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

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

For the fiscal year ended **December 31, 2021** 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	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, no par value	HBM	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:

☒ Annual Information Form ☒ 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, 2021, 261,462,323 common shares were outstanding.

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

Yes ☒ 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 ☒ 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. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

† 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 (the "Securities Act"), 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 United 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, 2021 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, 2021 and 2020, 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, 2021 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, 2021, 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, 2021, 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 73 of Exhibit 99.3, Management's Discussion & Analysis for the Year Ended December 31, 2021, 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, 2021 that materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Management's report dated February 23, 2022 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, 2021 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, 2021 and 2020. 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, 2021 and 2020, 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, 2021.

AUDIT COMMITTEE IDENTIFICATION AND FINANCIAL EXPERT

As at December 31, 2021, the Registrant's audit committee consisted of Carol T. Banducci, Daniel Muñiz Quintanilla and Colin Osborne. The Registrant's board of directors has determined that each of Ms. Banducci, Mr. Muñiz Quintanilla and Mr. Osborne is an "audit committee financial expert" within the meaning of the Commission's rules. Each of Ms. Banducci, Mr. Muñiz Quintanilla 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. Banducci, Mr. Muñiz Quintanilla 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. Banducci, Mr. Muñiz Quintanilla 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/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/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, 2021.

During the fiscal year ended December 31, 2021, the Registrant did not make any amendments to its Code of Ethics. In the first fiscal quarter of 2022, the Registrant amended its Code of Ethics to, among other things, (i) enhance its anti-bribery and corruption and record keeping standards in accordance with leading compliance practices; and (ii) communicate its anti-money laundering and sanctions policies. 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/about-us/governance/default.aspx.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information about aggregate fees billed to us by our principal accountant, Deloitte LLP (PCAOB ID No. 1208) provided under the heading "Audit Committee Disclosure" on page 54 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, 2021 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 55 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" on page 49 of Exhibit 99.3, Management's Discussion & Analysis for the Year Ended December 31, 2021, 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.

INTERACTIVE DATA FILE

The required disclosure for the fiscal year ended December 31, 2021 is filed as Exhibit 101 to this Annual Report on Form 40-F.

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.

FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 40-F are forward-looking statements within the meaning of Section 21E of the Exchange Act and Section 27A of the Securities Act. Please see "Forward Looking Information" in the AIF for a discussion of risks, uncertainties, and assumptions that could cause actual results to vary from those forward-looking statements.

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 28, 2022

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, 2021
99.2	Audited Annual Financial Statements for the Years Ended December 31, 2021 and 2020
99.3	Management's Discussion & Analysis for the Year Ended December 31, 2021
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 Olivier Tavchandjian, P.Geo., dated March 28, 2022
99.10	Consent of Deloitte LLP, dated March 28, 2022
Interactive Data Files	
101	Inline Interactive Data File
101.INS	Inline XBRL Instance Document–the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

HUDBAY

2021 ANNUAL INFORMATION FORM

for the year ended December 31, 2021

March 28, 2022



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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, expectations regarding the impact of COVID-19 and inflationary pressures on the cost of operations, financial condition and prospects, expectations regarding the Copper World project, including future drill programs, potential synergies with Rosemont and the timeline for completing a preliminary economic assessment, expectations regarding the Snow Lake gold strategy, including anticipated timelines for achieving target throughout and recoveries at the New Britannia mill, increasing the mining rate at Lalor to 5,300 tonnes per day and implementing the Stall mill recovery improvement program, expectations regarding the potential to reprocess Flin Flon tailings in the future and the possible benefits of such a project, the potential and our anticipated plans for advancing our mining properties surrounding Constancia and elsewhere in Peru, 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 are set out in the forward looking information include, but are not limited to:

- our ability to continue to operate safely and at full capacity despite COVID-19 related challenges;
- the availability, global supply and effectiveness of COVID-19 vaccines, the effective distribution of such vaccines in the countries in which we operate, the lessening of restrictions related to COVID-19, and the anticipated rate and timing for each of the foregoing;
- our ability to achieve production and cost guidance;
- no significant interruptions to our operations due to COVID-19 or social or political unrest in the regions in which we operate;
- a positive preliminary economic assessment in respect of Copper World will present opportunities to unlock value at Rosemont;
- the successful outcome of the Rosemont litigation;
- the ability to ramp-up the New Britannia mill to target throughput and recoveries and achieve the anticipated production;
- the economic prospects of reprocessing Flin Flon tailings;
- 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 and governmental approvals;
- the availability of personnel for our exploration, development and operational projects and ongoing employee relations;
- 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 neighbouring Indigenous communities and local governments;
- 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 Indigenous peoples or challenges to the validity of our unpatented mining claims;
- 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, changes in taxation policies 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 associated with COVID-19 and its effect on our operations, financial condition, projects and prospects, uncertainties related to the closure of the 777 mine and the Flin Flon operations, the direct and indirect impacts of the change in government in Peru, future uncertainty with respect to the Peruvian mining tax regime and social unrest in Peru, risks generally associated with the mining industry, such as economic factors (including future commodity prices, currency fluctuations, energy prices and general cost escalation in the current inflationary environment), uncertainties related to the development and operation of our projects, risks related to the ongoing Rosemont litigation process and other legal challenges that could affect Rosemont or Copper World, risks related to the new Lalor mine plan, including the continuing ramp-up of the New Britannia mill and the ability to convert inferred mineral resource estimates to higher confidence categories, risks related to the technical and economic prospects of reprocessing Flin Flon tailings, the potential that additional financial assurance will be required to support the updated Flin Flon closure plan, dependence on key personnel and employee and union relations, risks related to political or social instability, unrest or change, risks in respect of Indigenous and community relations, rights and title claims, operational risks and hazards, including the cost of maintaining and upgrading the Company's tailings management facilities and any 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**").

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. Under the SEC Modernization Rules, the applicable disclosure requirements are contained in subpart 1300 of SEC Regulation S-K.

As a foreign private issuer that is eligible to file reports with the SEC pursuant to the multi-jurisdictional disclosure system (the " **MJDS**"), the Company is not required to provide disclosure on its mineral properties under the SEC Modernization Rules and will continue to provide disclosure under NI 43-101. If the Company ceases to be a foreign private issuer or loses its eligibility to file its annual report on Form 40-F pursuant to the MJDS, then the Company will be subject to the SEC Modernization Rules, which differ from the requirements of NI 43-101.

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.

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 2021 and the closing exchange rate at December 31, 2021, as reported by the Bank of Canada, were one United States dollar per 1.2535 and 1.2678 Canadian dollars, respectively.

On March 25, 2022, the Bank of Canada daily exchange rate was one United States dollar per 1.2502 Canadian dollars.

NON-IFRS FINANCIAL PERFORMANCE MEASURES

Hudbay uses certain non-IFRS financial performance measures in its financial reports and in this AIF, including adjusted net earnings (loss), adjusted net earnings (loss) per share, adjusted EBITDA, net debt, cash cost, sustaining and all-in sustaining cash cost per pound of copper produced, cash cost and sustaining cash cost per pound of zinc produced, combined unit cost and zinc plant unit cost, cash cost and sustaining cash cost per ounce of gold 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 (other than cash cost and sustaining cash cost per ounce of gold produced, which the Company intends to begin disclosing for our Manitoba operations starting with the first quarter of 2022), please see the Non-IFRS Financial Performance Measures section on pages 56 to 71 of our management's discussion and analysis for the year ended December 31, 2021, 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

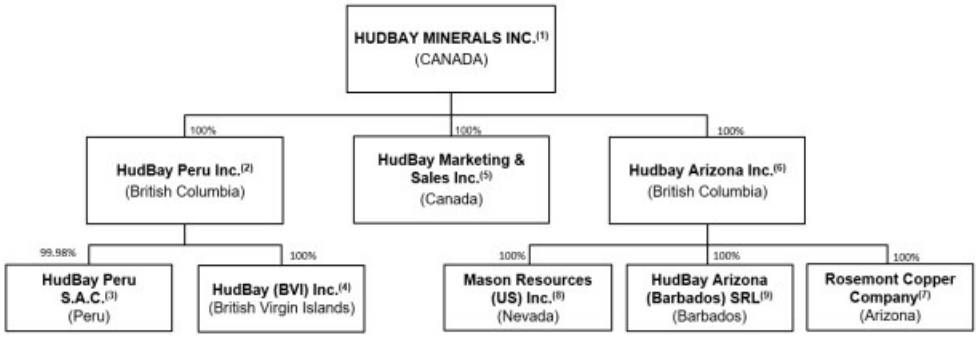
We were formed by the amalgamation of Pan American Resources Inc. and Marvas Developments Ltd. on January 16, 1996, pursuant to the Business Corporations Act (Ontario) and changed our name to Pan American Resources Inc. On March 12, 2002, we acquired ONTZINC Corporation, a private Ontario corporation, 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 owns a 100% interest in the Rosemont and Copper World projects.
8. Mason US owns a 100% interest in the Mason project in Nevada as well as certain exploration properties in the surrounding area.
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 the 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 copper has the best long-term supply/demand fundamentals in the mining industry and offers shareholders the greatest opportunity for sustained risk-adjusted returns. Through the discovery and successful development of economic mineral deposits, and through highly efficient low-cost operations to extract the metals, we believe sustainable value will be created for all stakeholders.

Hudbay's successful development, ramp-up and operation of the Constancia open-pit mine in Peru, our long history of underground mining and full life-cycle experience in northern Manitoba, and our track record of reserve expansion through effective exploration provide us with a competitive advantage relative to other mining companies of similar scale.

Over the past decade, we have built a world-class asset base by executing a consistent long-term copper growth strategy. We continuously work to generate strong free cash flow and optimize the value of our producing assets through exploration, brownfield expansion projects and efficient and safe operations. Furthermore, we intend to sustainably grow Hudbay through the exploration and development of our robust project pipeline, as well as through the acquisition of other properties that fit our stringent strategic criteria.

To ensure that any investment in our existing assets or acquisition of other mineral assets is consistent with our mission and creates sustainable value for stakeholders, we have established a number of criteria for evaluating these opportunities. The criteria include the following:

- *Sustainability:* We are focused on jurisdictions that support responsible mining activity. Our current geographic focus is on select investment grade countries in the Americas, with strong rule of law and respect for human rights consistent with our long-standing focus on environmental, social and governance ("**ESG**") principles;
- *Copper Focus:* We believe copper has the best long-term supply/demand fundamentals in the mining industry as global copper mine supply will be unable to meet demand from global decarbonization initiatives. While our primary focus is on copper, we appreciate the polymetallic nature of deposits and, in particular, the counter-cyclical nature of gold production in our portfolio;
- *Quality:* We are focused on investing in long-life, low-cost high quality assets that can capture peak pricing of multiple commodity price cycles and can generate free cash flow through the trough of price cycles;
- *Potential:* We consider the full spectrum of acquisition and investment opportunities, from early-stage exploration to producing assets, that offer significant incremental potential for exploration, development and optimization beyond the stated resources and mine plan;
- *Process:* We develop a clear understanding of how an investment or acquisition can create value through our robust due diligence and capital allocation process that applies our technical, social, operational and project execution expertise;
- *Operatorship:* We believe real value is created through leveraging Hudbay's leadership to drive safe and efficient operations and effective project exploration and development; and
- *Capital Allocation:* We pursue investments and acquisitions that are accretive to Hudbay on a per share basis. Given that our strategic focus includes allocating capital to assets at various stages of development, when evaluating accretion, we will consider measures such as internal rate of return ("**IRR**"), return on invested capital ("**ROIC**"), net asset value per share and the contained value of reserves and resources per share.

THREE YEAR HISTORY

COVID-19 and Our Business

Following the onset of the COVID-19 pandemic, the Company's business response planning commenced in January 2020 and company-wide crisis plans were activated in early-March as part of our crisis management protocols. The Board worked with senior management during this time to ensure risks relating to COVID-19 were identified and mitigation plans were put in place. Throughout the rapidly changing environment, we have remained focused on the health and safety of our workforce and local communities and we have actively engaged with local stakeholders and public health authorities to ensure effective implementation of our business response plans.

In Peru, the government declared a state of emergency on March 15, 2020, requiring non-essential businesses to be shut down. Following this declaration, we commenced the temporary and orderly suspension of operations at Constancia. The shutdown lasted approximately eight weeks, during which a smaller workforce was maintained at the site to oversee critical aspects of the operation and in order to facilitate a quick and efficient restart and ramp up of the mine. Since then, we have maintained continuous operations at Constancia without any further COVID-19 related interruptions.

In Manitoba, other than an unrelated production interruption at 777 during 2020 due to an incident that occurred during routine maintenance of the hoist rope and skip, our mines have continued to operate and ship mineral products, notwithstanding COVID-19 related challenges.

Over the course of the past two years, each of our business units has developed site-specific measures intended to identify and limit COVID-19 exposure and transmission and maintain a safe environment for our workers and our communities. Site-specific measures have included testing of incoming workers prior to their travel to site, pre-screening protocols, quarantine periods for incoming workers, workplace physical distancing protocols, and adjustment of work rotation schedules.

Despite the success of these measures, we continue to experience intermittent operational, supply chain, travel, labour and shipping disruptions and incur COVID-19 related expenditures beyond levels we originally budgeted.

Constancia and Pampacancha

In February 2020, the community of Chilloroya formally approved a surface rights agreement with Hudbay for the Pampacancha satellite deposit located near the Constancia mine in Peru. Throughout the remainder of 2020, we focused on negotiating individual agreements with those members of the Chilloroya community who made use of the Pampacancha lands and advancing the consultation process between the government and the Chilloroya community in accordance with Peru's Consulta Previa law. Despite challenges presented by the COVID-19 pandemic, the Consulta Previa process was completed at the end of 2020, and, in early January 2021, we received the final mining permit for the development and operation of Pampacancha.

Pampacancha achieved first production in April 2021, following the completion of all land user agreements. Due to its short ramp-up period, Pampacancha also achieved commercial production in April 2021.

On March 29, 2021, the Company released an updated mine plan for Constancia that reflects an increase in copper and gold production from 2022 to 2025 as the higher grades from the Pampacancha deposit enter the mine plan. The updated mine plan incorporates higher-grade reserves including the Constancia Norte pit extension. With the incorporation of Pampacancha and Constancia Norte, annual production at Constancia is expected to average approximately 105,000 tonnes of copper and 60,000 ounces of gold over the next seven years, an increase of approximately 35% and 20%, respectively, from 2021 levels. During 2021, Hudbay completed an internal scoping study which indicated the potential for economic extraction of an inferred mineral resource of 6.5 million tonnes of 1.2% copper in two high grade skarn lenses located below the open pit in the Constancia Norte area. These two lenses could be mined by underground methods starting in 2029 to supplement the open pit production.

Lalor Mine and New Britannia

In February 2019, Hudbay announced the results from the first phase of our Snow Lake gold strategy which repositioned Lalor as a gold mine with precious metals contributing a majority of the life-of-mine revenues. This was the first mine plan to contemplate the processing of gold and copper gold ore from Lalor at the Company's refurbished New Britannia mill.

Following drilling and engineering activities in March 2020, we announced the second phase of our Snow Lake gold strategy with the release of an integrated revised mine plan for the Snow Lake operations. This mine plan increased the annual gold production at Lalor and incorporated gold-rich regional deposits to support an 18 year operating life (ending in 2037), based solely on proven and probable reserves and a production rate of 4,500 tonnes per day at Lalor for the first ten years of the mine plan.

Since then, we have been advancing the third phase of our Snow Lake gold strategy focused on expanding and further optimizing operations. On March 29, 2021, we released an updated mine plan for Snow Lake that increased annual gold production to over 180,000 ounces during the first six years of New Britannia's operation at a cash cost and sustaining cash cost, net of by-product credits, of $412 and $788 per ounce of gold, respectively. This enhanced mine plan incorporates the results from several optimization initiatives, including: increasing the production rate at Lalor to 5,300 tonnes per day by the end of 2022 following the closure of the 777 mine; increasing the throughput rate at the Stall mill to 3,800 tonnes per day; incorporating mineral reserves from the 1901 deposit into the mine plan; and implementing a recovery improvement project at the Stall mill to increase copper and precious metal recoveries. These mine plan enhancements optimize the processing capacity of the Snow Lake operations in a manner that maximizes the net present value of the operations. As a result of these initiatives, the production of gold, copper and silver are expected to increase by 18%, 34% and 27%, respectively, from 2022 to 2027 compared to the previous mine plan.

As a result of our exploration success in 2021, additional mineral reserves were identified at Lalor and the 1901 deposit. The additional reserves more than offset 2021 mining depletion and are expected to extend the mine life of the Snow Lake operations by one year until 2038. In addition, we increased our inferred mineral resources by 1.1 million tonnes despite delays in underground drill programs caused by COVID-19 related restrictions.

In May 2020, we entered into a gold forward sale and prepay arrangement ("**Gold Prepay**") with a syndicate of our existing lenders whereby we received an upfront payment of $115 million in exchange for delivering a total of 79,954 gold ounces in 2022 and 2023 based on gold forward curve prices averaging approximately $1,682 per ounce. The Gold Prepay was executed to pre-fund substantially all of the expected capital costs to complete the New Britannia project.

Refurbishment and commissioning activities at the New Britannia gold mill were completed in July 2021 and the construction of the new copper flotation facility at New Britannia was completed in October 2021, ahead of the original schedule. Following a brief commissioning period, the New Britannia mill achieved commercial production on November 30, 2021. Full design throughput rates and recoveries are expected to be achieved in the second quarter of 2022, a mere six months after commissioning.

With the New Britannia mill now in production, Hudbay has commenced the production and sale of gold/silver doré.

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

Rosemont and Copper World

In the first half of 2019, Rosemont received the Section 404 Water Permit from the U.S. Army Corps of Engineers and the U.S. Forest Service ("**USFS**") approved Rosemont's Mine Plan of Operations ("**MPO**") following an extensive Environmental Impact Statement process. The issuance of the MPO was the final administrative step in the permitting process.

During the first half of 2019, Hudbay also reached an agreement with United Copper & Moly LLC ("**UCM**") to acquire 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 starting in 2022.

On July 31, 2019, the U.S. District Court for the District of Arizona ("**Court**") issued a ruling in two of the lawsuits challenging the U.S. Forest Service's issuance of the Final Record of Decision ("**FROD**") for the Rosemont project (the "**US Mining Law Litigation**"). The Court ruled to vacate and remand the FROD thereby delaying the expected start of construction of Rosemont. Following the Court's decision in the US Mining Law Litigation, Hudbay suspended its early works program at Rosemont and, as of September 30, 2019, recognized an after-tax impairment loss of $242.1 million related to Rosemont.

In December of 2019, Hudbay and the U.S. Department of Justice each filed a notice of appeal in respect of the Court's unprecedented decision in the US Mining Law Litigation to the U.S. Ninth Circuit Court of Appeals. An oral hearing was held by the court of appeals in February 2021 and a decision is expected in 2022.

On February 10, 2020, the Court issued a ruling in a third lawsuit challenging the U.S. Forest Service's issuance of the FROD for Rosemont. In this lawsuit, the plaintiffs challenged the Biological Opinion that was issued by the U.S. Fish and Wildlife Service and relied on by the U.S. Forest Service as part of the permitting process. The Court ruled to remand certain aspects of the U.S. Fish and Wildlife Service's analysis and findings related to the Biological Opinion back to the agencies for further review.

On March 24, 2021, the U.S. Army Corps of Engineers determined that Rosemont is not subject to the Clean Water Act and, as such, Rosemont may not require the Section 404 Water Permit that was the subject of two other lawsuits that were commenced in 2019 and had since been stayed by the Court.

On March 29, 2021, Hudbay announced the intersection of high-grade copper sulphide and oxide mineralization at shallow depth on its Copper World properties predominantly located on wholly-owned patented mining claims within seven kilometres of Rosemont. The drill program was initiated in 2020 to confirm historical drilling in this past-producing copper region formerly known as Helvetia. After receiving encouraging initial results, the Company launched a larger drill program in early 2021 to further test the four known deposits at Copper World and the potential for additional mineralization. In September 2021, we announced the discovery of three additional deposits for a total of seven deposits at Copper World, extending over seven kilometres. The seven deposits include Bolsa, Broad Top Butte, Copper World, Peach, Elgin, South Limb and North Limb.

On December 15, 2021, we released a National Instrument 43-101 (" **NI 43-101**") initial mineral resource estimate for the Copper World project.

Copper World's initial mineral resource estimate includes global indicated mineral resources of 272 million tonnes at 0.36% copper and inferred mineral resources of 142 million tonnes at 0.36% copper. The global resource estimate includes near surface, higher grade indicated mineral resources of 96 million tonnes at 0.57% copper and inferred mineral resources of 31 million tonnes at 0.71% copper, with the potential for this higher grade resource to be mined earlier in the mine life. Resources comprise both sulphide and oxide mineralogy and are potentially amenable to flotation and heap leach processing methods, respectively.

The technical studies for Copper World are well-advanced and the results will be incorporated into a Preliminary Economic Assessment (" **PEA**") contemplating the development of the Copper World deposits in conjunction with the Rosemont deposit. The PEA is also expected to reflect preliminary expectations of potential synergies between Copper World and Rosemont. We are on track to publish the PEA results in a NI 43-101 Technical Report in the first half of 2022.

While the litigation related to Rosemont is ongoing, Hudbay remains committed to advancing the Rosemont and Copper World projects and finding ways to unlock value for the benefit of all our stakeholders.

Refinancing of Senior Unsecured Notes and Credit Facilities

On September 23, 2020, we completed an upsized offering of $600 million aggregate principal amount of 6.125% senior unsecured notes due 2029. The proceeds of this offering were used to redeem $400 million of our then outstanding 7.250% senior unsecured notes due 2023 and for general corporate purposes.

On March 8, 2021, we completed an offering of $600 million aggregate principal amount of 4.50% senior unsecured notes due 2026. The proceeds of this offering were used to redeem $600 million of our then outstanding 7.625% senior unsecured notes due 2025.

On October 26, 2021, we completed an amendment and restatement of our senior secured revolving credit facilities (the " **Credit Facilities**"). As a result of the amendment, the total available borrowings under the Credit Facilities was increased to $450.0 million from $400.0 million to reflect our anticipated business requirements until October 2025 when the Credit Facilities mature. We also eliminated certain financial covenants while amending others to increase our financial flexibility and reduced the effective interest.

Following these financing transactions, we have an aggregate of $1.2 billion of long-term debt and have pushed out the nearest maturity to 2025 (see "**Description of Capital Structure**").

Leadership Transition

In January 2020, Peter Kukielski was appointed Hudbay's President and CEO. Previously, Mr. Kukielski was serving as Interim President and CEO, following the resignation of Alan Hair in July 2019. Mr. Kukielski has more than 30 years of extensive global experience within the base metals, precious metals and bulk materials sectors. Most recently, he was President and Chief Executive Officer of Nevsun Resources Ltd. until its acquisition in December 2018.

Steve Douglas was appointed Hudbay's Senior Vice President and Chief Financial Officer, in June 2020, following the retirement of David Bryson. Mr. Douglas has over 25 years of resource industry and finance leadership experience. He was Senior Vice President and Chief Financial Officer at Agrium Inc. prior to its merger with Potash Corporation of Saskatchewan Inc. and served as Executive Vice President and Chief Integration Officer at its successor corporation, Nutrien Inc., until January 2019.

On January 4, 2022, André Lauzon was appointed Hudbay's Senior Vice President and Chief Operating Officer, following the resignation of Cashel Meagher. Mr. Lauzon has over 25 years of mining industry experience and previously served as the Vice President of Hudbay's Arizona Business Unit from 2018 to 2021, where he was responsible for Hudbay's strategic initiatives in the U.S. and advancement of the Rosemont and Copper World projects. Prior to that, Mr. Lauzon held strategic and operational leadership roles in Manitoba, where he served as Vice President of the Manitoba Business Unit from 2016 to 2018.

Waterton Settlement

On May 3, 2019, Hudbay entered into a settlement agreement with Waterton Global Resource Management, Inc. (" **Waterton**"), a significant shareholder, to resolve an ongoing proxy contest. Pursuant to the terms of the settlement, Hudbay and Waterton agreed upon eleven nominees for election at Hudbay's 2019 annual shareholders' meeting and customary standstill, voting support and other terms. On March 16, 2020, we agreed to amend certain of the standstill provisions of the agreement, and, in November 2020, the agreement expired. Waterton remains a significant shareholder of the Company.

As part of the Waterton agreement, Hudbay also agreed that, following the 2019 shareholders' meeting, the Company's Corporate Governance and Nominating Committee would initiate a process to identify a suitable successor to the Chair position. In October 2019, Stephen A. Lang was appointed as Chair of Hudbay's Board of Directors.

DESCRIPTION OF OUR BUSINESS

GENERAL

We are a diversified mining company primarily producing copper concentrate (containing copper, gold, and silver), gold/silver doré, molybdenum concentrate and zinc metal. 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, development, operation and optimization of properties we already control, as well as other mineral assets we may acquire that fit our strategic criteria. Our mission is to create sustainable value through the 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 three 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 gold, zinc and copper mine near Snow Lake, Manitoba, which achieved commercial production in the third quarter of 2014; and
3. our 100% owned Rosemont project, a copper development project in Pima County, Arizona.

Our 777 mine in Flin Flon, Manitoba, which was previously considered a material mineral project, is scheduled to close in the second quarter of 2022.

In addition to our mines in northern Manitoba, we own and operate a portfolio of processing facilities, including our Stall concentrator, which produces zinc and copper concentrates, and our recently refurbished New Britannia mill, which produces copper concentrate and gold/silver doré. Our Flin Flon concentrator, which produces zinc and copper concentrates, and our Flin Flon zinc plant, which produces special high-grade zinc metal and continuous galvanizing grade aluminum alloy zinc metal, are both scheduled to close in mid-2022 as part of the closure plan for our Flin Flon operations. We also own 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 for our Snow Lake operations.

In Peru, we own and operate a processing facility at Constancia, which produces copper and molybdenum concentrates from our Constancia and Pampacancha mines. We also own 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.

In Arizona, we own a 100% interest in our recently discovered Copper World project, which consists of seven deposits predominantly located on wholly-owned private land adjacent to Rosemont. And, in Nevada, we own a 100% interest in the Mason project, an early-stage copper project with a substantial mineral resource and a robust PEA.

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. The Constancia mine reached commercial production in the second quarter of 2015 and has an expected mine life of 17 years.

On February 18, 2020, the community of Chilloroya formally approved a surface rights agreement with Hudbay for the Pampacancha satellite deposit located near the Constancia mine in Peru. Throughout the remainder of 2020, we focused on negotiating individual agreements with those members of the Chilloroya community who made use of the Pampacancha lands and advancing the consultation process between the government and the Chilloroya community as per Peru's Consulta Previa law. Despite challenges presented by the COVID-19 pandemic, the Consulta Previa process was completed at the end of the year, and in early January 2021, the Peruvian regulators granted us the final mining permit for the development and operation of Pampacancha.

