated maturity of each specific liability.

20. 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 2018 using data as at December 31, 2017. For these plans, the next actuarial valuation required for funding purposes will be performed during 2019 using data as at December 31, 2018.

During the year ended December 31, 2018, an annuity purchase transaction was entered into in which the defined benefit obligations associated with certain defined benefit plan members were assumed by a third party insurer in exchange for a lump sum payment of $120,018 from plan assets.

Movements in the present value of the defined benefit obligation in the current and previous years were as follows:

	Year ended	
	Dec. 31, 2018	Dec. 31, 2017
Opening defined benefit obligation:	**$ 383,054**	$ 349,165
Current service costs	**11,032**	10,707
Past service cost related to the new collective bargaining agreement	**383**	10,442
Interest cost	**12,009**	12,602
Benefits paid from plan	**(29,499)**	(33,721)
Benefits paid from employer	**(1,998)**	(999)
Participant contributions	**98**	93
Effects of movements in exchange rates	**(32,015)**	24,440
Remeasurement actuarial (gains)/losses:		
Arising from changes in demographic assumptions	**—**	1,598
Arising from changes in financial assumptions	**(11,585)**	9,402
Arising from experience adjustments	**(2,112)**	(675)
Settlement payments from plan assets	**(120,018)**	—
Loss on settlement (note 6e)	**2,163**	—
Closing defined benefit obligation	**$ 211,512**	$ 383,054

The defined benefit obligation closing balance, by member group, is as follows:

	Dec. 31, 2018	Dec. 31, 2017	Jan 1, 2017
Active members	**$ 200,591**	$ 250,965	$ 235,815
Deferred members	**723**	4,304	3,636
Retired members	**10,198**	127,785	109,714
Closing defined benefit obligation	**$ 211,512**	$ 383,054	$ 349,165

Movements in the fair value of the pension plan assets in the current and previous years were as follows:

	Year ended	
	Dec. 31, 2018	Dec. 31, 2017
Opening fair value of plan assets:	**$ 341,432**	$ 296,151
Interest income	**11,033**	11,005
Remeasurements losses:		
Return on plan assets (excluding amounts included in net interest expense)	**(15,296)**	24,437
Contributions from the employer	**17,020**	22,484
Employer direct benefit payments	**1,998**	999
Contributions from plan participants	**98**	93
Benefit payment from employer	**(1,998)**	(999)
Administrative expenses paid from plan assets	**(83)**	(80)
Benefits paid	**(29,499)**	(33,721)
Settlement payments from plan assets	**(120,018)**	—
Effects of changes in foreign exchange rates	**(28,892)**	21,063
Closing fair value of plan assets	**$ 175,795**	$ 341,432

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, 2018	Dec. 31, 2017	Jan. 1, 2017
Present value of funded defined benefit obligation	**$ 195,283**	$ 365,655	$ 333,720
Fair value of plan assets	**(175,795)**	(341,432)	(296,151)
Present value of unfunded defined benefit obligation	**16,229**	17,399	15,445
Net liability arising from defined benefit obligation	**$ 35,717**	$ 41,622	$ 53,014

Reflected in the consolidated balance sheets as follows:

	Dec. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
Pension obligation - current (note 14)	**$ 11,854**	$ 19,401	$ 24,635
Pension obligation - non-current	**23,863**	22,221	28,379
Total pension obligation	**$ 35,717**	$ 41,622	$ 53,014

Pension expense is as follows:

		Dec. 31, 2018		Dec. 31, 2017
Service costs:				
Current service cost	**$**	**11,032**	$	10,707
Past service cost		**383**		10,442
Loss on settlement (note 6e)		**2,163**		—
Total service cost		**13,578**		21,149
Net interest expense		**976**		1,597
Administration cost		**83**		80
Defined benefit pension expense	**$**	**14,637**	$	22,826
Defined contribution pension expense	**$**	**1,469**	$	908

Remeasurement on the net defined benefit liability:

		Dec. 31, 2018		Dec. 31, 2017
(Return)/loss on plan assets (excluding amounts included in net interest expense)	**$**	**15,296**	$	(24,437)
Actuarial gains arising from changes in demographic assumptions		**—**		1,598
Actuarial losses/(gains) arising from changes in financial assumptions		**(11,585)**		9,402
Actuarial gains arising from experience adjustments		**(2,112)**		(675)
Defined benefit loss/(gain) related to remeasurement	**$**	**1,599**	$	(14,112)
Total pension cost	**$**	**17,705**	$	9,622

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 2017 relate 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:

	2018	2017
Defined benefit cost:		
Discount rate - benefit obligations	**3.45%**	3.69%
Discount rate - service cost	**3.50%**	3.82%
Expected rate of salary increase [1]	**2.75%**	2.75%
Average longevity at retirement age for current pensioners (years) [2] :		
Males	**21.0**	20.9
Females	**23.7**	23.3
Defined benefit obligation:		
Discount rate	**3.73%**	3.45%
Expected rate of salary increase [1]	**2.75%**	2.75%
Average longevity at retirement age for current pensioners (years) [2] :		
Males	**21.1**	21.0
Females	**23.9**	23.7
Average longevity at retirement age for current employees (future pensioners) (years) [2] :		
Males	**23.0**	22.9
Females	**25.6**	25.5

[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 $16,427 (increase by $18,686).
– If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by $2,927 (decrease $2,610).
– If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by $1,705 (decrease by $1,764).

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, 2019 is $15,066.

The average duration of the pension obligation at December 31, 2018 is 17.3 years (2017 – 15.8 years). This number can be broken down as follows:

– Active members: 17.6 years (2017: 18.4 years)
– Deferred members: 14.0 years (2017: 26.9 years)
– Retired members: 10.4 years (2017: 10.2 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 2018 was negative 2.6% (2017: 11.5%) .

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, 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments:				
Money market instruments	**$ 3,072**	**$ —**	**$ —**	**$ 3,072**
Pooled equity funds	**53,329**	**—**	**—**	**53,329**
Pooled fixed income funds	**—**	**91,854**	**—**	**91,854**
Alternative investment funds	**—**	**26,871**	**—**	**26,871**
Balanced funds	**—**	**669**	**—**	**669**
	$ 56,401	**$ 119,394**	**$ —**	**$ 175,795**

December 31, 2017	Level 1	Level 2	Level 3	Total
Investments:				
Money market instruments	$ 4,625	$ —	$ —	$ 4,625
Pooled equity funds	116,027	—	—	116,027
Pooled fixed income funds	—	189,964	—	189,964
Alternative investment funds	—	30,699	—	30,699
Balanced funds	—	117	—	117
	$ 120,652	$ 220,780	$ —	$ 341,432

January 1, 2017	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

21. 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:

	Year ended	
	Dec. 31, 2018	Dec. 31, 2017
Opening defined benefit obligation	**$ 107,829**	$ 89,005
Current service cost[1]	**3,455**	2,614
Past service cost	**255**	—
Interest cost	**3,683**	3,567
Effects of movements in exchange rates	**(8,587)**	7,026
Remeasurement actuarial (gains)/losses:		
Arising from changes in demographic assumptions	**(9,996)**	1,172
Arising from changes in financial assumptions	**2,809**	6,761
Arising from experience adjustments	**(3,472)**	(120)
Benefits paid	**(2,448)**	(2,196)
Closing defined benefit obligation	**$ 93,528**	$ 107,829

[1] Includes remeasurement of other long term employee benefits

The defined benefit obligation closing balance, by group member, is as follows:

	Dec. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
Active members	**$ 47,249**	$ 64,460	$ 52,611
Inactive members	**46,279**	43,369	36,394
Closing defined benefit obligation	**$ 93,528**	$ 107,829	$ 89,005

Movements in the fair value of defined benefit amounts in the current and previous years were as follows:

	Dec. 31, 2018	Dec. 31, 2017	Jan. 1, 2017
Employer contributions	**$ 2,448**	$ 2,196	$ 1,949
Benefits paid	**(2,448)**	(2,196)	(1,949)
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, 2018	Dec. 31, 2017	Jan 1, 2017
Unfunded benefit obligation	**$ 93,528**	$ 107,829	$ 89,005
Vacation accrual and other - non-current	**2,664**	3,324	2,624
Net liability	**$ 96,192**	$ 111,153	$ 91,629

Reflected in the consolidated balance sheets as follows:

	Dec. 31, 2018	Dec. 31, 2017	Jan 1, 2017
Other employee benefits liability - current (note 14)	**$ 2,564**	$ 2,756	$ 2,356
Other employee benefits liability - non-current	**93,628**	108,397	89,273
Net liability	**$ 96,192**	$ 111,153	$ 91,629

Other employee future benefit expense includes the following

	Dec. 31, 2018	Dec. 31, 2017
Current service cost [1]	**$ 3,710**	$ 2,614
Net interest cost	**3,683**	3,567
Components recognized in consolidated income statements	**$ 7,393**	$ 6,181

[1] Includes remeasurement of other long term employee benefit

	Dec. 31, 2018	Dec. 31, 2017
Remeasurement on the net defined benefit liability:		
Actuarial (gains)/losses arising from changes in demographic assumptions	**$ (9,996)**	$ 1,172
Actuarial (gains)/losses arising from changes in financial assumptions	**2,809**	6,761
Actuarial gains arising from changes experience adjustments	**(3,472)**	(120)
Components recognized in statements of comprehensive income	**$ (10,659)**	$ 7,813
Total other employee future benefit cost	**$ (3,266)**	$ 13,994

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.

	Dec. 31, 2018	Dec. 31, 2017
Defined benefit cost:		
Discount rate	**3.64%**	4.03%
Initial weighted average health care trend rate	**5.97%**	6.13%
Ultimate weighted average health care trend rate	**4.00%**	4.00%
Average longevity at retirement age for current pensioners (years) [1] :		
Males	**21.0**	21.6
Females	**23.7**	24.1

	Dec. 31, 2018	Dec. 31, 2017
Defined benefit obligation:		
Discount rate	**3.88%**	3.64%
Initial weighted average health care trend rate	**5.74%**	5.97%
Ultimate weighted average health care trend rate	**4.00%**	4.00%
Average longevity at retirement age for current pensioners (years) [1] :		
Males	**21.1**	21.0
Females	**23.9**	23.7
Average longevity at retirement age for current employees (future pensioners) (years) [1] :		
Males	**23.0**	22.9
Females	**25.6**	25.5

[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 $7,754 (increase by $8,886).
- If the health care cost assumption increases (decreases) by 1%, the defined benefit obligation would increase by $18,013 (decrease by $14,029).
- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligations would increase by $3,417, (decrease by $3,392).

The average duration of the non-pension post employment obligation at December 31, 2018 is 18.6 years (2017: 18.9 years).

This number can be broken down as follows:

- Active members: 23.7 years (2017: 22.8 years)
- Inactive members: 13.4 years (2017: 13.1 years)

22. Income and mining taxes

(a) Tax expense:

The tax expense (recoveries) is applicable as follows:

	Year ended December 31,	
	2018	2017 (Restated)
Current:		
Income tax expense		
Canada	**$ 5,251**	$6,077
Peru	**19,103**	24,523
Mining tax expense		
Canada	**9,085**	5,085
Peru	**11,030**	14,706
Adjustments in respect of prior years	**707**	(448)
	45,176	49,943
Deferred:		
Income tax - origination, revaluation and/or and reversal of temporary difference		
Canada	**25,811**	2,067
Peru	**10,780**	29,727
United States	**3,170**	(46,908)
Mining taxes (recoveries) - origination, revaluation and/or reversal of temporary difference		
Canada	**414**	467
Peru	**(621)**	(661)
Adjustments in respect of prior years	**691**	(1,416)
	40,245	(16,724)
	$ 85,421	$ 33,219

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, 2018	Dec. 31, 2017 (Restated)	Jan. 1, 2017 (Restated)
Deferred income tax asset			
Canada	**$ 15,513**	$ 31,937	$ 40,162
Deferred income tax liability			
Peru	**(196,452)**	(183,973)	(203,081)
United States	**(110,861)**	(107,692)	(107,691)
Deferred mining tax liability			
Canada	**(5,119)**	(5,614)	(4,706)
Peru	**(11,658)**	(12,124)	(12,785)
	(324,090)	(309,403)	(328,263)
Net deferred tax liability balance, end of year	**$ (308,577)**	$ (277,466)	$ (288,101)

As of January 1, 2017 the deferred tax assets and deferred tax liabilities attributable to Canada are disclosed as a net deferred tax asset. This follows from the amalgamation between HudBay Minerals Inc. and its former subsidiaries, Hudson Bay Mining and Smelting Co., Limited ("HBMS") and Hudson Bay Exploration and Development Company Limited.

(c) Changes in deferred tax assets and liabilities:

	Year ended December 31, 2018	Year ended December 31, 2017 (Restated)
Net deferred tax liability balance, beginning of year	**$ (277,466)**	$ (288,101)
Deferred tax (expense) recovery	**(40,245)**	16,724
OCI transactions	**520**	(3,845)
Items charged directly to equity	**—**	2,238
Foreign currency translation on the deferred tax liability	**8,614**	(4,482)
Net deferred tax liability balance, end of year	**$ (308,577)**	$ (277,466)

(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, 2018 and 2017 is as follows:

	Year ended December 31,	
	2018	2017 (Restated)
Statutory tax rate	**27.00%**	27.00%
Tax expense at statutory rate	**$ 46,126**	$ 46,685
Effect of:		
Deductions related to mining taxes	**(5,976)**	(6,075)
Adjusted income taxes	**40,150**	40,610
Mining tax expense	**19,214**	19,367
	59,364	59,977
Permanent differences related to:		
Capital items	**(2,903)**	1,462
Other income tax permanent differences	**(454)**	338
Impact of remeasurement on decommissioning liability	**3,898**	15,290
Temporary income tax differences not recognized	**4,449**	15,376
Impact related to differences in tax rates in foreign operations	**9,594**	4,605
Impact of changes to statutory tax rates	**45**	(52,855)
Foreign exchange on non-monetary items	**11,408**	(9,387)
Impact related to tax assessments and tax return amendments	**20**	(1,587)
Tax expense	**$ 85,421**	33,219

The impact of changes to statutory tax rates in 2017 reflects the Tax Cuts and Jobs Act enacted in the U.S that reduced the corporate statutory tax rate.

(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, 2018 and 2017 are as follows:

	Balance sheet			Income Statement	
	Dec. 31, 2018	Dec. 31, 2017 (Restated)	Jan. 1, 2017 (Restated)	**Dec. 31, 2018**	Year ended Dec. 31, 2017 (Restated)
Deferred income tax (liability) asset/ expense (recovery)					
Property, plant and equipment	**$ (83,407)**	$ (102,053)	$ (71,837)	**$ (18,646)**	$ 30,216
Pension obligation	**7,817**	10,034	13,092	**2,739**	(787)
Other employee benefits	**13,488**	16,742	17,778	**3,254**	1,036
Non-capital losses	**72,470**	91,495	59,034	**19,025**	(32,461)
Share issue and debt costs	**10,896**	15,707	16,319	**4,807**	2,850
Other	**(5,751)**	12	5,776	**7,681**	1,657
Deferred income tax asset / expense (recovery)	**15,513**	31,937	40,162	**18,860**	2,511
Deferred income tax liability (asset)/ (recovery) expense					
Property, plant and equipment	**339,037**	320,036	389,502	**25,456**	(69,466)
Pension obligation	**—**	—	(12,150)	**—**	12,150
Other employee benefits	**240**	192	(14,806)	**48**	14,998
Asset retirement obligations	**(918)**	(789)	(11,357)	**(129)**	10,568
Non-capital losses	**(27,374)**	(27,539)	(46,500)	**165**	18,961
Other	**(3,672)**	(235)	6,083	**(3,439)**	(6,318)
Deferred income tax liability/ (recovery) expense	**307,313**	291,665	310,772	**22,101**	(19,107)
Deferred income tax liability/ (recovery) expense	**$ (291,800)**	$ (259,728)	$ (270,610)	**$ 40,961**	$ (16,596)

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, 2018	Dec. 31, 2017
Property, plant and equipment	**$ —**	$ 32,089
Capital losses	**200,455**	223,916
Other employee benefits	**77,166**	78,871
Asset retirement obligations	**175,091**	174,448
Non-capital losses	**116,542**	104,171
Temporary differences not recognized	**$ 569,254**	$ 613,495

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 2018 and expire between 2026 and 2038. The Group incurred United States net operating losses between 2004 and 2018 which have a twenty year carry forward period. Peruvian net operating losses were incurred from 2014 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, 2018 and December 31, 2017 are as follows:

Canada	**Dec. 31, 2018**	Dec. 31, 2017 (Restated)	Jan. 1, 2017 (Restated)
Property, plant and equipment	**$ (5,119)**	$ (5,614)	$ (4,706)

Peru	**Dec. 31, 2018**	Dec. 31, 2017 (Restated)	Jan. 1, 2017 (Restated)
Property, plant and equipment	**$ (11,658)**	$ (12,124)	$ (12,785)

For the year ended December 31, 2018, the Group had unrecognized deferred mining tax assets of approximately $8,469 (December 31, 2017 - $8,740).

(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.

23. 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, 2018		Year ended Dec. 31, 2017	
	Common shares	**Amount**	Common shares	Amount
Balance, beginning of year	**261,271,188**	**$ 1,777,409**	237,271,188	$ 1,588,319
Equity issuance	**—**	**—**	24,000,000	195,295
Share issue costs, net of tax	**—**	**(80)**	—	(6,205)
Warrants exercised	**963**	**11**	—	—
Balance, end of period	**261,272,151**	**$ 1,777,340**	261,271,188	$ 1,777,409

During the year ended December 31, 2018, the Company declared two semi-annual dividends of C$0.01 per share each. The Company paid $2,026 and $2,019 on March 29, 2018 and September 28, 2018 to shareholders of record as of March 9, 2018 and September 7, 2018, respectively.

On September 27, 2017, the Company issued 24,000,000 Hudbay common shares for net proceeds of $189,090 (net of tax and costs).

During the year ended December, 31, 2017, the Company paid dividends of $1,774 and $1,912 on March 31, 2017 and September 29, 2017 to shareholders of record as of March 10, 2017 and September 8, 2017, respectively.

The Company declared a semi-annual dividend of C$0.01 per share on February 19, 2019. The dividend will be paid on March 29, 2019 to shareholders of record as of March 8, 2019 and is expected to total C$2,613.

24. Share-based payment

(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, 2018, the carrying amount and the intrinsic value of the outstanding liability related to the DSU plan was $4,288 (December 31, 2017 - $6,623) (note 19). The following table outlines information related to DSUs granted, expenses recognized and payments made during the year.

	Year ended	
	Dec. 31, 2018	Dec. 31, 2017
Granted during the year:		
Number of units	**158,886**	130,964
Weighted average price (C$/unit)	**$ 7.91**	$ 8.59
Expenses recognized during the year[1] (notes 6c)	**$ (1,877)**	$ 2,982
Payments made during the year (note 19)	**$ —**	$ 638

[1] This expense 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, 2018, the carrying amount of the outstanding liability related to the RSU plan was $12,201 (December 31, 2017 - $19,409) (note 19). The following table outlines information related to RSUs granted, expenses recognized and payments made in the year.

	Year ended	
	Dec. 31, 2018	Dec. 31, 2017
Number of units, beginning of year	**3,405,713**	3,492,408
Number of units granted during the year	**1,031,701**	987,194
Credits for dividends	**9,724**	8,156
Number of units forfeited during the year	**(21,190)**	(201,946)
Number of units vested	**(759,081)**	(880,099)
Number of units, end of year[1]	**3,666,867**	3,405,713
Weighted average price - granted (C$/unit)	**$ 10.33**	$ 10.60
(Gain) expenses recognized during the year[2] (note 6c)	**$ (496)**	12,937
Payments made during the year (note 19)	**$ 6,435**	5,491

[1] Includes 1,842,837 and 587,633 units that have vested; however, are unreleased and unpaid as of December 31, 2018 and December 31, 2017, respectively.
[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. As of December 31, 2018, all options had either been exercised, or expired.

The Board's current policy is to not make share option grants to executives and directors. No options were granted under the Plan during the years ended December 31, 2018 and December 31, 2017, 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, 2018		Year ended Dec. 31, 2017	
	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	**523,352**	**$ 15.86**	1,470,377	$ 19.24
Forfeited	**—**	**$ —**	(20,002)	$ 15.86
Expired	**(523,352)**	**$ 15.86**	(927,023)	$ 21.22
Balance, end of year	**—**	**$ —**	523,352	$ 15.86

There were no options outstanding as at December 31, 2018. The following table summarizes the options outstanding in 2017:

Dec. 31, 2017					
Range of exercise prices C$	Number of options outstanding	Weighted-average remaining contractual live (years)	Weighted-average exercise price C$	Number of options exercisable	Weighted average exercise price
$ 15.86	523,352	0.2	$ 15.86	523,352	15.86

25. Earnings per share

	Year ended December 31,	
	2018	2017
Basic and diluted weighted average common shares outstanding	**261,271,621**	243,500,696

26. 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, 2018 was $981,030 (December 31, 2017 – $979,575).

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 $515,497 as at December 31, 2018 (2017 - $356,499), 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 and Peruvian 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 17). As part of the Group's capital management activities, the Group monitors interest coverage ratios and leverage ratios.