Pampacancha achieved first production in April 2021, following the completion of all land user agreements. Due to its short ramp-up period, Pampacancha also achieved commercial production in April 2021.

On March 29, 2021, the Company released an updated mine plan for Constancia that reflects an increase in copper and gold production from 2022 to 2025 as the higher grades from the Pampacancha deposit enter the mine plan. The updated mine plan incorporates higher-grade reserves including the Constancia Norte pit extension. With the incorporation of Pampacancha and the Constancia Norte pit extension, annual production at Constancia is expected to average approximately 105,000 tonnes of copper and 60,000 ounces of gold over the next seven years, an increase of approximately 35% and 20%, respectively, from 2021 levels. During 2021, Hudbay completed an internal scoping study which indicated the potential for economic extraction of an inferred mineral resource of 6.5 million tonnes at 1.2% copper in two high grade skarn lenses located below the open pit in the Constancia Norte area. These two lenses could be mined by underground methods starting in 2029 to supplement the open pit production.

In 2018, we 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. Exploration agreement discussions with the communities of Uchucarcco and Anahuichi on the Maria Reyna, Kusiorcco and Caballito properties are in progress.

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 ("**Wheaton**"). 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 was originally fixed at 55% for gold mined from Constancia and 70% for gold mined from Pampacancha.

On May 10, 2021, an amendment to the Constancia streaming agreement was signed with Wheaton. The amendment eliminated the requirement to deliver an additional 8,020 ounces of gold to Wheaton for not mining four million tonnes of ore from the Pampacancha deposit by June 30, 2021. As part of this amendment, Hudbay agreed to increase the fixed gold recoveries that apply to Constancia ore production from 55% to 70% during the reserve life of Pampacancha, which matches the fixed rate of recovery that applies to Pampacancha production. In addition, Hudbay received an additional deposit payment of $4 million for mining and processing four million tonnes of ore from the Pampacancha deposit by December 31, 2021.

On March 29, 2021, we filed a technical report titled "NI 43-101 Technical Report, Constancia Mine, Cuzco, Peru", effective as of January 1, 2021, prepared by Olivier Tavchandjian (our Vice President, Exploration and Geology) (the "**Constancia Technical Report**"), a copy of which is available under our profile on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. For additional details on our Constancia mine, refer to Schedule B of this AIF.

Mineral Reserves and Resources

The following table sets forth our estimates of the mineral reserves at the Constancia mine.

Constancia Mineral Reserve Estimates - January 1, 2022 [1][2][3]					
	Tonnes	**Cu (%)**	**Mo (g/t)**	**Au (g/t)**	**Ag (g/t)**
Constancia					
Proven	426,200,000	0.29	82	0.042	2.90
Probable	56,800,000	0.24	69	0.043	3.06
Total Proven and Probable	**483,000,000**	**0.28**	**80**	**0.042**	**2.92**
Pampacancha					
Proven	36,400,000	0.65	177	0.368	5.26
Probable	1,600,000	0.52	234	0.259	6.33
Total Proven and Probable	**38,000,000**	**0.65**	**179**	**0.364**	**5.30**
Total Mineral Reserve	**521,000,000**	**0.31**	**87**	**0.065**	**3.09**

Notes:

1. Totals may not add up correctly due to rounding.
2. Long term metal prices of $3.45 per pound copper, $11.00 per pound molybdenum, $1,500 per ounce gold, and $20.00 per ounce silver were used to confirm the economic viability of the mineral reserve estimates.
3. Mineral reserves are estimated using a minimum NSR cut-off of $6.40 per tonne and assuming metallurgical recoveries (applied by ore type) of 86% for copper on average for the life of mine.

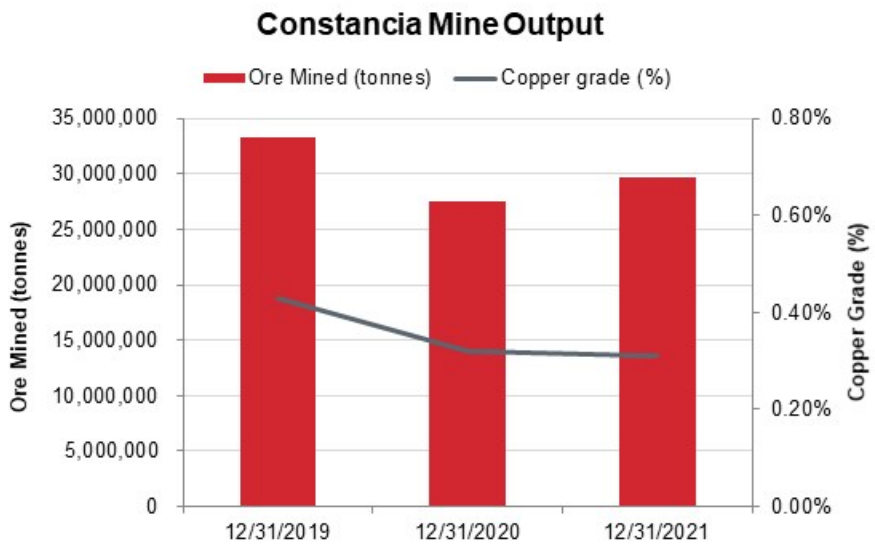
The following table sets forth our estimates of the mineral resources (exclusive of mineral reserves) at the Constancia mine.

Constancia Mineral Resource Estimates - January 1, 2022 [1][2][3][4][5][6]					
	Tonnes	**Cu (%)**	**Mo (g/t)**	**Au (g/t)**	**Ag (g/t)**
Constancia					
Measured	123,800,000	0.22	64	0.038	2.07
Indicated	118,200,000	0.22	65	0.037	2.08
Inferred - open pit	51,000,000	0.30	77	0.054	2.69
Inferred - underground	6,490,000	1.20	69	0.137	8.62
Pampacancha					
Measured	9,200,000	0.37	63	0.293	5.71
Indicated	1,500,000	0.39	152	0.223	6.63
Inferred	6,800,000	0.33	102	0.286	5.01
Total Measured & Indicated	**252,700,000**	**0.23**	**65**	**0.048**	**2.23**
Total Inferred	**64,300,000**	**0.40**	**79**	**0.087**	**3.53**

Notes:

1. Totals may not add up correctly due to rounding.
2. Mineral resources are exclusive of mineral reserves and do not have demonstrated economic viability.
3. Mineral resource estimates do not include factors for mining recovery or dilution.
4. The open pit resources are using a NSR cut-off of $6.40 per tonne and assuming metallurgical recoveries (applied by ore type) of 86% for copper on average for the life of mine, while the underground inferred resources at Constancia Norte are based on a 0.65% copper cut-off grade.
5. Long term metal prices of $3.45 per pound copper, $11.00 per pound molybdenum, $1,500 per ounce gold, and $20.00 per ounce silver were used to estimate mineral resources.
6. Mineral resources are based on resource pit designs containing measured, indicated, and inferred mineral resources.

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



Note:

1. Production in 2020 was affected by an eight-week suspension of operations at Constancia following a government declared state of emergency in response to the COVID-19 pandemic.

Lalor

Our 100% owned Lalor mine is a gold, zinc 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 the production rate has steadily ramped-up since that time.

In February 2019, Hudbay announced the results from the first phase of our Snow Lake gold strategy, which repositioned Lalor as a gold mine with precious metals contributing a majority of the life-of-mine revenues. This was the first mine plan to contemplate the processing of gold and copper gold ore from Lalor at the Company's New Britannia mill. In March 2020, we announced the second phase of our Snow Lake gold strategy with the release of an extended 18 year mine plan (ending in 2037) for the Snow Lake operations (see "Three Year History" above). In 2021, we advanced the third phase of our Snow Lake gold strategy focused on expanding and further optimizing operations.

As a result of our exploration success in 2021, additional mineral reserves were identified at Lalor and the 1901 deposit. The additional reserves more than offset 2021 mining depletion and are expected to extend the mine life of the Snow Lake operations by one year until 2038, maintaining the 17-year life mine life. In addition, we increased our inferred mineral resources by 1.1 million tonnes despite delays in underground drill programs caused by COVID-19 related restrictions.

Lalor operations were temporarily suspended from June 19 to June 24, 2021 following a tragic fatal incident. The incident occurred during underground mining operations on the evening of June 19, 2021, when a worker employed by a service provider was fatally injured from a fall while working at height. Operations were suspended to allow for a thorough investigation by external authorities and a joint investigation by Hudbay and the service provider. Hudbay is committed to preventing similar occurrences and applying the learnings from this incident across our operations.

Refurbishment and commissioning activities at the New Britannia gold mill were completed in July 2021 and the construction of the new copper flotation facility at New Britannia was completed in October 2021, ahead of the original schedule. The copper facility consists of an innovative and first-of-its-kind flotation circuit based entirely on Jameson cells, a modern pneumatic flotation design that offers a compact layout, low-cost process and flexible flowsheet. Following a brief commissioning period, the New Britannia mill achieved commercial production on November 30, 2021. Full design throughput rates and recoveries are expected to be achieved in the second quarter of 2022, a mere six months after commissioning.

Annual gold production from Lalor and the Snow Lake operations is expected to average over 180,000 ounces during the next six years due to the incorporation of the New Britannia mill. There also remains future upside to further enhance the Snow Lake operations through exploration opportunities and additional mill processing projects.

On March 29, 2021, we filed an updated NI 43-101 technical report titled "NI 43-101 Technical Report, Lalor and Snow Lake Operations, Manitoba, Canada", effective as of January 1, 2021, prepared by Olivier Tavchandjian (our Vice President, Exploration and Geology) (the "**Lalor 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 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 and 1901 deposit.

Lalor and 1901 Mineral Reserve Estimates - January 1, 2022 [(1)(2)(3)(4)(5)]

			Tonnes	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)
Base Metal	*Proven*	Lalor	6,420,000	0.47	5.57	2.6	29.5
		1901	1,260,000	0.32	8.00	2.2	24.7
		Subtotal	**7,680,000**	**0.45**	**5.97**	**2.5**	**28.7**
	Probable	Lalor	1,300,000	0.50	4.02	3.2	32.4
		1901	380,000	0.29	10.01	0.7	31.0
		Subtotal	**1,680,000**	**0.45**	**5.38**	**2.6**	**32.1**
Gold	*Proven*	Lalor	3,590,000	0.62	0.82	5.9	28.5
		1901	50,000	0.78	1.22	3.8	18.7
		Subtotal	**3,640,000**	**0.63**	**0.83**	**5.9**	**28.4**
	Probable	Lalor	4,190,000	1.05	0.53	5.1	27.9
		1901	20,000	1.89	0.51	1.6	5.3
		Subtotal	**4,210,000**	**1.06**	**0.53**	**5.1**	**27.8**
Base Metal and Gold	*Proven and Probable*	Lalor	15,490,000	0.67	2.98	4.1	29.1
		1901	1,710,000	0.35	8.17	1.9	25.8
		Total	**17,200,000**	**0.64**	**3.50**	**3.9**	**28.7**

Notes:

1. Totals may not add up correctly due to rounding.
2. Long term metal prices of $1.15 per pound zinc, $1,500 per ounce gold, $3.45 per pound copper, and $20.00 per ounce silver with an exchange rate of 1.30 C$/US$ were used to confirm the economic viability of the mineral reserve estimates.
3. Lalor mineral reserves are estimated using a minimum NSR cut-off of C$117 per tonne for waste filled mining areas and a minimum of C$127 per tonne for paste filled mining areas.
4. Individual stope gold grades at Lalor were capped at 10 grams per tonne, as a prudent estimate until reserves to mill reconciliations can establish that the high-grade gold can indeed be entirely recovered. This capping method resulted in an approximate 3% reduction in the overall gold reserve grade at Lalor.
5. 1901 mineral reserves are estimated using a minimum NSR cut-off of C$110 per tonne.

The following table sets forth our estimates of the mineral resources (exclusive of mineral reserves) at the Lalor mine and 1901 deposit.

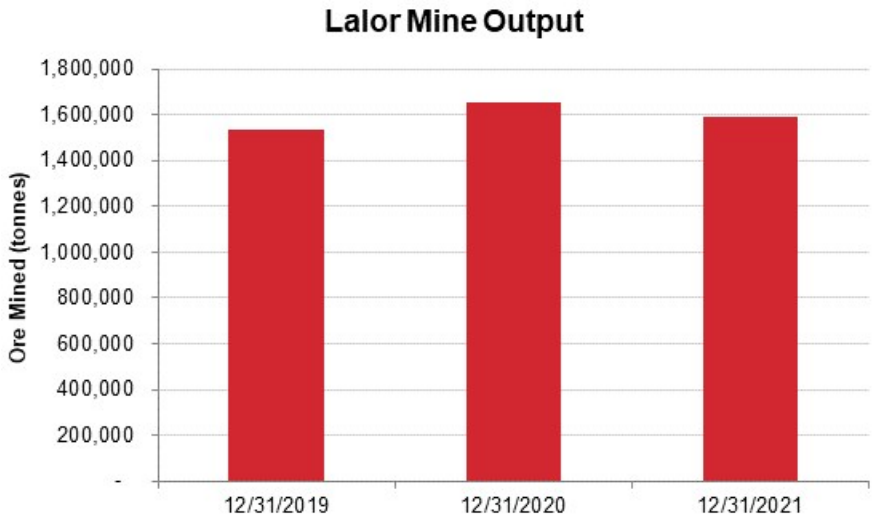
Lalor and 1901 Mineral Resource Estimates (Exclusive of Reserves) - January 1, 2022 [1][2][3][4][5][6][7]							
			Tonnes	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)
Base Metal	*Inferred*	Lalor	1,960,000	0.31	5.72	1.5	30.4
		1901	670,000	0.22	6.04	1.4	27.8
		Subtotal	2,630,000	0.29	5.80	1.5	29.7
Gold	*Inferred*	Lalor	4,170,000	1.56	0.28	5.1	29.0
		1901	1,260,000	1.49	0.39	4.9	20.8
		Subtotal	**5,430,000**	**1.54**	**0.30**	**5.0**	**27.1**
Base Metal and Gold	*Inferred*	Lalor	6,130,000	1.16	2.02	3.9	29.4
		1901	1,920,000	1.05	2.35	3.7	23.2
		Total	**8,060,000**	**1.13**	**2.10**	**3.9**	**28.0**

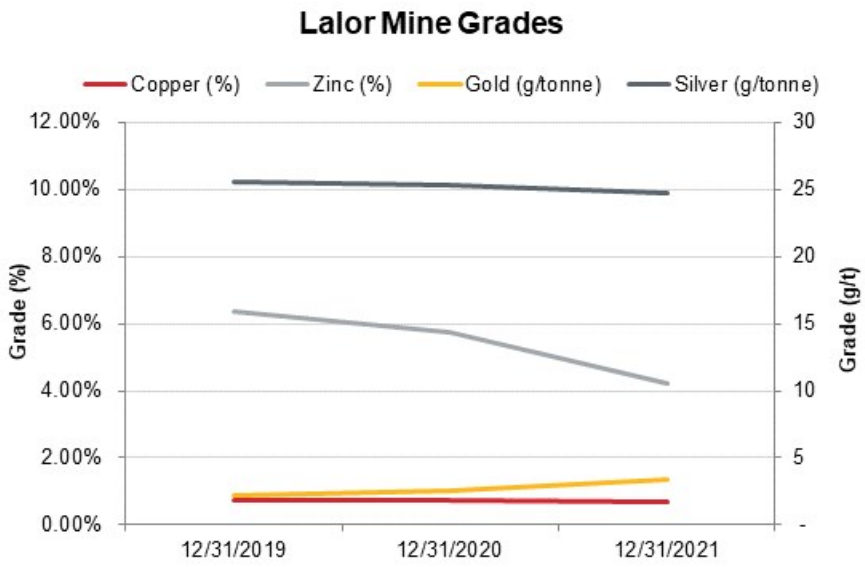
Notes:

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. Base metal mineral resources are estimated based on the assumption that they would be processed at the Stall concentrator while gold mineral resources are estimated based on the assumption that they would be processed at the New Britannia concentrator.
5. Long term metal prices of $1.15 per pound zinc, $1,500 per ounce gold, $3.45 per pound copper, and $20.00 per ounce silver with an exchange rate of 1.30 C$/US$ were used to estimate mineral resources.
6. Lalor mineral resources are estimated using a minimum NSR cut-off of C$117 per tonne for waste filled mining areas and a minimum of C$127 per tonne for paste filled mining areas.
7. 1901 mineral resources are estimated using a minimum NSR cut-off of C$110 per tonne.

Production

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





Rosemont

Our 100% owned Rosemont project is a copper development project, located in Pima County, Arizona, approximately 50 kilometres southeast of Tucson. The Rosemont project is designed to 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 IRR of 15.5%, using a long-term copper price of $3.00 per pound, with a capital cost estimate of $1.9 billion based on our technical report for Rosemont filed in March 2017. Rosemont is subject to a precious metals stream agreement with Wheaton that contemplates 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.

In the first half of 2019, Rosemont received the Section 404 Water Permit from the U.S. Army Corps of Engineers and the USFS approved Rosemont's MPO following an extensive Environmental Impact Statement process. The issuance of the MPO was the final administrative step in the permitting process. During the first half of 2019, Hudbay also reached an agreement with UCM to acquire 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.

On July 31, 2019, the U.S. District Court for the District of Arizona issued a ruling in two of the lawsuits challenging the U.S. Forest Service's issuance of the FROD for the Rosemont project (the "**US Mining Law Litigation**"). The Court ruled to vacate and remand the FROD thereby delaying the expected start of construction of Rosemont. Following the Court's decision in the US Mining Law Litigation, Hudbay suspended its early works program at Rosemont and, as of September 30, 2019, recognized an after-tax impairment loss of $242.1 million related to Rosemont.

In December of 2019, Hudbay and the U.S. Department of Justice each filed a notice of appeal in respect of the Court's unprecedented decision in the US Mining Law Litigation to the U.S. Ninth Circuit Court of Appeals. An oral hearing was held by the court of appeals in February 2021 and a decision is expected in 2022. For a summary of the other litigation currently affecting the Rosemont project, refer to "Three Year History" above.

While the litigation is ongoing, Hudbay remains committed to advancing the Rosemont project and finding ways to unlock value for the benefit of all our stakeholders. This includes exploring potential synergies with Copper World (see "Copper World" below).

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 former 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 Reserve Estimates - January 1, 2022 [1][2][3]				
	Tonnes	**Cu (%)**	**Mo (g/t)**	**Ag (g/t)**
Rosemont				
Proven	426,100,000	0.48	120	4.96
Probable	111,000,000	0.31	100	3.09
Total proven and probable	**537,100,000**	**0.44**	**116**	**4.57**

Notes:
1. Totals may not add up correctly due to rounding.
2. Blocks were classified as Proven or Probable in accordance with CIM Definition Standards 2014.
3. $3.15 per pound copper, $11.00 per pound molybdenum and $18.00 per ounce of 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. An NSR cut-off value of $6.60 per tonne was assumed, based on process recoveries and total processing and general and administrative operating costs.

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

Rosemont Mineral Resource Estimates - January 1, 2022 [1][2][3][4]				
	Tonnes	**Cu (%)**	**Mo (g/t)**	**Ag (g/t)**
Rosemont				
Measured	161,300,000	0.38	90	2.72
Indicated	374,900,000	0.25	110	2.60
Inferred	62,300,000	0.30	100	1.58
Total Measured & Indicated	**536,200,000**	**0.29**	**104**	**2.64**
Total Inferred	**62,300,000**	**0.30**	**100**	**1.58**

Notes:
1. Totals may not add up correctly due to rounding.
2. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Please refer to Schedule A "Glossary of Mining Terms".
3. Mineral resources do not include factors for mining recovery or dilution.
4. Mineral resources are constrained within a computer generated pit using the Lerchs-Grossman algorithm. Estimates of mineral resources exclude mineral reserves and 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 and, total processing and general and administrative operating costs of $6.10 per tonne for oxide, mixed and sulfide material.

OTHER ASSETS

Copper World

Our 100% owned Copper World project is located predominantly on wholly-owned private land, in close proximity to Rosemont. The Copper World project consists of seven deposits extending over seven kilometres, including Bolsa, Broad Top Butte, Copper World, Peach, Elgin, South Limb and North Limb, and has mineralization closer to surface than at Rosemont.

On December 15, 2021, we released a National Instrument 43-101 (" **NI 43-101**") initial mineral resource estimate for the recently discovered Copper World deposits, which is set forth in the table below.

Copper World Mineral Resource Estimates - January 1, 2022[1][2][3][4][5][6]						
		Tonnes	Cu (%)	CuSS (%)	Mo (g/t)	Ag (g/t)
Copper World - Flotation						
	Indicated	180,000,000	0.37	0.07	136	2.70
	Inferred	91,000,000	0.36	0.05	129	3.80
Copper World - Leach						
	Indicated	92,000,000	0.34	0.27	n/a	n/a
	Inferred	51,000,000	0.35	0.27	n/a	n/a
Total Indicated		**272,000,000**	**0.36**	**0.14**	**90**	**1.79**
Total Inferred		**142,000,000**	**0.36**	**0.13**	**83**	**2.44**

Notes:

1. Totals may not add up correctly due to rounding.
2. CIM definitions were followed for the estimation of mineral resources. Mineral resources that are not mineral reserves do not have demonstrated economic viability.
3. Mineral resources are reported within an economic envelope defined by a pit shell optimization algorithm and assuming a selective mining unit of 50x50x50 feet. This pit shell is defined by a revenue factor of 1.0 assuming operating costs adjusted and updated from the 2017 Rosemont Feasibility Study.
4. Mineral resource estimates were reported using a cut-off of 0.1% Cu and were separated by potential processing method into flotation and leach if they respectively had a CuSS/Cu ratio below or above a threshold of 50%.
5. Metal recovery estimates assume that this mineralization would be processed at a combination of facilities, including copper and molybdenum flotation and heap and/or run-of-mine leach pads followed by solvent extraction and electrowinning.
6. CuSS represents the copper grade in oxides.
7. Specific gravity measurements were estimated from core box weights validated by industry standard laboratory measurements.

The global resource estimate for Copper World includes near surface, higher grade indicated mineral resources of 96 million tonnes at 0.57% copper, including 0.27% copper in oxides, and inferred mineral resources of 31 million tonnes at 0.71% copper, including 0.27% copper in oxides. The higher grade resource has the potential to be mined earlier in the mine life. Resources comprise both sulphide and oxide mineralogy and are potentially amenable to flotation and heap leach processing methods, respectively.

The Company has increased the number of drill rigs at Copper World to seven to conduct infill drilling and to support future economic studies. The technical studies for Copper World are well-advanced and the results will be incorporated into a Preliminary Economic Assessment ("**PEA**") contemplating the development of the Copper World deposits in conjunction with the Rosemont deposit. The PEA is also expected to reflect preliminary expectations of potential synergies between Copper World and Rosemont. We are on track to publish the PEA results in a NI 43-101 Technical Report in the first half of 2022.

Mason Project

The 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 Mason project's measured and indicated mineral resources are comparable in size to Constancia and Rosemont. We view the Mason project as a long-term option for potential future development and a strong addition to our pipeline of long-term growth opportunities.

Since acquiring Mason, Hudbay has consolidated a prospective package of patented and unpatented mining claims contiguous to the Mason project and has advanced a number of technical studies, including a revised resource model and PEA.

The Mason PEA was completed in April 2021 and contemplates a 27-year mine life with average annual copper production of approximately 140,000 tonnes over the first ten years of full production. At a copper price of $3.25 per pound, the after-tax net present value using a 10% discount rate is $773 million and the internal rate of return is 15.4%. The Mason PEA is preliminary in nature, includes inferred resources that are considered too speculative to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty the preliminary economic assessment will be realized.

There is opportunity to further enhance the project economics through exploration for higher grade satellite deposits on Hudbay's prospective land package in Nevada, including Mason Valley. The Mason Valley property hosts several historical underground copper mines that were in production in the early 1900s. Much of the Mason Valley property is located on Hudbay's wholly owned private lands and contains highly prospective skarn mineralization. An initial drill program to test the Mason Valley skarn properties is planned for late 2022.

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

Mason Project Resource Estimates - January 1, 2022 [1][2][3][4][5][6]					
	Tonnes	**Cu (%)**	**Mo (g/t)**	**Au (g/t)**	**Ag (g/t)**
Measured	1,417,000,000	0.29	59	0.031	0.66
Indicated	801,000,000	0.30	80	0.025	0.57
Inferred	237,000,000	0.24	78	0.033	0.73
Total Measured & Indicated	**2,219,000,000**	**0.29**	**67**	**0.029**	**0.63**
Total Inferred	**237,000,000**	**0.24**	**78**	**0.033**	**0.73**

Notes:

1. Totals may not add up correctly due to rounding.
2. Mineral resource estimates that are not mineral reserves do not have demonstrated economic viability.
3. Mineral resource estimates do not include factors for mining recovery or dilution.
4. Metal prices of $3.10 per pound copper, $11.00 per pound molybdenum, $1,500 per ounce gold, and $18.00 per ounce silver were used to estimate mineral resources.
5. Mineral resources are estimated using a minimum NSR cut-off of $6.25 per tonne.
6. Mineral resources are based on resource pit designs containing measured, indicated, and inferred mineral resources.

Snow Lake Regional Deposits

As discussed under "Lalor" above, the mineral reserves and mineral resources estimates at Hudbay's satellite deposits in the Snow Lake region, including the copper-gold WIM deposit, the gold-rich 3 Zone and the zinc-rich Watts, Pen II and Talbot deposits, have the potential to provide future feed for the Stall and New Britannia processing facilities and further extend the life of the Snow Lake operations. We are actively conducting surface and underground winter drilling activities in the Snow Lake area, primarily focused on the copper-gold rich feeder zone at the 1901 deposit, the drilling gap between 1901 and lens 17 at Lalor, and a high-priority geophysical target located immediately north of Lalor. In addition, we continue to compile results from ongoing infill drilling programs at Lalor and 1901.

The following table sets forth our estimates of the mineral reserves and resources at the Snow Lake regional deposits (excluding Lalor and 1901).

Snow Lake Regional Gold Deposits Mineral Reserve Estimates - January 1, 2022 [1][2][3][4][5]							
			Tonnes	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)
Gold	*Probable*	WIM	2,450,000	1.63	0.25	1.6	6.3
		3 Zone	660,000	-	-	4.2	-
		Subtotal	3,110,000	1.28	0.20	2.2	5.0

Notes:
1. Totals may not add up correctly due to rounding.
2. Long term metal prices of $1.15 per pound zinc, $1,500 per ounce gold, $3.45 per pound copper, and $20.00 per ounce silver with an exchange rate of 1.30 C$/US$ were used to confirm the economic viability of the mineral reserve estimates.
3. WIM mineral reserves are estimated using a minimum NSR cut-off of C$150 per tonne, assuming processing recoveries of 98% for copper, 88% for gold, and 70% for silver based on processing through New Britannia's flotation and tails leach circuits.
4. 3 Zone mineral reserves are estimated using a minimum NSR cut-off of C$150 per tonne, assuming processing recoveries of 85% for gold based on processing through New Britannia's leach circuit.
5. Mineral reserves were initially estimated using metal price assumptions that vary marginally over the assumptions used to estimate mineral reserves at Lalor. In the Qualified Person's opinion, the combined impact of these small variations does not have any impact on the mineral reserve estimates.