27. Financial instruments

(a) Fair value and carrying value of financial instruments:

The following presents the fair value ("FV") and carrying value ("CV") of the Group's financial instruments and non-financial derivatives:

	Dec. 31, 2018		Dec. 31, 2017 (Restated)		Jan. 1, 2017 (Restated)	
Recurring measurements	**FV**	**CV**	FV	CV	FV	CV
Financial assets at amortized cost						
Cash and cash equivalents [1]	**$ 515,497**	**$ 515,497**	$ 356,499	$ 356,499	$ 146,864	$ 146,864
Restricted cash[1]	**3,738**	**3,738**	206	206	17,148	17,148
Fair value through profit or loss						
Trade and other receivables[1, 2]	**126,311**	**126,311**	159,626	159,626	128,983	128,983
Non-hedge derivative assets[3]	**6,628**	**6,628**	2,841	2,841	3,397	3,397
Prepayment option - embedded derivatives[7]	**3,664**	**3,664**	3,980	3,980	4,430	4,430
Investments at FVTPL[4]	**15,159**	**15,159**	22,255	22,255	13,700	13,700
Total financial assets	**670,997**	**670,997**	545,407	545,407	314,522	314,522
Financial liabilities at amortized cost						
Trade and other payables[1, 2]	**164,628**	**164,628**	192,448	192,448	163,027	163,027
Finance leases	**74,235**	**74,235**	84,573	84,573	12,932	12,932
Other financial liabilities[5]	**17,425**	**21,361**	19,625	22,568	17,231	22,998
Senior unsecured notes[6]	**988,294**	**992,970**	1,082,740	991,883	1,040,178	991,004
Equipment finance facility[8]	**—**	**—**	—	—	50,267	50,267
Senior secured revolving credit facilities[8]	**—**	**—**	—	—	202,075	202,075
Unamortized transaction costs[8]	**(8,276)**	**(8,276)**	(8,328)	(8,328)	(6,752)	(6,752)
Fair value through profit or loss						
Embedded derivatives[3]	**7,201**	**7,201**	1,533	1,533	86	86
Warrant liabilities[3]	**—**	**—**	6,961	6,961	7,588	7,588
Option liabilities[3]	**—**	**—**	732	732	570	570
Non-hedge derivative liabilities[3]	**2,634**	**2,634**	16,140	16,140	10,682	10,682
Total financial liabilities	**1,246,141**	**1,254,753**	1,396,424	1,308,510	1,497,884	1,454,477
Net financial liability	**$ (575,144)**	**$ (583,756)**	$ (851,017)	$ (763,103)	$ (1,183,362)	$ (1,139,955)

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 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 All 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.

5 These financial liabilities relate to agreements with communities near the Constancia project in Peru (note 15). 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 17) has been determined using the quoted market price at the year end.

7 Fair value of the prepayment option embedded derivative related to the long-term debt (note 17) 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, 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Financial assets at FVTPL:				
Non-hedge derivatives	**$ —**	**$ 6,628**	**$ —**	**$ 6,628**
Investments at FVTPL	**15,159**	**—**	**—**	**15,159**
Prepayment option embedded derivative	**—**	**3,664**	**—**	**3,664**
	$ 15,159	**$ 10,292**	**$ —**	**$ 25,451**
Financial liabilities measured at fair value				
Financial liabilities at FVTPL:				
Embedded derivatives	**$ —**	**$ 7,201**	**$ —**	**$ 7,201**
Non-hedge derivatives	**—**	**2,634**	**—**	**2,634**
	$ —	**$ 9,835**	**$ —**	**$ 9,835**

December 31, 2017 (Restated)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at FVTPL:				
Non-hedge derivatives	$ —	$ 2,841	$ —	$ 2,841
Investments at FVTPL	21,973	282	—	22,255
Prepayment option embedded derivative	—	3,980	—	3,980
	$ 21,973	$ 7,103	$ —	$ 29,076
Financial liabilities measured at fair value				
Financial liabilities at FVTPL:				
Embedded derivatives	$ —	$ 1,533	$ —	$ 1,533
Non-hedge derivatives	—	16,140	—	16,140
Option liability	—	732	—	732
Warrant liabilities	6,961	—	—	6,961
	$ 6,961	$ 18,405	$ —	$ 25,366

January 1, 2017 (Restated)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at FVTPL:				
Non-hedge derivatives	$ —	$ 3,397	$ —	$ 3,397
Investments at FVTPL	12,018	192	1,490	13,700
Prepayment option embedded derivative	—	4,430	—	4,430
	$ 12,018	$ 8,019	$ 1,490	$ 21,527
Financial liabilities measured at fair value				
Financial assets at FVTPL:				
Embedded derivatives	$ —	$ 86	$ —	$ 86
Non-hedge derivatives	—	10,682	—	10,682
Option liability	—	570	—	570
Warrant liability	7,588	—	—	7,588
	$ 7,588	$ 11,338	$ —	$ 18,926

The Group's Level 3 investment relates to a minority investment in an unlisted junior mining company. During the year ended December 31, 2017, the Group concluded that the value of the investment was unlikely to be recoverable and revalued the investment to zero.

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, 2018, 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, 2018, the Group had 29,950 tonnes of net copper swaps outstanding at an effective average price of $2.77/lb and settling across January to April 2019. At December 31, 2017, the Group had 34,500 tonnes of net copper swaps outstanding at an average fixed receivable price of $3.10/lb, which settled across January 2018 to April 2018. The aggregate fair value of the transactions at December 31, 2018 was an asset position of $4,171 (December 31, 2017 and January 1, 2017 a liability position of $13,786 and $8,657, respectively).

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, 2018 and December 31, 2017, the Group held no gold or silver forward sales contracts.

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, 2018, the Group held contracts for forward zinc purchased of 2,925 tonnes (December 31, 2017 – 2,808 tonnes) that related to forward customer sales of zinc. Prices range from $2,400 to $3,203 per tonne (December 31, 2017 – $2,534 to $3,292) and settlement dates extend to November 2019. The aggregate fair value of the transactions at December 31, 2018 was a net liability position of $177 (December 31, 2017 and January 1, 2017 – a net asset position of $487 and $1,372 respectively).

(c) Embedded derivatives

Changes in fair value of provisionally priced receivables

The Group records changes in fair value of provisionally priced receivables 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.

Changes in fair value of provisionally priced receivables 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 changes in fair value of provisionally priced receivables are classified in operating activities.

As at December 31, 2018, the Group's net position consisted of contracts awaiting final pricing for sales of 30,519 tonnes of copper (December 31, 2017 – 38,027 tonnes). As of December 31, 2018, there are also 199 tonnes of zinc (December 31, 2017 – 6,412 tonnes) awaiting final pricing. In addition, at December 31, 2018, the Group's net position consisted of contracts awaiting final pricing for sales of 15,528 ounces of gold and 96,646 ounces of silver (December 31, 2017 – 24,553 ounces of gold and 172,886 ounces of silver).

As at December 31, 2018, the Group's provisionally priced copper, zinc, gold and silver sales subject to final settlement were recorded at average prices of $2.69/lb (December 31, 2017 – $3.29/lb), $1.13/lb (December 31, 2017 – $1.51/lb), $1,279/oz (December 31, 2017 – $1,309/oz) and $15.45/oz (December 31, 2017 – $17.10/oz), respectively.

The aggregate changes in fair value of provisionally priced receivables within the copper and zinc concentrate sales contracts at December 31, 2018, was a liability position of $6,351 (December 31, 2017 and January 1, 2017 – an asset position of $17,427 and $12,538 respectively). The aggregate fair value of other embedded derivatives at December 31, 2018, was nil (December 31, 2017 and January 1, 2017 – a liability position of $1,533 and $86, respectively).

Prepayment option embedded derivative

The senior unsecured notes (note 17) 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 6f). The fair value of the embedded derivative at December 31, 2018 was an asset of $3,664 (December 31, 2017 and January 1, 2017 - an asset of $3,980 and $4,430, respectively).

Pampacancha delivery obligation-embedded derivative

The Group has recognized an obligation to deliver additional precious metal credits to Wheaton as a result of the Pampacancha deposit not being mined in 2018. The fair value of the embedded derivative at December 31, 2018 was a liability of $7,201 (December 31, 2017 – nil).

(d) Warrants and option liabilities

A total of 22,391,490 warrants were issued as a result of the acquisition of Augusta Resource Corporation which entitled the holders 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. As at December 31, 2018, all warrants had either been exercised or expired.

(e) 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, share 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 soles cost into US dollars. Substantially all of the Group's revenue are denominated in US dollars, while the majority of its operating costs are denominated in either the Canadian dollar or Peruvian sol. 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 soles cash and cash equivalents, trade and other payables and other financial liabilities.

The Group's exposure to foreign currency risk was as follows based on notional financial instruments amounts stated in US equivalent dollars:

	Dec. 31, 2018			Dec. 31, 2017		
	CAD[1]	**USD[2]**	**PEN[3]**	CAD[1]	USD[2]	PEN[3]
Cash and cash equivalent	**$ 11,498**	**$ 29,740**	**$ 13,934**	$ 9,518	$ 20,597	$ 3,692
Trade and other receivables	**711**	**42,056**	**1,272**	530	77,824	1,114
Other financial assets	**15,159**	**—**	**—**	22,255	—	—
Trade and other payables	**(5,341)**	**(3,133)**	**(19,513)**	(6,115)	(9,687)	(17,917)
Other financial liabilities	**—**	**—**	**(21,361)**	(6,961)	—	(22,568)
	$ 22,027	**$ 68,663**	**$ (25,668)**	$ 19,227	$ 88,734	$ (35,679)

[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, 2018 and does not reflect the overall effect that changes in market variables would have on the Group's results of operations.

December 31, 2018	**Change of:**	**Would have changed 2018 after-tax profit by:**	**Would have changed 2018 after-tax OCI by:**
USD/CAD exchange rate[1]	**+ 10%**	**$ 5.0 million**	$ — million
USD/CAD exchange rate[1]	**- 10%**	**(6.0) million**	— million
USD/PEN exchange rate[2]	**+ 10%**	**1.5 million**	— million
USD/PEN exchange rate[2]	**- 10%**	**(1.8) million**	— million
December 31, 2017 (Restated)	Change of:	Would have changed 2017 after-tax profit by:	Would have changed 2017 after-tax OCI by:
USD/CAD exchange rate[1]	+ 10%	$ 3.6 million	$ — million
USD/CAD exchange rate[1]	- 10%	(4.4) million	— million
USD/PEN exchange rate[2]	+ 10%	2.1 million	— million
USD/PEN exchange rate[2]	- 10%	(2.6) 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.
[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, 2018 and does not reflect the overall effect that changes in market variables would have on the Groups' results of operations.

December 31, 2018			**Change of:**		**Would have changed 2018 after-tax profit by:**	
Copper prices ($/lb) [3]	**+**	**$**	**0.30**	**$**	**(3.1)**	**million**
Copper prices ($/lb) [3]	**—**	**$**	**0.30**		**3.1**	**million**
Zinc prices ($/lb) [4]	**+**	**$**	**0.10**		**0.5**	**million**
Zinc prices ($/lb) [4]	**—**	**$**	**0.10**		**(0.5)**	**million**

December 31, 2017			Change of:		Would have changed 2017 after-tax profit by:	
Copper prices ($/lb) [3]	+	$	0.30	$	(2.3)	million
Copper prices ($/lb) [3]	—	$	0.30		2.3	million
Zinc prices ($/lb) [4]	+	$	0.10		0.9	million
Zinc prices ($/lb) [4]	—	$	0.10		(0.9)	million

[3] Effect on profit due to embedded provisional pricing derivatives (note 27c) and copper fixed for floating swaps (note 27b).
[4] Effect on profit due to embedded provisional pricing derivatives (note 27c) and non-hedge zinc derivatives (note 27b).

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 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, 2018 and does not reflect the overall effect that changes in market variables would have on the Group's finance expenses.

December 31, 2018		**Change of:**		**Would have changed 2018 after-tax profit by:**			**Would have changed 2018 after-tax OCI by:**	
Share prices	+	**25%**	**$**	**3.8**	**million**	**$**	**—**	**million**
Share prices	-	**25%**		**(3.8)**	**million**		**—**	**million**

December 31, 2017 (Restated)		Change of:		Would have changed 2017 after-tax profit by:			Would have changed 2017 after-tax OCI by:	
Share prices	+	25%	$	5.0	million	$	—	million
Share prices	-	25%		(5.0)	million		—	million

Interest rate risk

The group is exposed to the following interest rate risks:

– 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.

The most material of these risks is the embedded derivative associated with its Notes. This analysis is based on values at December 31, 2018 and does not reflect the overall effect that changes in market variables would have on the group's finance expenses.

December 31, 2018	**Change of:**	**Would have changed 2018 after-tax profit by:**	**Would have changed 2018 after-tax OCI by:**
Interest rates	**+ 2.00%**	**$ (3.3) million**	**$ — million**
Interest rates	**- 2.00%**	**3.2 million**	**— million**
December 31, 2017	Change of:	Would have changed 2017 after-tax profit by:	Would have changed 2017 after-tax OCI by:
Interest rates	+ 2.00%	$ 0.4 million	$ — million
Interest rates	- 2.00%	(2.8) million	— million

Refer to note 7 for information on 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 27a.

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 74% of total cash and cash equivalents as at December 31, 2018 (2017 – 97%). 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, 2018, approximately 95% of the Group's trade receivables were insured or payable by letters of credit (2017 - 75% 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.

Four customers accounted for approximately 78% of total trade receivables as at December 31, 2018 (2017 – five customers accounted for approximately 77%). Credit risk for these customers is assessed as medium to low risk. As at December 31, 2018, none of the Group's trade receivables was aged more than 30 days (2017 – 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 and financial assets used to manage liquidity risk. 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.

	Carrying amount	Contractual cash flows	12 months or less	13 - 36 months	37 - 60 months	More than 60 months
Assets used to manage liquidity risk						
Cash and cash equivalents	$ 515,497	$ 515,497	$ 515,497	—	—	—
	126,311	136,913	112,258	11,440	13,215	
	6,628	6,628	6,628	—	—	—
	$ 648,436	$ 659,038	$ 634,383	$ 11,440	$ 13,215	$ —
Non-derivative financial liabilities						
Trade and other payables,						
	$ (164,628)	(164,628)	(164,628)	—	—	—
	(21,361)	(31,854)	(3,719)	(4,757)	(3,068)	(20,310)
Long-term debt, including						
	(981,030)	(1,439,821)	(79,263)	(156,933)	(535,000)	(668,625)
	(74,235)	(78,174)	(18,448)	(40,615)	(19,111)	—
	$(1,241,254)	$ (1,714,477)	$ (266,058)	$ (202,305)	$ (557,179)	$ (688,935)
Derivative financial liabilities						
	(2,634)	(2,634)	(2,634)	—	—	—
	(2,634)	(2,634)	(2,634)	—	—	—

Dec. 31, 2017	Carrying amount	Contractual cash flows	12 months or less	13 - 36 months	37 - 60 months	More than 60 months
Assets used to manage liquidity risk						
Cash and cash equivalents	$ 356,499	$ 356,499	$ 356,499	$ —	$ —	$ —
Trade and other receivables	159,626	147,196	124,134	12,403	10,659	—
Non-hedge derivative assets	2,841	2,841	2,841	—	—	—
	$ 518,966	$ 506,536	$ 483,474	$ 12,403	$ 10,659	$ —
Non-derivative financial liabilities						
Trade and other payables, including embedded derivatives	$ (192,821)	$ (192,821)	$ (192,821)	$ —	$ —	$ —
Other financial liabilities	(22,568)	(37,216)	(3,824)	(4,791)	(4,780)	(23,821)
Long-term debt, including embedded derivatives	(979,575)	(1,520,416)	(79,715)	(159,430)	(152,396)	(1,128,875)
Finance lease liabilities	(84,573)	(89,750)	(20,186)	(40,253)	(29,311)	—
	$(1,279,537)	$ (1,840,203)	$ (296,546)	$ (204,474)	$ (186,487)	$ (1,152,696)
Derivative financial liabilities						
Warrant liabilities	$ (6,961)	$ (6,961)	$ (6,961)	$ —	$ —	$ —
Gold option	(732)	(732)	(732)	—	—	—
Non-hedge derivative contracts	(16,140)	(16,140)	(15,263)	(877)	—	—
	$ (23,833)	$ (23,833)	$ (22,956)	$ (877)	$ —	$ —

28. 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:

		2018		2017
Within one year	**$**	**42,019**	$	5,682
After one year but not more than five years		**19,374**		12,291
More than five years		**2,055**		1,781
	$	**63,448**	$	19,754

The cost of operating leases recognized as an expense amounted to $17,269 for the year ended December 31, 2018 (year ended December 31, 2017 - $4,972).

(b) Capital commitments

As at December 31, 2018, the Group had outstanding capital commitments in Canada of approximately $2,972 primarily related to committed long-lead orders for the paste plant and Stall concentrator, all of which can be terminated by the Group, approximately $38,784 in Peru primarily related to sustaining capital costs, all of which can be terminated by the Group, and approximately $166,823 in Arizona, primarily related to its Rosemont project, of which approximately $83,180 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 judgment 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 Wheaton for the 777 mine, the Group must repay, with precious metals credits, the legal deposit provided by 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 Wheaton’s legal deposit may not be repaid by means of 777 mine’s precious metals credits over its expected remaining mine life.

Contingent assets

There were no significant contingent assets to disclose at December 31, 2018 or December 31, 2017.

29. Related parties

(a) Group companies

The financial statements include the financial statements of the Company and the following significant subsidiaries:

				Beneficial ownership of ultimate controlling party (Hudbay Minerals Inc.)	
Name	**Jurisdiction**	**Business**	**Entity's Parent**	**2018**	**2017**
HudBay Marketing & Sales Inc	Canada	Marketing and sales	HMI	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 Inc.	British Columbia	Holding company	HMI	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:

		2018		2017
Short-term employee benefits[1]	**$**	**8,652**	$	8,654
Post-employment benefits		**762**		777
Long-term share-based awards		**5,970**		6,110
	$	**15,384**	$	15,541

[1] Such as salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses and nonmonetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees.

30. Supplementary cash flow information

(a) Change in non-cash working capital:

	Year ended December 31,	
	2018	2017
Change in:		
Trade and other receivables	**$ 16,198**	$ (8,979)
Other financial assets/liabilities	**(17,290)**	6,620
Inventories	**(32)**	(18,690)
Prepaid expenses	**(38)**	(4,619)
Trade and other payables	**(19,608)**	(6,336)
Change in taxes payable/receivable, net	**7,881**	39,326
Provisions and other liabilities	**(1,030)**	1,693
	$ (13,919)	$ 9,015

(b) Non-cash transactions:

During the year ended December 31, 2018, 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 twelve months ended December 31, 2018 led to a net increase in related property, plant and equipment assets of $8,998 (year ended December 31, 2017 - $10,661) mainly as a result of increased mine activity and the resulting higher disturbance.

- Property, plant and equipment included $10,588 of net additions related to capital additions under finance lease (year ended December 31, 2017- $3,234).

- In 2017, the Peru business unit completed the sale of some heavy mobile equipment and then executed a finance lease to leaseback that same equipment. The transaction resulted in cash proceeds of $67,275. Given the classification of the leaseback as a finance lease, there was no change in the carrying value of the heavy mobile equipment and no impacts to the statements of income.

31. 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 and molybdenum 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, and since December 2018, the newly acquired Mason Resources in the State of Nevada. 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 as the Company. Results from operating activities 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, 2018				
	Manitoba	**Peru**	**Arizona**	**Corporate and other activities**	**Total**
Revenue from external customers	**$ 667,322**	**$ 805,044**	**$ —**	**$ —**	**$ 1,472,366**
Cost of sales					
Mine operating costs	**412,760**	**353,199**	**—**	**—**	**765,959**
Depreciation and amortization	**121,515**	**211,152**	**—**	**—**	**332,667**
Gross profit	**133,047**	**240,693**	**—**	**—**	**373,740**
Selling and administrative expenses	**—**	**—**	**—**	**27,243**	**27,243**
Exploration and evaluation	**12,302**	**5,640**	**—**	**10,628**	**28,570**
Other operating expense (income)	**5,433**	**11,739**	**539**	**1,360**	**19,071**
Results from operating activities	**$ 115,312**	**$ 223,314**	**$ (539)**	**$ (39,231)**	**$ 298,856**
Finance income					**(8,450)**
Finance expenses					**152,000**
Other finance gain					**(15,531)**
Profit before tax					**170,837**
Tax expense					**85,421**
Profit for the year					**$ 85,416**

	Year ended December 31, 2017 (Restated)				
	Manitoba	Peru	Arizona	Corporate and other activities	Total
Revenue from external customers	$ 712,244	$ 690,095	$ —	$ —	$ 1,402,339
Cost of sales					
Mine operating costs	392,863	302,865	—	—	695,728
Depreciation and amortization	118,770	178,700	—	—	297,470
Gross profit	200,611	208,530	—	—	409,141
Selling and administrative expenses	—	—	—	42,283	42,283
Exploration and evaluation	5,649	1,442	—	8,383	15,474
Other operating (income) expense	(56)	(6,612)	517	(6,289)	(12,440)
Asset impairment	11,320	—	—	—	11,320
Results from operating activities	$ 183,698	$ 213,700	$ (517)	$ (44,377)	$ 352,504
Finance income					(2,849)
Finance expenses					169,442
Other finance losses					13,000
Profit before tax					172,911
Tax expense					33,219
Profit for the year					$ 139,692

	December 31, 2018				
	Manitoba	**Peru**	**Arizona**	**Corporate and other activities**	**Total**
Total assets	**$ 621,253**	**$ 2,751,525**	**$ 896,693**	**$ 416,164**	**$ 4,685,635**
Total liabilities	**424,576**	**921,773**	**115,470**	**1,044,960**	**2,506,779**
Property, plant and equipment [1]	**572,947**	**2,353,229**	**868,921**	**24,715**	**3,819,812**

[1] Included in Corporate and Other activities is $21.6 million of property, plant and equipment that is located in Nevada.

	December 31, 2018				
	Manitoba	**Peru**	**Arizona**	**Corporate and other activities**	**Total**
Additions to property, plant and equipment	**$ 123,896**	**$ 55,818**	**$ 19,846**	**$ 22**	**$ 199,582**

	December 31, 2017 (Restated)				
	Manitoba	Peru	Arizona	Corporate and other activities	Total
Total assets	$ 738,967	$ 2,750,114	$ 856,589	$ 382,346	$ 4,728,016
Total liabilities	510,506	932,423	110,945	1,061,797	2,615,671
Property, plant and equipment	619,476	2,503,900	836,759	4,098	3,964,233

January 1, 2017 (Restated)					
	Manitoba	Peru	Arizona	Corporate and other activities	Total
Total assets	730,240	2,808,370	822,498	144,056	4,505,164
Total liabilities	475,644	980,479	158,236	1,130,726	2,745,085
Property, plant and equipment	606,348	2,540,846	800,542	6,016	3,953,752

December 31, 2017					
	Manitoba	Peru	Arizona	Corporate and other activities	Total
Additions to property, plant and equipment	$ 97,936	$ 143,372	$ 18,507	$ —	$ 259,815

Geographical Segments

The following tables represent revenue information regarding the Group's geographical segments for the years ended December 31:

	2018	2017 (Restated)
Revenue by customer location [1]		
Canada	**$ 553,411**	$ 461,033
United States	**211,681**	159,085
Switzerland	**253,165**	236,467
Germany	**52,530**	144,684
China	**140,440**	145,935
Peru	**65,721**	101,033
Philippines	**84,687**	120,199
United Kingdom	**68,346**	—
Other	**42,385**	33,903
	$ 1,472,366	**$ 1,402,339**

[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, 2018, six customers accounted for approximately 26%, 9%, 8%, 7%, 5% and 5%, 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, 2017, four customers accounted for approximately 27%, 11%, 11%, and 5%, respectively, of total revenue during the year. Revenue from these customers has been presented in the Manitoba and Peru operating segments.



Management's Discussion and Analysis of Results of Operations and Financial Condition

For the year ended
December 31, 2018

February 19, 2019

HUDBAY

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") dated February 19, 2019 is intended to supplement Hudbay Minerals Inc.'s audited consolidated financial statements and related notes for the year ended December 31, 2018 (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 ("IASB").

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, 2018.

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 59 of this MD&A.

Additional information regarding Hudbay, including the risks related to our business and those that are reasonably likely to affect our consolidated 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.

As of January 1, 2018, we have adopted IFRS 9, Financial Instruments ("IFRS 9") and IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The Company applied these standards retrospectively. Changes to previously reported balances are disclosed in Note 4(c) of the consolidated financial statements. Disclosures in this MD&A are restated for the impacts of these accounting changes. With the implementation of IFRS 15, the Company has determined that precious metals stream contracts are subject to variable consideration and contain a significant financing component. As such, the Company now recognizes a financing charge at each reporting period and will gross up the deferred revenue balance to recognize the significant financing element that is part of these contracts.

All amounts are in US dollars unless otherwise noted.

OUR BUSINESS

We are an integrated mining company primarily producing copper concentrate (containing copper, gold, and silver), molybdenum concentrate 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 three polymetallic mines, four ore concentrators and a zinc production facility in northern Manitoba and Saskatchewan (Canada) and Cusco (Peru), and copper projects in Arizona and Nevada (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 be a responsible, top-tier operator of long-life, low-cost mines in the Americas. 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.

STRATEGY

Our mission is to create sustainable value through acquisition, development and operation of high quality, long life deposits with exploration potential in jurisdictions that support responsible mining, and to see the regions and communities in which we operate benefit from our presence.

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 continuously work to optimize the value of our producing assets through efficient and safe operations.

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. These include the following:

- Geography: Potential acquisitions should be located in jurisdictions that support responsible 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, with strong rule of law and respect for human rights;
- Geology: We believe we have particular expertise in the exploration and development of porphyry and volcanogenic massive sulphide mineral deposits. While these types of deposits typically contain copper, zinc and precious metals in varying quantities, we have a primary focus on copper;
- Commodity: Among the metals we produce, we believe copper has the best long- term supply/demand fundamentals and the greatest opportunities for risk-adjusted returns;
- Quality: We are focused on adding long-life, low-cost assets to our existing portfolio of high quality assets. Long life assets can capture peak pricing of multiple commodity price cycles and low cost assets can generate free cash flow even through the trough of price cycles;
- Potential: We consider the full spectrum of acquisition opportunities from early-stage exploration to producing assets, but they must meet our stringent criteria for growth and value creation. 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. Therefore, we typically look for mineral assets that we believe offer significant potential for exploration, development and optimization;
- Process: Before we decide to make an acquisition, we develop a clear understanding of how we can add value to the acquired property primarily through the application of our technical, social, operational and project execution expertise, as well as through the provision of necessary financial capacity and other operational optimization opportunities;
- Operatorship: We believe real value is created through leading efficient project development and operations. Additionally, we believe that large, transformational mergers or acquisitions are risky and potentially value- destructive in the mining industry;
- Financial: 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 2019 are to:

- Maintain our industry-leading low-cost business to continue to generate positive cash flow;
- Complete a new reserve and resource estimate for the Snow Lake operations including our 100% owned Lalor, Pen, Wim, and New Britannia properties, and advance plans for the refurbishment of the New Britannia mill;
- Maintain Constancia targeted recoveries and throughput, while identifying areas of upside through continuous improvement initiatives;
- Commence the development of the Pampacancha satellite deposit;

- Advance Rosemont through the final stage of permitting and initiate early works activities;
- Test promising exploration targets near Lalor and plan near-term exploration programs in Peru, British Columbia and Nevada; 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

- On a consolidated basis, Hudbay's copper production exceeded the mid- point of 2018 guidance by 14% and production of zinc and precious metals were within 2018 guidance ranges; copper production at Constancia exceeded the top end of 2018 guidance and Manitoba copper production was at the top end of the guidance range.
- Constancia achieved record mill throughput, record copper recoveries and record molybdenum production in 2018.
- Cash generated from operating activities was $137.3 million in the fourth quarter of 2018 and $479.6 million in the full year 2018.
- Net debt decreased to $465.5 million as at December 31, 2018, including cash and cash equivalents of $515.5 million.
- Updated reserve and resource estimate at Lalor including a 65% increase in gold reserves.
- New Lalor mine plan more than doubles annual gold production from current levels once the New Britannia mill is operating with average annual gold production of approximately 140,000 ounces over the first five years at a sustaining cash cost, net of by - product credits of $450 per ounce, positioning Lalor as one of the lowest cost gold mines in Canada.

Summary of Fourth Quarter Results

Operating cash flow before change in non-cash working capital decreased to $107.9 million in the fourth quarter of 2018 from $171.9 million in the same quarter of 2017. The decrease is due mainly to lower realized prices and sales volumes for copper and zinc, partially offset by higher molybdenum concentrate sales volumes.

Net loss and basic and diluted loss per share in the fourth quarter of 2018 were $3.5 million and $0.01, respectively, compared to a net profit and earnings per share of $94.3 million and $0.36, respectively, in the fourth quarter of 2017.

In the fourth quarter of 2018, cash generated from operating activities was $137.3 million, which increased from $129.4 million in the same period of 2017 as cash flows from changes in non-cash working capital more than offset the factors described above.

Net loss and loss per share in the fourth quarter of 2018 were affected by, among other things, the following items:

(in $ millions, except per share amounts)	**Pre-tax gain (loss)**	**After-tax gain (loss)**	**Per share gain (loss)**
Foreign exchange gain	2.6	1.5	0.01
Mark to market adjustments	(3.9)	(2.9)	(0.01)
Non-cash accounting loss on pension plan de-risking transaction	(2.2)	(1.4)	(0.01)
Non-cash deferred tax adjustments	—	(12.9)	(0.05)

Compared to the same quarter in 2017, copper-equivalent production in the fourth quarter of 2018 decreased by 14%, primarily as a result of lower production in Manitoba following the closure of the Reed mine and lower planned copper grades at Constancia.

In the fourth quarter of 2018, consolidated cash cost per pound of copper produced, net of by-product credits, was $0.94, an increase compared to $0.77 in the same period last year[1]. Cash costs per pound of copper produced, net of by–product credits, increased as a result of lower copper production. 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 2018 was $1.73, which increased from $1.56 in the fourth quarter of 2017[1], driven mainly by the decrease in copper production.

Net debt[1] decreased by $50.9 million from September 30, 2018 to $465.5 million at December 31, 2018, primarily due to free cash flow generation. At December 31, 2018, total liquidity, including cash and available credit facilities, was $937.0 million, up from $878.4 million as at September 30, 2018.

During the fourth quarter of 2018, we completed a pension de-risking transaction whereby certain defined benefit pension obligations with an estimated solvency liability value of $126.0 million were transferred to a third party insurer in exchange for a payment from plan assets of $120.0 million. The transaction reduced the overall size and risk profile of our defined benefit pension obligations, and improved the plans' solvency funding position, which is used to determine required funding requirements, by approximately $6.0 million. A non-cash pre-tax loss on the transaction of $2.2 million was recognized in the fourth quarter of 2018.

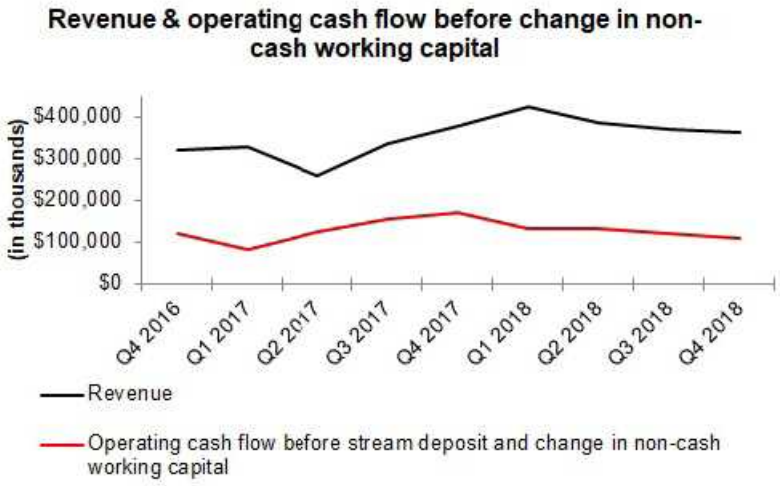
Summary of Full Year Results

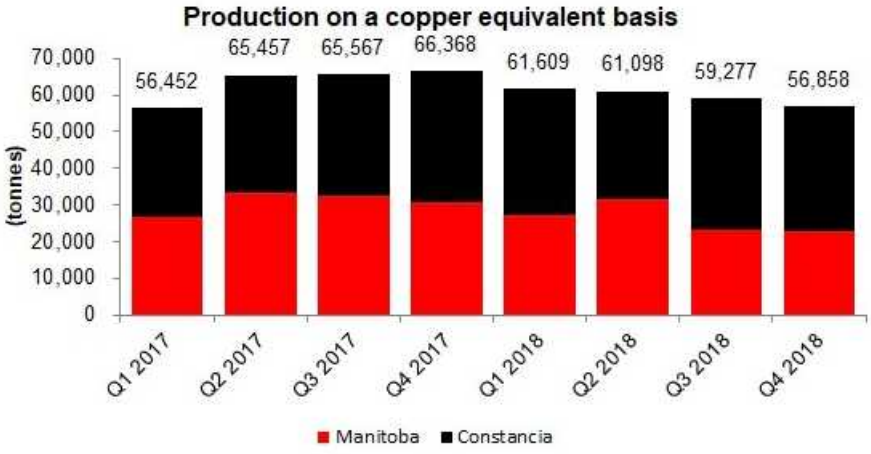
Operating cash flow before change in non-cash working capital decreased to $493.5 million from $530.6 million in 2017. The decrease is mainly the result of higher cash taxes paid and higher cost of sales, which offset the impact of higher revenues from higher realized prices.

Net profit and basic and diluted earnings per share for 2018 were $85.4 million and $0.33, respectively, compared to a net profit and earnings per share of $139.7 million and $0.57, respectively, in 2017. The prior year profit included a non-cash tax recovery of $45.4 million primarily as a result of changes to US tax legislation. Average realized copper and zinc prices increased in 2018 compared to 2017 despite the downward trend in prices over the course of 2018. However, reduced sales volumes of copper and zinc and increased mine operating costs all contributed to overall lower net profits. Cash costs per pound of copper produced, net of by-product credits, were 12% higher, mainly as a result of lower copper production.

On a consolidated basis, Hudbay's copper production exceeded 2018 guidance and production of zinc and precious metals were within 2018 guidance ranges. Combined unit costs at Manitoba were within revised 2018 guidance ranges. Combined unit costs at Peru were in line with 2018 guidance ranges after reflecting the cost of higher than expected molybdenum production, and total capital expenditures were in line with expectations.

[1] Cash cost and sustaining cash cost per pound of copper produced, net of by-product credits, net debt and combined unit costs are non- IFRS financial performance measures with no standardized definition under IFRS. For further information and a detailed reconciliation, please see the discussion under the "Non-IFRS Financial Reporting Measures" section of this MD&A.


Revenue & operating cash flow before change in non-cash working capital
(in thousands)
$400,000
$300,000
$200,000
$100,000
$0
Q4 2016
Q1 2017
Q2 2017
Q3 2017
Q4 2017
Q1 2018
Q2 2018
Q3 2018
Q4 2018
Revenue
Operating cash flow before stream deposit and change in non-cash working capital


Production on a copper equivalent basis
(tonnes)
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
56,452
65,457
65,567
66,368
61,609
61,098
59,277
56,858
Q1 2017
Q2 2017
Q3 2017
Q4 2017
Q1 2018
Q2 2018
Q3 2018
Q4 2018
Manitoba
Constancia

KEY FINANCIAL RESULTS

Financial Condition *(in $ thousands)*	**Dec. 31, 2018**	Dec. 31, 2017 (Restated)
Cash and cash equivalents	**515,497**	356,499
Total long-term debt	**981,030**	979,575
Net debt[1]	**465,533**	623,076
Working capital	**445,228**	251,388
Total assets	**4,685,635**	4,728,016
Equity	**2,178,856**	2,112,345

[1] Net debt is a non-IFRS financial performance measure with no standardized definition under IFRS. For further information and a detailed reconciliation, please see discussion under the "Non-IFRS Financial Reporting Measures" section of this MD&A.

Financial Performance	Three months ended		Year ended	
(in $ thousands, except per share amounts)	**Dec. 31, 2018**	Dec. 31, 2017 (Restated)	**Dec. 31, 2018**	Dec. 31, 2017 (Restated)
Revenue	**351,773**	424,359	**1,472,366**	1,402,339
Cost of sales	**276,547**	279,406	**1,098,626**	993,198
Profit before tax	**17,650**	79,585	**170,837**	172,911
(Loss) profit	**(3,510)**	94,279	**85,416**	139,692
Basic and diluted (loss) earnings per share	**(0.01)**	0.36	**0.33**	0.57
Operating cash flow before change in non-cash working capital	**107,948**	171,904	**493,471**	530,561

KEY PRODUCTION RESULTS

			Three months ended Dec. 31, 2018			Three months ended Dec. 31, 2017		
			Peru	**Manitoba**	**Total**	Peru	Manitoba	Total
Contained metal in concentrate produced[1]								
Copper		*tonnes*	**30,834**	**6,404**	**37,238**	33,837	9,338	43,175
Gold		*oz*	**7,522**	**20,529**	**28,051**	5,139	27,389	32,528
Silver		*oz*	**750,747**	**263,937**	**1,014,684**	670,219	333,272	1,003,491
Zinc		*tonnes*	**-**	**27,408**	**27,408**	-	33,055	33,055
Molybdenum		*tonnes*	**329**	**-**	**329**	119	-	119
Payable metal sold								
Copper		*tonnes*	**31,252**	**5,098**	**36,350**	34,227	7,252	41,479
Gold		*oz*	**7,262**	**18,599**	**25,861**	4,442	26,779	31,221
Silver		*oz*	**672,756**	**236,744**	**909,500**	543,763	291,723	835,486
Zinc [2]		*tonnes*	**-**	**31,134**	**31,134**	-	32,318	32,318
Molybdenum		*tonnes*	**447**	**-**	**447**	68	-	68
Cash cost [3]	$	/lb	**1.31**	**(0.87)**	**0.94**	1.38	(1.42)	0.77
Sustaining cash cost [3]	$	/lb	**1.65**	**1.55**		1.90	(0.35)	
All-in sustaining cash cost[3]	$	/lb			**1.73**			1.56

			Year ended Dec. 31, 2018			Year ended Dec. 31, 2017		
			Peru	**Manitoba**	**Total**	Peru	Manitoba	Total
Contained metal in concentrate produced[1]								
Copper		*tonnes*	**122,178**	**32,372**	**154,550**	121,781	37,411	159,192
Gold		*oz*	**24,189**	**95,693**	**119,882**	17,579	91,014	108,593
Silver		*oz*	**2,729,859**	**1,224,610**	**3,954,469**	2,374,008	1,113,250	3,487,258
Zinc		*tonnes*	**-**	**115,588**	**115,588**	-	135,156	135,156
Molybdenum		*tonnes*	**904**	**-**	**904**	454	-	454
Payable metal sold								
Copper		*tonnes*	**116,449**	**31,474**	**147,923**	111,402	37,253	148,655
Gold		*oz*	**20,420**	**92,677**	**113,097**	12,464	97,306	109,770
Silver		*oz*	**2,255,700**	**1,116,653**	**3,372,353**	1,950,893	1,109,376	3,060,269
Zinc [2]		*tonnes*	**-**	**115,723**	**115,723**	-	116,377	116,377
Molybdenum		*tonnes*	**819**	**-**	**819**	491	-	491
Cash cost [3]	$	/lb	**1.36**	**(0.64)**	**0.94**	1.28	(0.59)	0.84
Sustaining cash cost [3]	$	/lb	**1.57**	**0.96**		1.79	0.23	
All-in sustaining cash cost[3]	$	/lb			**1.52**			1.54

[1] Metal reported in concentrate is prior to deductions associated with smelter contract terms.

[2] Includes refined zinc metal sold and payable zinc in concentrate sold.

[3] 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 the "Non-IFRS Financial Reporting Measures" section of this MD&A.

RECENT DEVELOPMENTS

Lalor Gold Developments

We announced increased reserves and resources at our Lalor mine and nearby satellite deposits and released an updated mine plan for Lalor incorporating the refurbishment of the New Britannia mill for processing the gold and copper-gold ore. An updated National Instrument ("NI") 43-101 Technical Report for Lalor will be filed on SEDAR by the end of the first quarter of 2019.

Based on the detailed work completed in the last 12 months, Hudbay believes that the refurbishment of the New Britannia mill, including the addition of a copper flotation circuit, is the optimal processing scenario which capitalizes on existing infrastructure and significantly grows gold production from deposits that are unencumbered by any royalties or streams.

The New Britannia development plan contemplates completion of detailed engineering by February 2020, environmental permitting completion in April 2020 and construction activities occurring between June 2020 and August 2021, with plant commissioning and ramp-up occurring during the fourth quarter of 2021.

The revised mine plan for Lalor supports a 10 year mine life, based solely on proven and probable reserves, and utilizes the existing mining capacity of 4,500 tonnes per day at Lalor for the first six years of the mine plan. The technical work completed supports 4,500 tonnes per day as the optimal mining rate to maximize net present value, although the Lalor production shaft has the potential to hoist at higher throughput rates. The production plan has the copper-gold rich ore feeding a refurbished New Britannia mill starting in 2022 at an average feed rate of 1,100 tonnes per day at 6.7 g/t gold and 1.2% copper for seven years based on the current reserve estimate. The New Britannia mill is expected to achieve gold recoveries of approximately 93% compared to current gold recoveries of approximately 53% at the Stall mill. An estimated investment of $95 million (C$124 million) will be required in 2019 and 2021 for the refurbishment of the New Britannia mill including the addition of a copper flotation and dewatering circuit and a pipeline to direct the tailings to the existing Anderson facility. Of this, approximately $10 million is expected to be incurred in 2019 as part of Hudbay's growth capital expenditure plans.

Between 2019 and 2021, the Stall mill is expected to process approximately 3,500 tonnes per day and approximately 1,000 tonnes per day of Lalor base metal ore will be transported to the Flin Flon mill for processing. Based on the current reserves, starting in 2022, the Stall mill throughput will gradually decrease from approximately 3,200 tonnes per day to approximately 1,800 tonnes per day.

The updated resource model at Lalor includes 5.9 million tonnes of inferred mineral resources, which has the potential to extend the mine life beyond 10 years while feeding both the Stall and New Britannia mills. In addition, the mineral resources at Hudbay's satellite deposits in the Snow Lake region, including the copper-gold WIM deposit acquired last year for C$0.5 million from Alexandria Minerals Corporation, the former gold producing New Britannia mine and the zinc-rich Pen II deposit could provide feed for the Stall and New Britannia processing facilities and further extend the mine life.

The updated mine plan for Lalor includes processing the gold and copper-gold rich material through the New Britannia mill starting in 2022, resulting in average annual gold production of approximately 140,000 ounces over the first five years at a sustaining cash cost, net of by-product credits, of $450 per ounce, positioning Lalor as one of the lowest cost gold mines in Canada.

For additional details, refer to our February 19, 2019 press release titled "Hudbay Announces Increased Lalor Mineral Reserves and Resources and Updated Mine Plan that Confirms Substantial Increase in Gold Production" for further information.

Rosemont Developments

Work continues with the U.S. Forest Service on the draft Mine Plan of Operations ("MPO"). The remaining key federal permit outstanding is the Section 404 Water Permit from the U.S. Army Corps of Engineers.

We have agreed with Wheaton Precious Metals ("Wheaton") to amendments to the Rosemont precious metals stream agreement that was entered into with Wheaton prior to Hudbay's acquisition of Rosemont. The amendments reflect Hudbay's strong financial capability and project development track record. These amendments include removal of the condition that the Rosemont permits be free of all challenges and appeals prior to funding, clarification of the timing of Wheaton's funding obligation and changes to the delay payment structure to more appropriately reflect the de-risked profile of the project. Hudbay has agreed to provide a parental guarantee of Rosemont's obligations, and to allow Wheaton to elect to pay the deposit in cash or shares. The stream agreement continues to contemplate an upfront initial deposit of $230 million following the receipt of permits, finalization of the financing plan and commencement of construction, in exchange for delivery of approximately 100% of payable silver and gold produced from Rosemont at a cash price of $450 per ounce for gold and $3.90 per ounce for silver subject to escalation for inflation.

Mason Acquisition

On December 19, 2018, we completed our previously announced acquisition of Mason Resources Corp. and its wholly-owned Ann Mason project in Nevada. Ann Mason is a large greenfield copper deposit located in the historic Yerington District and is one of the largest undeveloped copper porphyry deposits in North America. In 2019, Hudbay plans to test drill ready targets over an existing induced polarization anomaly.