Snow Lake Mineral Resource Estimates (Exclusive of Mineral Reserves) - January 1, 2022 [1][2][3][4][5][6][7][8][9]							
			Tonnes	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)
Gold	*Inferred*	New Britannia	2,750,000	-	-	4.5	-
		Birch	570,000	-	-	4.4	-
		Subtotal	**3,320,000**	**-**	**-**	**4.5**	**-**

Snow Lake Mineral Resource Estimates (Exclusive of Mineral Reserves) - January 1, 2022 [1][2][3][4][5][6][7][8][9]							
			Tonnes	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)
Base Metal	*Indicated*	PEN II	470,000	0.49	8.89	0.3	6.8
		Talbot	2,190,000	2.33	1.79	2.1	36.0
		Subtotal	**2,660,000**	**2.01**	**3.04**	**1.8**	**30.9**
	Inferred	Watts	3,150,000	2.34	2.58	1.0	31.0
		PEN II	130,000	0.37	9.81	0.3	6.8
		Talbot	2,450,000	1.13	1.74	1.9	25.8
		Subtotal	**5,730,000**	**1.78**	**2.39**	**1.3**	**28.3**

Notes:
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. Base metal mineral resources are estimated based on the assumption that they would be processed at the Stall concentrator while gold mineral resources are estimated based on the assumption that they would be processed at the New Britannia concentrator.
5. 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 the lower part of New Britannia) to 3.5 grams per tonne (at the upper part of New Britannia).
6. Watts and Pen II mineral resources were initially estimated using metal price assumptions that vary marginally over the assumptions used to estimate mineral resources at Lalor. In the Qualified Person's opinion, the combined impact of these small variations does not have any impact on the mineral resource estimates.
7. Watts mineral resources are estimated using a minimum NSR cut-off of C$150 per tonne, assuming processing recoveries of 90% for copper, 80% for zinc, 70% for gold and 70% for silver.
8. Pen II mineral resources are estimated using a minimum NSR cut-off of C$75 per tonne.
9. The above resource estimates table includes 100% of the Talbot mineral resources reported by Rockcliff Metals Corp. in its 2020 NI 43-101 technical report published on SEDAR. Hudbay currently owns a 51% interest in the Talbot project.

777 mine

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 concentrator and zinc pressure leach plant in Flin Flon, Manitoba. Development of the 777 mine commenced in 1999 and commercial production began in 2004. Ore produced at the 777 mine is transported to our Flin Flon concentrator for processing into copper and zinc concentrates. Based on the most recent estimate of mineral reserves, the 777 mine is scheduled to close in June 2022 after more than 17 years of steady operations.

The mine is expected to operate at approximately 2,700 tonnes per day with a continued focus on mining out the remaining reserves by completing the necessary ground rehabilitation to access old workings and remnant stopes. In connection with the depletion of reserves at 777, we will be commencing the closure of our Flin Flon complex, including decommissioning of the 777 mine and Zinc Plant. The Flin Flon mill and tailings facilities will be put on care and maintenance. As of December 31, 2021, on an undiscounted basis, the total estimated environmental obligations related to our Flin Flon operations were $318 million, of which approximately 25% is expected to occur over the next 15 years in connection with the closure of the Flin Flon operations, while approximately 75% of the obligations are scheduled to be incurred after the closure of the Snow Lake operations, which is currently expected in 2038 based on reserves.

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.

Mineral Reserves and Resources

The following table sets forth our estimates of the mineral reserves at the 777 mine.

777 Mineral Reserve Estimates - January 1, 2022 (1)(2)

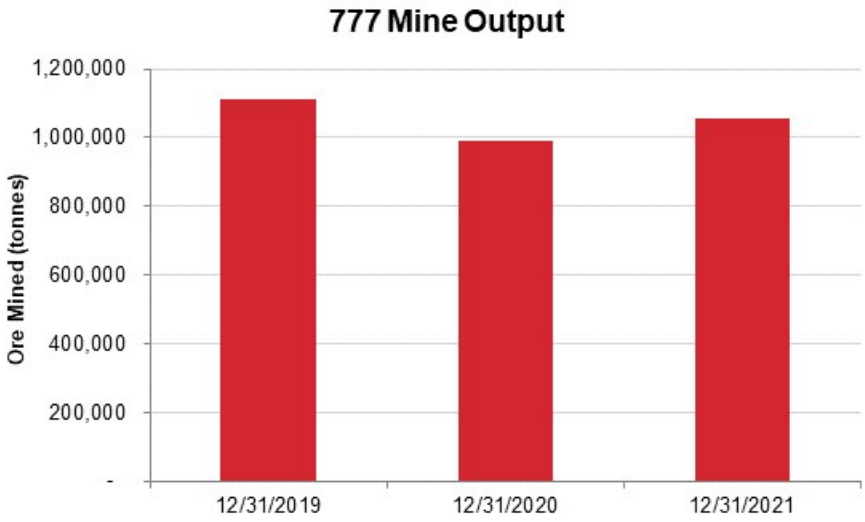
	Tonnes	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)
Base Metal Zone					
Proven	459,000	1.24	5.01	1.78	32
Total Proven	**459,000**	**1.24**	**5.01**	**1.78**	**32**

Notes:
1. Totals may not add up correctly due to rounding.
2. Using zinc price of $1.32 per pound (includes premium), a copper price of $4.00 per pound, a gold price of $1,800 per ounce and silver price of $24.00 per ounce using an exchange rate of 1.27 C$/US$ was used to estimate the mineral reserves.

Effective January 1st 2022, there are no mineral resource estimates exclusive of mineral reserve estimates for the 777 mine.

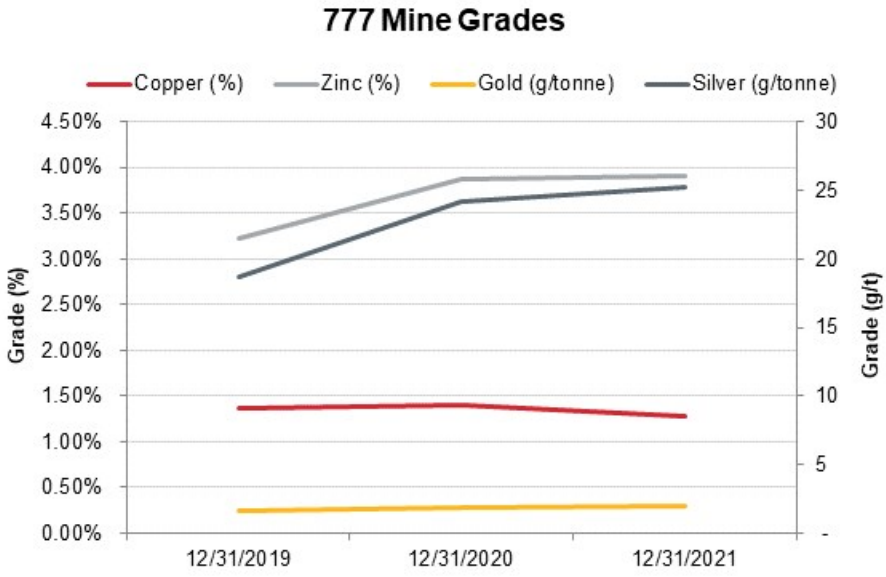
Production

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



Note:

1. 2020 production was affected by a six-week suspension of hoisting operations due to an incident that occurred during routine maintenance.



Processing Facilities

Manitoba Business Unit

The refurbishment of the New Britannia mill, including the addition of a new copper flotation circuit, was completed in October 2021.The New Britannia mill produces gold/silver doré and copper concentrates and achieved commercial production on November 30, 2021, after reaching the required recoveries and production output in the copper and gold circuits. The final tailings from the New Britannia mill are pumped to the Stall mill via a 6.8 kilometre pipeline and are then either pumped to the Lalor paste plant or diverted to the Anderson tailings impoundment area. The New Britannia mill is expected to average 1,500 tonnes per day in 2022 with continued ramp-up activities and maintenance completed during the first quarter.

Our Stall concentrator in Snow Lake, Manitoba was re-started in 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 in 2021 the concentrator processed 1,355,687 tonnes of ore production from the Lalor mine to produce zinc and copper concentrates. The zinc concentrate is shipped by truck for further processing at our zinc plant in Flin Flon. Once the zinc plant closes in mid-2022, the zinc concentrate will be sold to third party customers. 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. If pastefill is not required, the tailings are diverted to the Anderson tailings impoundment area. In 2020, Hudbay completed a feasibility study and a test program exploring various technological upgrades to the flowsheet at the Stall mill. Hudbay has budgeted $25 million in 2022 to implement the Stall mill recovery improvement project, which is expected to involve several flow sheet enhancements to increase copper, gold and silver recoveries starting in 2023 (for additional details on the Stall recovery improvement program, refer to Schedule B of this AIF).

Our Flin Flon concentrator has throughput capacity of approximately 6,000 tonnes of ore per day, and produces zinc and copper concentrates primarily from ore mined at our 777 mine. The Flin Flon concentrator facility includes a paste backfill plant and associated infrastructure such as maintenance shops and laboratories. Tailings from the concentrator are utilized as paste backfill or pumped to the Flin Flon tailings impoundment immediately adjacent to the concentrator. The Flin Flon concentrator and tailings impoundment will be put on care and maintenance around the time the 777 mine closes in mid-2022. If the Flin Flon tailings reprocessing opportunity proves to be economic, we believe it could utilize the Flin Flon concentrator, with modifications, after the closure of the 777 mine (see "Tailings Management Facilities" below).

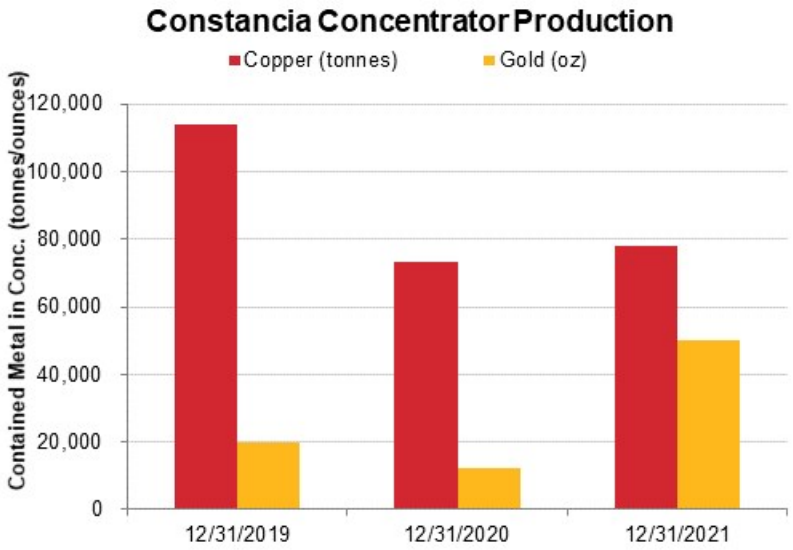
Our zinc plant in Flin Flon, Manitoba produces special high-grade zinc metal and continuous galvanizing grade aluminum alloy zinc metal in three cast shapes from zinc concentrate. We produced 89,568 tonnes of cast zinc in 2021 and the design capacity of the zinc plant is approximately 112,000 tonnes of cast zinc per year. Included in the zinc plant are an oxygen plant, powerhouse, a concentrate handling and storage facility, a zinc pressure leach plant, a solution purification plant, an 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. We expect the zinc plant to be closed around the time the 777 mine closes in the second quarter of 2022.

Peru Business Unit

Our processing plant at Constancia has a nominal throughput capacity of 90,000 dry metric tonnes per day of ore at 94% plant mechanical availability. We have improved the performance of the plant over time 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 production of contained metal in concentrate (tonnes/ounces) for our Constancia, Flin Flon and Stall concentrators for the last three years. The New Britannia mill achieved commercial production on November 30, 2021 and, as such, its production history has not been included.

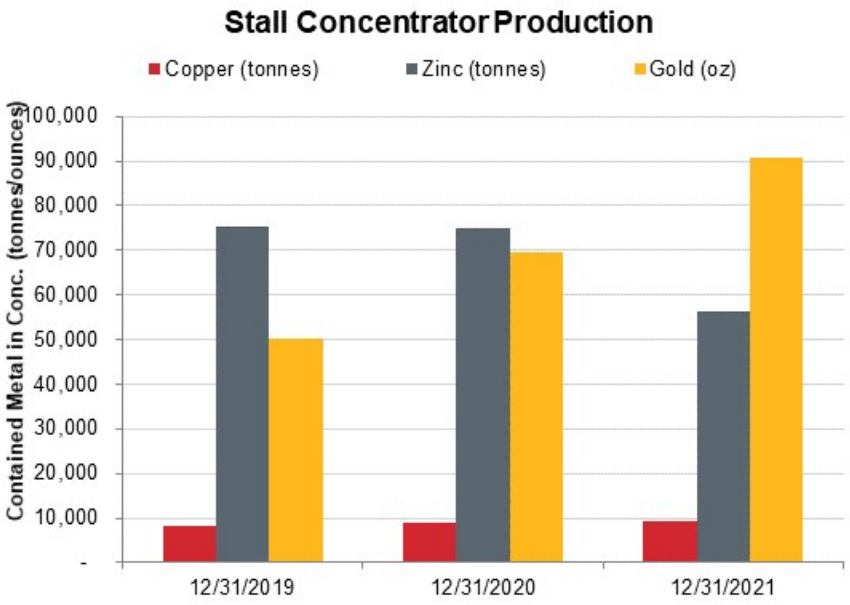


Note:

1. Production in 2020 was affected by an eight-week suspension of operations at Constancia following a government declared state of emergency in response to the COVID-19 pandemic.

Note:

1. Production in 2020 was affected by a six-week interruption at the 777 mine.



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 partial construction using the upstream construction design method. More recent dam expansions at the FFTIA have been constructed using the downstream method. Our Anderson tailings management facility in Snow Lake uses subaqueous deposition of tailings. In order to accommodate ongoing production from our Lalor mine, we are in the process of further 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.

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 are currently rated "AA" across all the tailings management indicators in the Mining Association of Canada's Towards Sustainable Mining ("**TSM**") program. In addition to maintaining a minimum of an "A" rating on all five TSM tailings indicators, we also ensure tailings facilities are constructed following the Canadian Dam Safety Guidelines. We believe following these well established standards provides effective equivalence to the recently introduced Global Tailings Standard.

At our Manitoba Business Unit, where some of our tailings storage facilities were built 80 years ago, we have worked with our engineer of record, with input from our IPRB, to identify opportunities to proactively upgrade facilities to increase the factor of safety of the structures over a three year period, particularly in areas previously constructed using the upstream method. We expect to spend approximately $20 million in 2022 as we complete planned improvements and increase the safety factor of these tailings facilities.

At our Rosemont project in Arizona, the current design includes an alternative method of tailings disposal called dry stack or filtered tailings. This method offers 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.

Flin Flon Tailings Reprocessing Opportunity

We are exploring an opportunity to potentially reprocess the Flin Flon tailings in the future. In early January 2022, Hudbay commenced a confirmatory drill program on the tailings facility in Flin Flon. Pending positive metallurgical results, we plan to advance the project with the completion of a PEA. This opportunity could utilize the Flin Flon concentrator, with modifications, after the closure of the 777 mine, creating operating and economic benefits in northern Manitoba and Saskatchewan. It could also provide the opportunity to redesign the closure plans, increase metal production, defer or reduce certain closure costs and reduce the environmental impacts of the tailings facility.

Exploration

Hudbay has an exploration portfolio of owned or optioned mineral properties which consists of approximately 720,000 hectares across Canada, Peru, the United States and Chile. Hudbay's 2022 exploration budget of $65 million, which includes option payments, will be focused on exploration near existing processing infrastructure in Manitoba and Peru, and at our newly discovered Copper World properties near Rosemont in Arizona, Mason in Nevada as well as on greenfield porphyry copper targets in Peru and Chile.

In Peru, we expect to conduct exploration drilling on skarn targets in areas close to the Constancia mine as well as for the definition of a porphyry deposit at the greenfield Llaguen project, located near the city of Trujillo in northwestern Peru where Hudbay has been successful in reaching a community agreement. We also expect to advance community relations and permitting activities on the regional satellite properties near Constancia. In Manitoba, we expect to conduct more underground drilling at the Lalor and the 1901 deposits to support the long-term gold strategy in Snow Lake as well as surface drilling to expand our gold and base metal resource base.

In Arizona, we released a NI 43-101 initial mineral resource estimate for the recently discovered Copper World deposits in December 2021 and we expect to complete a PEA in the first half of 2022 (see "Copper World"). The focus of the exploration program in 2021 was to delineate the mineral resources over the seven deposits and support a PEA of Copper World, including the evaluation of potential synergies with the Rosemont project. Our 2022 exploration expenditures include further infill drilling at the Copper World deposits, continued exploration drilling between the known deposits at Copper World and a planned initial drill program at the Mason Valley skarn properties in late 2022. If the Copper World PEA yields positive results, we may allocate additional capital to pursue a pre-feasibility study during the second half of the year.

Exploration activities elsewhere consists of exploration drilling, geological mapping, geochemical sampling and geophysical surveys.

Strategic Investments

As at December 31, 2021, we held minority equity positions in 11 junior exploration companies, representing investments with a fair market value of approximately C$14 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, 2021 were $271 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 2021, we produced 449,427 tonnes of copper concentrate (335,490 tonnes from Constancia and 113,937 tonnes from our operations in Manitoba), 185,344 tonnes of zinc concentrate, which was processed in our Flin Flon zinc plant facility to produce 89,568 tonnes of cast zinc, and 1,146 tonnes of contained molybdenum in concentrate from Constancia. The New Britannia mill achieved commercial production in the fourth quarter of 2021 and produced 9,002 ounces of gold and 6,529 ounces of silver in doré.

In 2021, copper sales represented approximately 58% (2020 - 53%), zinc sales represented approximately 20% (2020 - 25%) and gold sales represented approximately 17% (2020 - 17%), of our total gross consolidated revenue (which excludes mark-to-market adjustments on provisionally priced sales, realized and unrealized changes to fair value for non-hedge derivative contracts, adjustments to originally invoiced weights and assays and variable consideration adjustments).

Our 2021 revenue breakdown by commodity type is illustrated in the chart below:

2021 REVENUE BREAKDOWN

1. Revenue for the full year ended December 31, 2021. Gold and silver revenues include cash payments applicable to precious metals stream sales.
2. This number excludes treatment and refining charges.
3. Revenue from "Other" includes molybdenum.

In 2021, our copper concentrate production was sold through a diversified mix of benchmark related sales, spot sales, and fixed treatment charge sales. Manitoba copper concentrate production is sold for delivery to a smelter in Canada, while Peru copper concentrate production is primarily sold for delivery to smelters in Asia, with the balance delivered within South America and Europe.

There were no sales of zinc concentrate in 2021.

Molybdenum concentrate production in 2021 was sold to third party purchasers under one-year contracts and was mostly delivered to roasters in South America and Asia.

We sell gold and silver equal to the deliverable portion of payable gold and silver produced 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. Gold/silver doré production from the New Britannia mill is sent to a refinery in Canada and the outturned precious metals are sold to Canadian financial institutions.

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 during 2021 remained well above the 10-year trailing average due to strong rebound in demand for physical metal, lingering supply issues related to COVID-19 and consistent speculative interest from the investor community.

For additional information refer to our market analysis of copper and zinc prices on pages 32 and 33 of our management's discussion and analysis for the year ended December 31, 2021, a copy of which has been filed on SEDAR at www.sedar.com and on 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, and our own internal environmental objectives, and we manage our conformance through certified management systems in place at each operation. 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 and systems directed at environmental protection and compliance to achieve our goal and address these regulatory changes. For additional information, see "Tailings Management Facilities" above and "Sustainability" and, in particular, our commitment to follow the TSM program of the Mining Association of Canada at all of our operating locations and adopt a greenhouse gas reduction strategy.

Employees

As at December 31, 2021, we had 77 employees at our Toronto head office, 1,412 employees in Manitoba, 959 employees in Peru and 57 employees in Arizona.

In June 2021, we signed a new collective bargaining agreement with the union at our Peru operations for three years, effective as of November 10, 2020. We also reached new three-and-a-half year collective bargaining agreements with four of our six unions in Manitoba, effective July 1, 2021. We ratified new three-and-a-half year collective agreements with the members of the remaining two unions in September 2021. Unionized workers represented approximately 72.6% of our employees in Manitoba and 30% of our employees in Peru as at December 31, 2021.

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.

SUSTAINABILITY

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, communities and other stakeholders and being able to bring that good reputation to new communities and jurisdictions when we embark on new projects. Our mission includes that the regions and communities in which we operate benefit from our presence, meaning that we create benefits and opportunities that contribute to their economic and social wellbeing, and that we 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 Management System Standard ISO 45001, 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. For over a decade we have reported Scope 1 and Scope 2 greenhouse gas ("**GHG**") emissions across our operations and pursued improvements in our energy efficiency. In 2022 we are undertaking to develop more formal GHG mitigation targets and plans.

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 currently have management systems certified to Safety and Environmental Management System Standards ISO 45001 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. We classify injuries across our company using the International Council on Mining and Metals ("**ICMM**") criteria. Despite our efforts and systems focused on fatality prevention, in June 2021 a fatality occurred at our Lalor mine in Manitoba. This incident was thoroughly investigated and corrective actions have been implemented, and we continue to review these learnings to identify further opportunities to reduce such risks across our operations. Based on the ICMM criteria, in 2021, our recordable injury frequency per 200,000 hours worked was 1.45, which is an increase over our 2020 performance. Our other key measure of performance, Lost Time Severity, increased dramatically due to the fatality that occurred at our Manitoba operation in June 2021 and is not comparable to previous years.

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.

Drawing on our long history of Scope 1 and Scope 2 emissions tracking, in 2021 we initiated the development of a GHG reduction "roadmap" to identify how Hudbay can best contribute to global emissions reduction targets of net zero by 2050 and approximately a 50% reduction by 2030. We recognize that while our products are vital for the energy transition that will enable global reductions, we are also expected to take steps to reduce emissions related our activities. With over two-thirds of our energy consumption being electricity supplied via regional grids that are substantially supplied by hydro generated electricity, Hudbay is already a relatively low GHG source of copper. While Hudbay's near term approach to GHG mitigation is to focus on the energy efficiency of our operations, in 2022 we will be developing a longer-term plan and targets for GHG reduction. Our mitigation and adaptation approach is discussed further in our Annual Sustainability Report.

We maintain a company wide information system for recording, managing and tracking environmental, health, safety and community incidents. We did not have any material environmental non-compliances in 2021.

GHG REDUCTION ROADMAP

In 2021, we undertook to define a pathway for each Hudbay operation to achieve a 2030 GHG emissions target that is consistent with the objective of limiting global warming to well below 2°C (above pre-industrial levels). Drawing on many years of data on our GHG footprint, we began work on a 10-year GHG Reduction Roadmap, to identify our best options for approaching and achieving sustainable GHG reductions. The roadmap will focus on key sources and drivers of emissions, including Scope 3 emissions, and identify the nature of the changes - operational or technical - that will be required to make the step changes necessary to contribute to global reduction targets. With this information, the corporate office and each business unit will determine specific action plans to shape future operational choices and capital investments to support sustainable reductions that are intended to ensure we achieve our targets for 2030 and 2050. The Board's EHSS Committee provides oversight of our GHG Reduction Roadmap, and regularly receives reports from management on our progress.

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, Local Procurement and Employment and Security Management provide our business units with additional corporate direction on minimum standards with respect to meeting the commitments we set out in our Human Rights Policy.

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

SUSTAINABILITY REPORTING

Each year we publish a Sustainability 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, the SASB Metals and Mining Standard, and the recommendations of the Task Force on Climate Related Financial Disclosure. We also publicly respond to the CDP climate, water and forests questionnaires. Our 2019 and 2020 Annual Sustainability Reports are available on our website at https://hudbayminerals.com/disclosure-centre/default.aspx. Our 2021 report is expected to be released in the second quarter of 2022 .

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. The risks and uncertainties described below are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently deem less material may also impair our business operations. 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, zinc and gold and, to a lesser extent, that of silver and molybdenum (see "Sensitivity Analysis" on page 34 of our management's discussion and analysis for the year ended December 31, 2021). Market prices of metals can be affected by numerous factors beyond our control, including the overall state of the economy and expectations for economic growth (including as a result of COVID-19 and geopolitical events), 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 is 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 market disruption due to COVID-19, geopolitical events leading to conflicts and/or trade disputes, increased self-sufficiency, increased reliance on other suppliers to meet demand or a prolonged market disruption event, including as a result of global conflicts. 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 could, depending on hedging practices, cause us to reduce output at our operations (including, possibly, closing one or more of our mines or plants) and, 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 our mineral 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. 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.

PUBLIC HEALTH THREATS

An outbreak of infectious disease, a pandemic or a similar public health threat (such as COVID-19), or a fear of any of the foregoing, could cause operating, supply chain and project development stoppages and delays and disruptions, labour shortages, reduced product demand, travel and shipping disruption and shutdowns (including as a result of government regulation and prevention measures). The possibility of a global recession arising from the pandemic and attempts to control it may impact metals demand and prices and could reduce available liquidity options. As a result, we may experience production below estimated levels, increased costs or significantly reduced revenue. This can lead to a material adverse effect on the financial performance, liquidity and results of operations.

Despite implementing measures to minimize the spread of COVID-19, we continue to experience intermittent operational, supply chain, travel, labour and shipping disruptions, that may continue for the foreseeable future. As a result, our financial results may remain volatile as COVID-19 continues to affect production, operating costs and the prices we receive for our products. The resumption of normal operating activities is expected to be gradual and dependent on the global response to COVID-19.

In addition, given the uncertainty with respect to the duration and magnitude of the impact of the COVID-19 pandemic, including the potential for new variants to emerge, periodic local outbreaks and the re-introduction of government restrictions, our production and cost guidance are subject to a higher than normal degree of uncertainty. The possibility of a prolonged shutdown at some or all of our operations would cause us to continue to incur costs without realizing revenue and could delay our key development projects.

For the above reasons, we may experience production below estimated levels, increased costs, significantly reduced revenue and project delays. This could lead to a material adverse effect on our financial performance and condition, liquidity, access to capital and results of operations.