Adoption of Advance Notice By-Law

Our Board of Directors has approved By-Law No. 2 relating to advance notice requirements for director elections (the "Advance Notice By-Law"), effective February 19, 2019. The Advance Notice By-Law sets out a clear framework for nominating directors in connection with a shareholder meeting and is similar to the advance notice by-laws adopted by many other Canadian public companies.

The purpose of the Advance Notice By-Law is to (i) ensure that all shareholders receive adequate notice of director nominations and sufficient time and information regarding nominees to make informed voting decisions and (ii) facilitate an orderly and efficient process for the election of directors. The Advance Notice By-Law sets deadlines by which shareholders must submit director nominations to Hudbay and sets forth the information that a nominating shareholder must provide to Hudbay for any director nominee to be eligible for election.

In the case of an annual shareholder meeting, notice to Hudbay must be given:

- not less than 30 days prior to the date of the annual meeting, or
- if the meeting is to be held on a date that is less than 50 days after the first public announcement of the meeting date, not later than the close of business on the 15th day following such announcement.

In the case of a special meeting of shareholders (which is not also an annual meeting), notice to Hudbay must be given not later than the close of business on the 15th day following the first public announcement of the date of the special meeting.

The Advance Notice By-Law will be placed before shareholders for approval, confirmation and ratification at Hudbay’s next shareholders meeting. In the event that the By-Law is not so approved, confirmed and ratified, it shall terminate and be of no further force or effect.

Hudbay recognizes that Waterton Global Resource Management, Inc. (“Waterton”) has announced that it intends to nominate director candidates at Hudbay’s upcoming annual shareholder meeting. The Advance Notice By-Law allows Waterton to proceed with these nominations provided they are made in accordance with its terms, which in turn will ensure that the annual meeting is conducted in an orderly manner.

The full text of the Advance Notice By-Law is available under Hudbay’s profile on SEDAR at www.sedar.com.

Dividend Declared

We declared a semi-annual dividend of C$0.01 per share on February 19, 2019. The dividend will be paid on March 29, 2019 to shareholders of record as of March 8, 2019.

CONSTANCIA OPERATIONS REVIEW

			Three months ended		Year ended		Guidance	
			Dec. 31, 2018	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017	2018	Annual 2019
Ore mined [1]		*tonnes*	**7,329,423**	7,241,632	**34,372,156**	29,982,808		
Copper		*%*	**0.47**	0.55	**0.49**	0.54		
Gold		*g/tonne*	**0.05**	0.10	**0.05**	0.06		
Silver		*g/tonne*	**4.16**	4.01	**4.15**	3.96		
Ore milled		*tonnes*	**7,657,943**	7,666,223	**31,282,610**	28,743,952		
Copper		*%*	**0.48**	0.54	**0.47**	0.52		
Gold		*g/tonne*	**0.06**	0.04	**0.05**	0.04		
Silver		*g/tonne*	**4.26**	3.86	**4.08**	3.92		
Copper concentrate		*tonnes*	**131,076**	131,308	**512,984**	479,858		
Concentrate grade		*% Cu*	**23.52**	25.77	**23.82**	25.38		
Copper recovery		*%*	**84.8**	82.1	**82.6**	81.1		
Gold recovery		*%*	**48.5**	48.0	**47.4**	47.4		
Silver recovery		*%*	**71.6**	70.5	**66.5**	65.5		
Combined unit operating costs								
Including molybdenum plant costs [2,3]	*$*	*/tonne*	**9.88**	9.75	**9.44**	8.83	7.50 - 9.20	7.90 - 9.70
Excluding molybdenum plant costs [2,3]	*$*	*/tonne*	**9.54**	9.55	**9.17**	8.63		

[1] Reported tonnes and grade for ore mined are estimates based on mine plan assumptions and may not reconcile fully to ore milled.

[2] Reflects combined mine, mill and general and administrative ("G&A") costs per tonne of ore milled. Reflects the deduction of expected capitalized stripping costs.

[3] Combined unit costs is a non-IFRS financial performance measure with no standardized definition under IFRS. For further information and a detailed reconciliation, please see the discussion under the "Non-IFRS Financial Reporting Measures" section of this MD&A.

Ore mined at our Constancia mine during the fourth quarter of 2018 was consistent compared to the same period in 2017. Milled copper grades in the fourth quarter were approximately 11% lower than the same period in 2017 as we continue to mine lower grade phases, in line with the mine plan. Mill throughput in the fourth quarter of 2018 was consistent compared to the same period in 2017. Full year milled copper grades decreased by 10% compared to 2017, due to the factors described above. Mill throughput for full year 2018 was 9% higher compared to 2017 as a result of mine blasting optimization and increased plant availability. Our Constancia mill achieved record annual mill throughput for 2018.

Copper recoveries in the fourth quarter of 2018 improved over the prior year as a result of several metallurgical initiatives. While recoveries vary from quarter to quarter depending on the complexity of the ore feed, the Company is seeing results from recovery improvement initiatives. These initiatives include continuous improvement efforts targeting water distribution and equipment operating efficiencies, the integration of an automated, advanced process control system in the grinding and bulk flotation circuits, and changes in some key operational strategies. Recovery improvements over the full year were driven by the same factors as the fourth quarter variances versus prior year. The recovery improvement initiatives will continue through 2019.

Combined mine, mill and G&A unit operating costs in the fourth quarter of 2018 were consistent with the same period in 2017. On a full year basis, including molybdenum plant costs, combined unit operating costs in 2018 of $9.44 per tonne were 7% higher than 2017 due to a decrease in capitalized stripping, higher costs for diesel and power, and higher molybdenum production, partially offset by higher mill throughput. Full year 2018 combined unit operating costs also include the signing bonuses for the three-year collective bargaining agreement signed earlier in 2018. Excluding molybdenum plant costs, combined unit costs for the full year were $9.17 per tonne. The molybdenum plant was operated substantially more than expected in the second half of 2018 following ongoing plant optimization initiatives, and the increase in revenue from molybdenum sales of $12.9 million from 2017 to 2018 more than offset the additional molybdenum plant costs of $2.7 million over the same periods.

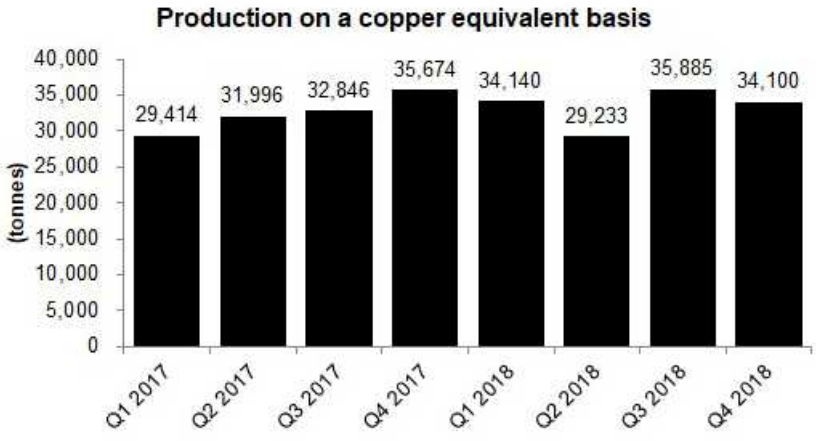
We expect continued high utilization of the Constancia molybdenum plant in 2019, resulting in higher molybdenum plant costs, which is reflected in the guidance for combined unit costs as well as expected higher molybdenum production in 2019.

		Three months ended		Year ended		Guidance	
Contained metal in concentrate produced		**Dec. 31, 2018**	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017	Annual 2018	2019
Copper	*tonnes*	**30,834**	33,837	**122,178**	121,781	95,000 - 115,000	100,000 - 125,000
Gold	*oz*	**7,522**	5,139	**24,189**	17,579		
Silver	*oz*	**750,747**	670,219	**2,729,859**	2,374,008		
Molybdenum	*tonnes*	**329**	119	**904**	454		1,100 - 1,200
Precious metals[1]	*oz*	**18,247**	14,713	**63,187**	51,493	50,000 - 70,000[2]	45,000 - 55,000

[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.

[2] Initial 2018 guidance for Constancia precious metals production was 65,000 to 85,000 ounces.

In the fourth quarter of 2018, production of copper was lower than the same period in 2017, mainly due to lower copper grades. Production of gold and silver during the fourth quarter of 2018 was higher than the same period in 2017 due to higher grades and recoveries. The molybdenum plant continued to operate at substantially higher rates during the quarter, resulting in the production of 329 tonnes and 904 tonnes of molybdenum for the current quarter and full year, respectively. Year-over-year, copper production increased slightly and exceeded the high end of full year guidance by 6%, due to higher throughput and recoveries more than offsetting lower grade. Production of precious metals and molybdenum also increased year-over-year due to the same factors and precious metals production was within guidance expectations.



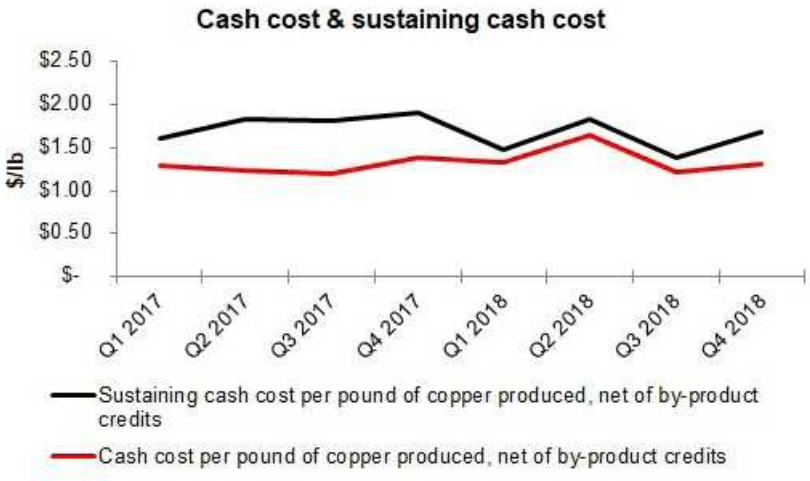
Peru Cash Cost and Sustaining Cash Cost

			Three months ended		Year ended	
			Dec. 31, 2018	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
Cash cost per pound of copper produced, net of by- product credits[1]	*$*	*/lb*	**1.31**	1.38	**1.36**	1.28
Sustaining cash cost per pound of copper produced, net of by-product credits[1]	*$*	*/lb*	**1.65**	1.90	**1.57**	1.79

[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 these non-IFRS financial performance measures, please see the discussion under the "Non-IFRS Financial Performance Measures" section of this MD&A.

Cash cost per pound of copper produced, net of by-product credits, for the three and twelve months ended December 31, 2018 was $1.31 and $1.36, decreasing by 5% and increasing by 6%, respectively, from the same periods in 2017. The decrease in the quarter is primarily due to higher by-product credits partially offset by lower copper production. The increase for the full year is mainly as a result of higher consumable costs and lower capitalized stripping, partially offset by higher by-product credits.

Sustaining cash cost per pound of copper produced, net of by-product credits, for the three and twelve months ended December 31, 2018 was $1.65 and $1.57, respectively. This represents a decrease of 13% and 12%, respectively, from the same periods in 2017, as a result of reduced sustaining capital spending on heavy civil works in Peru, which more than offset the factors noted above.



Metal Sold

		Three months ended		Year ended	
		Dec. 31, 2018	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
Payable metal in concentrate					
Copper	*tonnes*	**31,252**	34,227	**116,449**	111,402
Gold	*oz*	**7,262**	4,442	**20,420**	12,464
Silver	*oz*	**672,756**	543,763	**2,255,700**	1,950,893
Molybdenum	*tonnes*	**447**	68	**819**	491

MANITOBA OPERATIONS REVIEW

Mines

		Three months ended		Year ended	
		Dec. 31, 2018	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
777					
Ore	*tonnes*	**244,613**	202,528	**966,567**	1,014,369
Copper	*%*	**1.76**	1.86	**1.47**	1.65
Zinc	*%*	**3.46**	5.40	**4.43**	5.17
Gold	*g/tonne*	**1.61**	2.48	**1.83**	2.11
Silver	*g/tonne*	**24.37**	34.46	**28.34**	27.59
Lalor					
Ore	*tonnes*	**317,616**	334,229	**1,260,241**	1,293,418
Copper	*%*	**0.82**	0.77	**0.74**	0.68
Zinc	*%*	**6.80**	7.20	**6.25**	7.73
Gold	*g/tonne*	**2.09**	2.25	**2.19**	1.93
Silver	*g/tonne*	**24.66**	25.19	**25.39**	23.18
Reed[1]					
Ore	*tonnes*	**—**	102,229	**326,363**	460,413
Copper	*%*	**—**	3.52	**3.35**	3.67
Zinc	*%*	**—**	0.69	**0.90**	0.60
Gold	*g/tonne*	**—**	0.51	**0.77**	0.47
Silver	*g/tonne*	**—**	8.97	**9.08**	7.19
Total Mines					
Ore	*tonnes*	**562,229**	638,986	**2,553,171**	2,768,200
Copper	*%*	**1.23**	1.55	**1.35**	1.53
Zinc	*%*	**5.35**	5.59	**4.87**	5.61
Gold	*g/tonne*	**1.88**	2.04	**1.87**	1.75
Silver	*g/tonne*	**24.53**	25.54	**24.42**	22.14

[1] Includes 100% of Reed mine production.

		Three months ended		Year ended	
Unit Operating Costs [1,2]		**Dec. 31, 2018**	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
Mines					
777	*C$/tonne*	**87.29**	90.34	**80.59**	68.49
Lalor	*C$/tonne*	**110.98**	80.91	**94.73**	80.12
Reed	*C$/tonne*	**—**	109.02	**72.62**	73.70
Total Mines	*C$/tonne*	**100.67**	87.36	**87.11**	74.85

[1] Reflects costs per tonne of ore mined.

[2] Unit costs is a non-IFRS financial performance measure with no standardized definition under IFRS. For further information and a detailed reconciliation, please see the discussion under the "Non-IFRS Financial Reporting Measures" section of this MD&A.

Ore mined at our Manitoba operations during the fourth quarter of 2018 decreased by 12% compared to the same period in 2017. Decreased production at Lalor and the closure of the Reed mine was partially offset by increased production at 777.

Overall, copper, gold, zinc and silver grades were 21%, 8%, 4%, and 4% lower, respectively, in the fourth quarter of 2018 compared to the same period of 2017. Grade variances reflected anticipated declines in 777 and Lalor grades in accordance with their respective mine plans, together with the cessation of high-grade copper production from Reed following its closure. Unit operating costs for all Manitoba mines for the fourth quarter of 2018 increased by 15% compared to the same period in 2017 for the reasons described below.

Ore mined at 777 in the fourth quarter of 2018 increased by 21%, compared to the same period last year. The higher production is attributable to improved availability of the scoop and truck fleet, and a focus on increasing the key performance indicators in the drilling, blasting and backfilling processes. Lower unit operating costs in the fourth quarter were driven by higher volumes.

Ore mined at Lalor in the fourth quarter of 2018 decreased by 5% compared to the same period last year. As anticipated, the factors affecting production in the third quarter constrained production in the fourth quarter; however, the Lalor production ramp up to 4,500 tonnes per day is expected to be realized in 2019. The Lalor pastefill plant has been performing well, which has resulted in a step change in the backfilling process. Higher unit operating costs reflect production constraints as well as costs associated with the ramp up to 4,500 tonnes per day.

The Reed mine produced its last ore in August and processing of Reed ore was completed in early September. Closure activities at Reed mine were completed in October, with all equipment removed from site. Reclamation work is planned to continue in 2019.

Total ore mined at our Manitoba operations during the full year was 8% lower than 2017. Copper and zinc grades for the full year in 2018 were lower than 2017 by 12% and 13%, respectively, while gold and silver grades were 7% and 10% higher, respectively, which is in line with mine plan expectations. Total mine unit costs for the full year were 16% higher than 2017 as a result of lower ore production, costs associated with Lalor's ramp up and higher maintenance and rehabilitation costs.

Based on year end results, our Manitoba business unit achieved copper and zinc production guidance and costs were within guidance expectations, as revised in the second quarter of 2018. Precious metals production reflected our updated strategy of mining the Lalor gold zones at a later date to achieve higher recoveries with the New Britannia gold mill.

Processing Facilities

		Three months ended		Year ended	
		Dec. 31, 2018	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
Flin Flon Concentrator					
Ore	*tonnes*	**259,569**	402,240	**1,423,744**	1,602,688
Copper	*%*	**1.73**	2.06	**1.90**	2.12
Zinc	*%*	**3.55**	4.50	**3.71**	4.08
Gold	*g/tonne*	**1.62**	1.89	**1.63**	1.65
Silver	*g/tonne*	**24.79**	25.78	**23.48**	21.69
Copper concentrate	*tonnes*	**16,618**	34,308	**107,972**	132,278
Concentrate grade	*% Cu*	**24.42**	22.54	**23.11**	23.81
Zinc concentrate	*tonnes*	**15,510**	29,987	**89,289**	109,451
Concentrate grade	*% Zn*	**49.75**	50.76	**49.74**	51.28
Copper recovery	*%*	**90.4**	93.3	**92.3**	92.6
Zinc recovery	*%*	**83.7**	84.1	**84.2**	85.9
Gold recovery	*%*	**62.8**	65.3	**64.5**	62.2
Silver recovery	*%*	**54.8**	61.9	**60.2**	58.9
Contained metal in concentrate produced					
Copper	*tonnes*	**4,059**	7,734	**24,947**	31,488
Zinc	*tonnes*	**7,717**	15,222	**44,415**	56,128
Precious metals[1]	*oz*	**10,116**	18,916	**57,227**	62,357
Stall Concentrator					
Ore	*tonnes*	**313,995**	267,636	**1,201,466**	1,102,034
Copper	*%*	**0.84**	0.71	**0.72**	0.65
Zinc	*%*	**6.83**	7.28	**6.38**	7.76
Gold	*g/tonne*	**2.09**	2.26	**2.15**	1.91
Silver	*g/tonne*	**24.58**	25.14	**25.27**	22.85
Copper concentrate	*tonnes*	**11,498**	8,492	**37,047**	29,362
Concentrate grade	*% Cu*	**20.39**	18.89	**20.04**	20.18
Zinc concentrate	*tonnes*	**38,296**	34,708	**139,268**	152,766
Concentrate grade	*% Zn*	**51.42**	51.38	**51.10**	51.73
Copper recovery	*%*	**88.6**	84.5	**85.7**	82.4
Zinc recovery	*%*	**91.9**	91.6	**92.8**	92.4
Gold recovery	*%*	**57.1**	58.6	**57.6**	56.3
Silver recovery	*%*	**60.7**	58.7	**59.2**	56.2
Contained metal in concentrate produced					
Copper	*tonnes*	**2,345**	1,604	**7,425**	5,923
Zinc	*tonnes*	**19,691**	17,833	**71,173**	79,028
Precious metals[1]	*oz*	**14,184**	13,234	**55,961**	44,561

[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[1]		Three months ended Dec. 31, 2018	Dec. 31, 2017	Year ended Dec. 31, 2018	Dec. 31, 2017	Guidance Annual 2018	2019
Concentrators							
Flin Flon	*C$/tonne*	**35.13**	20.68	**25.29**	19.26		
Stall	*C$/tonne*	**27.23**	29.09	**26.71**	29.63		
Combined mine/mill unit operating costs[2,4]							
Manitoba	*C$/tonne*	**143**	125	**130**	118	125 - 135[3]	115 - 135

[1] Reflects costs per tonne of milled ore.

[2] Reflects combined mine, mill and G&A costs per tonne of milled ore. Includes the cost of ore purchased from our joint venture partner at Reed mine.

[3] Initial 2018 guidance for Manitoba unit operating costs was C$110 - 123 per tonne.

[4] Combined unit costs is a non-IFRS financial performance measure with no standardized definition under IFRS. For further information and a detailed reconciliation, please see the discussion under the "Non-IFRS Financial Reporting Measures" section of this MD&A.

Ore processed in Flin Flon in the fourth quarter of 2018 was 35% lower than the same period in 2017. The lower processing volumes are a result of the Reed mine closure, and sustained improvements at the Stall concentrator resulting in less ore transported to Flin Flon for processing, partially offset by increased ore from the 777 mine.

Copper recoveries in the fourth quarter of 2018 were 3% lower compared with the same period in 2017, while zinc recoveries were consistent, and gold and silver recoveries were 4% and 11% lower, respectively. Unit operating costs at the Flin Flon concentrator were significantly higher in the fourth quarter of 2018 compared to the same period in 2017 as a result of lower processed volumes.

Ore processed was 17% higher and copper recoveries were 5% higher at the Stall concentrator in the fourth quarter of 2018 compared with the same period in 2017, as a result of ongoing operational and maintenance improvements and better metallurgical understanding of the Lalor ore. Unit operating costs at the Stall concentrator were 6% lower in the fourth quarter of 2018 compared to the same period in 2017 as a result of increased throughput. The throughput improvements have resulted in the drawing down of ore inventories to normal working levels.

Ore processed for the full year in 2018 in Flin Flon was 11% lower than 2017 as a result of combined mine output. Copper recoveries were consistent year over year and zinc recoveries were 2% lower in 2018 compared to 2017, as a result of lower head grades. Gold and silver recoveries for the full year were 4% and 2% higher, respectively, compared to 2017. Full year unit operating costs at the Flin Flon concentrator were 31% higher than 2017 as a result of higher overall maintenance costs driven by aging infrastructure and equipment, increased material handling costs realized in the first half of 2018 related to colder than typical weather, and lower volumes from the mines. Ore processed for the full year in 2018 at Stall was 9% higher, and recoveries for all metals at the Stall concentrator were higher than 2017. Full year unit operating costs at the Stall concentrator were 10% lower than 2017, primarily as a result of higher production and improved mill reliability.

Manitoba combined mine, mill and G&A unit operating costs in the fourth quarter and full year in 2018 were 14% and 10% higher, respectively, than in the same periods in 2017 due mainly to Reed closure, higher 777 and Lalor mining costs and Flin Flon mill maintenance.