DEVELOPMENT OF NEW PROJECTS

Our ability to successfully develop future growth projects is subject to many risks and uncertainties, including: the ability to generate sufficient free cash flows and secure adequate financing to fund the projects; obtaining and maintaining key permits and approvals from governmental authorities; successful resolution of administrative and legal challenges against permits that have been issued to us and those permits that may be issued in the future (particularly in the case of the Rosemont Project); obtaining surface rights agreements, if needed; construction, commissioning and ramp-up risks; scheduling and cost-overrun risks; developing and maintaining good relationships with neighbouring communities, local governments and other stakeholders; and political and social risk.

Significant amounts of capital will be required to construct and operate a new mine, such as Rosemont, Copper World or Mason. Our capital and operating cost assumptions 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 COVID-19 related inefficiencies, delays or deferrals, 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.

Construction costs and timelines can be impacted by a wide variety of factors, many of which are beyond our control. These include, but are not limited to, weather conditions, ground conditions, performance of the mining fleet and availability of appropriate materials required for construction, availability and performance of contractors and suppliers, delivery and installation of equipment, design changes, accuracy of estimates, global capital cost inflation, local in-country inflation and availability of accommodations for the workforce.

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, and we have experienced the impacts of inflation on some of our smaller projects, such as the refurbishment of the New Britannia mill. There can be no certainty that there will be sufficient financing or other transactions available on acceptable terms to fund the construction of Rosemont if we are successful in having the required permits reinstated.

In addition, the development of the Rosemont project may not occur as planned. While we expect to eventually mine the Rosemont deposit, we are currently exploring the possibility of developing Rosemont in conjunction with Copper World and this could impact our mine plan and development timelines for Rosemont. Also, there can be no assurance that the administrative and legal challenges to Rosemont's permits will be successfully resolved or that new administrative or legal challenges to the potential development of Copper World will not arise. Moreover, there may be further delays caused by additional administrative and legal challenges to the permits for either project.

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 involves 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; the cost of any required surface rights; obtaining and maintaining a social license to operate; and government regulation, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection, and the cost of any legal or administrative challenges related thereto. Even if we identify and acquire what we believe to be an economically viable ore body, several years may elapse from the initial stages of development.

During this time, we may incur significant expenses to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities. We cannot provide assurance that our exploration or development efforts, including those at Copper World, will result in any new commercial mining operations or yield new mineral reserves to replace or expand current mineral reserves.

POLITICAL AND SOCIAL RISKS

A change in government, government policy, the declaration of a state of emergency or 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 restrictions on businesses, 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. We are at a heightened risk of having this occur whenever there is a change in government in the countries or regions in which we operate and, in the current environment, due to the COVID-19 pandemic.

In June 2021 Peru held a presidential election resulting in the election of Pedro Castillo who campaigned on a far-left agenda. Since that time, although the official policy agenda has moderated, the country has undergone a period of heightened political instability, including multiple changes to the Prime Minister and other members of Cabinet and increased political and community protests against mining projects. Political or social unrest or instability in Peru (which we continue to actively monitor) could adversely affect our operations at Constancia and Pampacancha and our other activities in the country. While we continue to seek to constructively engage with all our stakeholders in the Constancia region, we have experienced increased disruptive activity in the Province of Chumbivilcas.

Such adverse effects could result in positions or actions that may be taken by the national government or at the regional, community or local levels by government or non-governmental actors, including changes to mining tax laws or government royalties, demanding payments, 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.

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. Likewise, while we carry out due diligence on all of our customers, the majority of our copper concentrate production from Constancia is delivered to smelters in China and there is a risk that recent geopolitical events could lead to market disruption, trade disputes or government restrictions that could adversely affect our ability to sell our metal production.

ENERGY AND OTHER CONSUMABLE PRICES AND AVAILABILITY

Our mining operations and facilities are intensive users of energy, diesel and other consumables (such as steel and metallurgical reagents) that are essential to our business. The prices of energy and other consumables, and in some cases their availability, can be affected by numerous factors beyond our control, including general cost inflation, global and regional supply and demand, political and economic conditions, supply chain constraints (including as a result of COVID-19 and recent geopolitical events) and applicable regulatory regimes. The prices of various sources of energy we rely on may increase significantly from current levels due to the current geopolitical environment 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. As a result of these cost pressures, and, in particular, the current inflationary environment, the operating and capital cost assumptions in our previously published NI 43-101 technical reports may no longer be accurate, which could have an adverse effect on the projected economics of our operations.

COMMUNITY RELATIONS AND INDIGENOUS RIGHTS

Our relationships and reputation, particularly with the communities in which we operate in Manitoba, Chumbivilcas (Peru), Arizona and Nevada 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 the one local community directly affected by the development of the Pampacancha deposit, and have a number of agreements in place with other local communities and governments in the area, there can be no assurance that disputes will not arise with these local communities or governments or that other communities or governments in the region with whom we do not have an agreement in place will demand an impact benefit or community investment agreement. In situations where we have acquired mineral rights, we may not be able to secure required surface rights. 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 most risk of this occurring in Peru, where there is a risk we may be unable to reach land use agreements with certain local communities in order to 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. In Peru, this requires compliance with the Consulta Previa law.

The process of reconciliation with Indigenous peoples in Canada, including the Government of Canada's intention to implement the United Nations Declaration on the Rights of Indigenous Peoples may result in new such regulations being introduced in Canada. Although we work to engage with and provide opportunities to Indigenous communities near our operations in Manitoba, asserted rights of Indigenous 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 in the Snow Lake region and conduct our operations.

In addition, from time to time, our operations may be adversely affected by protests and social activism broadly related to Indigenous rights and the process of reconciliation in Canada.

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, TAILINGS 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.

As part of our risk management process for tailings, Hudbay has established an Independent Peer Review Board and developed a Tailings Governance Charter to oversee the governance and management of our tailings facilities (see "**Tailings Management Facilities**"). This framework resulted in a decision to implement a number of improvements to our Manitoba tailings facilities from 2020 to 2022 at a projected capital cost of approximately US$20 million per year. While these initiatives are intended to improve the safety factor of the Manitoba tailings facilities and bring them into line with best practices, there can be no assurance that these improvements will completely mitigate the risk of failure.

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. Likewise, the failure to produce marketable mineral concentrates from our operations, or the presence of deleterious elements in our mineral concentrate products, may adversely impact our ability to generate revenues from our production. We are at an increased risk of this at our Constancia operations, where the presence of lead and zinc in certain parts of the ore body requires us to blend production in order to sell marketable copper concentrate. 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 or are re-commissioned, such as our Stall and New Britannia mills, 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 to an extent, no assurance can be given that such insurance will continue to be available or that we will be able to maintain insurance to cover these risks at economically feasible premiums. Insurance against risks such as non-sudden or non-accidental emissions pollution as a result of exploration and production is not generally available to us on acceptable terms. Business interruption due to pandemics such as COVID-19 is generally not covered by business interruption insurance. Losses from uninsured events may cause us to incur significant costs.

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 updated closure plans, 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 based on the approved closure plans. Changes to the amounts required, as well as the nature of the collateral to be provided, including as a result of updated closure plans, 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 based on current disturbance, we do not necessarily reserve cash in respect of these obligations or otherwise fund these obligations in advance or immediately upon the commencement of closure. By way of example, to preserve flexibility for potential future operations, our closure plans for Flin Flon involve putting certain assets on care and maintenance for a period of time, thereby deferring certain costs of closure. As a result, we will have significant cash expenditures when we are required to completely close and restore mine sites, including our 777 mine and Flin Flon operations and the financial assurance we are required to provide may increase in the future.

In 2022, we will be commencing the closure of our Flin Flon operations, including the 777 mine. As of December 31, 2021, on an undiscounted basis, the total estimated environmental obligations related to our Flin Flon operations were $318 million, of which approximately 25% is expected to occur over the next 15 years in connection with the closure of the Flin Flon operations, while approximately 75% of the obligations are scheduled to be incurred after the closure of the Snow Lake operations, which is currently expected in 2038 based on reserves. The full breakdown is as follows:

- $19 million for previously announced tailings stability activities that will be completed in 2022;
- $13 million for demolition costs between the cessation of operations in Flin Flon and 2030;
- $33 million for the construction and operation of a water treatment plant between 2030 and 2042;
- $46 million for demolition and tailings remediation costs after Snow Lake mining activities conclude in 2038 (based on current reserves) until 2042;
- $161 million in post-closure environmental management activities (such as water collection and treatment) from 2038 to 2122; and
- $46 million in other site management costs and remediation activities.

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.

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.

LIQUIDITY, ACCESS TO CAPITAL AND INDEBTEDNESS

As at December 31, 2021, we had cash and cash equivalents of $271.0 million as well as $346.9 million in undrawn availability under our Credit Facilities. While we expect that our current liquidity and future cashflows will be sufficient to meet our obligations in the coming year, there can be no assurances that this will be the case given a potential deterioration in metals prices and other risks associated with COVID-19.

To fund growth, secure our future reclamation obligations 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 and, in the case of the Credit Facilities, the financial maintenance covenants contained therein. Financing may not be available when needed or, if available, may not be available on terms acceptable to us. Failure to obtain or maintain 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 future growth projects.

We have a significant amount of indebtedness. After our recent bond refinancings, we have total long-term debt of approximately $1.2 billion. As a result, we have a substantial annual interest expense, including approximately $64 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 indentures 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 indentures governing the Senior Unsecured Notes restrict 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 indentures governing the Senior Unsecured Notes contain 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 indentures 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, PERMITTING 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 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 (as was the case with community protests in Peru), 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.

INFORMATION TECHNOLOGY SYSTEMS

Our operations depend, in part, on information technology (" **IT**") systems. While we regularly monitor the security of our systems, they remain vulnerable to disruption, damage or failure from a variety of sources, including but not limited to errors by employees or contractors, computer viruses, cable cuts, natural disasters, terrorism, power loss, vandalism, cyber-attacks including phishing, ransomware and similar malware, misappropriation of data by outside parties, and various other threats. 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, equipment failure that could cause other risks to be realized such as but not limited to, inaccurate recordkeeping, disclosure of confidential information, 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.

While we employ IT governance practices over our information and data, including implementing systems to monitor and detect threats, information security training for employees with access to sensitive information and data, the use of multi-factor encryption on all personal devices, the recent implementation of a formal cyber security awareness, training and testing online platform and the performance of periodic audits and penetration testing, we cannot be certain that it will be successful in securing our information and data and there may be instances where we are exposed to malware, cyber-attacks or other unauthorized access or use of our information and data. Our exposure to this risk cannot be fully mitigated because of, among other things, the evolving nature of these threats and the effects and consequences of vulnerable third parties. The techniques used to obtain unauthorized access to or sabotage our systems are under continuous and rapid evolution, and we may be unable to detect efforts to disrupt our data and systems in advance. 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.

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 and it appears there is an increased commitment by the Canadian federal government to do so. Additional government actions in different jurisdictions to regulate (and price) climate change related measures, including regulations on carbon emissions and energy and water use to achieve net-zero emissions by 2050, as well as the achievement of our own internal greenhouse gas reduction targets could increase the direct and indirect costs of our operations and may have a material adverse effect on our business. Potentially, additional rules or regulations in the United States at the state or federal level may be forthcoming with respect to greenhouse gas emissions and/or "cap and trade" legislation and could impact the economics of our future projects. If metal consuming economies implement carbon border adjustments, the relative competitiveness of our operations and the direct customer for our concentrates could be impacted.

In addition, there is increased investor attention on climate change, sustainability and environmental, social and governance (" **ESG**") issues more generally. Notwithstanding our commitment to conducting our business in a socially responsible manner and adopt a greenhouse gas reduction strategy, to the extent mining companies fall out of favour with some investors due to the industry's real or perceived impacts on climate change and we are unable to achieve our greenhouse gas reduction targets, this could negatively affect our shareholder base and access to capital.

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 and Mason projects are 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.

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 and certain other of our mining properties in the United States are 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, this is one of the issues that is in dispute and currently the subject of the US Mining Law Litigation. As a result, there can be no assurance that all of our unpatented mine and millsite claims (including those forming part of the Rosemont project) will remain valid and available for development.

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 Peru-based operations are also subject to local anti-bribery and anti-corruption laws including without limitation Law No. 30424, which imposes criminal liability for local and foreign bribery, money laundering, terrorism financing and related crimes, and Legislative Decree No. 1385 which sanctions private corruption.

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.

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.

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 select 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 AND ACQUISITION INTEGRATION

We evaluate growth opportunities and continue to consider the acquisition and disposition of exploration, development and operating 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. In addition, in the event of any such acquisition, there can be no assurance that the acquired business will be successfully integrated into our current operations.

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 261,886,655 common shares issued and outstanding as of March 25, 2022.

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.

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 Board of 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 Board of 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 September 23, 2020, we issued $600 million aggregate principal amount of 6.125% senior unsecured notes due 2029 (the " **2029 Notes**"). The proceeds of this offering were used to redeem $400 million of our outstanding 7.250% senior unsecured notes due 2023 (the "**2023 Redeemed Notes**") and to pay any related premium, costs, and expenses for general corporate purposes. The 2029 Notes have extended maturity dates, significantly reduced interest costs and a more flexible covenant structure as compared to the 2023 Redeemed Notes.

On March 8, 2021 we issued $600 million aggregate principal amount of 4.50% senior unsecured notes due 2026 (the " **2026 Notes**"). The proceeds of this offering were used to redeem $600 million of our outstanding 7.625% senior unsecured notes due 2025 (the "**2025 Redeemed Notes**"). The 2026 Notes have extended maturity dates, significantly reduced interest costs and a more flexible covenant structure as compared to the 2025 Redeemed Notes.

The 2026 Notes and the 2029 Notes (together, the " **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 and Mason projects and certain newly formed or acquired subsidiaries that primarily hold or may develop non-producing mineral assets that are in the pre-construction phase of development. 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.

On or after April 1, 2023 (in the case of the 2026 Notes), or April 1, 2024 (in the case of the 2029 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 to the applicable date of redemption, if redeemed during the twelve-month period beginning on April 1 of each of the years indicated below:

2026 Notes		2029 Notes	
Year	Percentage	Year	Percentage
2023	102.250%	2024	103.063%
2024	101.125%	2025	102.042%
2025 and thereafter	100.000%	2026	101.021%
		2027 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**") and Moody's Investors Services ("**Moody's**") on February 22, 2021 in connection with the issuance of the 2026 Notes, and from Fitch Ratings (" **Fitch**") on March 9, 2022.

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

S&P

On January 26, 2021, S&P affirmed its issuer credit and issue-level ratings of 'B' for Hudbay, affirmed its '3' recovery rating and revised its outlook to stable from negative as a result of their expectation that Hudbay will generate materially higher earnings and cashflow and improved leverage ratios as a consequence of a stronger base metals price environment. On February 22, 2021, coincident with Hudbay's announcement of the refinancing of its 2025 notes, S&P reaffirmed its ratings and outlook for Hudbay and its 2026 and 2029 notes.

S&P's corporate credit rating (or issuer 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.

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 issuer 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.

Regarding the issue-level rating, according to 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 financial obligation; and (iii) protection afforded by, and relative position of, the obligation in the event of bankruptcy or reorganization. S&P's issue-level ratings are similarly on a rating scale that ranges from AAA (highest quality) to D (lowest quality), with the ratings from 'AA' to 'CCC' having plus (+) or minus (-) modifiers. According to S&P's rating system, an issue rated 'B' indicates that the obligor has the capacity to meet its financial commitments on the obligation, but adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments on the obligation. A 'B' rating is the sixth highest of ten categories in S&P's rating system.

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.

Moody's

On February 22, 2021 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, being the 2029 Notes issued in September 2020 and the 2026 Notes which were offered on that date.

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

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 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.

Fitch

On March 9, 2022, Fitch Ratings upgraded Hudbay's Long-Term Issuer Default Rating to 'BB-' from 'B+' and affirmed our Rating Outlook as Stable. Fitch also upgraded our rating to 'BB-'/'RR4' from 'B+'/'RR4' for our Senior Unsecured Notes, being the 2029 Notes issued in September 2020 and the 2026 Notes issued in March 2021.

Fitch's credit ratings relating to issuers are an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividends, repayment of principal, insurance claims or counterparty obligations. Credit ratings relating to securities and obligations of an issuer can include a recovery expectation. Credit ratings are used by investors as indications of the likelihood of receiving the money owed to them in accordance with the terms on which they invested.

Fitch defines "investment grade" and "speculative grade" as shorthand to describe the categories 'AAA' to 'BBB' (investment grade) and 'BB' to 'D' (speculative grade), respectively, in-line with general industry practice. Investment grade categories indicate relatively low to moderate credit risk, while ratings in the speculative categories either signal a higher level of credit risk or that a default has already occurred. Credit ratings express risk in relative rank order, which is to say they are ordinal measures of credit risk and are not predictive of a specific frequency of default or loss.

Fitch's credit ratings do not directly address any risk other than credit risk. In particular, ratings do not deal with the risk of a market value loss on a rated security due to changes in interest rates, liquidity and other market considerations. However, in terms of payment obligation on the rated liability, market risk may be considered to the extent that it influences the ability of an issuer to pay upon a commitment. Ratings nonetheless do not reflect market risk to the extent that they influence the size or other conditionality of the obligation to pay upon a commitment (for example, in the case of index-linked bonds).

Fitch Long-Term issuer default ratings, as well as issue-level ratings, are on a rating scale that ranges from AAA (highest quality) to C (lowest quality). Within rating categories, Fitch may use modifiers. The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to 'AAA' ratings and ratings below the 'CCC' category.

The instrument rating for an issuer's debt (whether secured, senior unsecured, or subordinated) is notched from the issuer's or guarantor's IDR. Rated entities with IDRs of 'BB–' and above usually have senior unsecured instrument ratings at the same level as the IDR, reflecting average (around 40%) rates of recovery across all sectors. For entities rated 'B+' and below, Fitch undertakes a 'bespoke' analysis of recovery upon default for each instrument. The resulting instrument rating reflects the Recovery Rating ("**RR**") (graded from 'RR1' to 'RR6'), and is notched from the IDR accordingly. Fitch divides the spectrum of recovery percentages from 0% to 100% within the six categories of RRs.

The credit ratings and stability ratings we received from S&P, Moody's and Fitch are not a recommendation to buy, sell or hold our securities and may be subject to revision or withdrawal at any time by any such credit rating organization. S&P, Moody's and Fitch 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 (2021)	**High (C$)**	**Low (C$)**	**Volume (common shares)**	**High ($)**	**Low ($)**	**Volume (common shares)**
January	9.85	6.92	25,591,663	7.76	5.40	22,751,853
February	10.58	7.47	26,652,784	8.39	5.80	26,222,687
March	9.67	7.24	35,347,414	7.72	5.73	33,268,829
April	10.67	8.59	36,176,769	8.54	6.84	28,738,488
May	11.62	8.46	36,691,656	9.60	7.01	38,781,831
June	9.44	7.35	34,771,824	7.84	5.95	37,711,070
July	9.25	7.54	30,725,232	7.43	5.90	36,957,383
August	8.77	6.71	25,619,664	7.31	5.22	28,335,607
September	8.39	6.70	30,939,802	6.64	5.22	34,711,516
October	9.37	7.43	25,208,287	7.57	5.88	25,809,575
November	9.34	8.03	32,047,092	7.44	6.46	25,034,550
December	9.34	8.05	22,932,074	7.36	6.22	19,020,592

On March 25, 2022, the closing prices of our common shares on the TSX and NYSE were C$9.98 and $8.02 per common share, respectively.

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

Carol T. Banducci *Mississauga, Ontario, Canada*	Director since: May 4, 2017 Committee membership: • Audit Committee (Chair) • Environmental, Health, Safety and Sustainability ("**EHSS**") Committee	Ms. Banducci retired as Executive Vice President and Chief Financial Officer of IAMGOLD Corporation on March 31, 2021. She joined IAMGOLD in July 2007, and, as EVP and CFO she was involved with developing and driving strategy and capital allocation and oversaw all aspects of the company's finance, information technology and investor relations functions. She is currently a corporate director.
Igor Gonzales *London, England*	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 Appian Capital as Chief Operating Officer in June 2020 following over three years as President and CEO of Sierra Metals. Prior to that, he was with Compañia de Minas Buenaventura S.A.A. from November 2014 to May 2017, serving as Vice President of Operations and Barrick Gold Corporation from 1998 to 2013, serving as President of Barrick Gold South America for seven years, and later as Executive Vice President and Chief Operating Officer.

Richard Howes *Chelmsford, Ontario, Canada*	Director since: May 7, 2019 Committee memberships: • Compensation and Human Resources ("**CHR**") Committee • Technical Committee	Mr. Howes retired as President and Chief Executive Officer of Dundee Precious Metals Inc. in May 2020. He joined Dundee Precious Metals in early 2009 as General Manager and Executive Director. In 2010 he was appointed Executive Vice President and Chief Operating Officer and in 2013 was appointed Chief Executive Officer. He is a Professional Mining Engineer with extensive open pit and underground experience and executive management and board experience. He is currently a corporate director.
Sarah B. Kavanagh *Toronto, Ontario, Canada*	Director since: July 31, 2013 Committee memberships: • EHSS Committee (Chair) • Corporate Governance and Nominating ("**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: • 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.
Peter Kukielski *Toronto, Ontario, Canada*	Director since: May 7, 2019 Committee memberships: • None	Mr. Kukielski was appointed President and Chief Executive Officer in January 2020 after serving as Interim Chief Executive Officer since July 2019. Mr. Kukielski was President and Chief Executive Officer of Nevsun Resources Ltd. from May 2017 until its acquisition in December 2018. From 2013 to 2017, Mr. Kukielski was Chief Executive Officer of Anemka Resources and from 2008 to 2013, he was the Chief Executive, Mining for ArcelorMittal. From 2006 to 2008, Mr. Kukielski was the Chief Operating Officer of Teck Resources. From 2001 to 2006, he was with Falconbridge (originally Noranda) in senior roles, including Chief Operating Officer.
Stephen A. Lang *Columbia, Missouri, United States*	Director since: October 3, 2019 Committee memberships: • CHR Committee • CGN Committee • Technical Committee	Mr. Lang was appointed Chair of Hudbay's Board of Directors in October 2019. He was Chief Executive Officer of Centerra Gold Inc. from 2008 to 2012 and served as Centerra's Board Chair from 2012 to 2019. Mr. Lang has also held positions at Stillwater Mining Company, Barrick Gold Corporation, Rio Algom Limited and Kinross Mining Corporation. He is currently a corporate director.
Daniel Muñiz Quintanilla *Madrid, Spain*	Director since: May 7, 2019 Committee memberships: • Audit Committee • EHSS Committee	Mr. Muñiz Quintanilla was a member of the Board of Directors and Executive Vice President of Southern Copper, previously acted as Executive President & Chief Executive Officer of Industrial Minera Mexico S.A. de C.V. and also acted as Chief Financial Officer of Grupo Mexico. He is currently a corporate director.
Colin Osborne *Burlington, Ontario, Canada*	Director since: May 2018 Committee memberships: • Technical Committee (Chair) • Audit Committee	Mr. Osborne is President and Chief Executive Officer of Samuel Son & Co. Limited, a $5 billion company focused on providing metal solutions to a variety of end markets. 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.

David S. Smith *West Vancouver, British Columbia Canada*	Director since: May 7, 2019 Committee memberships: • CGN Committee (Chair) • CHR Committee	Mr. Smith served as the Chief Financial Officer and Executive Vice President of Finning International Inc. from 2009 to 2014. Prior to joining Finning, Mr. Smith served as Chief Financial Officer and Vice President of Ballard Power Systems, Inc. from 2002 to 2009. Previously, he spent 16 years with Placer Dome Inc. (now Barrick) in various senior positions and 4 years with PriceWaterhouseCoopers. 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

Peter Kukielski *Toronto, Ontario, Canada* President and Chief Executive Officer	For biographical information for Mr. Kukielski, refer above to the heading "Board of Directors".
Steve Douglas *Oakville, Ontario, Canada* Senior Vice President and Chief Financial Officer	Mr. Douglas joined Hudbay as Senior Vice President and Chief Financial Officer effective June 30, 2020. Mr. Douglas has over 25 years of resource industry and finance leadership experience. Mr. Douglas was Senior Vice President and Chief Financial Officer at Agrium Inc. prior to its merger with Potash Corporation of Saskatchewan Inc. and served as Executive Vice President and Chief Integration Officer at its successor corporation, Nutrien Inc., until January 2019.
André Lauzon *Tucson, Arizona, United States* Senior Vice President and Chief Operating Officer	Mr. Lauzon was appointed Senior Vice President and Chief Operating Officer on January 4, 2022. Mr. Lauzon was previously Vice President, Arizona Business Unit from 2018 to 2021, 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, northern Ontario and the US.
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.
Peter Adamek *Toronto, Ontario, Canada* Vice President, Finance	Mr. Adamek was appointed Vice President, Finance in May 2019, overseeing financial reporting and information systems and technology. Since joining Hudbay in 2010, Mr. Adamek has held several progressively senior management roles, most recently as CFO for the Arizona Business Unit. Mr. Adamek has over 20 years of experience in a broad range of fields including corporate finance, capital markets, equity research and public audit. Prior to joining Hudbay, Mr. Adamek worked in equity research with RBC Capital Markets.
Peter Amelunxen *Toronto, Ontario, Canada* 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 *Sudbury, 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 over 30 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.

Candace Brûlé *Pickering, Ontario, Canada* Vice President, Investor Relations	Ms. Brûlé was appointed Vice President, Investor Relations in November 2021. She joined Hudbay in 2010 with a focus on corporate development and worked closely with the operational and technical teams to execute the acquisition of Constancia. Ms. Brûlé has nearly 15 years of experience in capital markets, corporate development and investor relations in the mining sector. She started her career in global mining investment banking at Macquarie Capital Markets.
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 and USA	Mr. Del Rio was appointed Vice President, South America and USA on January 4, 2022. Prior to his current role, Mr. Del Rio was Vice President, South America Business Unit from 2017 and Executive Director, Business Development - South America from 2010 to 2017. Mr. Del Rio has over 25 years of mining experience and 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.
Olivier Tavchandjian *Canmore, Alberta, 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 25, 2022, our directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 661,106 common shares, representing less than 0.3% of the total number of common shares outstanding.

CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES AND SANCTIONS

Stephen A. Lang was a director of Hycroft Mining Corporation ("**Hycroft**"), (formerly Allied Nevada Gold Corp.) which, on March 10, 2015, together with certain of its direct and indirect subsidiaries, filed voluntary petitions of relief under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "**Delaware Bankruptcy Court**"). On October 8, 2015, Hycroft's Plan of Reorganization was approved by the Delaware Bankruptcy Court, and effective October 22, 2015, Hycroft completed its financial restructuring process and emerged from Chapter 11 bankruptcy.