Manitoba contained metal in concentrate produced[1,2]		Three months ended		Year ended		Guidance	
		Dec. 31, 2018	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017	Annual 2018 [1]	2019
Copper	*tonnes*	**6,404**	9,338	**32,372**	37,411	27,500 - 32,500	22,000 - 25,000
Gold	*oz*	**20,529**	27,389	**95,693**	91,014		
Silver	*oz*	**263,937**	333,272	**1,224,610**	1,113,250		
Zinc	*tonnes*	**27,408**	33,055	**115,588**	135,156	105,000 - 130,000	100,000 - 115,000
Precious metals[3]	*oz*	**24,300**	32,150	**113,188**	106,918	120,000 - 145,000	105,000 - 125,000

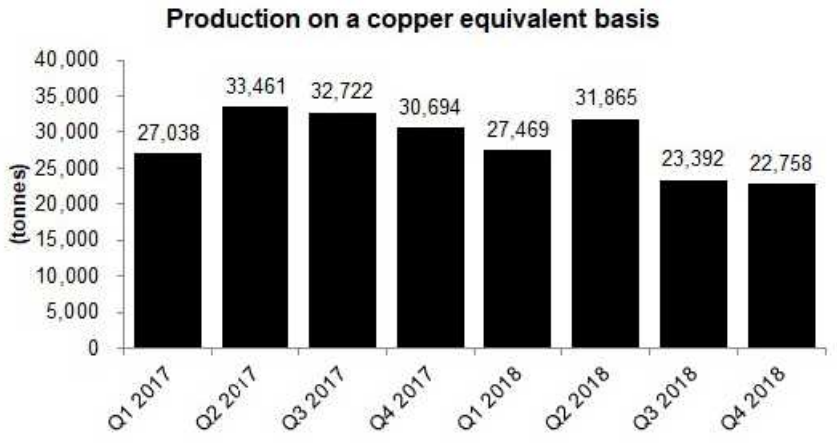
[1] Includes 100% of Reed mine production.

[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.

In the fourth quarter of 2018, copper, gold, and silver production was 31%, 25%, and 21% lower, respectively, compared to the same period in 2017. Zinc production was 17% lower compared to the same period in 2017 as a result of lower grades at Lalor and 777, in line with their respective mine plans. The Reed mine closure in August 2018 affected contained copper production compared to the fourth quarter of 2017.

Production of copper and zinc metals met full year 2018 guidance. Precious metal production reflected our updated strategy of mining the Lalor gold zones at a later date to achieve higher recoveries with the New Britannia gold mill, as previously announced.



Zinc Plant

Zinc Production		Three months ended		Year ended		Guidance	
		Dec. 31, 2018	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017	Annual 2018	2019
Zinc Concentrate Treated							
Domestic	*tonnes*	**59,838**	59,302	**220,960**	223,973		
Refined Metal Produced							
Domestic	*tonnes*	**26,885**	27,794	**102,053**	107,946	100,000 - 115,000	95,000 - 105,000

		Three months ended		Year ended		Guidance	
		Dec. 31,	Dec. 31,	**Dec. 31,**	Dec. 31,	Annual	
Unit Operating Costs		**2018**	2017	**2018**	2017	2018	2019
Zinc Plant [1,2]	*C$/lb*	**0.49**	0.43	**0.50**	0.43	0.40 - 0.50	0.47 - 0.55

[1] Zinc unit operating costs include G&A costs.

[2] Zinc unit costs is a non-IFRS financial performance measure with no standardized definition under IFRS. For further information and a detailed reconciliation, please see the discussion under the "Non-IFRS Financial Reporting Measures" section of this MD&A.

Production of cast zinc in the fourth quarter of 2018 was consistent with the same period in 2017 while operating costs per pound of zinc metal produced were 14% higher as a result of increased maintenance costs. Operating costs per pound of zinc metal produced for the full year in 2018 were 16% higher compared to 2017 for the same reasons stated above. Refined zinc metal production and zinc plant unit operating costs were within guidance ranges for 2018.

Manitoba Cash Cost and Sustaining Cash Cost

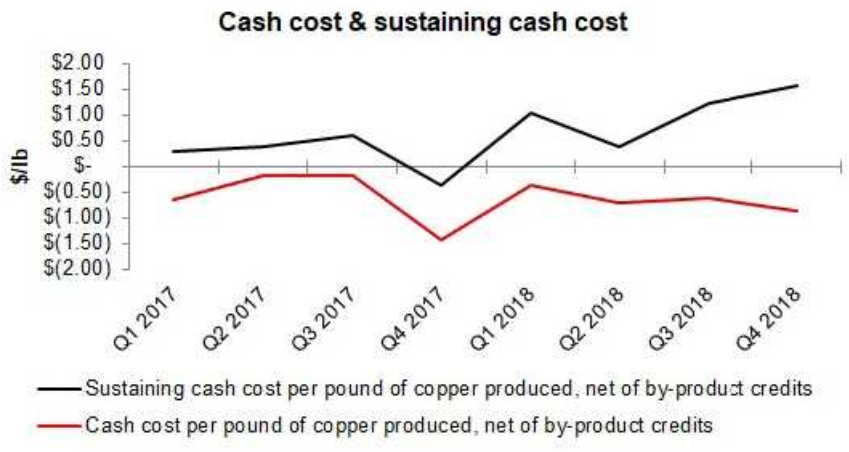
			Three months ended		Year ended	
			Dec. 31,	Dec. 31,	**Dec. 31,**	Dec. 31,
			2018	2017	**2018**	2017
Cost per pound of copper produced						
Cash cost per pound of copper produced, net of by- product credits [1]	*$*	*/lb*	**(0.87)**	(1.42)	**(0.64)**	(0.59)
Sustaining cash cost per pound of copper produced, net of by-product credits [1]	*$*	*/lb*	**1.55**	(0.35)	**0.96**	0.23
Cost per pound of zinc produced						
Cash cost per pound of zinc produced, net of by- product credits [1]	*$*	*/lb*	**0.75**	0.29	**0.46**	0.20
Sustaining cash cost per pound of zinc produced, net of by-product credits [1]	*$*	*/lb*	**1.31**	0.59	**0.91**	0.43

[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 the "Non-IFRS Financial Performance Measures" section of this MD&A.

In Manitoba, cash cost per pound of copper produced, net of by-product credits, in the fourth quarter and full year 2018 were negative $0.87 and negative $0.64 per pound of copper produced, respectively. These costs were higher compared to the same period in 2017, primarily as a result of lower production due to the Reed mine closure.

Sustaining cash cost per pound of copper produced, net of by-product credits, in the fourth quarter of 2018 was $1.55, which is higher than the prior year period due to higher cash costs and higher sustaining capital expenditures. Sustaining cash cost per pound of copper produced, net of by-product credits, increased by $0.73 for the full year 2018, compared to 2017, as a result of increased capital development expenditures at Lalor and planned increased sustaining and exploration capital spending.

Cash cost and sustaining cash cost per pound of zinc produced, net of by-product credits, in the fourth quarter and full year 2018 were both higher compared to the same periods last year as a result of the same cost factors and capital spending described above, combined with decreased zinc production and lower copper by-product revenue.



Metal Sold

		Three months ended		Year ended	
		Dec. 31, 2018	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
Payable metal in concentrate					
Copper	*tonnes*	**5,098**	7,252	**31,474**	37,253
Gold	*oz*	**18,599**	26,779	**92,677**	97,306
Silver	*oz*	**236,744**	291,723	**1,116,653**	1,109,376
Zinc	*tonnes*	**5,259**	7,138	**12,593**	12,701
Refined zinc	*tonnes*	**25,875**	25,180	**103,130**	103,676

OUTLOOK

This outlook includes forward-looking information about our operations and financial expectations based on our expectations and outlook as of February 19, 2019. 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 the "Forward-Looking Information" section 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 2019. 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 production and operating cost guidance, along with our capital and exploration expenditure forecasts for 2019 are discussed in detail below.

Production Guidance

Contained Metal in Concentrate [1]		2019 Guidance	Year ended Dec. 31, 2018	2018 Guidance
Manitoba[2]				
Copper	*tonnes*	22,000 - 25,000	32,372	27,500 - 32,500
Zinc	*tonnes*	100,000 - 115,000	115,588	105,000 - 130,000
Precious metals[3]	*oz*	105,000 - 125,000	113,188	120,000 - 145,000
Peru				
Copper	*tonnes*	100,000 - 125,000	122,178	95,000 - 115,000
Precious metals[3]	*oz*	45,000 - 55,000	63,187	50,000 - 70,000[4]
Molybdenum	*tonnes*	1,100 - 1,200	904	—
Total				
Copper	*tonnes*	122,000 - 150,000	154,550	122,500 - 147,500
Zinc	*tonnes*	100,000 - 115,000	115,588	105,000 - 130,000
Precious metals[3]	*oz*	150,000 - 180,000	176,375	170,000 - 215,000
Molybdenum	*tonnes*	1,100 - 1,200	904	—

[1] Metal reported in concentrate is prior to refining losses or deductions associated with smelter terms.

[2] 2018 figures include 100% of Reed mine production; Hudbay owned a 70% interest in the Reed mine.

[3] Precious metals production includes gold and silver production on a gold-equivalent basis. Silver converted to gold at a ratio of 70:1.

[4] Initial 2018 guidance for Constancia precious metals production was 65,000 to 85,000 ounces

On a consolidated basis, Hudbay's copper production exceeded 2018 guidance and production of zinc and precious metals were within 2018 guidance ranges. Production of copper benefited from increased throughput and recoveries at Constancia despite expected lower grades year-over-year. Zinc production declined over 2017 levels due to lower zinc grades at both Lalor and 777.

In 2019, production of copper contained in concentrate is forecast to decrease by approximately 12% [1] compared to 2018 production, primarily due to the closure of the Reed mine in 2018 and slightly lower copper grades at Constancia in line with the mine plan. Production of zinc contained in concentrate in 2019 is forecast to decrease by approximately 7%[1] compared to 2018 production, due to lower zinc grades at the 777 and Lalor mines, in line with their respective mine plans. Lalor mine ramp-up is on track to reach a nominal 4,500 tonnes per day in 2019 as a result of several recent initiatives including increased drill inventory, improved paste backfill availability, engagement of third party contractors and higher planned equipment utilization.

Production of precious metals contained in concentrate in 2019 is forecast to slightly decrease by approximately 6% [1] compared to 2018 production, primarily due to marginally lower precious metals grades at Constancia. Manitoba precious metals production reflects the optimization of the Lalor mine plan to prioritize base metal ore in the near term, and defer certain areas of high-grade gold and copper-gold ore until the planned restart of the New Britannia mill in 2022, as recently announced.

Peru precious metals production has the potential to be higher than the stated guidance levels in 2019 if the land access agreement related to the Pampacancha deposit is in place by the end of May 2019. Negotiations with the community to secure surface rights over the Pampacancha deposit are progressing, following the election of a new community council in the fourth quarter of 2018.

Capital Expenditure Guidance

Capital Expenditures[1]		**Year ended**	
(in $ millions)	**2019 Guidance**	**Dec. 31, 2018**	**2018 Guidance**
Sustaining capital			
Manitoba	100.0	104.4	85.0
Peru[2]	95.0	40.0	50.0
Total sustaining capital	**195.0**	**144.4**	**135.0**
Growth capital			
Manitoba	10.0	18.1	20.0
Peru[3]	45.0	2.3	—
Arizona	20.0	19.7	35.0
Total growth capital	**75.0**	**40.1**	**55.0**
Capitalized exploration	15.0	11.7	10.0
Total capital expenditures	**285.0**	**196.2**	**200.0**

[1] Excludes capitalized interest.

[2] Includes capitalized stripping costs.

[3] Initial 2018 guidance for Peru growth capital expenditures was $45.0 million. This included expenditures for developing the Pampacancha deposit and acquiring surface rights which, as previously announced, was deferred to 2019.

Total planned sustaining capital expenditures in 2019 are expected to increase by approximately 35% from 2018 levels. The increase is mainly due to an approximate $55 million increase in spending in Peru from 2018 levels, as a major raise of the Constancia tailings management facility is expected in 2019, in line with the NI 43-101 Technical Report filed in March 2018. Planned sustaining capital expenditures in Manitoba include continued drilling of the gold and copper-gold zones at Lalor and elevated spending on tailings management facilities in 2019 to implement upgrades and provide increased storage capacity.

Manitoba growth capital spending of $10 million includes a feasibility study and early works to advance the refurbishment of the New Britannia gold mill and our Lalor gold strategy.

[1] Year-over-year forecast changes assume the mid- point of the respective 2019 guidance range is achieved.

Peru growth capital of $45 million includes initial expenditures for developing the Pampacancha deposit and acquiring surface rights from the local community. This spending is expected to be reduced if a land access agreement related to the Pampacancha deposit is not in place by the end of May 2019. Arizona spending of $20 million on the Rosemont project is intended to support ongoing permitting, legal and mitigation efforts, and would increase significantly if permitting is completed and early works on the project commence during 2019.

Exploration Guidance

Hudbay continues to grow its exploration portfolio of owned or optioned mineral properties which now consists of approximately 885,000 hectares across Canada, Peru, the United States and Chile. Hudbay's 2019 exploration budget of $40 million, which includes option payments, will be focused on exploration near existing processing infrastructure in Manitoba and Peru, as well as exploration properties in Nevada, Chile and British Columbia.

In January 2018, Hudbay acquired control of a large, contiguous block of mineral rights to explore for mineable deposits within trucking distance of the Constancia processing facility, including the past producing Caballito property and the highly prospective Maria Reyna and Kusiorcco properties. Hudbay has commenced permitting, community relations and technical activities required to access and conduct drilling activities on these properties and has been successful in reaching a community agreement covering two of the properties to date with plans to drill those properties in 2019. In Manitoba, we expect to conduct more underground drilling at Lalor to support the long-term gold strategy in Snow Lake as well as several regional greenfield exploration drill targets in an attempt to expand both our base metal and gold resource base.

Hudbay acquired the Ann Mason property at the end of the fourth quarter of 2018 through the acquisition of Mason Resources Corp. Exploration activities at Ann Mason over 2019 will consist of geological mapping, geochemical sampling and geophysical surveys, as well as diamond drilling to identify potential sources of high grade mineralization that could enhance the feed grade in the early years of a future milling operation.

Exploration Expenditures *(in $ millions)*	**2019 Guidance**	**Year ended Dec. 31, 2018**	**2018 Guidance**
Peru	20.0	15.6	20.0
Manitoba	10.0	14.1	15.0
Generative and other	10.0	10.6	15.0
Total exploration expenditures	**40.0**	**40.3**	**50.0**
Capitalized spending	(15.0)[1]	(11.7)	(10.0)
Total exploration expense	**25.0**	**28.6**	**40.0**

[1] 2019 guidance assumes exploration expenditures of $5 million and $10 million for Manitoba and Peru, respectively, will be capitalized.

Unit Operating Cost Guidance

Combined Mine/Mill Unit Operating Cost[1,2]		**2019 Guidance**	**Year ended Dec. 31, 2018**	**2018 Guidance**
Manitoba	*C$/tonne*	115 - 135	130	125 - 135[3]
Peru	*$ /tonne*	7.90 - 9.70	9.44[4]	7.50 - 9.20

[1] Reflects combined mine, mill and G&A costs per tonne of milled ore. Manitoba 2018 figures include the cost of ore purchased from our joint venture partner at the Reed mine. Peru costs reflect the deduction of expected capitalized stripping costs.

[2] Combined unit costs is a non-IFRS financial performance measure with no standardized definition under IFRS. For further information and a detailed reconciliation, please see the discussion under the "Non-IFRS Financial Reporting Measures" section of this MD&A.

[3] Initial 2018 guidance for Manitoba unit operating costs was C$110 - 123 per tonne.

[4] Excluding molybdenum plant costs, combined unit costs for the full year were $9.17 per tonne.

In 2018, combined unit costs for Manitoba were in line with revised guidance expectations. In Peru, the combined unit costs were above the guidance range primarily due to substantially increased utilization of the molybdenum plant, which contributed to higher unit costs but reduced Peru cash costs due to higher by-product revenue. Peru unit costs were also affected by the accrual for signing bonuses for the three-year collective bargaining agreement agreed to earlier in 2018.

Combined unit costs for Manitoba in 2019 are forecast to be slightly lower [2] than 2018 unit costs of approximately C$130 per tonne which reflects the closure of the Reed mine, declining ore production at the 777 mine, costs for trucking ore from Lalor to the Flin Flon concentrator for processing and the cost of additional contracted labour at Lalor. Combined unit costs for Peru in 2019 are expected to be approximately 7%[2] lower than 2018 unit costs as a result of operating efficiencies and the impact of a one-time accrual in 2018 for signing bonuses for the three-year collective bargaining agreement. 2019 Peru unit costs and molybdenum production guidance also reflect expected high utilization rates of the molybdenum plant.

Metal production in any particular quarter may vary from the implied annual guidance rate based on variations in grades and recoveries due to the areas mined in that quarter, the timing of planned maintenance, and other factors. Mining and processing costs in any particular quarter can also vary from the annual guidance rate above based on a variety of factors, including the scheduling of maintenance events and seasonal heating requirements, particularly in Manitoba.

Flin Flon Zinc Plant Guidance		**2019 Guidance**	**Year ended Dec. 31, 2018**	**2018 Guidance**
Zinc metal produced	tonnes	95,000 - 105,000	102,053	100,000-115,000
Unit operating costs[1]	*C$/lb*	**0.47 - 0.55**	**0.50**	**0.40 - 0.50**

[1] Unit costs are non-IFRS financial performance measures with no standardized definition under IFRS. For further information and a detailed reconciliation, please see the discussion under the "Non-IFRS Financial Reporting Measures" section of this MD&A.

Zinc plant production and costs in 2019 reflect a planned maintenance shutdown to support continued operation of the zinc plant through 2021.

Commodity Markets

Our 2019 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 and in the “Sensitivity Analysis” section of this MD&A.

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 and zinc declined significantly in 2018 as concerns about the trade dispute between the U.S. and China, and the resulting drag on Chinese economic growth, outweighed supportive fundamentals in the physical copper and zinc markets.

We have developed the following market analysis from various information sources including analyst and industry experts.

Copper

In 2018, the London Metal Exchange (“LME”) copper price averaged $2.96 per pound ("/lb"), with prices ranging between $2.61/lb and $3.33/lb. Copper refined metal markets experienced a modest deficit in 2018 that increased compared to a small deficit in 2017, as mine supply growth lagged copper demand growth.

[2] Year-over-year forecasted changes to unit costs assume the mid-point of the 2019 guidance range is achieved.

In 2019, global copper mine supply is forecast to be largely unchanged from 2018 with limited new mine supply to offset declining overall grades, while demand growth, even at lower rates than in 2018, is expected to cause the copper market deficit to increase further in 2019 compared to 2018.

We believe current copper prices remain at levels that are too low to incentivize sufficient investments in new copper production to meet anticipated demand. New copper production will be needed to replace mine depletion and progressively lower mine grades globally. As a result, with growing physical market deficits and assuming continued global and Chinese economic growth, significantly higher copper prices are anticipated over the next five years.

Zinc

In 2018, the LME zinc price averaged $1.33/lb, with prices ranging from $1.04/lb to $1.64/lb. Zinc market deficits that have been in place for several years continued to grow in 2018, with the refined metal deficit estimated to reach 8% of global demand. Zinc demand in China and globally saw modest growth in 2018, but zinc metal production was constrained by limited concentrate supply and environmental restrictions on Chinese smelters. While zinc concentrate availability has improved as a result of the start-up of several new mines, refined metal production will need to increase substantially in 2019 to meet even modest demand growth. The deficits over the past few years have reduced global inventories of zinc metal to historically low levels, so if smelters are unable to achieve planned production growth due to environmental constraints in China or due to other factors, metal scarcity could result in significantly higher prices. Over the medium term, growth in new zinc mine supply and smelter output is expected to enable the zinc market to balance and rebuild depleted stockpiles.

Sensitivity Analysis

The following table displays the estimated impact of changes in metals prices and foreign exchange rates on our 2019 net profit, earnings per share and operating cash flow, assuming that our operational performance is consistent with our guidance for 2019[5].The effects of a given change in an assumption are isolated.

	2019 Base	Change of 10% represented by:	Impact on Profit	Impact on EPS[1]	Impact on Operating CF before WC changes
Metals Prices					
Copper price	US$3.00/lb	+/- US$0.30/lb	+/- US$53M	+/- 0.20	+/- US$56M
Zinc price	US$1.20/lb	+/- US$0.12/lb	+/- US$16M	+/- 0.06	+/- US$25M
Gold price[2]	US$1,250/oz	+/- US$125/oz	+/- US$7M	+/- 0.03	+/- US$9M
Exchange Rates [3]					
C$/US$	1.30	+/- 0.13	+/- US$33M	+/- 0.13	+/- US$28M

[1] Based on 261.3 million common shares outstanding as at December 31, 2018.

[2] Gold price sensitivity also includes an impact of a +/- 10% change in the silver price (2019 assumption: $16.50/oz of silver).

[3] Change in profit from operational performance only, does not include change in profit arising from translation of balance sheet accounts.

[4] Quotational period hedging program neutralizes provisional pricing adjustments

[5] Year-over-year forecasted changes to unit costs assume the mid-point of the 2019 guidance range is achieved.

FINANCIAL REVIEW

Financial Results

In the fourth quarter of 2018, we recorded a net loss of $3.5 million compared to a profit of $94.3 million for the same period in 2017, a decrease in profit of $97.8 million.

For the full year in 2018, we recorded a net profit of $85.4 million compared to net profit of $139.7 million in 2017, a decrease in profit of $54.3 million. The following table provides further details on these variances:

(in $ millions)	**Three months ended December 31, 2018**	**Year ended December 31, 2018**
(Decrease) increase in components of profit or loss:		
Revenues	**(72.6)**	**70.1**
Cost of sales		
Mine operating costs	**8.7**	**(70.2)**
Depreciation and amortization	**(5.8)**	**(35.2)**
Net finance expense	**2.3**	**51.6**
Exploration	**(0.2)**	**(13.1)**
Other	**5.7**	**(5.3)**
Tax	**(35.9)**	**(52.2)**
(Decrease) increase in profit in 2018 compared to 2017	**(97.8)**	**(54.3)**

Revenue

Revenue for the fourth quarter of 2018 was $351.8 million, $72.6 million lower than the same period in 2017, primarily as a result of lower metal prices for most commodities, and lower copper, zinc and gold sales volumes, partially offset by higher gold prices and higher silver sales volumes.

Full year revenue in 2018 was $1,472.4 million, $70.1 million higher than 2017, due to significantly higher realized sales prices for all commodities and higher sales volumes for precious metals.

(in $ millions)	Three months ended December 31, 2018	Year ended December 31, 2018
Metals prices[1]		
(Lower) higher copper prices	**(25.6)**	**36.2**
(Lower) higher zinc prices	**(19.4)**	**2.7**
Higher gold prices	**5.4**	**9.1**
(Lower) higher silver prices	**(1.8)**	**0.4**
Sales volumes		
(Lower) higher copper sales volumes	**(39.3)**	**(4.6)**
(Lower) zinc sales volumes	**(4.0)**	**(1.9)**
(Lower) higher gold sales volumes	**(6.1)**	**2.8**
Higher silver sales volumes	**2.6**	**8.5**
Other		
Higher (lower) derivative mark-to-market gains	**1.4**	**0.2**
Molybdenum volume and pricing differences	**10.6**	**12.9**
Other volume and pricing differences	**—**	**(0.4)**
Effect of lower treatment and refining charges	**3.6**	**4.2**
(Decrease) increase in revenue in 2018 compared to 2017	**(72.6)**	**70.1**

[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, 2018**	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
Copper	**225.9**	280.9	**963.1**	927.0
Zinc	**86.5**	106.4	**357.4**	347.7
Gold	**33.4**	34.4	**149.0**	137.3
Silver	**21.4**	20.8	**85.8**	76.9
Molybdenum	**11.9**	1.4	**21.0**	9.4
Other metals	**1.4**	1.3	**4.7**	5.0
Gross revenue	**380.5**	445.2	**1,581.0**	1,503.3
Pricing and volume adjustments [1]	**(1.3)**	10.2	**(6.7)**	5.1
Treatment and refining charges	**(27.4)**	(31.0)	**(101.9)**	(106.1)
Revenue	**351.8**	424.4	**1,472.4**	1,402.3

[1] Pricing and volume adjustments represents mark-to-market adjustments on provisionally prices sales, realized and unrealized changes to fair value for non-hedge derivative contracts and adjustments to originally invoiced weights and assays.

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 we may enter into 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 in 2018 and 2017, respectively, are summarized below:

				Realized prices[1] for the Three months ended			Realized prices[1] for the Year ended	
			LME QTD 2018[2]	**Dec. 31, 2018**	Dec. 31, 2017[3]	**LME YTD 2018[2]**	**Dec. 31, 2018**	Dec. 31, 2017[3]
Prices								
Copper	*$*	*/lb*	**2.80**	**2.77**	3.13	**2.96**	**2.93**	2.82
Zinc[4]	*$*	*/lb*	**1.19**	**1.25**	1.53	**1.33**	**1.39**	1.38
Gold[5]	*$*	*/oz*		**1,554**	1,190		**1,359**	1,272
Silver[5]	*$*	*/oz*		**22.50**	24.83		**25.52**	25.09
Molybdenum	*$*	*/lb*		**12.17**	9.47		**12.06**	8.23

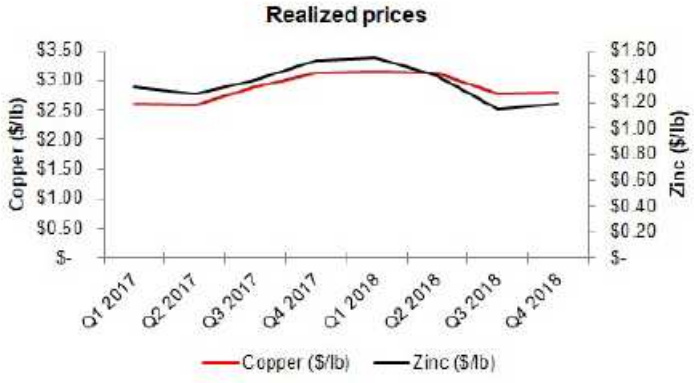
[1] Realized prices exclude refining and treatment charges and are on the sale of finished metal or metal in concentrate. Realized prices include the effect of provisional pricing adjustments on prior period sales.

[2] London Metal Exchange average for copper and zinc prices.

[3] Gold and silver realized prices for 2017 have been restated due to IFRS 15 impacts. Please refer to note 4 of the financial statements for further information.

[4] This amount includes a realized sales price of $1.27 and $1.41 for cast zinc metal and $1.19 and $1.25 for zinc concentrate sold for the three and twelve months ended December 31, 2018, respectively. 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.

[5] Sales of gold and silver from our 777 and Constancia mines are subject to our precious metals stream agreement with Wheaton Precious Metals, 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 33.


Realized prices
$3.50
$3.00
$2.50
$2.00
$1.50
$1.00
$0.50
$-
Copper ($/lb)
$1.60
$1.40
$1.20
$1.00
$0.80
$0.60
$0.40
$0.20
$-
Zinc ($/lb)
Q1 2017
Q2 2017
Q3 2017
Q4 2017
Q1 2018
Q2 2018
Q3 2018
Q4 2018
Copper ($/lb)
Zinc ($/lb)

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, 2018							
(in $ millions) [1]	**Copper**	**Zinc**	**Gold**	**Silver**	**Molybdenum**	**Other**	**Total**
Revenue per financial statements	**225.9**	**86.5**	**33.4**	**21.4**	**11.9**	**1.4**	**380.5**
Pricing and volume adjustments[2]	**(4.2)**	**(0.3)**	**3.0**	**0.1**	**0.1**	**—**	**(1.3)**
Derivative mark-to-market and other[3]	**—**	**(0.3)**	**3.8**	**(1.0)**	**—**	**—**	**2.5**
Revenue, excluding mark-to-market on non-QP hedges	**221.7**	**85.9**	**40.2**	**20.5**	**12.0**	**1.4**	**381.7**
Payable metal in concentrate sold [4]	**36,350**	**31,134**	**25,861**	**909,500**	**447**	**—**	**—**
Realized price [5,6]	**6,098**	**2,760**	**1,554**	**22.50**	**26,833**	**—**	**—**
Realized price [7]	**2.77**	**1.25**	**—**	**—**	**12.17**	**—**	**—**

Twelve months ended December 31, 2018							
(in $ millions) [1]	**Copper**	**Zinc**	**Gold**	**Silver**	**Molybdenum**	**Other**	**Total**
Revenue per financial statements	**963.1**	**357.4**	**149.0**	**85.8**	**21.0**	**4.7**	**1,581.0**
Pricing and volume adjustments[2]	**(6.4)**	**(3.5)**	**2.5**	**(0.1)**	**0.8**	**—**	**(6.7)**
Derivative mark-to-market and other[3]	**—**	**0.7**	**2.2**	**0.4**	**—**	**—**	**3.3**
Revenue, excluding mark-to-market on non-QP hedges	**956.7**	**354.6**	**153.7**	**86.1**	**21.8**	**4.7**	**1,577.6**
Payable metal in concentrate sold [4]	**147,923**	**115,723**	**113,097**	**3,372,353**	**819**	**—**	**—**
Realized price [5,6]	**6,468**	**3,065**	**1,359**	**25.52**	**26,592**	**—**	**—**
Realized price [7]	**2.93**	**1.39**	**—**	**—**	**12.06**	**—**	**—**

Three months ended December 31, 2017							
(in $ millions) [1]	Copper	Zinc	Gold	Silver	Molybdenum	Other	Total
Revenue per financial statements	280.9	106.4	34.4	20.8	1.4	1.3	445.2
Pricing and volume adjustments[2]	5.7	1.8	2.7	(0.1)	—	0.1	10.2
Derivative mark-to-market and other[3]	—	1.1	—	—		—	1.1
Revenue, excluding mark-to-market on non-QP hedges	286.6	109.3	37.1	20.7	1.4	1.4	456.5
Payable metal in concentrate sold [4]	41,479	32,318	31,221	835,486	68	—	—
Realized price [5,6]	6,909	3,381	1,190	24.83	20,878	—	—
Realized price [7]	3.13	1.53	—	—	9.47	—	—

Twelve months ended December 31, 2017							
(in $ millions) [1]	Copper	Zinc	Gold	Silver	Molybdenum	Other	Total
Revenue per financial statements	927.0	347.7	137.3	76.9	9.4	5.0	1,503.3
Pricing and volume adjustments[2]	(1.9)	5.2	2.3	(0.1)	(0.5)	0.1	5.1
Derivative mark-to-market and other[3]	—	0.9	—	—	—	—	0.9
Revenue, excluding mark-to-market on non-QP hedges	925.1	353.8	139.6	76.8	8.9	5.1	1,509.3
Payable metal in concentrate sold [4]	148,655	116,377	109,770	3,060,269	491	—	—
Realized price [5,6]	6,223	3,041	1,272	25.09	18,148	—	—
Realized price [7]	2.82	1.38	—	—	8.23	—	—

[1] Average realized price per unit sold may not calculate based on amounts presented in this table due to rounding.

[2] Pricing and volume adjustments represents mark-to-market adjustments on provisionally priced sales, realized and unrealized changes to fair value for non-hedge derivative contracts and adjustments to originally invoiced weights and assays.

[3] Derivative mark-to-market excludes mark-to-market on QP hedges.

[4] Copper and zinc shown in metric tonnes and gold and silver shown in ounces.

[5] Realized price for copper and zinc in $/metric tonne and realized price for gold and silver in $/oz.

[6] Gold and Silver realized prices for 2017 have been restated due to IFRS 15 impacts. Refer to note 4 of the financial statements for details.

[7] 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.

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, 2018		Year ended Dec. 31, 2018	
			Manitoba	**Peru**	**Manitoba**	**Peru**
Gold		*oz*	**4,353**	**3,645**	**19,217**	**12,044**
Silver		*oz*	**129,268**	**628,936**	**515,183**	**2,180,098**
Gold deferred revenue drawdown rate[1,2]	*$*	*/oz*	**1,241**	**967**	**1,262**	**967**
Gold cash rate[3]	*$*	*/oz*	**416**	**400**	**414**	**400**
Silver deferred revenue drawdown rate[1,2]	*$*	*/oz*	**24.22**	**21.79**	**24.54**	**21.79**
Silver cash rate[3]	*$*	*/oz*	**6.14**	**5.90**	**6.11**	**5.90**

			Three months ended Dec. 31, 2017		Year ended Dec. 31, 2017	
			Manitoba	Peru	Manitoba	Peru
Gold [4]		*oz*	6,568	2,212	24,479	8,842
Silver [4]		*oz*	124,484	539,135	526,648	1,924,220
Gold deferred revenue drawdown rate[1, 5]	*$*	*/oz*	1,290	1,013	1,272	1,013
Gold cash rate [3]	*$*	*/oz*	412	400	410	400
Silver deferred revenue drawdown rate[1, 5]	*$*	*/oz*	25.16	21.53	24.59	21.53
Silver cash rate [3]	*$*	*/oz*	6.08	5.90	6.05	5.90

[1] Deferred revenue amortization is recorded in Manitoba at C$1,635/oz and C$31.88/oz for gold and silver, respectively, and converted to US dollars at the exchange rate in effect at the time of revenue recognition.

[2] Deferred revenue drawdown rates for gold and silver do not include variable consideration adjustments.

[3] 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.

[4] Included in both three months ended and year ended December 31, 2017 amounts above, is 3,611 oz of gold and 46,205 oz of silver that did not result in a drawdown of deferred revenue.

[5] Gold and silver deferred revenue drawdown rates for 2017 have been restated due to IFRS 15 impacts. Refer to note 4 of the consolidated financial statements for information.

Cost of Sales

Our detailed cost of sales is summarized as follows:

(in $ thousands)	Three months ended		Year ended	
	Dec. 31, 2018	Dec. 31, 2017 (Restated)	**Dec. 31, 2018**	Dec. 31, 2017 (Restated)
Peru				
Mining	**21,721**	21,334	**91,324**	61,459
Milling	**39,590**	39,703	**150,016**	138,502
Changes in product inventory	**3,453**	4,725	**(4,141)**	(2,960)
Depreciation and amortization	**52,510**	52,570	**211,152**	178,700
G&A	**15,057**	17,528	**56,358**	56,205
Freight, royalties and other charges	**16,905**	13,764	**59,642**	49,659
Total Peru cost of sales	**149,236**	149,624	**564,351**	481,565
Manitoba				
Mining	**42,825**	41,794	**165,108**	151,994
Milling	**13,372**	12,666	**52,544**	48,947
Zinc plant	**18,837**	18,458	**73,008**	67,966
Purchased ore and concentrate (before inventory changes)	**—**	6,156	**20,804**	21,881
Changes in product inventory	**2,935**	(7,918)	**11,395**	(9,919)
Depreciation and amortization	**29,733**	23,842	**121,515**	118,770
G&A	**9,392**	23,267	**46,139**	63,645
Freight, royalties and other charges	**10,217**	11,517	**43,762**	48,349
Total Manitoba cost of sales	**127,311**	129,782	**534,275**	511,633
Cost of sales	**276,547**	279,406	**1,098,626**	993,198

Total cost of sales for the fourth quarter of 2018 was $276.5 million, reflecting a decrease of $2.9 million from the fourth quarter of 2017. Cost of sales related to Peru remained relatively consistent for the fourth quarter of 2018 compared to the same period of 2017. In Manitoba, cost of sales decreased by $2.5 million compared to the fourth quarter of 2017 as a result of lower G&A costs due to a $10.4 million pension charge recognized in the fourth quarter of 2017 arising from the new collective bargaining agreement, offset in part by higher depreciation costs and timing of inventory drawdowns.

Cost of sales for the full year in 2018 was $1,098.6 million, an increase of $105.4 million compared to 2017. The increase is mostly attributable to Peru, which increased by $82.8 million, due mainly to higher spending and depreciation arising from higher mine and mill production rates. Also contributing to the increased costs in Peru were the addition of a signing bonus paid in the first quarter of 2018, arising from a new three year collective agreement, costs associated with the move from three to four shifts as per the new collective agreement, and higher consumable costs.

For details on unit operating costs refer to the respective tables in the “Operations Review” section of this MD&A.

For the fourth quarter of 2018, other significant variances in expenses from operations, compared to the same period in 2017, include the following:

– **Selling and administrative expenses** decreased by $5.6 million compared to the same period in 2017. The decrease was primarily due to lower stock based compensation charges as a result of the revaluation of previously issued shares to lower share prices during the current quarter compared to the same period last year.

– **Other operating expenses** increased by $11.2 million as the fourth quarter 2017 included gains arising from the Balmat disposition of $6.4 million. In the fourth quarter of 2018, we incurred a non-cash charge of $2.2 million related to a pension de-risking transaction.

– **Asset impairment loss** of $11.3 million in the fourth quarter of 2017 is the result of revaluing certain processing equipment that was previously purchased to build a new concentrator in Snow Lake, Manitoba to expected disposition proceeds.

For the full year 2018, other significant variances in expenses from operations, compared to 2017, include the following:

– **Selling and administrative expenses** decreased by $15.0 million compared to the same period in 2017. The decrease was primarily due to lower stock based compensation charges as a result of the revaluation of previously issued shares to lower share prices during the current year compared to the prior year.

– **Exploration expenses** increased by $13.1 million compared to the same period in 2017, reflecting our increased funding for brownfield and grassroots exploration in 2018.

– **Other operating expenses** increased by $31.5 million, primarily due to:

  – a $7.2 million obligation in 2018 to deliver additional precious metal credits to Wheaton Precious Metals as a result of our expectation that mining at the Pampacancha deposit will not begin until later in 2019;

  – a non-cash charge of $2.2 million in 2018 related to a pension de- risking transaction;

  – a prior year recovery of $12.9 million for insurance proceeds related to the Constancia grinding line 2 failure in 2015; and,

  – a prior year gain of $6.4 million associated with contingent consideration from the Balmat sale as a result of a project milestone being achieved by the buyer.

– **Finance income** increased by $5.6 million as a result of higher interest earned in the period from comparably higher cash balances versus the same period in 2017.

– **Finance expenses** decreased by $17.4 million as a result of lower interest costs incurred over the year reflective of better terms following the amendment of our Credit Facilities signed in July 2018 and a charge taken in 2017 as a result of the extinguishment of an equipment credit facility in Peru.

– **Other finance gain** increased by $28.5 million as a result of:

  – Foreign exchange gains of $11.1 million compared to foreign exchange losses of $15.8 million in 2017, an increase of $26.9 million which is a function of the strengthening US dollar benefiting certain US monetary assets in the Manitoba business unit;

  – Mark-to-market gains on warrants of $6.7 million, which expired in July 2018, compared to gains of $1.1 million in the same period last year;

  – Gains of $1.5 million from a decrease in fair value of our various financial instrument liabilities subject to fair value accounting, compared to losses of $1.8 million for those same instruments in the same period last year; and,

  – Partially offsetting these gains were increased losses of $7.3 million related to fair value adjustments for our portfolio of junior mining equities compared to the same period last year.

Tax Expense (Recovery)

For the three months and the year ended December 31, 2018, tax expense increased by $35.9 million and $52.2 million, respectively, compared to the same periods in 2017. The following table provides further details:

(in $ thousands)	Three months ended		Year ended	
	Dec. 31, 2018	Dec. 31, 2017 (Restated)	**Dec. 31, 2018**	Dec. 31, 2017 (Restated)
Deferred tax expense (recovery) - income tax [1]	**$ 12,577**	$ (42,486)	**$ 40,961**	$ (16,596)
Deferred tax expense (recovery) - mining tax [1]	**326**	(405)	**(716)**	(128)
Total deferred tax expense (recovery)	**12,903**	(42,891)	**40,245**	(16,724)
Current tax expense - income tax	**5,122**	19,644	**25,245**	30,493
Current tax expense - mining tax	**3,135**	8,553	**19,931**	19,450
Total current tax expense	**8,257**	28,197	**45,176**	49,943
Tax expense (recovery)	**$ 21,160**	$ (14,694)	**$ 85,421**	$ 33,219

[1] Deferred tax expense (recovery) represents our draw down/increase of non-cash deferred income and mining tax assets/liabilities.

Income Tax Expense

Applying the estimated Canadian statutory income tax rate of 27.0% to our income before taxes of $170.8 million for the full year in 2018 would have resulted in a tax expense of approximately $46.1 million; however, we recorded an income tax expense of $66.2 million. The significant items causing our effective income tax rate to be different than the 27.0% estimated Canadian statutory income tax rate include:

- Certain temporary differences with respect to our foreign operations are recorded using an income tax rate other than the Canadian statutory income tax of 27.0%, resulting in an increase in deferred tax expense of $9.6 million; and,
- Increase in deferred tax expense of approximately $11.4 million since certain Canadian non-monetary assets are recognized at historical cost while the tax bases of the assets change as exchange rates fluctuate, which creates a taxable temporary difference.

Applying the estimated Canadian statutory income tax rate of 27.0% to our income before taxes of $172.9 million for the full year in 2017 would have resulted in a tax expense of approximately $46.7 million; however, we recorded an income tax expense of $13.9 million. The significant items causing our effective income tax rate to be different than the 27.0% estimated Canadian statutory income tax rate include:

- We revised our computation of deferred tax liabilities related to taxable temporary differences for changes in statutory tax rates taking into account the newly enacted tax legislation in the U.S. that decreased the estimated statutory tax rate of the Arizona business unit from 38.2% to 24.9%, resulting in a deferred tax recovery of $52.9 million;
- A decrease in the deferred tax expense of $9.4 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;
- Certain deductible temporary differences with respect to Peru mostly relating to decommissioning and restoration liabilities were not recognized as we have determined that it is not probable that we will realize the recovery based on the timing of the reversals of the deductible temporary differences and the future projected taxable profit of the Peru operations, resulting in an increase in deferred tax expense of approximately $10.0 million;

- Certain deductible temporary differences with respect to Manitoba mostly relating to decommissioning and restoration liabilities were not recognized as we have determined that it is not probable that we will 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 $8.8 million; and
- Certain deductible temporary differences with respect to our foreign operations are recorded using an income tax rate other than the Canadian statutory income tax of 27.0%, resulting in an increase in deferred tax expense of $4.6 million.

Mining Tax Expense

Applying the estimated Manitoba mining tax rate of 10.0% to our income before taxes of $170.8 million for the full year in 2018 would have resulted in a tax expense of approximately $17.1 million and we recorded a mining tax expense of $19.2 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 C$50 million or less;
– 15% of total mining taxable profit if mining profits are between C$55 million and C$100 million; and
– 17% of total mining taxable profit if mining profits exceed C$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, 2018, at the tax rate we expect to apply when temporary differences reverse.

LIQUIDITY AND CAPITAL RESOURCES

Senior Secured Revolving Credit Facilities

We have two revolving credit facilities (the “Credit Facilities”) for our Canadian and Peruvian businesses, with combined total availability of $550 million and substantially similar terms and conditions. As at December 31, 2018, between our Credit Facilities we have drawn $128.5 million in letters of credit, leaving total undrawn availability of $421.5 million. As at December 31, 2018, we were in compliance with our covenants under the Credit Facilities.

Financial Condition

Financial Condition as at December 31, 2018 compared to December 31, 2017

Cash and cash equivalents increased by $159.0 million from December 31, 2017 to $515.5 million as at December 31, 2018. This increase was a result of cash generated from operating activities of $479.6 million. These inflows were partly offset by $190.9 million of capital investments primarily at our Peru and Manitoba operations, interest payments of $74.8 million, finance lease payments of $20.9 million, net financing fees paid of $20.6 million, and $19.1 million of net cash paid to acquire Mason Resources. We hold the majority of our cash and cash equivalents in low-risk, liquid investments with major Canadian and Peruvian financial institutions.