Carin S. Knickel was a director of Whiting Petroleum Corp. ("**Whiting**") which, on March 31, 2020, together with certain of its subsidiaries, commenced voluntary Chapter 11 cases under the United States Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of Texas (the "**Texas Bankruptcy Court**"). On September 1, 2020, Whiting announced that it has successfully completed its financial restructuring and emerged from Chapter 11 protection. Whiting officially concluded its reorganization after completing all required actions and satisfying the remaining conditions to its Plan of Reorganization.

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, monitoring the performance and independence of our external auditors, monitoring the performance of our internal audit function and the design and ongoing review of our risk management system. 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 2021 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, 2021, the Audit Committee consisted of Carol T. Banducci (Chair), Daniel Muñiz Quintanilla 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. Banducci retired as Executive Vice President and Chief Financial Officer of IAMGOLD Corporation on March 31, 2021. She joined IAMGOLD in July 2007, and, as EVP and CFO, she was involved with developing and driving strategy and capital allocation and oversaw all aspects of the company's 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. Muñiz Quintanilla was a member of the Board of Directors and Executive Vice President of Southern Copper, previously acted as Executive President & Chief Executive Officer of Industrial Minera Mexico S.A. de C.V. and also acted as Chief Financial Officer of Grupo Mexico. In the past, he worked at the Law Firms Cortes, Muniz y Nunez Sarrapy, Mijares, Angotia Cortes y Fuentes, and Baker & McKenzie. He holds a Masters degree in Business Administration from Instituto de Empresa and a Masters degree in Financial Law from Georgetown University.

Mr. Osborne is President and Chief Executive Officer of Samuel Son & Co., Limited, a $5 billion company focused on providing metal solutions to a variety of end markets. In this position, which he has held since 2018, Mr. Osborne oversees all aspects of the company including corporate functions. Within Samuel, Mr. Osborne held prior roles of President - Samuel Service Centers and Automotive, and President - Samuel Manufacturing Division. Before joining Samuel in 2015, Mr. Osborne was President and Chief Executive Officer of Vicwest Inc., a publicly traded industrial products company with operations in North America, Europe, South America and installations on six continents. Earlier in his career, Mr. Osborne held senior leadership positions at Stelco Inc. including COO and EVP Strategy, where his duties included overseeing mining operations. Mr. Osborne has extensive board experience and currently also sits on the Board of Samuel, Son & Co. Previously, Mr. Osborne sat on the board of numerous public and private equity run businesses including Strongco Inc. and TMS International (Onex and TPO). He holds a Bachelor of Engineering in Mining and Metallurgy from McGill University and has completed the Executive Management Program from the Smith School of Business at Queen's 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, 2021 and 2020.

Category of Fees	2021	2020
Audit fees	C$2,405,438	C$2,040,365
Audit-related fees	C$202,539	C$311,853
Tax fees	-	-
All other fees	$80,000	-
Total	**C$2,687,977**	**C$2,352,218**

"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. "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 pursuant to the agreement with Waterton or as otherwise disclosed in this AIF, since January 1, 2019, 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, 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, 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 Indenture dated as of September 23, 2020 with U.S. Bank National Association, as trustee, governing the Senior Unsecured Notes expiring in 2029;

5. the Indenture dated as of March 8, 2021 with U.S. Bank National Association, as trustee, governing the Senior Unsecured Notes expiring in 2026;

6. the Fifth Amended and Restated Credit Facility with the lenders party thereto from time to time and the Canadian Imperial Bank of Commerce, as administrative agent, dated as of October 26, 2021, providing for a four-year $300 million revolving credit facility; and

7. the Third Amended and Restated Credit Facility with the lenders party thereto from time to time and the Canadian Imperial Bank of Commerce, as administrative agent, dated as of October 26, 2021, providing for a four-year $150 million revolving credit facility.

QUALIFIED PERSONS

The scientific and technical information contained in this AIF has been approved by Olivier Tavchandjian, P.Geo., our Vice President, Exploration and Geology. Mr. Tavchandjian is a qualified person 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

Olivier Tavchandjian, P.Geo., is an expert who has prepared certain technical and scientific reports for us. As at the date hereof, to our knowledge, Mr. Tavchandjian beneficially owns, directly or indirectly, less than 1% of our outstanding securities and has 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 with respect to the Company within the meaning of the rules of professional conduct of the Chartered Professional Accountants of Ontario and within the meaning of the Securities Act of 1933, as amended and the applicable rules and regulations thereunder adopted by the SEC and the Public Company Accounting Oversight Board (United States) (PCAOB).

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans, as applicable, is contained in our management information circular dated April 9, 2021. Additional financial information is provided in our financial statements and management's discussion and analysis for the fiscal year ended December 31, 2021.

Additional information relating to the Company may be found on SEDAR at www.sedar.com and 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"	That part of a measured or indicated mineral resource which could be economically mined, 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 categories of proven mineral reserves and probable mineral reserves.
"preliminary economic assessment"	Means a study, other than a pre-feasibility or feasibility study, that includes an economic analysis of the potential viability of mineral resources;
"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 categories of measured mineral resource, indicated mineral resource and inferred mineral resource.
"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 Mining Inc. (" **Norsemont**"). We own a 100% interest in the 66 mining concessions (covering an area of 43,536 hectares) that comprise Constancia, all of which are duly registered in the name of our wholly-owned subsidiary, HudBay Peru S.A.C. 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.

We have entered into life-of-mine agreements with the neighbouring communities of Chilloroya and Uchucarcco. These agreements provide us the surface rights required for operations at both the Constancia and Pampacancha mine sites 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.

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

Hudbay has obtained approval of a third amendment to the Environmental and Social Impact Assessment (ESIA) (ESIA MOD III) that will allow for the optimization of the water balance and management plan, an alternate road for transportation of the concentrate, improvements to the TMF dike design criteria and other benefits. With the ESIA MOD III approved, the specific permitting processes and mine closure plan amendments will commence.

The Ministry of Energy and Mines authorized the start of the exploitation activities for the Pampacancha pit in December 2020. This permit included the Prior Consultation process with the community of Chilloroya. Hudbay has also received approval for all the operating permits required for the Pampacancha mine which reached steady state production in the fourth quarter of 2021.

Constancia and Pampacancha are subject to the following tax regime and agreement 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 the silver production and 50% of the gold production from Constancia and Pampacancha is subject to our stream agreement with Wheaton Precious Metals, as described in this AIF.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Constancia and Pampacancha are 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.

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 kilometre sealed road (National Route PE-3SG) from Yauri to the Livitaca turn-off and approximately 10 kilometres 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.

The combined maximum demand for electricity by Constancia and Pampacancha is estimated to be 96 MW with an average load of 85 to 90 MW in the next 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.

Copper concentrate is shipped from the Constancia site via road (~460 kilometres) 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 thousand tonne 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.

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 and in March, 2008, Norsemont acquired the remaining 19% interest held by Rio Tinto. Norsemont acquired the 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.

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 skarn component of the mineralization is more prevalent along the Yanak fault on the western margin of the Constancia deposit. Recent drilling conducted in 2019-2020 has confirmed a 300m extension of both high grade skarn and shallow porphyry mineralization to the north of deposit into the Constancia North area.

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 aeromagnetic 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.

Future exploration efforts are anticipated to focus on Hudbay's prospective satellite properties located within trucking distance of the Constancia mill, as described in this AIF.

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. In 2019 and 2020, 36 diamond drill holes were completed in order to define the geometry and extent of high grade skarn zones and porphyry mineralization at the Constancia Norte satellite deposit. The various drilling campaigns conducted at Constancia and Pampacancha totaled 225,000 meters of drilling with approximately 93% of the drilling being conducted by diamond drilling (coring) methods and only 7% done by reverse circulation (RC).

Out of the total drilling completed over the two deposits, 492 holes (143,818m) 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.

1,849 and 633 bulk density measurements were respectively used for the resource block models of Constancia and Pampacancha. These measurements were conducted at ALS Chemex, Certimin and Bureau Veritas laboratories 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 and the 2019 drilling programs, 14% of blanks and 5% of standards were inserted at site, prior to dispatching the core boxes to Certimin, Bureau Veritas or SGS laboratories. In addition, 10% of all the pulps samples and 6% 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.

During the 2019-2020 drilling campaign, all the samples were prepared at the Constancia mine laboratory and dispatched to Bureau Veritas for ICP analysis. 5% blanks and 15% standards were inserted at site, before samples preparation and after samples preparation, to monitor both the sample preparation and the assaying, Finally, coarse and pulp rejects were reclaimed and re-assayed at Bureau Veritas Lima. Selected pulps we also dispatched to the Umpire lab (SGS Lima). The inserted blanks and standards analyzed by Bureau Veritas and SGS were submitted as "blind".

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.

In 2017, 17 holes representing over 4,167 metres 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 twin hole evidenced an under-estimation bias in the copper grade in the historical drilling for the supergene portion of the Constancia deposit. A robust correction was developed to address this grade bias.

In 2020, Hudbay conducted a systematic revalidation of the drillhole database used in the MineSight software for resource modeling by comparing 5% of the entire database to the original laboratory certificates. From the 4089 samples tested, only 4 samples were found to have different values than in the original certificates representing 0.09% of the total and therefore the database can be considered very reliable. A comparison with the previous version of the resource modelling database used between 2014 and 2019 evidenced that element precision had been truncated to the second decimal place in the past resulting in an under-estimation in gold grade in the 2019 database and no significant differences for the other metals of economic interest. The under-estimation in gold grade is close to 10% and has been corrected, contributing to an improvement in the gold grade in the updated mineral resource and mineral reserve estimates.

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 acceptable 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. Engineering studies continue to progress the addition of Pebble Crushers to the comminution circuit to address the increase in ore hardness of the hypogene ore.

Metallurgical testwork was finalized in 2021 for the Pampacancha ore and has confirmed the ore recovery and throughput assumptions currently used in the Life of Mine plan. Ore hardness (100 samples) and flotation response (40 samples) variability testing was completed on samples distributed throughout the mineable reserve.

For the production year 2021, the Constancia plant achieved an average copper recovery of 84.9%. 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, 2022. 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. Multi pass ordinary kriging interpolation setup was used to interpolate the grades in the block model while honouring the geology.

In 2021, a reconciliation between the reserve model and the reported production from the Constancia and Pampacancha mines as credited by the mill continued to show extremely close results with tonnes, grade and quantity of copper all reproduced within less than 1% at both mine sites.

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 569.4 million tonnes of waste and 532.5 million tonnes of ore, yielding a waste to ore stripping ratio of 1.1. An average life of mine mining rate of 77 million tonnes per annum, with a maximum of 81.0 million tonnes per annum through the first 13 years, will be required to provide the assumed nominal process feed rate of approximately 31.3 million tonnes per annum. The ore production schedule for the life of mine shows average grades of 0.31% Cu, 89 g/t Mo, 0.07 g/t Au and 3.0 g/t Ag.

Reconciliation of Reserves and Resources

There have been no changes to the Constancia resource model and only minor mine plan adjustments were incorporated in order to account for the increase in metal prices. As for the Pampacancha resource model, several modifications were introduced in 2021 in order to fully align the resource reporting criteria between Constancia and Pampacancha.

In 2021, Hudbay completed a trade-off study and an internal preliminary economic assessment of the technical and economic viability of mining a portion of the Constancia Norte high grade skarn mineralization for which only a small part was included in the open pitable mineral resource estimates due to high strip ratios. The outcome of this evaluation was positive and an inferred mineral resource estimate of 6.5 million tonnes at 1.2% Cu amenable to underground mining was added in 2021 to the mineral resource inventory. Hudbay intends to conduct infill drilling and an internal pre-feasibility study to confirm the conversion of this underground mineral resource to mineral reserve estimates and its inclusion in the life of mine plan of the Constancia operations.

Constancia

Constancia - January 1, 2022						
Constancia Mineral Reserve Reconciliation (Proven & Probable)	**Tonnes**	**Cu (%)**	**Mo (g/t)**	**Ag (g/t)**	**Au (g/t)**	**Cu (t)**
A 2021 Mineral Reserve	492,600,000	0.29	83	2.90	0.042	1,418,000
B 2021 Production / Depletion (from Reserve)	-19,500,000	0.37	125	1.82	0.024	-71,800
C (A-B) = Depleted Reserve	473,100,000	0.28	81	2.95	0.043	1,346,200
D5 Mine Planning Gain/(Loss)	9,900,000	0.11	44	1.63	0.015	10,700
E 2022 Mineral Reserve (C+D) including stocks	483,000,000	0.28	81	2.92	0.042	1,356,800

Constancia Mineral Resource Reconciliation (exclusive of mineral reserves) Measured & Indicated	Tonnes	Cu (%)	Mo (g/t)	Ag (g/t)	Au (g/t)	Cu (t)
F 2021 Mineral Resource	243,500,000	0.22	65	2.08	0.038	538,000
G 2021 Depletion (conversion to Reserve)	0					
H (F-G) = Depleted Resource	243,500,000	0.22	65	2.08	0.038	538,400
I Economic re-evaluation Gain/(Loss)	-1,500,000					
J 2022 Mineral Resource (H+I)	242,000,000	0.22	64	2.07	0.038	533,300

Constancia Mineral Resource Reconciliation (exclusive of mineral reserves) Inferred	Tonnes	Cu (%)	Mo (g/t)	Ag (g/t)	Au (g/t)	Cu (t)
K 2021 Mineral Resource	46,600,000	0.30	73	2.72	0.054	139,000
L 2021 Mineral Resource (Depletion)	-100,000	0.77	0	5.49	0.199	-400
M (K-L) = Depleted Resource	46,500,000	0.30	73	2.71	0.054	138,600
N Economic re-evaluation Gain/(Loss)	4,500,000	0.33	119	2.43	0.052	14,800
O Constancia Norte underground resource	6,490,000	1.20	69	8.62	0.137	77,800
P 2022 Mineral Resource (M+N+O)	57,490,000	0.40	76	3.36	0.063	231,200

Pampacancha

Pampacancha - January 1, 2022						
Pampacancha Mineral Reserve Reconciliation (Proven & Probable)	**Tonnes**	**Cu (%)**	**Mo (g/t)**	**Ag (g/t)**	**Au (g/t)**	**Cu (t)**
A 2021 Mineral Reserve	39,900,000	0.60	177	4.70	0.36	238,000
B 2021 Production / Depletion (from Reserve)	-5,200,000	0.27	179	3.46	0.23	-13,500
C (A-B) = Depleted Reserve	34,700,000	0.65	177	4.90	0.38	224,500
D Mine Planning Gain/(Loss)	3,300,000	0.67	204	9.58	0.21	21,700
E 2022 Mineral Reserve (C+D) including stocks	38,000,000	0.65	179	5.30	0.36	246,200

Pampacancha Mineral Resource Reconciliation (exclusive of mineral reserves) Measured & Indicated	Tonnes	Cu (%)	Mo (g/t)	Ag (g/t)	Au (g/t)	Cu (t)
F 2021 Mineral Resource	17,400,000	0.39	95	5.02	0.258	69,000
G 2021 Depletion (conversion to Reserve)	-200,000	0.14	45	2.47	0.210	-600
H (F-G) = Depleted Resource	17,200,000	0.40	96	5.05	0.260	68,400
I Economic re-evaluation Gain/(Loss)	-6,600,000					
J 2022 Mineral Resource (H+I)	10,600,000	0.37	75	5.83	0.280	39,700

Pampacancha Mineral Resource Reconciliation (exclusive of mineral reserves) Inferred	Tonnes	Cu (%)	Mo (g/t)	Ag (g/t)	Au (g/t)	Cu (t)
K 2021 Mineral Resource	10,100,000	0.14	143	3.86	0.233	14,000
L 2021 Mineral Resource (Depletion)	-200,000	0.23	226	4.18	0.120	-200
M (K-L) = Depleted Resource	9,800,000	0.14	141	3.85	0.240	13,800
N Economic re-evaluation Gain/(Loss)	-3,000,000					
O 2022 Mineral Resource (M+N)	6,800,000	0.33	102	5.01	0.290	22,700

Notes:
1. Totals may not add up correctly due to rounding.
2. Mineral resources are exclusive of mineral reserves and do not have demonstrated economic viability.
3. Long term metal prices of $3.45 per pound copper, $11.00 per pound molybdenum, $1,500 per ounce gold and $20.00 per ounce silver were used to estimate open pit mineral reserves and resource.
4. Open pit mineral reserves and resources are estimated using a minimum NSR cut-off of $6.40 per tonne while the underground inferred resource of Constancia Norte is based on a 0.65% Cu cut-off grade.
5. Metallurgical recoveries are applied by ore type and assumed to be 86% on average for the life of mine. Mineral resources are not mineral reserves as they do not have demonstrated economic viability. The above mineral resource is exclusive of mineral reserves.

Mining Operations

The Constancia mine is a traditional open pit shovel/truck operation with two deposits: Constancia and Pampacancha. The operation consists of 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.

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 cubic metre class hydraulic shovels, 19 cubic metre front-end loaders, and 240 ton off-highway haul trucks.

Processing and Recovery Operations

In 2021, the processing plant achieved its nominal throughput capacity of 85,165 tonnes per day of ore (28.8 million tonnes per annum at 92.7% plant availability).

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 has enhanced 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 and commissioned. These initiatives were part of an overall automation plan integrated into the processing plant system.

Capital and Operating Costs

Growth capital expenditures include several projects at the mine and process plant while sustaining capital expenditures include 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 forecasted life of mine capital and operating costs are set out in the Constancia Technical Report. Cost inflation, changes to the mine plan and other factors may cause these costs to fluctuate over the life of mine and, as such, Hudbay provides an annual guidance range each year based on current assumptions. The guidance range for capital and operating costs for 2022 is set out in Hudbay's management's discussion and analysis for the year ended December 31, 2021.

The information presented in this section is forward looking information. See "Cautionary Statement on Forward-Looking Information" and "Risks and Uncertainties" in this AIF.

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 while the Pampacancha mine achieved commercial production in the third quarter of 2021.

In addition, as described in the AIF, we acquired a large, contiguous block of mineral rights to explore for mineable deposits within trucking distance of the Constancia processing facility in 2018. While drilling has commenced on the Quehuincha target, community agreements and permits will be required to commence exploration activities on the other lands.

LALOR AND OTHER SNOW LAKE ASSETS

Project Description and Location

Lalor is a gold, zinc and copper mine near the town of Snow Lake in the province of Manitoba. Lalor is located approximately 200 kilometres mostly by paved highway east of Flin Flon, Manitoba. 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.

The town of Snow Lake is a full-service community with available housing, hospital, police, fire department, potable water system, restaurants and stores. To house non-local employees during their work rotations, the Company provides a camp located in town which services Hudbay employees and contractors for the mine and mill operations. Other infrastructure in the area includes provincial roads, a 115 kV Manitoba Hydro power grid within four kilometres of Lalor and Manitoba Telecom land line and cellular phone service.

As described in this AIF, Hudbay operates two processing facilities in the Snow Lake area that process ore production from the Lalor mine The Stall concentrator produces zinc and copper concentrates and our recently refurbished New Britannia mill produces copper concentrate and gold/silver doré.

Hudbay also operates a zinc metallurgical plant in Flin Flon with a capacity of 115,000 tonnes per annum of refined zinc. However, as described in this AIF, Hudbay intends to close the zinc plant once the 777 mine reserves are depleted in mid 2022. After the zinc plant closure, the zinc concentrates produced from the Stall mill will be sold to market.

In February 2019, Hudbay announced the discovery of the 1901 deposit located less than 1,000 metres from the existing ramp between the former Chisel mine and Lalor and benefiting from the proximity of existing infrastructure. In 2020 and 2021, Hudbay conducted infill drilling, metallurgical testing and a pre-feasibility study that confirmed the technical and economic viability of the indicated and measured portion of the mineral resource estimates at 1901 and highlighted the exploration potential to increase both the mineral resource and mineral reserve estimates through the discovery of a copper-gold rich feeder lens.

The WIM deposit was acquired by Hudbay in 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 north of the New Britannia mill. Access is currently via a winter road, and so a year-round gravel road is required for accessing WIM from New Britannia. Powerlines along the access road will also be required to feed the underground electrical distribution system.

The New Britannia mine 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, such as rehabilitating the existing portal and ramp development at 3 Zone.

3 Zone is currently accessible via road and located approximately 3 kilometres (by road) northwest of New Britannia mill. Like WIM, 3 Zone requires powerlines along the access road, and year-round maintenance to the access road to site. Other surface infrastructure needed to support mining activities at WIM and 3 Zone include maintenance and warehouse facilities, fuel farms and storage tanks, and a mine safety and crew lineup space and changehouse. It is envisaged that main administration offices will be centralized at either New Britannia mill or Lalor mine site.

Pen II is a low tonnage and high-grade zinc deposit that starts from surface and is located approximately 6 kilometres by road from the Lalor mine. Access is currently via winter road, with potential for an all-weather road to be established north of Lalor mine around Lalor Lake and to the Pen II site.

The Watts deposit is located approximately 100 kilometres by road from the Stall mill and is near existing Manitoba Hydro powerlines. It is between 50 and 900 metres below surface, and in 2019 Hudbay conducted a limited drill program which has successfully extended known high grade copper mineralization along the strike of the ore body.

For all the properties mentioned above, Hudbay owns a 100% interest. Aside from a 1.5% royalty on 3 Zone, there are no other royalties payable other than those potentially payable to the province. Surface rights are held under general permits and are sufficient for purposes of our development plans.

In 2020, Hudbay exercised its buy back right to regain 51% ownership of the Talbot deposit that had been optioned to Rockcliff Metals Corp. ("**Rockcliff**") in 2014. The Talbot deposit is located approximately 200km southeast of the Stall and New Britannia mills. Rockcliff conducted several drilling campaigns between 2014 and 2019 that led to the declaration by Rockcliff of a NI 43-101 indicated mineral resource estimate of 2.2 million tonnes at 2.3% Cu, 2.1 g/t Au, 1.8% Zn, 36 g/t Ag and inferred mineral resource of 2.4 million tonnes at 1.1% Cu, 1.9 g/t Au, 1.7% Zn, 25.8 g/t Ag. Hudbay has the right to extend its ownership to 65% by incurring expenses related to the development of the project and for the purpose of this report relies on the mineral resource estimates reported by Rockcliff.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

At Lalor, 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, tailings/discharge pipelines for the Paste Plant and a main hydro line. Access to the site is off 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 gallon per minute 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**") and a capacity expansion has been approved to accommodate our planned future operations.

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

History

The Snow Lake area has a long exploration and mining history. Exploration in the Lalor-Chisel area has been occurring since the 1950s and the Chisel Basin area has hosted four past producing mines. This basin is also the host of the Lalor deposit. Lalor commenced initial ore production from the ventilation shaft in August 2012, only five years after its initial discovery hole and achieved commercial production from the main shaft in the third quarter of 2014.

Gold was first discovered in 1914 approximately 20 kilometres to the southeast of Snow Lake and in 1917, the Moose Horn-Ballast claims produced the first gold in Manitoba. First mine construction at the New Britannia site started in 1945 and in March 1949, the mine was opened as the Nor-Acme mine. Production continued until 1958. 4.9 million tonnes were mined at an average grade of 4.4 g/t and Nor-Acme mill recovered approximately 610,000 ounces of gold during this production period. TVX and High River formed a joint venture to reopen the mine and TVX became the operator. Full production from the main shaft was achieved in August 1996. Through various transactions, Kinross became the operator of the New Britannia mine-mill complex. Production ceased at the end of September 2004 and the mill was put on care and maintenance in 2005 due to a low gold price environment after producing 1.6 million ounces of gold.

Geological Setting

The Snow Lake deposits including Lalor are all located within the Trans-Hudson Orogen of the Flin Flon Greenstone Belt. The volcanic assemblages consist of mafic to felsic volcanic rocks with intercalated volcanogenic sedimentary rocks.

The volcanogenic massive sulphide (VMS) deposits located near the town of Snow Lake have been subdivided into two different groups: Cu-Zn-rich (Cu-Zn, Cu-Zn-Au) and Zn-Cu-rich (Zn-Pb-Cu-Ag) types. The Cu-Zn-rich deposits mainly occur in the Anderson sequence and the Zn-Cu-rich deposits occur in the Chisel sequence. The Watts and Talbot deposits, located east-southeast of the town of Snow Lake lies in the eastern portion of the Flin Flon-Snow Lake Greenstone belt and is a stratabound accumulation of sulphides that precipitated in a depositional environment similar to the base metal deposits of the Snow Lake mining camp.

Mineralization of the lode-gold vein-type deposits are hosted in the Amisk group mafic and felsics volcanic rocks which are structurally controlled and associated with shear zones, faults, fold hinges and axial planes that host simple to complex vein systems. The mineralization is associated with lithological contacts of contrasting properties in the sequence of interlayered volcanic and volcaniclastic rocks.

Drilling

At Lalor, over 4,563 drill holes totaling more than 705,575 metres were included in the Lalor database to support the mineral resource and mineral reserve estimates.

Drilling supporting the 1901, Watts, Pen II and Wim mineral resource and mineral reserve estimates totals 75,500 metres, 25,000 metres, 2,000 metres and 43,000 metres, respectively.

For the New Britannia resource estimates including the 3 Zone and Birch zones, over 730,000 metres of drilling completed after 1995 was used. Drilling at all properties is a combination of NQ and BQ diamond drill holes, surveyed with either Reflex downhole tools or Gyro for deeper/longer holes.

Mineralization

The Lalor deposit and its associated 1901 satellite zone are interpreted as a gold enriched volcanogenic massive sulphide ("**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 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 1,400 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. 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.

The WIM deposit comprises a stratabound, semi-massive to massive sulphide lens with an adjacent stringer/disseminated sulphide zone. Mineralization is characterized by disseminated to massive, recrystallized and medium to coarse grained pyrite, pyrrhotite, chalcopyrite and minor sphalerite. The VMS mineralization extends from surface to 720 m below surface with a strike length of 725 m with an average thickness of 10 m. The WIM deposit is conformable to stratigraphy, trends to the northwest at a N310º azimuth, a 40-45º dip towards the northeast and a plunge of 40º to the north.

The Snow Lake Gold Properties including No. 3 and Birch zones belong to the quartz-carbonate vein gold subtype of orogenic lode gold deposits. This subtype of gold deposits consists of simple to complex quartz carbonate vein systems associated with brittle-ductile rock behaviour, corresponding to intermediate depths within the crust, and compressive tectonic settings.

At Watts, sulphide intersections can be up to 23m in core length, with a lateral extent of approximately 1,200m. Diamond drilling has intersected mineralization at depths of 850m below surface. Mineralization was intersected and interpreted as three lenses; Main Lens, Main Footwall Lens, and East Lens comprised of coarse-grained pyrite, pyrrhotite, chalcopyrite, sphalerite, and minor galena. The sulphides have generally been recrystallized to a coarse grain size, but sections of finer grained sulphides do occur.