In addition to the increased cash and cash equivalents position, working capital increased by $193.8 million to $445.2 million from December 31, 2017 to December 31, 2018, primarily due to:

– Trade and other payables decreased by $27.2 million primarily as a result of changes to accruals and timing of spending on mine and mill supplies;
– Other liabilities decreased by $21.4 million primarily as a result of lower stock-based compensation and current pension liabilities;
– Current deferred revenue liabilities decreased by $20.9 million as a result of timing of sales;
– Other financial liabilities decreased by $14.3 million mainly due to more favourable positions for our derivative and warrant liabilities;
– Partially offset by, current receivables decreased by $38.4 million primarily as a result of fair value movements on provisionally priced receivables; and
– Current inventories decreased by $23.2 million primarily as a result of a reclassification of Peru ore stockpiles from current to non- current as a result of updates to the mine plan.

Cash Flows

The following table summarizes our cash flows for the three months and year ended December 31, 2018 and December 31, 2017:

	Three months ended		Year ended	
(in $ thousands)	**Dec. 31, 2018**	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
Operating cash flow before changes in non-cash working capital	**107,948**	171,904	**493,471**	530,561
Change in non-cash working capital	**29,376**	(42,467)	**(13,919)**	9,015
Cash generated from operating activities	**137,324**	129,437	**479,552**	539,576
Cash (used in) generated by investing activities	**(73,762)**	(87,859)	**(202,136)**	(234,264)
Cash (used in) generated by financing activities	**(9,592)**	(9,461)	**(120,354)**	(92,847)
Effect of movement in exchange rates on cash and cash equivalents	**1,664**	(4,545)	**1,936**	(2,830)
Increase in cash and cash equivalents	**55,634**	27,572	**158,998**	209,635

Cash Flow from Operating Activities

Cash generated from operating activities was $137.3 million during the fourth quarter of 2018, an increase of $7.9 million compared with the same period last year. Operating cash flow before change in non-cash working capital was $107.9 million during the fourth quarter of 2018, reflecting a decrease of $64.0 million compared to the fourth quarter of 2017. The decrease in operating cash flow is the result of lower realized prices and lower sales volumes of copper and zinc and higher mine operating costs, compared to the fourth quarter of 2017.

Cash generated from operating activities for the full year was $479.6 million in 2018, a decrease of $60.0 million compared to 2017. Operating cash flow before changes in non-cash working capital for the full year was $493.5 million in 2018, a decrease of $37.1 million compared to 2017. The decrease in operating cash flow was a result of higher mine operating costs and lower copper and zinc sales volumes, partially offset by higher realized prices for all metals and higher gold and silver sales volumes.

Cash Flow from Investing and Financing Activities

During the fourth quarter of 2018, we used $83.4 million in investing and financing activities, primarily driven by $57.4 million of capital expenditures and $19.1 million of net cash consideration paid to acquire Mason Resources.

For the full year in 2018, we used $322.5 million of cash in investing and financing activities, primarily driven by $190.9 million of capital expenditures, $74.8 million of interest paid, $20.6 million of financing costs mainly related to withholding taxes on our debt obligations and our revolving credit facilities, $20.9 million of repayments made for our finance leases, and $19.1 million of net cash consideration paid to acquire Mason Resources.

Capital Expenditures

The following summarizes accrued and cash additions to capital assets for the periods indicated:

	Three months ended		Year ended		Guidance	
	Dec. 31,	Dec. 31,	**Dec. 31,**	Dec. 31,	Annual[1]	
(in $ millions)	**2018**	2017	**2018**	2017	2018	2019
Manitoba sustaining capital expenditures	**31.9**	19.6	**104.4**	58.6	85.0	100.0
Peru sustaining capital expenditures [2]	**12.2**	30.2	**40.0**	123.8	50.0	95.0
Total sustaining capital expenditures	**44.1**	49.8	**144.4**	182.4	135.0	195.0
Arizona capitalized costs	**5.1**	5.0	**19.7**	18.5	35.0	20.0
Peru growth capitalized expenditures [3]	**0.3**	5.4	**2.3**	7.0	—	45.0
Manitoba growth capitalized expenditures	**0.2**	15.5	**18.1**	39.8	20.0	10.0
Other capitalized costs [4]	**16.3**	8.1	**12.3**	23.7		
Capitalized exploration	**10.2**	7.6	**11.7**	8.4	10.0	15.0
Capitalized interest	**3.3**	3.2	**13.2**	13.1		
Total other capitalized costs	**35.4**	44.8	**77.3**	110.5		
Total accrued capital additions	**79.5**	94.6	**221.7**	292.9		
Reconciliation to cash capital additions:						
Decommissioning and restoration obligation	**(15.4)**	(6.3)	**(9.0)**	(10.7)		
Capitalized interest	**(3.3)**	(3.2)	**(13.2)**	(13.1)		
Changes in capital accruals and other	**(3.4)**	2.9	**(8.6)**	(19.3)		
Total cash capital additions	**57.4**	88.0	**190.9**	249.8		

[1] Sustaining capital expenditure guidance excludes capitalized interest.

[2] Peru sustaining capital expenditures includes capitalized stripping costs.

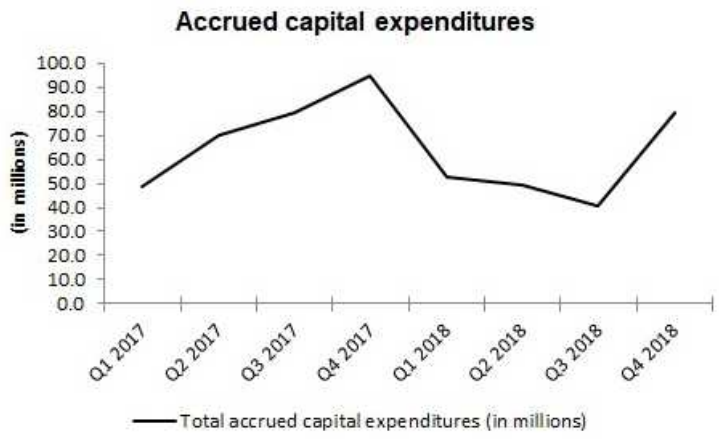
[3] Initial 2018 guidance for Peru growth capital expenditures was $45.0 million. This included expenditures for developing the Pampacancha deposit and acquiring surface rights from the local community, which were deferred.

[4] Other capitalized costs include decommissioning and restoration adjustments.

Sustaining capital expenditures in Manitoba for the three and twelve months ended December 31, 2018 were $31.9 million and $104.4 million, respectively, an increase of $12.3 million and $45.8 million, respectively, compared to the same periods in 2017. The increase in Manitoba sustaining capital expenditures compared to the same periods last year was due to increased capital development expenditures at Lalor, tailings dam enhancements, and increased exploration capital spending.

Sustaining capital expenditures in Peru for the three and twelve months ended December 31, 2018 were $12.2 million and $40.0 million, respectively, a decrease of $18.0 million and $83.8 million, respectively, compared to the same periods in 2017 as a result of reduced planned spending on civil works projects.

Manitoba growth capital spending was mainly focused on completion of the Lalor paste fill plant. Overall, total sustaining and growth capital expenditures in 2018 were in line with guidance.



Capital Commitments

As at December 31, 2018, we had outstanding capital commitments in Canada of approximately $2.9 million primarily related to Lalor mine equipment, all of which can be terminated, approximately $38.8 million in Peru primarily related to sustaining capital costs, all of which can be terminated, and approximately $166.8 million in Arizona, primarily related to its Rosemont project, of which approximately $83.2 million cannot be terminated.

Contractual Obligations

The following table summarizes our significant contractual obligations as at December 31, 2018:

Payment Schedule (in $ millions)	Total	Less than 12 months	13 - 36 months	37 - 60 months	More than 60 months
Long-term debt obligations[1]	1,439.8	79.3	156.9	535.0	668.6
Finance lease obligations	78.2	18.5	40.6	19.1	—
Operating lease obligations	63.4	42.0	18.4	1.0	2.0
Purchase obligation - capital commitments	208.5	20.9	49.8	8.6	129.2
Purchase obligation - other commitments[2]	565.9	187.8	197.2	110.0	70.9
Pension and other employee future benefits obligations[4]	129.5	14.4	29.9	6.5	78.7
Decommissioning and restoration obligations[4]	200.5	1.2	0.6	8.2	190.5
Total	2,685.8	364.1	493.4	688.4	1,139.9

[1] Long-term debt obligations include scheduled interest payments, as well as principal repayments.

[2] Primarily made up of long-term agreements with operational suppliers, obligations for power purchase, concentrate handling, fleet and port services.

[3] Discounted.

[4] 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;
- A profit-sharing plan with all Peru employees;
- Wheaton Precious Metals precious metals stream agreements for the 777 mine and Constancia mines;
- A net smelter returns royalty agreement related to the 777 mine; and
- Various royalty agreements related to the Constancia mine

Liquidity

As at December 31, 2018, we had total liquidity of approximately $937.0 million, including $515.5 million in cash and cash equivalents, as well as $421.5 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 15, 2019, there were 261,272,151 common shares of Hudbay issued and 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 2018, we entered into copper hedging transactions intended to manage the risk associated with provisional pricing terms in concentrate sales agreements.

As at December 31, 2018, we had 29,950 tonnes of copper fixed for floating swaps outstanding at an average fixed receivable price of $2.77/lb associated with provisional pricing risk in concentrate sales agreements. These swaps settle across January to April 2019.

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 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 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, 2018, approximately $478.4 million of our cash and cash equivalents was held in US dollars, approximately $23.2 million of our cash and cash equivalents was held in Canadian dollars, and approximately $13.9 million of our cash and cash equivalents was held in Peruvian soles.

TREND ANALYSIS AND QUARTERLY REVIEW

The following table sets forth selected consolidated financial information for each of our eight most recently completed quarters:

	2018				2017 (Restated)			
(in $ millions)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**351.8**	362.6	371.3	386.7	424.4	380.2	336.0	261.8
Gross margin	**75.2**	85.3	92.5	120.8	145.0	119.6	88.0	56.6
Profit (loss) before tax	**17.7**	30.3	49.8	73.1	79.6	53.8	34.9	4.6
(Loss) profit	**(3.5)**	22.8	24.7	41.4	94.3	36.3	19.1	(10.0)
(Loss) earnings per share:								
Basic and Diluted	**(0.01)**	0.09	0.09	0.16	0.36	0.15	0.08	(0.04)
Operating cash flow[1]	**107.9**	122.1	131.6	131.8	171.9	153.9	124.1	80.6

[1] Operating cash flow before changes in non-cash working capital

Lower revenues in the fourth quarter of 2018 were a function of lower sales volumes of copper and zinc metal mainly due to lower grades, and lower base metal prices compared to earlier quarters in the year. Gross profit and operating cash flow before changes in non-cash working capital compared to prior periods was also lower given the lower revenues and the higher mine operating costs. The increased mine operating costs resulted from higher maintenance costs associated with an aging infrastructure in Flin Flon and higher throughput in Peru.

Revenue and operating cash flow were relatively consistent in the first three quarters of 2018, following strong production and sales volumes in the fourth quarter of 2017.

Consistent increases in revenue and operating cash flow were realized across 2017 due to increasing copper and zinc prices.

In addition to the items noted above which impacted gross margin, net profit (loss) was impacted by a non cash deferred tax adjustment of $45.4 million in the fourth quarter of 2017.

The following table sets forth selected consolidated financial information for each of the three most recently completed years:

(in $ millions, except for earnings (loss) per share and dividends declared per share)	**2018**	2017 (Restated)	2016 (Restated)
Revenue	**1,472.4**	1,402.3	1,177.4
Gross Margin	**373.7**	409.1	267.5
Profit (loss) before tax	**170.8**	172.9	(17.1)
Profit (loss)	**85.4**	139.7	(54.9)
Earnings (loss) per share:			
Basic and diluted	**0.33**	0.57	(0.23)
Total assets	**4,685.6**	4,728.0	4,505.2
Operating cash flow[1]	**493.5**	530.6	387.9
Total non-current financial liabilities[2]	**1,053.6**	1,066.6	1,253.8
Dividends declared per share - C$[3]	**0.02**	0.02	0.02

[1] Operating cash flow before change in non-cash working capital.

[2] Total long-term financial liabilities include non-current portions of net long-term debt, other financial liabilities and finance lease obligations.

[3] Dividend paid during March and September of each year.

In the current year, realized prices for copper and gold rose 4% and 7%, respectively, compared to prices in 2017. Comparable prices for other metals resulted in relatively consistent revenues, year-over-year. Mill throughput at Constancia reached annual record levels, contributing to higher milling costs, and is the primary driver for the overall reduction in operating cash flow before changes in non-cash working capital. Revenues rose by 5%, despite lower sales volumes for copper, gold and zinc, and profit before tax remained consistent with prior year, although operating costs rose due to the aforementioned higher production costs. Cash costs per pound of copper produced increased to $0.94 from $0.84, illustrating an increase in higher consumable costs, lower capitalized stripping and lower production at Constancia, offset by higher by-product credits for all metals.

In 2017, realized copper and zinc prices rose 28% and 37%, respectively, compared to prices in 2016. Zinc production rose 22% compared to 2016 due to the re-sequencing of the 777 mine plan to prioritize higher grade zinc stopes. These pricing and production improvements were the primary driver in the growth in revenue and operating cash flow before changes in non-cash working capital. Revenue increased by $224.9 million or 19% and cash flow before changes in non-cash working capital rose by $142.7 million or 37%. Stronger performance in these metrics came notwithstanding lower copper and precious metals in concentrate production. Cash costs per pound of copper produced was also lower on a consolidated basis, down from $0.93 to $0.84. The decrease was a function of higher by-product credits for all metals, which was partially offset by expected higher costs at our 777 and Reed mines during this part of their mine life and expected reduced copper production at Constancia due to lower copper grades.

In addition to the items noted above which impacted gross margin, net profit (loss) was impacted by the following items:

Year	**Significant non-recurring items affecting net income**	**Before tax net income impact** *(in $ millions)*	**After tax net income impact** *(in $ millions)*
2016	Cost of refinancing Redeemed Notes	(49.9)	(36.5)
2016	Non-cash deferred tax adjustments	—	(20.7)
2017	Non-cash deferred tax adjustments	—	45.4

NON-IFRS FINANCIAL PERFORMANCE MEASURES

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.

Net Debt

The following table presents our calculation of net debt as at December 31, 2018 and December 31, 2017:

(in $ thousands)	**Dec. 31, 2018**	Dec. 31, 2017
Total long-term debt	**981,030**	979,575
Cash and cash equivalents	**(515,497**)	(356,499)
Net debt	**465,533**	623,076

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 flow 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 year ended December 31, 2018 and 2017. 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 *(in thousands)*	**Dec. 31, 2018**	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
Peru	**67,977**	74,597	**269,357**	268,481
Manitoba	**14,118**	20,587	**71,368**	82,477
Net pounds of copper produced	**82,095**	95,184	**340,725**	350,958

Consolidated	Three months ended				Year ended			
	Dec. 31, 2018		Dec. 31, 2017		**Dec. 31, 2018**		Dec. 31, 2017	
Cash cost per pound of copper produced	**$ 000s**	**$ /lb**	$ 000s	$ /lb	**$ 000s**	**$ /lb**	$ 000s	$ /lb
Cash cost, before product credits	by-**211,023**	**2.57**	222,730	2.34	**844,441**	**2.48**	788,740	2.25
By-product credits, net of deferred revenue	**(134,200)**	**(1.63)**	(149,172)	(1.57)	**(524,193)**	**(1.54)**	(494,587)	(1.41)
Cash cost, net of by- product credits	**76,823**	**0.94**	73,558	0.77	**320,248**	**0.94**	294,153	0.84

Consolidated	Three months ended				Year ended			
	Dec. 31, 2018		Dec. 31, 2017		**Dec. 31, 2018**		Dec. 31, 2017	
Supplementary cash cost information	**$ 000s**	**$ /lb [1]**	$ 000s	$ /lb [1]	**$ 000s**	**$ /lb [1]**	$ 000s	$ /lb [1]
By-product credits:								
Zinc	**86,264**	**1.05**	108,137	1.14	**353,971**	**1.04**	352,941	1.01
Gold	**36,397**	**0.44**	37,143	0.39	**151,452**	**0.44**	139,633	0.40
Silver	**21,432**	**0.26**	20,748	0.22	**85,616**	**0.25**	76,783	0.22
Other	**13,367**	**0.16**	2,777	0.03	**26,536**	**0.08**	13,974	0.04
Total by-product credits	**157,460**	**1.92**	168,805	1.77	**617,575**	**1.81**	583,331	1.66
Less: deferred revenue	**(23,260)**	**(0.28)**	(19,633)	(0.21)	**(93,382)**	**(0.27)**	(88,744)	(0.25)
Total by-product credits, net of deferred revenue	**134,200**	**1.63**	149,172	1.57	**524,193**	**1.54**	494,587	1.41
Reconciliation to IFRS:								
Cash cost, net of by- product credits	**76,823**		73,558		**320,248**		294,153	
By-product credits	**157,460**		168,805		**617,575**		583,331	
Change in deferred revenues	**(23,260)**		(19,633)		**(93,382)**		(88,744)	
Treatment and refining charges	**(27,352)**		(31,043)		**(101,909)**		(106,066)	
Share-based payment	**180**		712		**160**		1,946	
Pension enhancement	**—**		10,442		**—**		10,442	
Inventory adjustments	**(32)**		(174)		**(234)**		(1,677)	
Change in product inventory	**6,388**		(3,193)		**7,254**		(12,879)	
Royalties	**4,097**		3,520		**16,247**		15,222	
Depreciation and amortization[2]	**82,243**		76,412		**332,667**		297,470	
Cost of sales	**276,547**		279,406		**1,098,626**		993,198	

1 Per pound of copper produced.
2 Depreciation is based on concentrate sold.

Peru	Three months ended		Year ended	
(in thousands)	**Dec. 31, 2018**	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
Net pounds of copper produced[1]	**67,977**	74,597	**269,357**	268,481

[1] Contained copper in concentrate.

Peru	Three months ended				Year ended			
	Dec. 31, 2018		Dec. 31, 2017		**Dec. 31, 2018**		Dec. 31, 2017	
Cash cost per pound of copper produced	**$ 000s**	**$ /lb**	$ 000s	$ /lb	**$ 000s**	**$ /lb**	$ 000s	$ /lb
Mining	**21,721**	**0.32**	21,334	0.29	**91,324**	**0.34**	61,459	0.23
Milling	**39,590**	**0.58**	39,703	0.53	**150,016**	**0.56**	138,502	0.52
G&A	**15,036**	**0.22**	17,594	0.24	**56,533**	**0.21**	57,479	0.21
Onsite costs	**76,347**	**1.12**	78,631	1.05	**297,873**	**1.11**	257,440	0.96
Treatment & refining	**19,050**	**0.28**	20,328	0.27	**65,937**	**0.24**	66,289	0.25
Freight & other	**14,919**	**0.22**	12,027	0.16	**51,840**	**0.19**	43,905	0.16
Cash cost, before by- product credits	**110,316**	**1.62**	110,986	1.49	**415,650**	**1.54**	367,634	1.37
By-product credits, net of deferred revenue	**(21,169)**	**(0.31)**	(8,267)	(0.11)	**(49,587)**	**(0.18)**	(24,862)	(0.09)
Cash cost, net of by- product credits	**89,147**	**1.31**	102,719	1.38	**366,063**	**1.36**	342,772	1.28

Peru	Three months ended				Year ended			
	Dec. 31, 2018		Dec. 31, 2017		**Dec. 31, 2018**		Dec. 31, 2017	
Supplementary cash cost information	**$ 000s**	**$ /lb[1]**	$ 000s	$ /lb[1]	**$ 000s**	**$ /lb[1]**	$ 000s	$ /lb[1]
By-product credits:								
Gold	**8,588**	**0.13**	5,582	0.07	**24,156**	**0.09**	13,641	0.05
Silver	**15,320**	**0.23**	15,109	0.20	**60,138**	**0.22**	52,692	0.20
Other	**11,990**	**0.18**	1,424	0.02	**21,791**	**0.08**	8,912	0.03
Total by-product credits	**35,898**	**0.53**	22,115	0.30	**106,085**	**0.39**	75,245	0.28
Less: deferred revenue	**(14,729)**	**(0.22)**	(13,848)	(0.19)	**(56,498)**	**(0.21)**	(50,383)	(0.19)
Total by-product credits, net of deferred revenue	**21,169**	**0.31**	8,267	0.11	**49,587**	**0.18**	24,862	0.09
Reconciliation to IFRS:								
Cash cost, net of by- product credits	**89,147**		102,719		**366,063**		342,772	
By-product credits	**35,898**		22,115		**106,085**		75,245	
Change in deferred revenues	**(14,729)**		(13,848)		**(56,498)**		(50,383)	
Treatment and refining charges	**(19,050)**		(20,328)		**(65,937)**		(66,289)	
Inventory adjustments	**(32)**		(174)		**(234)**		(1,677)	
Share-based payment	**53**		108		**59**		403	
Change in product inventory	**3,453**		4,725		**(4,141)**		(2,960)	
Royalties	**1,986**		1,737		**7,802**		5,754	
Depreciation and amortization[2]	**52,510**		52,570		**211,152**		178,700	
Cost of sales	**149,236**		149,624		**564,351**		481,565	

[1] Per pound of copper produced.

[2] Depreciation is based on concentrate sold.

Manitoba	Three months ended		Year ended	
(in thousands)	**Dec. 31, 2018**	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
Net pounds of copper produced[1]	**14,118**	20,587	**71,368**	82,477

[1] Contained copper in concentrate.