The Pen II deposit comprises a stratabound, semi-massive to massive sulphide lens with an adjacent stringer/disseminated sulphide zone. Mineralization is characterized by disseminated to massive, recrystallized and medium to coarse-grained sphalerite, pyrite, pyrrhotite and minor chalcopyrite. The mineralization extends from surface to 500 m below surface. The current strike length of the deposit is 400 m with an average thickness of 4 m. The deposit is conformable to stratigraphy, trends to the northeast at a N40º azimuth, a 45-65º dip towards the northwest.

Sampling Methods

As per Hudbay's standard procedures in Snow Lake, 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 0.9 metres. The core was photographed before samples were split and bagged for shipment before dispatch to the laboratories.

Sampling and Analysis

Sample preparation has been conducted at three different laboratories over time. Prior to 2016, 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.

Since September 2016, nearly all samples are prepared and assayed at Bureau Veritas in Vancouver. All drill core samples have been sent for analysis at Bureau Veritas while the SGS laboratory in Vancouver was used as the umpire laboratory for quality control purposes. Copper, zinc and silver were digested in aqua regia and analyzed by inductively coupled plasma optical emission spectrometry (ICP-OES) and more recently in 2016 by inductively coupled plasma mass spectrometry (ICP-MS). Samples with copper and zinc over the upper limit of detection (ULD) were analyzed by titration, whereas those samples with silver values over the ULD were analyzed by fire assay and gravimetric finish. Gold was determined by fire assay followed by atomic absorption spectroscopy (AAS).

The sampling methodology, analyses and security measures used by the previous owners at New Britannia have been documented in the Technical Report produced by Genivar for Alexis Resources in 2011 and available on SEDAR. Most of the drill cores and chips assays from 1995 to 2003 from the New Britannia mine were completed at the on-site mill laboratory using a fire assay/atomic absorption finish (FA/AA) method. Standard, blank and duplicate assay samples were added to each batch of 21 samples for drill core and to each batch of 24 samples for chip samples. The sampling and analytical procedures conformed to the industry standards at the time, and these were adequate to ensure a representative determination for the type of gold mineralization identified on the property. In 2019, 6 holes drilled by Hudbay at 3 Zone confirmed previous drilling results.

As of January 1, 2022, a total of 94,548 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.

Quality Assurance and Quality Control

QAQC samples were inserted into the sample stream. Hudbay's practice involves insertion of the following every 100 samples; 5 blanks, 5 duplicates, 5 base metal standards and 2 gold standards.

Results from the QA/QC program for standards, blanks, duplicates and external checks show that the program has been working effectively for the Lalor, 1901, Watts, Pen II and Wim properties, meeting industry standards and the data used provides a representative and unbiased basis for resource modeling purposes.

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 test results and assumptions have been revised to reflect the operating experience and performance of the plant over the past six years of operation in processing the ore produced from the Lalor mine. The Stall concentrator is producing a copper concentrate grade of 18 to 20% copper at 83 to 85% recovery and a zinc concentrate grade of 51% zinc at 90 to 93% recovery. 55 to 62% of the gold and silver are recovered in the copper concentrate as co-products. Over the life of the Lalor mine, copper, gold and silver grade will increase and the average zinc grade will decrease. This trend will partially be offset in 2026, when the 1901 deposit enters production to feed Stall with zinc rich mineralization.

Extensive metallurgical testing was conducted in 2019 and 2020 to demonstrate the technical viability and economic benefits of some changes to the process flowsheet of the Stall mill to improve metal recoveries and/or concentrate grade from historical performance. The main changes to the flowsheet planned to be implemented in 2023 include the addition of Jameson cells to increase copper rougher and cleaner capacity, the addition of a talc preflotation circuit, an increase in the zinc circuit cleaning capacity and froth washing and an increase in recovery of free gold through the addition of a Knelson gravity concentrator on the copper regrind cyclone underflow. In addition, further testwork is underway to include a lead recovery stage into the sequential flotation circuit. Although the benefits of this addition have not yet been incorporated into the present life of mine plan, Hudbay anticipates a short payback on this additional limited investment at Stall.

In 2020 a metallurgical testwork program was conducted by Blue Coast Research to cover composites representing low grade, medium grade and high grade of the two zinc rich lenses of the 1901 deposit. A subsample of each of the composite samples was ground to a p80 of 100µm and submitted for mineralogical analysis. Mineralogical analysis, flotation tests and were completed on each of the six composites and confirmed that the metallurgical performance of the Stall concentrator for the Lalor base metal lenses was applicable to the 1901 deposit, including the potential benefit of a lead recovery stage in the flotation circuit.

The Snow Lake operations life of mine plan includes the processing of gold ore at the Company's New Britannia mill achieved commercial production in November 2021. As described in this AIF, Hudbay has completed the refurbishing of the New Britannia mill, including the addition of a copper flotation circuit, to optimize processing of the Lalor gold and copper gold ores. To establish the future performance of the New Britannia mill, two major metallurgical test work programs were undertaken between 2015 and 2020 by SGS Lakefield and Blue Coast Research. All sample composites were submitted for mineralogical analysis by QEMSCAN to identify minerals and their liberation as well as for Bond rod and Bond ball mill work tests, gravity concentration test, rougher and cleaner flotation tests, cyanidation tests, and rolling bottle leach tests. In addition, CIP modelling was completed 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. These results were confirmed and further refined in 2019-2020 at Blue Coast Research facilities.

Commissioning of the New Britannia mill commenced in July 2021 and achieved commercial production in November 2021. Initial problems with the rod mill liner package and cyanide destruction circuit reduced plant availability until field rectifications were completed. After rectification work was completed, the New Britannia mill achieved the steady state design throughput of 1,500 tonnes per day. Copper, gold and silver recovery continues to ramp up and is expected to achieve design capacity within the first half of 2022 as the flotation tails leach circuit is stabilized and operational practices are embedded.

Metallurgical testwork conducted in 2019 on WIM and 3 zone has confirmed that this mineralization is also amenable to successful beneficiation at the New Britannia mill. Four composites were created for each deposit and submitted for mineralogical, comminution and flotation as well as leach test work and gravity concentration in the case of 3 Zone. These tests have been used to confirm the copper, gold and silver recoveries applied in the life of mine plan for these two satellite deposits.

Mineral Resource Estimates

The mineral resource and mineral reserve estimates for the Lalor mine and all the other Snow Lake deposits are effective January 1, 2022. 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.

The mineral resources for Lalor, 1901, Watts, WIM, 3 Zone and Pen II are estimated either as base metal lenses or gold zones and classified as Measured, Indicated or 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 block models were updated using both infill and exploration drilling conducted up until July 2021 using the methodology documented in the March 2021 Lalor and Snow Lake Operations Technical Report and 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; and
- Smoothing correction to remove the smoothing effect of the grade interpolation where necessary.

Hudbay uses a stringent approach to establish the potential for economic extraction of its resource reporting for underground deposits. With this approach, the potential for economic extraction of the mineral resource estimates are reported within the constraint of a 'stope optimization envelope'. This excludes small isolated individual blocks above the economic cut-off criteria from the resource estimate and includes some 'geological dilution' that would need to be included in the economic envelope to maintain minimum spatial continuity requirements to define mineable shapes.

The parameters used as input to define the stope optimization envelope cover all the relevant technical and economic constraints including minimum stope and waste pillar dimensions and a NSR value calculation for each block based on anticipated metal recoveries, long-term metal price forecast and operating and capital costs based on the 2022 Lalor mine and Stall and New Britannia concentrator budgets. Two NSR values are calculated for each block to assess and compare the value of the blocks going to the Stall mill (no material difference between the two) or going to the new Britannia mill. The mineral resource estimates are reported to ensure that each potential stope would cover all its associated operating mining and milling costs.

For the former New Britannia, mine and its satellite gold deposits, the historical resource estimate performed by Kinross and by Alexis Minerals followed a conventional and industry standard approach and have been independently validated in 2018 by WSP Engineering ("WSP"). The cut-off grades for the resource have been estimated over a 6-ft. minimum true width with a variable cut-off by zone as summarized in 1-6. The variation in the cut-off grade is related to new mining versus remnant mining. Given that WSP had to rely on historical documentation for some of the technical information supporting the estimation of the mineral resource estimates, the tonnes and grades previously estimated by Kinross and Alexis Minerals as measured and indicated resources were downgraded to an inferred category. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Mineral Reserve Estimates

The current 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 following steps were followed in developing the reserve estimates at Lalor, 1901, WIM and 3 Zone:

- Calculate two payable (NSR) values for each individual block in the resource model depending on whether processing would occur at the Stall concentrator or at the New Britannia concentrator, using long-term metal prices, concentrator recoveries, metal payability and downstream smelter treatment and refining costs assumptions.
- Design stopes in the Deswik Stope Optimizer, considering depleted mineral resources, existing workings, resource categories and mine and mill operations costs. Dilution and recovery are estimated and applied at this step. Stopes are designed for both the Stall concentrator option and the New Britannia concentrator option.
- Considering grades, value and location in the mine, assign stopes to either Stall or New Britannia concentrator.

- Establish stope economics using a secondary NSR calculation where, along with mine and mill operations costs, mine capital, waste development and offsite administration costs are applied to each stope.
- Assign whether stopes can be upgraded to mineral reserves based on resource classification.
- Design ore development required for mining the reserves. Deplete development from the stopes. Interrogate grades of designed development for inclusion in mineral reserves. Sequence and schedule development and stope production for input to a financial Life of Mine (LOM) study to support mineral reserve economics.

The above methodology takes into consideration the different ore types and the milling options for the mine's future production and considers the various ore types found at these deposits.

The mineral reserve estimates exclude the mined out mineral resources, non-recoverable pillars (rib, post and sill) within mined out areas, mineral resources that are sterilized or not recoverable due to previous mining and stopes based on inferred mineral resource estimates.

Reconciliation of Reserves and Resources

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.

A year over year reconciliation of our estimated mineral reserves and resources at the Lalor mine and 1901 deposit combined is set out below and shows that resource to reserve conversion has offset 2021 mining depletion with a net gain for all metals, including an additional 218 koz of gold contained in reserves after removing the 2021 mining depletion.

Inferred mineral resource estimates have also increased by one million tonnes after resource to reserve conversion. The gain in inferred mineral resource estimates is dominantly in base metal lenses while resource to reserve conversion occurred mostly for gold and copper-gold lenses, resulting in net gains in contained zinc and silver and net reductions in contained gold and copper in the inferred mineral resource estimates.

Lalor Mine and 1901 - January 1, 2022					
Mineral Reserve Reconciliation (Proven & Probable)	**Tonnes**	**Cu (t)**	**Zn (t)**	**Au (oz)**	**Ag (oz)**
A 2021 Mineral Reserve	17,200,000	113,000	632,000	2,101,000	15,943,000
B 2021 Production (from Reserve)	1,550,000	11,000	67,000	169,000	1,219,000
C (A-B) = Depleted Reserve	15,650,000	102,000	565,000	1,932,000	14,724,000
D 2022 Reserve update	17,200,000	109,000	601,000	2,150,000	15,896,000
E (D-C) Gain/(Loss)	1,550,000	7,000	36,000	218,000	1,172,000

Mineral Resource Reconciliation Base Metal (Inferred)	**Tonnes**	**Cu (t)**	**Zn (t)**	**Au (oz)**	**Ag (oz)**
F 2021 Mineral Resource	900,000	5,000	40,000	72,000	1,283,000
G 2022 Resources update	2,630,000	7,000	152,000	128,000	2,509,000
H (G-F) Gain/(Loss)	1,730,000	2,000	112,000	56,000	1,226,000

Mineral Resource Reconciliation Gold Zones (Inferred)	Tonnes	Cu (t)	Zn (t)	Au (oz)	Ag (oz)
I 2021 Mineral Resource	6,090,000	69,000	23,000	940,000	5,267,000
J 2022 Resources update	5,430,000	84,000	17,000	875,000	4,735,000
K (J-I) Gain/(Loss)	-660,000	15,000	-6,000	-65,000	-532,000

Notes:

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. Long term metal prices of $1.15 per pound zinc, $1,500 per ounce gold, $3.45 per pound copper, and $20.00 per ounce silver with an exchange rate of 1.30 C$/US$ were used to estimate mineral reserves and resources.
5. Lalor mineral reserves and resources are estimated using a minimum NSR cut-off of C$117 per tonne for waste filled mining areas and a minimum of C$127 per tonne for paste filled mining areas.
6. 1901 mineral reserves and resources are estimated using a minimum NSR cut-off of C$110 per tonne.
7. For Lalor, individual stope gold grades were capped at 10 g/t, as a prudent estimate until reserves to mill reconciliations can establish that the high-grade gold can indeed be entirely recovered. This capping method resulted in the reduction of the global gold reserve grade by approximately 3%.
8. Base metal mineral resources are estimated based on the assumption that they would be processed at the Stall concentrator while gold mineral resources are estimated based on the assumption that they would be processed at the New Britannia concentrator.

The mineral reserve and resource estimates presented in this AIF for WIM, 3 Zone, Pen II, Watts, New Britannia Mine and Talbot remain unchanged from the prior year and are effective January 1, 2022. As a result, a detailed reconciliation has been omitted.

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, with the mine currently developed to the 1160 meter level in the Copper Gold lens 27. 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, the Access Ramp and the Lalor mine Production Shaft provide a total of 955,000 cfm for ventilation purposes. 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 2021, Lalor achieved a total of 1,593,141 tonnes of production, of which 1,553,947 tonnes of ore was skipped via the production shaft, while 39,194 tonnes of ore were trucked to surface from the ramp. Once it reached surface, the ore was trucked to the Stall concentrator for crushing before being processed at Stall Mill and New Brit Mill. Approximately 80,000 tonnes of ore from Lalor was trucked to Flin Flon for processing in the first half of 2021.

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 also completed 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 74% of the mineral reserves are to be mined using the longhole open stoping methods, 19% through the cut and fill methods and 7% via development in ore. All stope mining is done using emulsion explosives.

The production is supported by a hoisting plant capable of 6,000 tonnes per day, transitioning to more bulk mining methods with additional mining fronts and implementing technology and automation processes 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 in 2018.

Ore is received at the Stall concentrator, approximately 16 kilometres east of Lalor mine, and offloaded onto a dedicated stockpile at the mill depending on ore type. Ore is crushed in campaigns through a two-stage external crushing plan where the final product size is less than 19 millimeters. Ore crushed for processing through the Stall concentrator is directly conveyed to the fine ore bins or stockpiled. Ore crushed for processing through New Britannia is stockpiled ahead of haulage to the New Britannia concentrator.

Crushed ore is conveyed to Stall's 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 either thickened and filtered to remove water, and is conveyed to concentrate storage onsite, or is pumped to the New Britannia filtration circuit. Copper concentrate is loaded to semi-tractor trailer trucks for transport to Flin Flon for transport by rail 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. After the zinc plant closes in mid-2022, the zinc concentrates produced from the Stall mill will be sold to market. Final tails from the Stall concentrator are currently pumped to the Anderson Tailings Impoundment Area ("**TIA**") for permanent disposal.

Crushed ore that is hauled to the New Britannia concentrator is side dumped into a loading pocket and conveyed to the fine ore bin. No stockpiling capacity is present at the New Britannia site. The crushed ore is conveyed to the single rod and ball mill line. The mill feeds a single flotation circuit where a copper concentrate is produced. The copper concentrate is thickened and filtered to remove water and is dropped into the concentrate storage on site. The tails from the flotation circuit feeds the tails leach circuit which produces a gold silver doré. The tails leach circuit utilizes a carbon-in-pulp flowsheet from which the tailings are treated to remove residual cyanide before pumping to the Anderson Tailings Impoundment Area ("**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 is 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 required for paste are 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 are 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

The permits required for the current Lalor operation, including the Lalor mine, Stall concentrator, New Britannia concentrator and Anderson tailings facility have all been issued and remain valid.

At this time, there are no known environmental concerns which could adversely affect Hudbay's ability to operate the Lalor mine. Since the mine site is nearby existing facilities in the Snow Lake area, the Lalor mine was able to utilize infrastructure, services, and previously disturbed land associated with permitted, pre-existing and current mining operations in the Snow Lake area. The Lalor mine and associated projects are designed to minimize the potential impact on the surrounding environment by keeping the footprint of the operations as small as possible and by using existing licensed facilities for the withdrawal of water and disposal of wastes.

Initial proposals for baseline work at WIM have been prepared by AECOM. Once complete these environmental studies will form the basis of the required approvals needed to advance this project should it be deemed viable.

3 Zone is part of the New Britannia site. Significant environmental studies of the area are available, and additional environmental assessments would be utilized to augment our understanding of property and any potential offsite impacts. Approvals to advance this project would be through Provincial regulators as part of an alteration of the existing Environment Act Licence for the property.

The 1901 deposit would leverage all existing surface and underground development near Lalor operations. Significant environmental baseline work has recently been conducted by AECOM and in conjunction with the significant amount past studies will be used to gain approvals for this development should it prove viable.

Based on Hudbay's long-term (more than 50 years) mining experience in the Snow Lake region, and baseline studies to date, there is no known First Nation or Aboriginal hunting, fishing, trapping or other traditional use of the land in the zone of potential influence for the Lalor mine and associated facilities. Post closure, all water quality and earthen structures will be monitored and inspected in order to ensure the sites' conditions meet the applicable regulatory requirements.

Capital and Operating Costs

The capital expenditures required to execute the LOM plan at Lalor and 1901 includes pre-production mine development for 1901, and the sustaining capital required to continue capitalized mine development activity and to replace/acquire mining equipment. The 1901 mine development plan will start in 2022, followed by ramp-up to the maximum production rate in 2026. Together with Lalor, the 1901 reserves are scheduled to maintain 5,300 tonnes per day of production until 2028. It is also envisaged that additional synergies with Lalor will exist and so reductions in mine equipment costs and personnel requirements are factored into the cost profiles below.

Other remaining capitalized expenditures included in the LOM plan relate to milling and environmental activities and growth projects such as the Stall mill recovery improvement program (discussed under "Mineral Processing and Metallurgy" above).

The forecasted life of mine capital and operating costs are set out in the Snow Lake Technical Report. Cost inflation, changes to the mine plan and other factors may cause these costs to fluctuate over the life of mine and, as such, Hudbay provides an annual guidance range each year based on current assumptions. The guidance range for capital and operating costs for 2022 is set out in Hudbay's management's discussion and analysis for the year ended December 31, 2021.

The information presented in this section is forward looking information. See "Cautionary Statement on Forward-Looking Information" and "Risks and Uncertainties" in this AIF.

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.

With the inclusion of the New Britannia mill, net revenue at Lalor will shift from primarily zinc to primarily gold, positioning Lalor as a primary gold mine with significant zinc, copper and silver by-products. Revenue from precious metals through the remaining life-of-mine is expected to be approximately 65% of total revenue. Significant zinc and copper revenue provides diversified commodity exposure.

WIM and 3 Zone mine operations are scheduled for 24 hours per day, 365 days per year, with initial production from WIM scheduled to commence in 2030. A combined mining rate between 1,200 and 1,500 tonnes per day will match the New Britannia mill capacity and will provide an additional 8 year of operating life after the Lalor mine ceases operation. From 2030 to 2038, New Britannia is expected to operate at average feed grades of 2.2 grams per tonne gold and 1.3% copper, as the Lalor feed is replaced by WIM and 3 Zone.

WIM and 3 Zone Capital and Operating Cost Profiles

The WIM mine development plan contemplates construction activities occurring in 2029, followed by commissioning in 2030 and ramp-up to the maximum production rate by end of 2031. The capital expenditures required for refurbishing the existing mining infrastructures at 3 Zone have been grouped with the WIM sustaining capital expenditure and are estimated to be C$164 million, in aggregate from 2029 to 2037.

WIM and 3 Zone will be traditional long hole underground mining operation with waste backfill and ramp access. Ore from both deposits will be trucked using the same haul road to the New Britannia mill which is located 15 kilometres from WIM and 3 kilometres from 3 Zone. It is envisaged to use some of the spare equipment from Lalor as well as an already existing workforce. Given the short distance to the town of Snow Lake, there will be no need for an additional camp.

The information presented in this section is forward looking information. See "Cautionary Statement on Forward-Looking Information" and "Risks and Uncertainties" in this AIF.

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% 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.

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 deposits 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 Resource Corp. (" **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 at Rosemont 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.

Recent drilling conducted by Hudbay in 2020-2021 has identified a series for mineral deposits Northwest of Rosemont over a 7km strike length. These new discoveries collectively known as the Copper World properties host similar mineralization types observed at Rosemont but much closer to surface and with a stronger oxidized component.

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.

In 2021, Hudbay has expanded its exploration drilling efforts on its private land claims located northwest of the Rosemont deposit, now defined as the Copper World areas where small scale copper mining had been conducted between the late 19th century until the 1960's. Drilling has confirmed the occurrence of both oxide and sulfide copper mineralization over 7 deposits including: Bolsa, Broad Top Butte, Copper World, Peach South Limb, North Limb, and Elgin deposits. The copper mineralization starts in most cases near surface and contains higher grades at shallower depth than at the Rosemont deposit. Hudbay will continue the drill program in 2022 with a focus on infill drilling to support the future conversion of mineral resource to mineral reserve estimates.

Drilling

Extensive drilling has been conducted at the Rosemont and Copper World deposits 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. Pulp samples from the 2014-2015 and 2020-2021 drilling programs were selected and re-analyzed at an external lab. 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, 2022. Other than ongoing litigation in respect of Rosemont's permits, the potential for an alternative development plan in conjunction with Copper World and certain other risk factors, each 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 honouring 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.

Mining Operations

The Rosemont project is designed to be a traditional open pit shovel/truck operation. To match the production requirements, the proposed pit operations are designed to be conducted from 50-foot-high benches using large-scale mine equipment, including: 10-5/8-inch-diameter rotary blast hole drills, 60 cubic yard class electric mining shovels, 46 cubic yard class hydraulic shovels, 25 cubic yard 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, the 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 per short ton milled (before deducting capitalized stripping) and $7.92 per short ton milled (after deducting capitalized stripping).

The economic viability of the Project has been evaluated using the metal prices outlined below and cost projections based on a 2017 feasibility study. 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 (per pound)
Spot Molybdenum: $11.00 (per pound)
Spot Silver: $18.00 (per ounce)
Streamed Silver[1]: $3.90 (per ounce)
Note: 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 projected annual copper production (contained copper in concentrate) is expected to average 140 thousand tons of copper over the first 10 years and, over the 19 year LOM, annual production is expected to average 112 thousand tons of copper.

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

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

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

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

The information presented in this section is forward looking information. See "Cautionary Statement on Forward-Looking Information" and "Risks and Uncertainties" in this AIF.

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 design and ongoing review of the Company's risk management system, 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 over which the Audit Committee has oversight.

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).

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 (the " **ERM Policy**") that sets out the risk management philosophy of the Company and the expectations and accountabilities for identifying, assessing, monitoring and managing the most significant risks facing the Company (the "**Principal Risks**") that is developed and is to be implemented by senior management.
- Meet with senior management to review and discuss the Principal Risks that have been assigned to the Audit Committee for monitoring, including business, financial and information technology risks of the Company, including potential emerging risks, and the actions taken by the Company to mitigate those 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 Company 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 Company including compliance with the ERM Policy and other policies of the Company 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.
- At least semi-annually, obtain from senior management a report on information technology matters, including any significant developments related to the Company's information security policies and practices and information technology infrastructure, and the management of related risks.
- 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.

Audited Consolidated Financial Statements
(In US dollars)

HUDBAY MINERALS INC.

Years ended December 31, 2021 and 2020

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 of December 31, 2021 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, 2021.

The effectiveness of the Company's ICFR as of December 31, 2021 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, 2021.

Peter Kukielski
President and Chief Executive Officer

Steve Douglas
Senior Vice President and Chief Financial Officer

Toronto, Canada

February 23, 2022

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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, 2021 and 2020, the related consolidated income statements, consolidated statements of comprehensive loss, changes in equity and cash flows for each of the two years in the period ended December 31, 2021, 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, 2021 and 2020, and its financial performance and its cash flows for each of the two years in the period ended December 31, 2021, in accordance with International Financial Reporting Standards 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, 2021, 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 23, 2022, expressed an unqualified opinion on the Company's internal control over financial reporting.

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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on these critical audit matters or on the accounts or disclosures to which they relate.

Impairment - Assessment of Whether Indicators of Impairment or Impairment Reversal Exist in Non-financial Assets - Refer to Note 2d, 3i, 3j and 11 to the Financial Statements

Critical Audit Matter Description

The Company's determination of whether an indicator of impairment or impairment reversal exists in non-financial assets at the cash generating unit ("CGU") level requires significant management judgment.

While there are several inputs that are required to determine whether or not an indicator of impairment or impairment reversal exists, the judgments with the highest degree of subjectivity are the future long-term copper price and the discount rate. Auditing these estimates and inputs required a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort, including the involvement of fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the future long-term copper price and the discount rate in the assessment of indicators of impairment or impairment reversal, included the following, among others:

- Evaluated the effectiveness of controls over management's assessment of the indicators of impairment or impairment reversal.
- With the assistance of fair value specialists:
    - Evaluated the future long-term copper price by comparing management forecasts to third party forecasts, and
    - Evaluated the reasonableness of the discount rate by comparing the key inputs to external data.

Decommissioning and Restoration Obligation ("DRO") - Valuation of the Flin Flon Metallurgical Complex ("FFMC") - Refer to Note 2d, 3m and 18 to the Financial Statements

Critical Audit Matter Description

The Company records provisions for legal and constructive obligations associated with the future costs of rehabilitating the Company's current and previous operating and development sites. 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 can be made. The Company applied significant judgment and estimation in the determination of the estimated future cash flows associated with the FFMC closure plan. The provision is discounted using a risk-free rate and estimates of future cash flows are adjusted to reflect risk.

While there are many considerations required to estimate future cash flows associated with the FFMC closure plan, the estimate with the highest degree of judgment and subjectivity involves forecasting the decommissioning costs throughout the DRO period. Performing audit procedures to evaluate the reasonableness of this estimate required a high degree of auditor judgment and an increased extent of audit effort, including the involvement of environmental specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the decommissioning costs used by management to estimate the DRO of the FFMC included the following procedures, among others:

- Evaluated the effectiveness of controls over management's determination of the expected decommissioning costs used in the measurement of the DRO related to the FFMC closure plan.
- With the assistance of environmental specialists, evaluated a sample of management's decommissioning cost cash flows by evaluating management's costing methodologies, obtaining an understanding of the DRO activities, performing an assessment of technical feasibilities, and conducting an examination of project documents.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
February 23, 2022

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

Deloitte.

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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, 2021, 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, 2021, 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, 2021, of the Company and our report dated February 23, 2022, expressed an unqualified opinion on those financial statements.

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.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
February 23, 2022

HUDBAY MINERALS INC.

Consolidated Balance Sheets
(in thousands of US dollars)

	Note		**Dec. 31, 2021**		Dec. 31, 2020
Assets					
Current assets					
Cash	6	**$**	**270,989**	$	439,135
Trade and other receivables	7		**204,081**		141,199
Inventories	8		**158,453**		143,105
Prepaid expenses and other current assets			**15,338**		16,717
Other financial assets	9		**7,867**		3,073
Taxes receivable			**-**		12,446
			656,728		755,675
Receivables	7		**16,084**		18,568
Inventories	8		**37,573**		22,006
Other financial assets	9		**11,158**		15,669
Intangibles and other assets	10		**20,138**		21,173
Property, plant and equipment	11		**3,740,966**		3,731,655
Deferred tax assets	21b		**133,584**		101,899
		$	**4,616,231**	$	4,666,645
Liabilities					

Current liabilities					
Trade and other payables	12	**$**	**207,777**	$	233,147
Taxes payable			**15,243**		2,701
Other liabilities	13		**63,002**		51,971
Other financial liabilities	14		**100,702**		24,713
Lease liabilities	15		**33,529**		33,473
Deferred revenue	17		**88,963**		102,782
			509,216		448,787
Other financial liabilities	14		**120,972**		194,378
Lease liabilities	15		**44,473**		30,041
Long-term debt	16		**1,180,274**		1,135,675
Deferred revenue	17		**426,363**		443,902
Pension obligations	19		**6,252**		23,316
Other employee benefits	20		**128,588**		129,508
Environmental and other provisions	18		**461,501**		331,799
Deferred tax liabilities	21b		**261,764**		229,433
			3,139,403		2,966,839
Equity					
Share capital	22b		**1,778,848**		1,777,340
Reserves			**(182)**		(24,200)
Retained earnings			**(301,838)**		(53,334)
			1,476,828		1,699,806
		$	**4,616,231**	$	4,666,645
Commitments (note 27)					

HUDBAY MINERALS INC.

Consolidated Income Statements
(in thousands of US dollars)

		Year ended December 31,			
	Note		**2021**		2020
Revenue	5a	**$**	**1,501,998**	$	1,092,418
Cost of sales					
Mine operating costs	5b		**819,582**		691,591
Depreciation and amortization	5c		**357,924**		361,827
Impairment - environmental obligation	5h		**193,473**		-
			1,370,979		1,053,418
Gross profit			**131,019**		39,000
Selling and administrative expenses			**43,011**		41,408
Exploration and evaluation expenses			**39,961**		17,196
Other expenses	5f		**29,779**		17,583
Results from operating activities			**18,268**		(37,187)
Net interest expense on long term debt	5g		**74,748**		82,712
Accretion on streaming arrangements	5g		**42,654**		56,670
Change in fair value of financial instruments	5g		**54,514**		(29,370)
Other net finance costs	5g		**49,103**		31,890
Net finance expense			**221,019**		141,902
Loss before tax			**(202,751)**		(179,089)
Tax expense (recovery)	21a		**41,607**		(34,505)
Loss for the year		**$**	**(244,358)**	$	(144,584)
Loss per share					
Basic and diluted		**$**	**(0.93)**	$	(0.55)
Weighted average number of common shares outstanding:					
Basic and diluted	24		**261,462,323**		261,272,151

HUDBAY MINERALS INC.

Consolidated Statements of Cash Flows
(in thousands of US dollars)

		Year ended December 31,	
	Note	**2021**	2020
Cash generated from operating activities:			

Loss for the year		**$ (244,358)**	$	(144,584)
Tax expense (recovery)	21a	**41,607**		(34,505)
Items not affecting cash:				
Depreciation and amortization	5c	**359,767**		363,603
Share-based compensation	5d	**12,145**		15,008
Net interest expense on long term debt	5g	**74,748**		82,712
Accretion on streaming arrangements	5g	**42,654**		56,670
Change in fair value of financial instruments	5g	**54,514**		(29,370)
Other net finance costs	5g	**49,103**		31,890
Inventory adjustments	8	**3,999**		2,302
Amortization of deferred revenue and variable consideration	5a	**(73,136)**		(73,931)
Pension and other employee benefit payments, net of accruals		**7,975**		3,043
Impairment - environmental obligation	5h	**193,473**		-
Decommissioning and restoration payments	18	**(21,663)**		(18,737)
Other	29a	**3,166**		403
Taxes paid		**(20,132)**		(12,641)
Operating cash flow before precious metals stream deposit and changes in non-cash working capital		**483,862**		241,863
Precious metals stream deposit	17	**4,000**		-
Change in non-cash working capital	29b	**(104,046)**		(2,383)
		383,816		239,480
Cash used in investing activities:				
Acquisition of property, plant and equipment		**(377,433)**		(361,185)
Proceeds from disposal of investments		**1,193**		-
Change in restricted cash		**(100)**		-
Interest received		**1,338**		2,167
		(375,002)		(359,018)
Cash (used in)/generated from financing activities:				
Issuance of senior unsecured notes, net of transaction costs	16a	**591,922**		591,824
Principal repayments	16a	**(600,000)**		(400,000)
Premium paid on redemption of notes	16a	**(22,878)**		(7,252)
Interest paid on long-term debt		**(84,435)**		(81,517)
Financing costs		**(19,623)**		(16,204)
Lease payments	15	**(37,719)**		(35,980)
Gold prepayment proceeds	14	**-**		115,005
Net proceeds from exercise of stock options		**980**		-
Dividends paid	22b	**(4,146)**		(3,783)
		(175,899)		162,093
Effect of movement in exchange rates on cash		**(1,061)**		434
Net (decrease) increase in cash		**(168,146)**		42,989
Cash, beginning of the year		**439,135**		396,146
Cash, end of the year		**$ 270,989**	$	439,135

HUDBAY MINERALS INC.

Consolidated Statements of Comprehensive Loss
(in thousands of US dollars)

		Year ended December 31,	
		2021	2020
Loss for the year		**$ (244,358)**	$ (144,584)
Other comprehensive income:			
Item that will be reclassified subsequently to profit or loss:			
Recognized directly in equity:			
Net gain on translation of foreign currency balances		**1,336**	4,170
		1,336	4,170
Items that will not be reclassified subsequently to profit or loss:			
Recognized directly in equity:			
Gold prepayment revaluation (note 26a)		**(2,684)**	(1,885)
Tax effect (note 21c)		**721**	506
Remeasurement - actuarial gain (loss)		**29,449**	(2,598)
Tax effect (note 21c)		**(6,195)**	(1,265)
		21,291	(5,242)
Other comprehensive income (loss) net of tax, for the year		**22,627**	(1,072)
Total comprehensive loss for the year		**$ (221,731)**	$ (145,656)

HUDBAY MINERALS INC.

Consolidated Statements of Changes in Equity
(in thousands of US dollars)

	Share capital (note 22)	Other capital reserves	Foreign currency translation reserve	Remeasurement reserve	Retained earnings	Total equity
Balance, January 1, 2020	$ 1,777,340	$ 54,815	$ (2,599)	$ (76,466)	$ 95,033	$ 1,848,123
Loss	-	-	-	-	(144,584)	(144,584)
Other comprehensive income (loss)	-	-	4,170	(5,242)	-	(1,072)
Total comprehensive income (loss)	-	-	4,170	(5,242)	(144,584)	(145,656)
Contributions by and distributions to owners:						
Dividends (note 22b)	-	-	-	-	(3,783)	(3,783)
Stock options (note 5d)	-	1,122	-	-	-	1,122
Total contributions by and distributions to owners	-	1,122	-	-	(3,783)	(2,661)
Balance, December 31, 2020	$ 1,777,340	$ 55,937	$ 1,571	$ (81,708)	$ (53,334)	$ 1,699,806

HUDBAY MINERALS INC.

Consolidated Statements of Changes in Equity
(in thousands of US dollars)

	Share capital (note 22)	Other capital reserves	Foreign currency translation reserve	Remeasurement reserve	Retained earnings	Total equity
Balance, January 1, 2021	$ 1,777,340	$ 55,937	$ 1,571	$ (81,708)	$ (53,334)	$ 1,699,806
Loss	-	-	-	-	(244,358)	(244,358)
Other comprehensive income	-	-	1,336	21,291	-	22,627
Total comprehensive income (loss)	-	-	1,336	21,291	(244,358)	(221,731)
Contributions by and distributions to owners:						
Dividends (note 22b)	-	-	-	-	(4,146)	(4,146)
Stock options (note 5d)	-	1,919	-	-	-	1,919
Transfer to share capital related to stock options redeemed	528	(528)	-	-	-	-
Issuance of shares related to stock options redeemed	980	-	-	-	-	980
Total contributions by and distributions to owners	1,508	1,391	-	-	(4,146)	(1,247)
Balance, December 31, 2021	**$ 1,778,848**	**$ 57,328**	**$ 2,907**	**$ (60,417)**	**$ (301,838)**	**$ 1,476,828**

HUDBAY MINERALS INC.

Notes to Audited Consolidated Financial Statements
(in thousands of US dollars, except where otherwise noted)
Years ended December 31, 2021 and 2020

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 audited consolidated financial statements ("financial statements") of the Company for the year ended December 31, 2021 and 2020 represent the financial position and the financial performance of the Company and its subsidiaries (together referred to as "Hudbay").

Wholly owned subsidiaries as at December 31, 2021 and 2020 include HudBay Marketing & Sales Inc. ("HMS"), HudBay Peru Inc., HudBay Peru S.A.C. ("Hudbay Peru"), HudBay (BVI) Inc., Hudbay Arizona Inc, Rosemont Copper Company ("Rosemont") and Mason Resources (US) Inc. ("Mason").

Hudbay is an integrated mining company primarily producing copper concentrate (containing copper, gold and silver), silver/gold doré, molybdenum concentrate and zinc metal. With assets in North and South America, Hudbay 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). Hudbay 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, 2021.

The Board of Directors approved these consolidated financial statements on February 23, 2022.

(b) Functional and presentation currency:

Hudbay'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 compensation 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 Hudbay 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.

Hudbay reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that the Company believes 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 3i, 3j and 11)* - 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 Hudbay'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, changes to closure plans, changes to discount rates 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") or below for more specific groups of assets. Recoverable amounts are calculated using discounted after-tax cash flows based on cash flow projections and assumptions in Hudbay's most recent 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 Hudbay'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 of CGU's fair value as the assumptions are inextricably linked.

- *IFRS 15 - Revenue- stream transactions (note 17)* - Hudbay has determined that the precious metals stream contracts are subject to variable consideration and contain a significant financing component. As such, Hudbay recognizes a financing charge at each reporting period and grosses up the deferred revenue balance to recognize the significant financing element that is part of these contracts. Significant judgement was required in determining if the stream transactions were to be accounted for as deferred revenue. Management has determined that these stream transactions are not derivatives since 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 financial instrument 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 consolidated income statements on a recurring basis. Management must evaluate the possibility that the Company will not be able to mine and deliver enough metal to satisfy the obligation and therefore must consider bifurcating the portion of the deferred revenue that is repayable in cash. To make this determination, both the extent and timing of processing of reserves and convertible resources must be considered in the Company's expectation, along with future expected precious metal prices. In addition, the rate at which the deferred revenue liability balance is drawn down is dependent on the extent and timing of processing of reserves and convertible resources and the amount of metal value that may not be available to satisfy the obligation.

- *Mineral reserves and resources (notes 3i, 3m and 3o)* - Hudbay 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 Hudbay'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 plan;
  - the provision for decommissioning, restoration and similar liabilities;
  - the carrying value of deferred tax assets; and,
  - amortization of deferred revenue.

HUDBAY MINERALS INC.
Notes to Audited Consolidated Financial Statements
(in thousands of US dollars, except where otherwise noted)
Years ended December 31, 2021 and 2020

- *Property plant and equipment (notes 3i and 11)* - The carrying amounts of property, plant and equipment and exploration and evaluation assets on Hudbay'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, Hudbay 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.

- *Tax provisions (notes 3o and 21*) - 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 the 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 the 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 18)* - 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, as well as technological changes to determine the extent and timing 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.

- *Pension and other employee benefit (notes 3l, 19 and 20)* - Hudbay's post retirement obligations relate mainly to ongoing health care benefits plans. Hudbay 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, the 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, Hudbay 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 Hudbay bases future salary increases and pension increases on expected future inflation rates for the respective country.

(e) COVID-19 estimation uncertainty:

The Company has assessed the economic impacts of the novel coronavirus ("COVID-19") pandemic on its consolidated financial statements. As at December 31, 2021, management has determined that the Company's ability to execute its medium and longer term plans and the economic viability of its assets (including the carrying value of its long-lived assets and inventory valuations) are not materially impacted.

In making this judgment, the Company has assessed various criteria including, but not limited to, existing laws, regulations, orders, disruptions and potential disruptions in our supply chain, disruptions in the markets for our products, commodity prices and foreign exchange prices and the actions that the Company has taken at its operations to protect the health and safety of its workforce and local community.

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 Hudbay's entities.

(a) Basis of consolidation:

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

Subsidiaries

A subsidiary is an entity controlled by Hudbay. 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

Should Hudbay make 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.

Hudbay 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 the 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 Company's previously held interests in the acquired entity are remeasured to fair value at the acquisition date, which is the date Hudbay 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 Hudbay'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 Hudbay's continued use and cannot take into account future development.

The weighted average cost of capital of Hudbay 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, Hudbay 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 Hudbay 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 Hudbay's 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 closing 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 Hudbay's entities that have functional currencies other than the US dollar are translated to US dollars at the reporting date using the closing 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. Revenue from the sale of by-products is included within revenue.

Revenue is recognized when control of the goods sold has been transferred to the customer. Control is deemed to have passed to the customer when significant risk and reward of the product has passed to the customer, Hudbay has a present right to payment, and physical possession of the product has been transferred to the customer. Sales of doré are recorded when a trade confirmation is duly signed and executed between Hudbay and the end purchaser. 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 and revenue recognition as generally outlined in the following table.

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 from contracts with customers*, 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 then evaluates whether revenue from future sales should be constrained as a result of it being highly probable that there would be a significant revenue reversal in the future.

Hudbay 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. If applicable, costs and the transaction price are allocated on a relative standalone selling basis to any separate performance obligations and are recognized over the period of time the goods sold are shipped, on a gross basis.

Hudbay 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 Company'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 will be 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 compensation expense and other indirect expenses related to producing operations.

Cost of sales also include non-cash net realizable value adjustments to inventory, one-time adjustments related to overheads incurred when not operating at normal capacity and one-time labour charges related to facilitating the production of inventories for past service pension costs and severance.

(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, doré, 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 direct and indirect 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 to property, plant and equipment.

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 based on normal production capacity: 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.

(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 Company'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 Hudbay 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 Hudbay's exploration activities, such as researching and analyzing existing exploration data, gathering data through geological studies, exploratory drilling, trenching, sampling, and certain feasibility studies.

Hudbay 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. Hudbay 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.

Hudbay monitors exploration and evaluation assets for factors that may indicate their carrying amounts are not recoverable. If such indicators are identified, the Company tests the exploration and evaluation assets or their CGUs, as applicable, for impairment. Hudbay also tests for 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 Company determines that probable future economic benefits will be generated as a result of the expenditures. Hudbay'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:

Hudbay 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 which Hudbay 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. Up to and including December 31, 2020, any revenue, less cost to produce, 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. As a result of the early adoption of the amendments to IAS 16, since January 1, 2021, any revenues less cost to produce, earned prior to commencement of commercial production, are included in the consolidated income statements.

Carrying amounts of property, plant and equipment, including right-of-use ("ROU") assets, 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 based on pre-established criteria. 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 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. Right-of-use lease assets:

At inception of a contract, Hudbay assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses the following criteria in the determination of whether a contract conveys the right to control the use of an identified asset:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has substantive substitution rights, then the asset is not identified;
- Hudbay has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- Hudbay has the right to direct the use of the asset by means of decision making rights that are most relevant to changing how and for what purpose the asset is used. In the case where decisions about the asset's purpose is predetermined, Hudbay is deemed to have the right to direct the use of the asset if either:
    - Hudbay has the right to operate the asset; or,
    - Hudbay designed the asset in a way that predetermines how and for what purpose it will be used.

The Company recognizes a ROU asset and lease liability at the lease commencement date. The initial measurement of the ROU asset is on a present value basis. This is based on the calculated lease liability plus any initial direct costs incurred, an estimate of removal or restoration costs, and any payments made prior to commencement of the lease less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at the present value of the lease payments that are yet to be paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be easily determined, Hudbay's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate for applicable leases.

Lease payments included in the measurement of the lease liability comprise fixed payments including in substance fixed payments and variable payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee and the additional costs Hudbay reasonably expects to incur due to purchase options, extension options and termination options reasonably expected to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the expected future cash flows of a leasing contract either due to a change in index or rate, or due to a change in terms of the contract. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset is zero.

Hudbay has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component for lease contracts of all asset classes.

The Company has elected not to recognize ROU assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. Hudbay recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Hudbay does not enter into transactions where the Company acts as a lessor.

The incremental borrowing rate used for new ROU leases is a key management judgement.

v. Depreciation rates of major categories of assets:

- Capital works in progress - not depreciated
- Mining properties - unit-of- production
- Mining asset - unit-of- production
- Plant and Equipment
    - Equipment - straight-line over 1 to 20 years
    - Other plant assets - straight-line over 1 to 20 years/unit-of-production
- ROU Assets - straight -line over 1 to 20 years

Hudbay reviews its depreciation methods, remaining useful lives and residual values at least annually and accounts for changes in

estimates prospectively.

vi. 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. Hudbay considers a range of factors when determining the level of activity that represents commercial production for a particular project, including a predetermined 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.

vii. Capitalized borrowing costs:

The Company 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, generally one year or more, 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 Hudbay 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.

viii. 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 to property, plant and equipment. 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, Hudbay 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 Company estimates the recoverable amount of the asset in order to determine the extent of the impairment loss, if any. Hudbay 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.

Hudbay's CGUs consist of Manitoba, Peru, Arizona and greenfield exploration and evaluation assets.

The Company 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 Company'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.

Hudbay 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 Company'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. Hudbay 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 Company 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 have 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 Company 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. Hudbay 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 Company 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, Hudbay 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 Company 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:

Hudbay 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 Company 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).

Hudbay 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 Company

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, Hudbay 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 Company 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 recognized in OCI in the period in which they occur. Remeasurement recognized in OCI is reflected in the remeasurement reserve and will not be reclassified to the consolidated income statements. For the other long-term employee benefits plan, remeasurements 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.

Hudbay also has defined contribution plans providing pension benefits for certain of its salaried employees and certain of its US employees utilizing 401K plans. The Company 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 Hudbay 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 Company 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) Environmental and other provisions:

Provisions are recognized when Hudbay 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 Company'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 operating 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 expenses.

Hudbay assesses the reasonableness of its estimates and assumptions each year and when conditions change, the estimates are revised accordingly. Judgement is required to determine the scope and timing of future decommissioning and restoration activities, as well as best available 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 Company 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 non-financial 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, within the gross profit / (loss) line.

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 Hudbay'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, regulations and technology are continually evolving in all regions in which the Company operates. Hudbay is not able to determine the impact, if any, of environmental laws, regulations and technology 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. Hudbay 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 Hudbay, 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. Hudbay uses trade date accounting for regular way purchases or sales of financial assets. The Company 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, Hudbay 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 and investments in securities of junior mining companies 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, certain receivables, payables 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 recognized at fair value and subsequently accounted for at amortized cost, using the effective interest 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 Hudbay 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 Company'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:

Hudbay considers whether a contract contains an embedded derivative when it becomes a party to the contract. Derivatives embedded in other financial liabilities 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 value 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 Company 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 26.

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v. Impairment of financial instruments:

Hudbay 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 measured at the present value of all cash shortfalls including the impact of forward-looking information.

Hudbay 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:

Hudbay derecognizes financial assets when the contractual rights to the cash flows from the assets expire, or when the Company 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 the transferred financial assets that is created or retained by Hudbay is recognized as a separate asset or liability.

Hudbay 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 Company 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 Hudbay operates could limit the ability of the Company 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, Hudbay 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 compensation and includes amounts for stocks 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 compensation:

Hudbay compensates its employees in part through the use of a Deferred Share Unit ("DSU") plan for non-employee members of the Board of Directors, a Restricted Share Unit ("RSU") plan for employees, a Performance Share Unit ("PSU") plan for employees and a stock option plan for employees. These plans are included in provisions on the consolidated balance sheets and further described in note 23. Changes in the fair value of the liabilities are recorded in the consolidated income statements.

Cash-settled transactions, consisting of DSUs, RSUs and PSUs, 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. Hudbay values the liabilities based on the change in the Company's share price. Additional DSUs, RSUs and PSUs 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 and PSUs are issued under Hudbay's Long Term Equity Plan ("LTEP Plan") and vest on or before December 31st of the third calendar year after the year in which the services corresponding to such share unit award were performed. RSUs and PSUs granted under the LTEP Plan may be settled in the form of the Company's 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 and PSUs terminate when an employee ceases to be employed by the Company. Valuations of RSUs and PSUs 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 employee unconditionally became entitled to the award. 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. Hudbay 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 Company 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:

Leases, under which substantially all the risks and rewards incidental to ownership of the leased item are transferred to Hudbay, 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.

Non-ROU 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 Company that engages in business activities from which it may earn revenue and incur expenses and for which discrete financial information is available. Hudbay'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, Hudbay considers location and decision-making authorities. Refer to note 30.

(u) Statement of cash flows:

Hudbay 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 statement of cash flow. Hudbay presents the consolidated statement of cash flows using the indirect method.

4. New standards

New standards and interpretations adopted

(a) Amendment to IAS 16 - Property, Plant and Equipment

The amendments to IAS 16 prohibit deducting from the cost of property, plant and equipment the proceeds from selling items produced while bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. Instead, a company will recognize such sales proceeds and related cost in profit or loss. This amendment is in effect January 1, 2022 with early adoption permitted.

Hudbay has early adopted this amendment as of January 1, 2021 with retrospective application only to items of property, plant and equipment that were brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2020. No restatement of prior periods was required on adoption given the comparable periods contained no items would have been impacted by this accounting amendment.

(b) Interest Rate Benchmark Reform - Phase II - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

These amendments require companies to determine if there is a significant change in the basis of determining contractual cash flows as a result of interest rate benchmark reform / IBOR reform. A company will be required to determine if the replacement of an existing interest rate benchmark with an alternative rate benchmark results in contractual cash flows that are significantly different for financial

instruments, lease payments, insurance contracts and/or items that use hedge accounting. If IBOR reform result in a transition on an economically equivalent basis with no value transfer having occurred, the changes to the standard allow the contractual cash flow changes to be applied prospectively, similar to a change in a market rate. For Hudbay, these amendments have been in effect since January 1, 2021 and have not resulted in material changes to the financial statements.

As at December 31, 2021, Hudbay has not entered into any new contracts or contract modifications that are dependent on the LIBOR rate and that are impacted by these amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

New standards and interpretations not yet adopted

(c) Amendment to IAS 1 - Presentation of Financial Statements

The amendments to IAS 1 promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due to potentially due to be settled within one year) or non-current. This amendment is in effect January 1, 2023 with early adoption permitted.

5. Revenue and expenses

(a) Revenue

Hudbay's revenue by significant product types:

	Year ended December 31, 2021	2020
Copper	$ **873,339**	$ 563,910
Zinc	**301,086**	264,106
Gold	**246,562**	180,949
Silver	**26,932**	25,986
Molybdenum	**37,487**	25,627
Other	**7,454**	5,619
Revenue from contracts	**1,492,860**	1,066,197
Non-cash streaming arrangement items [1]		
Amortization of deferred revenue - gold	**37,788**	27,854
Amortization of deferred revenue - silver	**33,731**	39,409
Amortization of deferred revenue - variable consideration adjustments - prior periods	**1,617**	6,668
	73,136	73,931
Pricing and volume adjustments [2]	**(8,568)**	9,178
	1,557,428	1,149,306
Treatment and refining charges	**(55,430)**	(56,888)
	$ **1,501,998**	$ 1,092,418

[1] See note 17.

[2] 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.

Consideration from the Company's stream agreements is considered variable (note 17). Gold and silver stream revenue can be subject to cumulative adjustments when the amount of precious metals to be delivered under the contract changes. As a result of changes in the Company's mineral reserve and resource estimate in the first quarter of 2021, the amortization rate by which deferred revenue is drawn down into income was adjusted and, as required, a catch up adjustment was made for all prior year stream revenues since the stream agreement inception date. This variable consideration adjustment resulted in an increase of revenue of $1,617 for the year ended December 31, 2021.

The variable consideration adjustment for the year ended December 31, 2020 resulted in an increase of revenue of $ 6,668. This increase in revenue was primarily the result of updates to the 777 mine plan resulting in the mining of fewer inferred resources than what was planned previously.

In the second quarter of 2021, the Company finalized an amendment with Wheaton Precious Metals ("Wheaton") related to the Peru stream agreement. The result of the amendment was a revision to the Peru gold and silver deferred revenue amortization rates and the related significant financing component. For further details refer to note 17.

(b) Mine operating costs

During the year ended December 31, 2021, Hudbay recognized a recovery of $ 1,446 in cost of sales related to adjustments of the carrying value of Peru inventories to net realizable value and a non-cash write-down of materials and supplies inventories of $5,445 (year ended December 31, 2020 - $2,302 net expense) (note 8).

In addition, the Company recognized a past service cost provision adjustment related to pensions for certain Manitoba employees of $4,989 (note 5e).

(c) Depreciation and amortization

Depreciation of PP&E and amortization of intangible assets are reflected in the consolidated income statements as follows:

	Year ended December 31,	
	2021	2020
Cost of sales	**$ 357,924**	$ 361,827
Selling and administrative expenses	**1,843**	1,776
	$ 359,767	$ 363,603

Effective January 1, 2021, the Company made a change in estimate in Peru for certain mineral property PP&E assets to utilize contained metal in the depreciation calculation. This better reflects the systematic allocation of costs to inventory given the change in grade profile following the recently published NI 43-101. For the year ended December 31, 2021, depreciation expense is higher by $4,835, compared to the result under the previous depreciation calculation. Since the change is in response to an updated life-of-mine plan, it is being treated as a change in estimate and applied prospectively. Please see note 11 for further details.

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(d) Share-based compensation expenses

Share-based compensation expenses are reflected in the consolidated income statements as follows:

	Cash-settled				Total share-based compensation expense
	RSUs	DSUs	PSUs	Stock options	
Year ended December 31, 2021					
Cost of sales	**$ 1,347**	**$ -**	**$ -**	**$ -**	**$ 1,347**
Selling and administrative	**3,668**	**1,459**	**3,382**	**1,919**	**10,428**
Other expenses	**370**	**-**	**-**	**-**	**370**
	$ 5,385	**$ 1,459**	**$ 3,382**	**$ 1,919**	**$ 12,145**
Year ended December 31, 2020					
Cost of sales	$ 1,400	$ -	$ -	$ -	$ 1,400
Selling and administrative	4,872	5,149	1,987	$ 1,122	13,130
Other expenses	478	-	-	-	478
	$ 6,750	$ 5,149	$ 1,987	$ 1,122	$ 15,008

During the year ended December 31, 2021, the Company granted 509,385 stock options (year ended December 31, 2020 - 1,581,385). For further details on stock options, see note 23b.