Manitoba	Three months ended				Year ended			
	Dec. 31, 2018		Dec. 31, 2017		**Dec. 31, 2018**		Dec. 31, 2017	
Cash cost per pound of copper produced	**$ 000s**	**$ /lb**	$ 000s	$ /lb	**$ 000s**	**$ /lb**	$ 000s	$ /lb
Mining	**42,825**	**3.03**	41,794	2.03	**165,108**	**2.31**	151,994	1.84
Milling	**13,372**	**0.95**	12,666	0.62	**52,544**	**0.74**	48,947	0.59
Refining (zinc)	**18,837**	**1.33**	18,458	0.90	**73,008**	**1.02**	67,966	0.82
G&A	**9,265**	**0.66**	12,221	0.59	**46,038**	**0.65**	51,660	0.63
Purchased ore and zinc concentrates	**—**	**0.00**	6,156	0.30	**20,804**	**0.29**	21,881	0.27
Onsite costs	**84,299**	**5.97**	91,295	4.43	**357,502**	**5.01**	342,448	4.15
Treatment & refining	**8,302**	**0.59**	10,715	0.52	**35,972**	**0.50**	39,777	0.48
Freight & other	**8,106**	**0.57**	9,734	0.47	**35,317**	**0.49**	38,881	0.47
Cash cost, before by- product credits	**100,707**	**7.13**	111,744	5.43	**428,791**	**6.01**	421,106	5.11
By-product credits, net of deferred revenue	**(113,031)**	**(8.01)**	(140,905)	(6.84)	**(474,606)**	**(6.65)**	(469,725)	(5.70)
Cash cost, net of by- product credits	**(12,324)**	**(0.87)**	(29,161)	(1.42)	**(45,815)**	**(0.64)**	(48,619)	(0.59)

Manitoba	Three months ended				Year ended			
	Dec. 31, 2018		Dec. 31, 2017		**Dec. 31, 2018**		Dec. 31, 2017	
Supplementary cash cost information	**$ 000s**	**$ /lb[1]**	$ 000s	$ /lb[1]	**$ 000s**	**$ /lb[1]**	$ 000s	$ /lb[1]
By-product credits:								
Zinc	**86,264**	**6.11**	108,137	5.25	**353,971**	**4.96**	352,941	4.28
Gold	**27,809**	**1.97**	31,561	1.53	**127,296**	**1.78**	125,992	1.53
Silver	**6,112**	**0.43**	5,639	0.27	**25,478**	**0.36**	24,091	0.29
Other	**1,377**	**0.10**	1,353	0.07	**4,745**	**0.07**	5,062	0.06
Total by-product credits	**121,562**	**8.61**	146,690	7.13	**511,490**	**7.17**	508,086	6.16
Less: deferred revenue	**(8,531)**	**(0.60)**	(5,785)	(0.28)	**(36,884)**	**(0.52)**	(38,361)	(0.47)
Total by-product credits, net of deferred revenue	**113,031**	**8.01**	140,905	6.84	**474,606**	**6.65**	469,725	5.70
Reconciliation to IFRS:								
Cash cost, net of by- product credits	**(12,324)**		(29,161)		**(45,815)**		(48,619)	
By-product credits	**121,562**		146,690		**511,490**		508,086	
Change in deferred revenues	**(8,531)**		(5,785)		**(36,884)**		(38,361)	
Treatment and refining charges	**(8,302)**		(10,715)		**(35,972)**		(39,777)	
Share- based payment	**127**		604		**101**		1,543	
Pension enhancement	**—**		10,442		**—**		10,442	
Change in product inventory	**2,935**		(7,918)		**11,395**		(9,919)	
Royalties	**2,111**		1,783		**8,445**		9,468	
Depreciation and amortization[2]	**29,733**		23,842		**121,515**		118,770	
Cost of sales	**127,311**		129,782		**534,275**		511,633	

[1] Per pound of copper produced.

[2] Depreciation is based on concentrate sold.

Consolidated	Three months ended				Year ended			
	Dec. 31, 2018		Dec. 31, 2017		**Dec. 31, 2018**		Dec. 31, 2017	
All-in sustaining cash cost per pound of copper produced	**$ 000s**	**$ /lb**	$ 000s	$ /lb	**$ 000s**	**$ /lb**	$ 000s	$ /lb
Cash cost, net of by-product credits	**76,823**	**0.94**	73,558	0.77	**320,248**	**0.94**	294,153	0.84
Sustaining capital expenditures	**44,126**	**0.54**	49,857	0.52	**144,399**	**0.42**	180,577	0.51
Capitalized exploration	**8,698**	**0.11**	7,613	0.08	**10,222**	**0.03**	8,446	0.02
Royalties	**4,097**	**0.05**	3,520	0.04	**16,247**	**0.05**	15,222	0.04
Sustaining cash cost, net of by-product credits	**133,744**	**1.63**	134,548	1.41	**491,116**	**1.44**	498,398	1.42
Corporate selling and administrative expenses	**8,638**	**0.11**	14,261	0.15	**27,243**	**0.08**	42,283	0.12
All-in sustaining cash cost, net of by-product credits	**142,382**	**1.73**	148,809	1.56	**518,359**	**1.52**	540,681	1.54

Peru	Three months ended				Year ended			
	Dec. 31, 2018		Dec. 31, 2017		**Dec. 31, 2018**		Dec. 31, 2017	
Sustaining cash cost per pound of copper produced	**$ 000s**	**$ /lb**	$ 000s	$ /lb	**$ 000s**	**$ /lb**	$ 000s	$ /lb
Cash cost, net of by-product credits	**89,147**	**1.31**	102,719	1.38	**366,063**	**1.36**	342,772	1.28
Sustaining capital expenditures	**12,241**	**0.18**	30,245	0.41	**39,999**	**0.15**	123,848	0.46
Capitalized exploration[1]	**8,500**	**0.13**	7,000	0.09	**8,500**	**0.03**	7,000	0.03
Royalties	**1,986**	**0.03**	1,737	0.02	**7,802**	**0.03**	5,754	0.02
Sustaining cash cost per pound of copper produced	**111,874**	**1.65**	141,701	1.90	**422,364**	**1.57**	479,374	1.79

[1] Only includes exploration costs incurred for locations near to existing mine operations.

Manitoba	Three months ended				Year ended			
	Dec. 31, 2018		Dec. 31, 2017		**Dec. 31, 2018**		Dec. 31, 2017	
Sustaining cash cost per pound of copper produced	**$ 000s**	**$ /lb**	$ 000s	$ /lb	**$ 000s**	**$ /lb**	$ 000s	$ /lb
Cash cost, net of by-product credits	**(12,324)**	**(0.87)**	(29,161)	(1.42)	**(45,815)**	**(0.64)**	(48,619)	(0.59)
Sustaining capital expenditures	**31,885**	**2.26**	19,612	0.95	**104,400**	**1.46**	56,729	0.69
Capitalized exploration	**198**	**0.01**	613	0.03	**1,722**	**0.02**	1,446	0.02
Royalties	**2,111**	**0.15**	1,783	0.09	**8,445**	**0.12**	9,468	0.11
Sustaining cash cost per pound of copper produced	**21,870**	**1.55**	(7,153)	(0.35)	**68,752**	**0.96**	19,024	0.23

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 the primary metal of production as it is 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 flow 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 our 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 year ended December 31, 2018 and 2017. 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, 2018**	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
Net pounds of zinc produced[1]	**60,425**	72,874	**254,828**	297,969

[1] Contained zinc in concentrate.

Manitoba	Three months ended				Year ended			
	Dec. 31, 2018		Dec. 31, 2017		**Dec. 31, 2018**		Dec. 31, 2017	
Cash cost per pound of zinc produced	**$ 000s**	**$ /lb**	$ 000s	$ /lb	**$ 000s**	**$ /lb**	$ 000s	$ /lb
Cash cost, before by- product credits[1]	**100,707**	**1.67**	111,744	1.53	**428,791**	**1.68**	421,106	1.41
By-product credits	**(55,460)**	**(0.92)**	(90,956)	(1.25)	**(312,438)**	**(1.23)**	(360,719)	(1.21)
Zinc cash cost, net of by-product credits	**45,247**	**0.75**	20,788	0.29	**116,353**	**0.46**	60,387	0.20

[1] For additional detail on cash cost, before by-product credits please see page 49 of this MD&A.

Manitoba	Three months ended				Year ended			
	Dec. 31, 2018		Dec. 31, 2017		Dec. 31, 2018		Dec. 31, 2017	
Supplementary cash cost information	**$ 000s**	**$ /lb [1]**	$ 000s	$ /lb [1]	**$ 000s**	**$ /lb [1]**	$ 000s	$ /lb [1]
By-product credits:								
Copper	**28,693**	**0.47**	58,188	0.80	**191,803**	**0.75**	243,935	0.82
Gold	**27,809**	**0.46**	31,561	0.43	**127,296**	**0.50**	125,992	0.42
Silver	**6,112**	**0.10**	5,639	0.08	**25,478**	**0.10**	24,091	0.08
Other	**1,377**	**0.02**	1,353	0.02	**4,745**	**0.02**	5,062	0.02
Total by-product credits	**63,991**	**1.06**	96,741	1.33	**349,322**	**1.37**	399,080	1.34
Less: deferred revenue	**(8,531)**	**(0.14)**	(5,785)	(0.08)	**(36,884)**	**(0.14)**	(38,361)	(0.13)
Total by-product credits, net of deferred revenue	**55,460**	**0.92**	90,956	1.25	**312,438**	**1.23**	360,719	1.21
Reconciliation to IFRS:								
Cash cost, net of by- product credits	**45,247**		20,788		**116,353**		60,387	
By-product credits	**63,991**		96,741		**349,322**		399,080	
Change in deferred revenues	**(8,531)**		(5,785)		**(36,884)**		(38,361)	
Treatment and refining charges	**(8,302)**		(10,715)		**(35,972)**		(39,777)	
Share-based payment	**127**		604		**101**		1,543	
Pension enhancement	**—**		10,442		**—**		10,442	
Change in product inventory	**2,935**		(7,918)		**11,395**		(9,919)	
Royalties	**2,111**		1,783		**8,445**		9,468	
Depreciation and amortization[2]	**29,733**		23,842		**121,515**		118,770	
Cost of sales	**127,311**		129,782		**534,275**		511,633	

[1] Per pound of zinc produced.

[2] Depreciation is based on concentrate sold.

Manitoba	Three months ended				Year ended			
	Dec. 31, 2018		Dec. 31, 2017		Dec. 31, 2018		Dec. 31, 2017	
Sustaining cash cost per pound of zinc produced	**$ 000s**	**$ /lb**	$ 000s	$ /lb	**$ 000s**	**$ /lb**	$ 000s	$ /lb
Zinc cash cost, net of by- product credits	**45,247**	**0.75**	20,788	0.29	**116,353**	**0.46**	60,387	0.20
Sustaining capital expenditures	**31,885**	**0.53**	19,612	0.27	**104,400**	**0.41**	56,729	0.19
Capitalized exploration	**198**	**—**	613	0.01	**1,722**	**0.01**	1,446	—
Royalties	**2,111**	**0.03**	1,783	0.02	**8,445**	**0.03**	9,468	0.03
Sustaining cash cost per pound of zinc produced	**79,441**	**1.31**	42,796	0.59	**230,920**	**0.91**	128,030	0.43

Combined Unit Cost & Zinc Plant Unit Cost Reconciliation

Combined unit cost ("unit cost") and zinc plant unit cost is a non-IFRS measure that management uses as a key performance indicator to assess the performance of our mining and milling operations. Combined unit cost and zinc plant unit cost are calculated by dividing the cost of sales by mill throughput. This measure is utilized by management and investors to assess our cost structure and margins and compare it to similar information provided by other companies in our industry. Unlike cash cost, this measure is not impacted by variability in by-product commodity prices since there are no by-product deductions; costs associated with profit-sharing and similar costs are excluded because of their correlation to external metal prices. In addition, the unit costs are reported in the functional currency of the operation which minimizes the impact of foreign currency fluctuations. In all, the unit cost measures provide an alternative perspective on operating cost performance with minimal impact from external market prices.

The tables below present a detailed combined unit cost and zinc plant unit costs for the Manitoba business unit and combined unit cost for the Peru business unit, and reconciliations between these measures to the most comparable IFRS measures of cost of sales for the year ended December 31, 2018 and 2017.

Peru	Three months ended		Year ended	
(in thousands except unit cost per tonne)	**Dec. 31,**	Dec. 31,	**Dec. 31,**	Dec. 31,
Combined unit cost per tonne processed	**2018**	2017	**2018**	2017
Mining	**21,721**	21,334	**91,324**	61,459
Milling	**39,590**	39,703	**150,016**	138,502
G&A [1]	**15,036**	17,594	**56,533**	57,479
Less: Other G&A [2]	**(692)**	(3,862)	**(2,521)**	(3,762)
Unit cost	**75,655**	74,769	**295,352**	253,678
Tonnes ore milled	**7,658**	7,666	**31,283**	28,744
Combined unit cost per tonne	**9.88**	9.75	**9.44**	8.83
Reconciliation to IFRS:				
Unit cost	**75,655**	74,769	**295,352**	253,678
Freight & other	**14,919**	12,027	**51,840**	43,905
Other G&A	**692**	3,862	**2,521**	3,762
Share-based payment	**53**	108	**59**	403
Inventory reversals	**(32)**	(174)	**(234)**	(1,677)
Change in product inventory	**3,453**	4,725	**(4,141)**	(2,960)
Royalties	**1,986**	1,737	**7,802**	5,754
Depreciation and amortization	**52,510**	52,570	**211,152**	178,700
Cost of sales	**149,236**	149,624	**564,351**	481,565

[1] G&A as per cash cost reconciliation above.

[2] Other G&A primarily includes profit sharing costs.

Peru	Three months ended		Year ended	
(in thousands except unit cost per tonne)				
Combined unit cost, excluding molybdenum plant costs, per tonne processed	**Dec. 31, 2018**	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
Unit cost [1]	75,655	74,769	295,352	253,678
Less: Molybdenum plant costs	(2,633)	(1,544)	(8,432)	(5,756)
Unit cost, excluding molybdenum plant costs	**73,022**	73,225	**286,920**	247,922
Tonnes ore milled	7,658	7,666	31,283	28,744
Combined unit cost, excluding molybdenum plant costs, per tonne	**9.54**	9.55	**9.17**	8.63

[1] For additional details on unit cost, please refer to previous table above.

Manitoba	Three months ended		Year ended	
(in thousands except tonnes ore milled and unit cost per tonne)	**Dec. 31,**	Dec. 31,	**Dec. 31,**	Dec. 31,
Combined unit cost per tonne processed	**2018**	2017	**2018**	2017
Mining	**42,825**	41,794	**165,108**	151,994
Milling	**13,372**	12,666	**52,544**	48,947
G&A [1]	**9,265**	12,221	**46,038**	51,660
Less: G&A allocated to zinc metal production	**(3,003)**	(2,562)	**(13,525)**	(10,883)
Less: Other G&A related to profit sharing costs	**(306)**	(4,231)	**(6,263)**	(16,802)
Purchased ore and zinc concentrates	**—**	6,156	**20,804**	21,881
Unit cost	**62,153**	66,044	**264,706**	246,797
USD/CAD exchange rate used	**1.32**	1.26	**1.29**	1.29
Unit cost - C$	**81,894**	83,516	**342,361**	319,268
Tonnes ore milled	**573,564**	669,876	**2,625,210**	2,704,722
Combined unit cost per tonne - C$	**143**	125	**130**	118
Reconciliation to IFRS:				
Unit cost	**62,153**	66,044	**264,706**	246,797
Freight & other	**8,106**	9,734	**35,317**	38,881
Refined (zinc)	**18,837**	18,458	**73,008**	67,966
G&A allocated to zinc metal production	**3,003**	2,562	**13,525**	10,883
Other G&A related to profit sharing	**306**	4,231	**6,263**	16,802
Share- based payment	**127**	604	**101**	1,543
Pension enhancements	**—**	10,442	**—**	10,442
Change in product inventory	**2,935**	(7,918)	**11,395**	(9,919)
Royalties	**2,111**	1,783	**8,445**	9,468
Depreciation and amortization	**29,733**	23,842	**121,515**	118,770
Cost of sales	**127,311**	129,782	**534,275**	511,633

[1] G&A as per cash cost reconciliation above.

Manitoba	Three months ended		Year ended	
(in thousands except zinc plant unit cost per pound)	**Dec. 31,**	Dec. 31,	**Dec. 31,**	Dec. 31,
Zinc plant unit cost	**2018**	2017	**2018**	2017
Zinc plant costs	**18,837**	18,458	**73,008**	67,966
G&A [1]	**9,265**	12,221	**46,038**	51,660
Less: G&A allocated to other areas	**(5,956)**	(5,428)	**(26,250)**	(23,975)
Less: Other G&A related to profit sharing	**(306)**	(4,231)	**(6,263)**	(16,802)
Zinc plant unit cost	**21,840**	21,020	**86,533**	78,849
USD/CAD exchange rate used	**1.33**	1.26	**1.30**	1.29
Zinc plant unit cost - C$	**29,080**	26,507	**112,226**	101,957
Refined metal produced (in pounds)	**59,271**	61,275	**224,988**	237,980
Zinc plant unit cost per pound - C$	**0.49**	0.43	**0.50**	0.43
Reconciliation to IFRS:				
Zinc plant unit cost	**21,840**	21,020	**86,533**	78,849
Freight & other	**8,106**	9,734	**35,317**	38,881
Mining	**42,825**	41,794	**165,108**	151,994
Milling	**13,372**	12,666	**52,544**	48,947
Purchased ore and zinc concentrates	**—**	6,156	**20,804**	21,881
G&A allocated to other areas	**5,956**	5,428	**26,250**	23,975
Other G&A related to profit sharing	**306**	4,231	**6,263**	16,802
Share-based payment	**127**	604	**101**	1,543
Pension enhancements	**—**	10,442	**—**	10,442
Change in product inventory	**2,935**	(7,918)	**11,395**	(9,919)
Royalties	**2,111**	1,783	**8,445**	9,468
Depreciation and amortization	**29,733**	23,842	**121,515**	118,770
Cost of sales	**127,311**	129,782	**534,275**	511,633

[1] G&A as per cash cost reconciliation above.

ACCOUNTING CHANGES

New standards and interpretations not yet adopted

For information on new standards and interpretations not yet adopted, refer to note 4 of our audited consolidated financial statements for the year ended December 31, 2018.

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 depreciation;
    - Componentization;
    - Assessment of impairment, including determination of cash generating units and assessing for 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; 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 2 of our consolidated financial statements for the year ended December 31, 2018.

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, 2018, 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, 2018, 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, 2018. The Company's internal control over financial reporting as at December 31, 2018 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, 2018. 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, 2018 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, anticipated production at our mines and processing facilities, the expected benefits of implementing the metallurgical recovery and optimization initiatives at Constancia processing plant and expectations regarding the schedule for acquiring the Pampacancha surface rights and mining the Pampacancha deposit, the final Rosemont permits and any litigation challenging Rosemont's permits, expectations regarding the Lalor gold strategy, including the refurbishment of the New Britannia mill, the low costs of the operation and the possibility of optimizing the value of our gold resources in Manitoba, the possibility of converting inferred mineral resource estimates to higher confidence categories, the potential and our anticipated plans for advancing our mining properties surrounding Constancia and the Ann Mason project, 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 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 schedule for the refurbishment of the New Britannia mill;
- the success of the Lalor gold strategy;
- obtaining the final permits for Rosemont and obtaining any required joint venture partner approvals to advance the project;
- the ability to secure required land rights to develop and commence mining the Pampacancha deposit;
- the success of mining, processing, exploration and development activities;
- the scheduled maintenance and availability of our processing facilities;
- 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 relations;
- 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 mine;

- 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 new Lalor mine plan, including the schedule for the refurbishment of the New Britannia mill and convert inferred mineral resource estimates to higher confidence categories, risks related schedule for mining the Pampacancha deposit (including the timing and cost of acquiring the required surface rights and the impact of any schedule delays), 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 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 and Rosemont project has been approved by Cashel Meagher, P. Geo, our Senior Vice President and Chief Operating Officer. The technical and scientific information related to our Manitoba sites and projects (including the Lalor gold zone) contained in this MD&A has been approved by Olivier Tavchandjian, P. Geo, our Vice President, Exploration and Geology. Messrs. Meagher and Tavchandjian 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 at Hudbay's material properties, 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.

The inferred mineral resources referenced in the Lalor Gold Developments section of this MD&A are considered too speculative geologically to have the economic considerations applied to them to enable them to be categorized as mineral reserves and included in the mine plan. Inferred mineral resources are subject to greater uncertainty than measured or indicated mineral resources and it cannot be assumed that they will be successfully upgraded to measured or indicated through further drilling.

Exhibit 99.4

Disclosure Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act

Hudbay Minerals Inc. ("Hudbay") 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. The disclosures reflect Hudbay's U.S. mining operations only as the requirements of the Dodd-Frank Act do not apply to Hudbay's mines operated outside the U.S. During the fiscal year ended December 31, 2018, the Registrant's Rosemont Copper Project did not receive any citations or orders from the MSHA alleging violations specified by the Dodd-Frank Act and there were no mining-related fatalities.

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, 2018, 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.

Exhibit 99.5

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 29, 2019

/s/ Alan Hair
Alan Hair
Chief Executive Officer
(Principal Executive Officer)

Exhibit 99.6

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 29, 2019

/s/ David S. Bryson
David S. Bryson
Chief Financial Officer
(Principal Financial Officer)

Exhibit 99.7

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, 2018, 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 29, 2019

/s/ Alan Hair
Alan Hair
Chief Executive Officer
(Principal Executive 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, 2018, 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 29, 2019

/s/ David S. Bryson
David S. Bryson
Chief Financial Officer
(Principal Financial Officer)

Exhibit 99.9

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F of Hudbay Minerals Inc. ("Hudbay") for the year ended December 31, 2018, 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, 2018, 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 29, 2019

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, 2018, and any amendments thereto (the "Form 40-F"), I, Olivier Tavchandjian, 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, 2018, 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/ Olivier Tavchandjian
Olivier Tavchandjian, P.Geo.

Dated: March 29, 2019

Exhibit 99.11

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-170295, 333-197080 and 333-212750 on Form S-8 and to the use of our reports dated February 19, 2019 relating to the consolidated financial statements of Hudbay Minerals Inc. (the "Company") (which report expresses an unqualified opinion and includes an explanatory paragraph related to the Company's change in method of accounting for revenue due to the adoption of IFRS 15) 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, 2018.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 29, 2019