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(e) Employee benefits expense

This table presents employee benefit expense recognized in the consolidated income statements, including amounts transferred from inventory upon sale of goods:

	Year ended December 31,	
	2021	2020
Current employee benefits	**$ 205,402**	$ 179,486
Share-based compensation (notes 5d, 18, 23)		
Equity settled stock options	**1,919**	1,122
Cash-settled restricted share units	**5,385**	6,750
Cash-settled deferred share units	**1,459**	5,149
Cash-settled performance share units	**3,382**	1,987
Employee share purchase plan	**1,933**	1,783
Post-employee pension benefits		
Defined benefit plans	**11,433**	11,671
Defined contribution plans	**2,061**	1,774
Past service costs (note 19)	**4,989**	-
Other post-retirement employee benefits	**7,526**	9,305
Termination benefits	**470**	582
	$ 245,959	$ 219,609

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 Company 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 Company makes a matching contribution of 75% of the participant's contribution.

See note 19 for a description of Hudbay's pension plans and note 20 for Hudbay's other employee benefit plans.

(f) Other expenses

	Year ended December 31,	
	2021	2020
Regional costs	**$ 3,652**	$ 3,602
Loss on disposal of property, plant and equipment	**7,038**	5,088
Closure cost adjustment - non-producing properties	**(4,602)**	2,721
Allocation of community costs	**1,768**	2,880
Restructuring - Manitoba	**6,947**	-
Copper World Preliminary Economic Assessment ("PEA") study costs	**12,555**	-
Other	**2,421**	3,292
	$ 29,779	$ 17,583

Due to rising risk-free interest rates during the first quarter of 2021, the discount rates used in the normal course revaluation of the DRO increased correspondingly, resulting in a reduction in the associated liabilities. For certain closed sites with such reclamation obligations, the revaluation of the corresponding liability is recorded through the consolidated income statements, resulting in a gain of $4,602 for the year ended December 31, 2021.

During 2021, there were costs incurred related to the restructuring of the Manitoba operations in preparation for the closure of 777 mine of $6,947. These costs were primarily related to severance packages for unionized and certain salaried employees.

Copper World PEA study costs primarily relate to Copper World project costs that are not associated with Rosemont.

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(g) Net finance expense

	Year ended December 31,	
	2021	2020
Net interest expense on long-term debt		
Interest expense on long-term debt	**$ 74,748**	$ 82,712
Accretion on streaming arrangements (note 17)		
Additions	**42,060**	60,362
Variable consideration adjustments - prior periods	**594**	(3,692)
	42,654	56,670
Change in fair value of financial assets and liabilities at fair value through profit or loss		
Embedded derivatives (note 16)	**49,754**	(45,387)
Gold prepayment liability	**293**	20,141
Investments	**4,467**	(4,124)
	54,514	(29,370)
Other net finance costs		
Net foreign exchange losses (gains)	**1,403**	(1,644)
Accretion on community agreements measured at amortized cost	**2,811**	3,641
Accretion on environmental provisions	**4,988**	3,543
Withholding taxes	**7,727**	8,267
Premium paid on redemption of notes (note 16)	**22,878**	7,252
Write-down of unamortized transaction costs (note 16)	**2,480**	3,817
Other finance expense	**7,813**	8,826
Interest income	**(997)**	(1,812)
	49,103	31,890
Net finance expense	**$ 221,019**	$ 141,902

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

(h) Impairment - Environmental Obligation

During the third and fourth quarter of 2021, an impairment indicator was identified in relation to a revised Flin Flon closure plan. The revised closure plan, reflecting higher cost estimates, led to a large increase in the environmental obligation (note 18) and a corresponding increase to Flin Flon PP&E. The increase in Flin Flon PP&E prompted an impairment test of these assets since the Flin Flon operation is expected to close mid-2022. Hudbay recorded an impairment to PP&E by comparing the carrying value of the Flin Flon operation to its recoverable amount using the value-in-use method for future cash flows associated with the operation until closure. The value-in-use recoverable amount is considered a level 3 valuation method and incorporating assumptions for commodity prices, foreign exchange rates, remaining reserves, timing of extraction and operating costs. No discount rate was applied given the operating life of the asset is less than one year. This resulted in an impairment loss of $193,473 for the year ended December 31, 2021. Given the closure is expected to occur in less than 12 months, future adjustments to the Flin Flon environmental provision from fair value adjustments, or otherwise, may lead to future impairment tests of the Flin Flon operation and any resulting impairments or impairment reversals will be recognized in the consolidated income statements.

6. Cash

Cash balances represent demand deposits and deposits with an original maturity date of less than 3 months.

7. Trade and other receivables

	Dec. 31, 2021	Dec. 31, 2020
Current		
Trade receivables	**$ 166,524**	$ 107,787
Statutory receivables	**31,191**	28,445
Other receivables	**6,366**	4,967
	204,081	141,199
Non-current		
Taxes receivable	**16,084**	16,941
Other receivables	**-**	1,627
	16,084	18,568
	$ 220,165	$ 159,767

The increase in trade receivables during the year ended December 31, 2021 primarily relates to three shipments, representing approximately 30,000 tonnes of copper, which occurred late in the fiscal year and received revenue recognition but for which timing of cash receipts occur in 2022.

8. Inventories

		Dec. 31, 2021		Dec. 31, 2020
Current				
Stockpile	**$**	**12,768**	$	13,906
Work in progress		**5,647**		6,364
Finished goods		**78,958**		72,923
Materials and supplies		**61,080**		49,912
		158,453		143,105
Non-current				
Stockpile		**34,156**		16,704
Materials and supplies		**3,417**		5,302
		37,573		22,006
	$	**196,026**	$	165,111

The cost of inventories recognized as an expense, including depreciation, and included in cost of sales amounted to $ 1,069,309 for the year ended December 31, 2021 (year ended December 31, 2020 - $921,895).

During the year ended December 31, 2021, Hudbay recognized a recovery of $ 1,446 in cost of sales related to adjustments of the carrying value of Peru inventories to net realizable value (year ended December 31, 2020 - $2,302 net expense). Adjustments to the carrying value of inventories to net realizable value were related to changes in commodity prices.

Due to the upcoming closure of the Flin Flon operation, certain long term inventory supplies which are not expected to be utilized were written down and $5,445 was charged to mine operating costs for the year ended December 31, 2021 (note 5b).

Effective January 1, 2021, following a new NI 43-101 technical report for Peru, which reflects an updated mine plan with a new grade and ore tonnage profile, the Company changed its method of estimation of applying mining costs to stockpile and finished goods inventory. Prior to this change, mining costs were allocated using tonnes of ore mined. Starting January 1, 2021, Peru mining costs have been allocated to inventories using contained metal, incorporating tonnes of ore mined and expected mined grades. Since the change is in response to an updated life-of-mine plan, it is being treated in accordance with a change in estimate and will be applied prospectively. For the year ended December 31, 2021, as a result of the change in allocation, stockpile inventories have declined by $6,784 and finished goods inventories have increased by $756.

9. Other financial assets

		Dec. 31, 2021		Dec. 31, 2020
Current				
Derivative assets	**$**	**7,430**	$	2,736
Restricted cash		**437**		337
		7,867		3,073
Non-current				
Investments at fair value through profit or loss		**11,158**		15,669
	$	**19,025**	$	18,742

The derivative assets include derivative and hedging transactions. Derivative assets 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.

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 fluctuations in market price and foreign exchange impact.

10. Intangibles and other assets

Intangibles and other assets of $ 20,138 (December 31, 2020 - $21,173) includes $14,240 of other assets (December 31, 2020 - $ 15,764) and $5,898 of intangibles (December 31, 2020 - $ 5,409).

Other assets represent the carrying value of certain future community costs that relate to original agreements with communities for the Constancia operation which allow Hudbay to extract minerals over the useful life of the Constancia operation. The liability remaining for these costs is recorded in agreements with communities recorded at amortized cost (note 14). Amortization of the carrying amount is recorded in the consolidated income statements within other expenses (note 5f) or exploration expense, depending on the nature of the agreement.

Intangibles mainly represent computer software costs. The following table summarizes changes in intangibles:

	Dec. 31, 2021	Dec. 31, 2020
Cost		
Balance, beginning of year	**$ 23,350**	$ 21,538
Additions	**968**	1,466
Disposals	**-**	-
Transfers	**386**	-
Effects of movement in exchange rates	**64**	346
Balance, end of year	**24,768**	23,350
Accumulated amortization		
Balance, beginning of year	**17,941**	16,511
Additions	**872**	1,138
Disposals	**-**	-
Effects of movement in exchange rates	**57**	292
Balance, end of year	**18,870**	17,941
Intangibles, net book value	**$ 5,898**	$ 5,409

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11. Property, plant and equipment

Dec. 31, 2021	Exploration and evaluation assets	Capital works in progress	Mining properties	Plant and equipment	Plant and equipment-ROU assets[1]	Total
Balance, Jan. 1, 2021	$ 79,059	$ 957,162	$ 2,217,461	$ 2,793,719	$ 214,303	$ 6,261,704
Additions	9,084	268,090	1,731	17,735	49,695	346,335
Capitalized stripping and development	-	-	79,426	-	-	79,426
Decommissioning and restoration	-	(525)	4,630	139,911	-	144,016
Transfers and other movements	-	(357,381)	128,320	229,981	(920)	-
Disposals	-	(5,941)	-	(10,803)	(3,544)	(20,288)
Impairment	-	-	(1,054)	(192,419)	-	(193,473)
Effects of movements in exchange rates	64	(3,175)	3,486	5,795	192	6,362
Balance, Dec. 31, 2021	88,207	858,230	2,434,000	2,983,919	259,726	6,624,082
Accumulated depreciation						
Balance, Jan. 1, 2021	-	-	1,126,274	1,271,581	132,194	2,530,049
Depreciation for the year	-	-	155,878	181,565	24,536	361,979
Disposals	-	-	-	(8,525)	(3,158)	(11,683)
Effects of movement in exchange rates	-	-	2,217	501	53	2,771
Balance, Dec. 31, 2021	-	-	1,284,369	1,445,122	153,625	2,883,116
Net book value	$ 88,207	$ 858,230	$ 1,149,631	$ 1,538,797	$ 106,101	$ 3,740,966

[1] Includes $5,112 of capital works in progress - ROU assets (costs) that relate to the Arizona business unit (December 31, 2020 - $ 4,777, related to the Arizona and Manitoba business unit).

Dec. 31, 2020	Exploration and evaluation assets	Capital works in progress	Mining properties	Plant and equipment	Plant and equipment-ROU assets[1]	Total
Balance, January 1, 2020	$ 69,903	$ 733,874	$ 2,146,583	$ 2,653,752	$ 201,972	$ 5,806,084
Additions	809	256,251	311	28,523	17,759	303,653
Capitalized stripping and development	-	-	83,137	-	-	83,137
Decommissioning and restoration	-	263	6,849	39,680	-	46,792
Transfers and other movements	8,040	(36,668)	(41,256)	70,777	(893)	-
Disposals	-	-	-	(19,681)	(5,884)	(25,565)
Effects of movements in exchange rates	307	3,442	21,837	20,668	1,349	47,603
Balance, Dec. 31, 2020	79,059	957,162	2,217,461	2,793,719	214,303	6,261,704
Accumulated depreciation						
Balance, January 1, 2020	-	-	963,530	1,069,687	110,308	2,143,525
Depreciation for the year	-	-	146,113	200,632	23,351	370,096
Disposals	-	-	-	(14,038)	(2,475)	(16,513)
Effects of movement in exchange rates	-	-	16,631	15,300	1,010	32,941
Balance, Dec. 31, 2020	-	-	1,126,274	1,271,581	132,194	2,530,049
Net book value	$ 79,059	$ 957,162	$ 1,091,187	$ 1,522,138	$ 82,109	$ 3,731,655

During the third quarter of 2021, an impairment indicator was identified in relation to a revised Flin Flon closure plan. The revised closure plan, reflecting higher cost estimates, led to a large increase in the environmental obligation (note 18) and a corresponding increase to Flin Flon PP&E. The increase in Flin Flon PP&E prompted an impairment test of these assets since the Flin Flon operation is expected to close mid-2022. Hudbay recorded an impairment to PP&E by comparing the carrying value of the Flin Flon operation to its recoverable amount using the value-in-use method for future cash flows associated with the operation until closure. The value-in-use recoverable amount is considered a level 3 valuation method. This resulted in an impairment loss of $147,305.

During the fourth quarter, as a result of declines in risk-free discount rates and with the Flin Flon operation being near closure, the same recoverability of assets test was performed. This resulted in an impairment loss of $46,168. Given the closure is expected to occur in less than 12 months, the impairment was charged to the consolidated income statements. For more information see note 5h.

Given the closure is expected to occur in less than 12 months, future adjustments to the Flin Flon environmental provision from fair value adjustments, or otherwise, may lead to future impairment tests of the Flin Flon operation and any resulting impairments or impairment reversals will be charged to the consolidated income statements.

Effective January 1, 2021, following a new NI 43-101 technical report for Peru, the Company made a change in estimate for the depreciation calculation of certain mineral property PP&E assets in Peru to utilize contained metal. This better reflects the systematic allocation of costs to inventory given the change in grade profile following the recently published NI 43-101. Since the change is in response to an updated life-of-mine plan, it is being treated in accordance with a change in estimate and will be applied prospectively. For the year ended December 31, 2021, depreciation expense is higher by $4,835 compared to the result under the previous depreciation calculation.

12. Trade and other payables

	Dec. 31, 2021	Dec. 31, 2020
Trade payables	**$ 84,279**	$ 104,598
Accruals and payables	**84,992**	72,698
Accrued interest	**16,120**	30,766
Exploration and evaluation payables	**3,788**	1,351
Statutory payables	**18,598**	23,734
	$ 207,777	$ 233,147

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

13. Other liabilities

	Dec. 31, 2021	Dec. 31, 2020
Current		
Environmental and other provisions (note 18)	**$ 41,017**	$ 33,675
Pension liability (note 19)	**10,472**	13,552
Other employee benefits (note 20)	**3,530**	3,154
Unearned revenue	**7,983**	1,590
	$ 63,002	$ 51,971

14. Other financial liabilities

	Dec. 31, 2021	Dec. 31, 2020
Current		
Derivative liabilities	**$ 12,451**	$ 15,312
Deferred Rosemont acquisition consideration	**9,713**	-
Gold prepayment liability	**71,394**	-
Agreements with communities recorded at amortized cost	**7,144**	9,401
	100,702	24,713
Non-current		
Deferred Rosemont acquisition consideration	**17,805**	25,961
Gold prepayment liability	**68,614**	137,031
Wheaton refund liability (note 17)	**5,424**	-
Agreements with communities recorded at amortized cost	**29,129**	31,386
	120,972	194,378
	$ 221,674	$ 219,091

The derivative liabilities include derivative and hedging transactions. 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 embedded derivatives are recorded within net finance expense.

As part of the streaming agreement for the 777 mine, Hudbay must repay, with precious metals credits, the deposit by August 1, 2052, the expiry date of the agreement. If the stream deposit is not fully repaid with precious metals credits from 777 production by the expiry date, a payment for the remaining amount will be due at the expiry date of the agreement. Given revised resource estimates and the planned closure of the 777 mine in 2022, Hudbay believes such a payment is expected and as such, as at December 31, 2021 the estimated repayment amount was reclassified to a refund liability. This is and will be discounted at the 9.0% rate inherent in the original agreement and accreted over the remaining term of the agreement.

On May 7, 2020, the Company entered into a gold prepayment transaction and received $ 115,005 in exchange for the delivery of 79,954 gold ounces starting January 2022 and ending in December 2023, which were valued at gold forward curve prices averaging $1,682 per ounce at the time of the transaction. The agreement has been assessed as a financial liability that has been designated as fair value through profit or loss within change in fair value of financial instruments, with a component of the fair value related to the fluctuation in the Company's own credit risk being recorded to other comprehensive income. The pre-tax fair value adjustment recorded in profit or loss and other comprehensive income for the year ended December 31, 2021 totaled a net loss of $2,977 (year ended December 31, 2020 - net losses of $22,026).

Agreements with communities recorded 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 changes in agreements with communities recorded at amortized cost during the year ended December 31, 2021 primarily relates to the execution of the remaining land user agreements with certain community members, partially offset by disbursements.

The following table summarizes changes in agreements with communities recorded at amortized cost:

Balance, January 1, 2020	$ 24,000
Net additions	116,233
Disbursements	(98,375)
Accretion	3,641
Effects of changes in foreign exchange	(4,712)
Balance, December 31, 2020	$ 40,787
Net additions	**22,796**
Disbursements	**(26,511)**
Accretion	**2,811**
Effects of changes in foreign exchange	**(3,610)**
Balance, December 31, 2021	**$ 36,273**

15. Lease Liability

Balance, January 1, 2020	$	81,947
Additional capitalized leases		17,759
Lease payments		(35,980)
Accretion and other movements		(212)
Balance, December 31, 2020	$	63,514
Additional capitalized leases		**49,695**
Lease payments		**(37,719)**
Accretion and other movements [1]		**2,512**
Balance, December 31, 2021	**$**	**78,002**

[1] Includes $1,844 of sale lease back additions to ROU leases.

Lease liabilities are reflected in the consolidated balance sheets as follows:

		Dec. 31, 2021		Dec. 31, 2020
Current	**$**	**33,529**	$	33,473
Non-current		**44,473**		30,041
	$	**78,002**	$	63,514

Hudbay has entered into leases for its Peru, Manitoba and Arizona business units which expire between 2022 and 2043. The interest rates on leases which were capitalized have interest rates between 2.50% to 7.43%, per annum. The range of interest rates utilized for discounting varies depending mostly on the Hudbay entity acting as lessee and duration of the lease. For certain leases, Hudbay has the option to purchase the equipment and vehicles leased at the end of the terms of the leases. Hudbay's obligations under these leases are secured by the lessor's title to the leased assets. The present value of applicable lease payments has been recognized as an ROU asset, which was included as a non-cash addition to property, plant and equipment, and a corresponding amount as a lease liability.

There are no restrictions placed on Hudbay by entering into these leases.

The following outlines expenses recognized within the Company's consolidated income statements for the years ended December 31, 2021 and December 31, 2020, relating to leases for which a recognition exemption was applied.

		Year ended December 31,		
		2021		2020
Short-term leases	**$**	**38,092**	$	40,253
Low value leases		**407**		353
Variable leases		**58,626**		57,389
Total	**$**	**97,125**	$	97,995

Payments made for short term, low value and variable leases would mostly be captured as expenses in the consolidated income statements, however, certain amounts may be capitalized to PP&E for the Arizona business unit during its development phase and certain amounts may be reported in inventories given the timing of sales. Variable consideration leases include equipment used for heavy civil works at Constancia.

16. Long-term debt

Long-term debt is comprised of the following:

		Dec. 31, 2021		Dec. 31, 2020
Senior unsecured notes (a)	**$**	**1,185,805**	$	1,139,695
Less: Unamortized transaction costs - revolving credit facilities (b)		**(5,531)**		(4,020)
	$	**1,180,274**	$	1,135,675

(a) Senior unsecured notes

Balance, January 1, 2020	$	991,558
Addition to Principal, net of $8,176 transaction costs		591,824
Principal repayments		(400,000)
Change in fair value of embedded derivative (prepayment option)		(47,169)
Write-down of unamortized transaction costs		2,315
Accretion of transaction costs and premiums		1,167
Balance, December 31, 2020	$	1,139,695
Addition to Principal, net of $8,078 transaction costs		**591,922**
Principal repayments		**(600,000)**
Write-down of fair value of embedded derivative (prepayment option)		**49,754**
Write-down of unamortized transaction costs		**2,480**
Accretion of transaction costs and premiums		**1,954**
Balance, December 31, 2021	**$**	**1,185,805**

As at December 31, 2021, $1,200,000 aggregate principal amount of senior notes were outstanding in two series: (i) a series of 4.50% senior notes due 2026 in an aggregate principal amount of $600,000 (the "2026 Notes") and (ii) a series of 6.125% senior notes due 2029 in an aggregate principal amount of $600,000 (the "2029 Notes").

2026 Notes

On March 8, 2021, Hudbay completed an offering of $600,000 aggregate principle amount of 4.50% senior unsecured notes due April 2026.

Hudbay used the proceeds of the offering, together with available cash on hand, to satisfy and discharge all of its obligations with respect to its then outstanding $600,000 aggregate principal amount of 7.625% senior unsecured notes due 2025 (the "2025 Notes").

Upon extinguishment of the 2025 Notes, the unamortized transaction costs of $ 2,480 were expensed in the consolidated income statements (note 5g). The 2025 Notes contained a prepayment option asset (note 26d), which was previously valued at $49,754 and upon early redemption was written off and expensed in the consolidated income statements (note 5g)

The early redemption of the 2025 Notes also resulted in a call premium of $ 22,878 payable to the bondholders, which was expensed in the consolidated income statements (note 5g).

2029 Notes

On September 23, 2020, Hudbay completed an offering of $600,000 aggregate principal amount of 6.125% senior unsecured notes due April 2029 (the "2029 Notes").

Hudbay used the proceeds of the offering to satisfy and discharge all of its obligations with respect to its then outstanding $400,000 aggregate principal amount of 7.25% senior unsecured notes due 2023 (the "2023 Notes").

In 2020, the unamortized transaction costs of $2,315 were expensed upon extinguishment of the 2023 Notes. The early redemption of these notes resulted in a call premium of $7,252, payable to the bondholders, which was expensed in the consolidated income statements (note 5g).

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, Copper World and Mason projects 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. Hudbay's revolving credit facilities are secured against substantially all of the Company's assets, other than those associated with the Arizona business unit.

(b) Unamortized transaction costs - revolving credit facilities

Balance, January 1, 2020	$	6,303
Accretion of transaction costs		(3,062)
Write-down of unamortized transaction costs		(1,502)
Transaction costs		2,281
Balance, December 31, 2020	$	4,020
Accretion of transaction costs		**(2,816)**
Transaction costs		**4,327**
Balance, December 31, 2021 [1]	**$**	**5,531**

[1] Balance, representing deferred transaction costs, is in an asset position.

On October 26, 2021, the Company amended and restated its senior secured revolving credit facilities to increase the total amount of

available borrowings from $400 million to $450 million, eliminate certain financial covenants and amend others to increase its financial flexibility, reduce the effective interest rate and extend the maturity to October 26, 2025.

On August 31, 2020, Hudbay completed a restructuring of its two senior secured credit facilities. The total available credit was reduced from $550,000 to $400,000 and various financial covenants were amended. The unamortized transaction costs of $ 1,502 were expensed upon restructuring of the credit facilities.

As at December 31, 2021, the Peru business unit had $11,470 in letters of credit issued under the Peru revolving credit facility to support its reclamation obligations and the Manitoba business unit had $91,583 in letters of credit issued under the Canada revolving credit facility to support its reclamation and pension obligations. As at December 31, 2021, there were no cash advances under the credit facilities.

Surety bonds

The Arizona business unit had $28,291 in surety bonds issued to support future reclamation and closure obligations. No cash collateral is required to be posted under these surety bonds.

Other letters of credit

The Peru business unit had $87,091 in letters of credit issued with various Peruvian financial institutions to support future reclamation and other operating matters. No cash collateral is required to be posted under these letters of credit.

17. Deferred revenue

On August 8, 2012 and November 4, 2013, Hudbay entered into precious metals stream transactions with Wheaton whereby Hudbay has received aggregate deposit payments of $455,100 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 aggregate deposit payments of $429,900 against the delivery of (ii) 100% of payable silver and 50% of payable gold from Peru's production.

In addition to the aggregate deposit payments of $885,000, as gold and silver is delivered under the stream agreements, Hudbay 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, from the inception of the agreement.

Hudbay recorded the deposits received as deferred revenue and recognizes amounts in revenue as gold and silver are delivered under the stream agreements. Hudbay 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 under the stream agreements over the life of the 777 and Constancia/Pampacancha life-of-mine plans. Hudbay estimates the current portion of deferred revenue based on deliveries anticipated over the next twelve months.

Hudbay has determined that precious metals stream contracts are subject to variable consideration and contain a significant financing component. As such, the Company 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. Hudbay's streaming arrangements are secured against the mining properties and other business unit assets associated with the applicable stream.

777 Stream Agreement

For the year ended December 31, 2021, the drawdown rates for the 777 stream agreement for gold and silver were CA$ 1,578 and CA$30.38 per ounce, respectively (year ended December 31, 2020 - CA$ 1,589 and CA$30.63 per ounce, respectively).

As part of the streaming agreement for the 777 mine, Hudbay must repay, with precious metals credits, the stream deposit by August 1, 2052, the expiry date of the agreement. If the stream deposit is not fully repaid with precious metals credits from 777 production by the expiry date, a payment for the remaining amount will be due at the expiry date of the agreement. Given the remaining mine life is less than 12 months, Hudbay estimates that a portion of the stream deposit will not be repaid by means of precious metals credits from 777 production. As at December 31, 2021, the estimated repayment amount was reclassified to a refund liability (note 14), which is and will be discounted at the 9.0% rate inherent in the original 777 stream agreement and accreted over the remaining term of the agreement.

Peru Stream Agreement

During the second quarter of 2021, an amendment to the Peru gold stream was signed with Wheaton. The amendment eliminates the requirement to deliver 8,020 ounces of gold to Wheaton for not mining four million tonnes of ore from the Pampacancha deposit by June 30, 2021. In consideration for the elimination of this delivery obligation, Hudbay has agreed to increase the fixed gold recoveries that apply to Constancia ore production from 55% to 70% until December 31, 2025, which matches the fixed recovery rate that applies to Pampacancha production. In addition, Wheaton agreed that if Hudbay mined and processed four million tonnes of ore from the Pampacancha deposit by December 31, 2021, it would make an additional deposit payment of $4,000. As such, Hudbay revised its estimate of the remaining number of gold ounces expected to be delivered under the Peru streaming arrangement. Based on the nature of the amendment to the streaming agreement, it was determined that this contract modification should be treated as a termination of the existing contract and creation of a new contract. The accounting for such a modification is fully prospective.

As a result of the contract modification, the transaction price has been redetermined and the discount rate used to compute the significant financing component has been reassessed as of May 1, 2021. Under IFRS 15, the significant financing component is recognized as a financing charge at each reporting period and grosses up the deferred revenue balance to recognize the significant financing element that is inherent in the contract. Discount rates are significantly lower than compared to when the original contract was initiated which has resulted in lower amortized revenues and lower interest accretion expense from the date of modification.

Effective May 1, 2021, the drawdown rate for the Peru stream agreement for gold was $ 762 per ounce and prior to May 1, 2021 the drawdown rate for gold was $990 per ounce (year ended December 31, 2020 - $ 976 per ounce). Effective May 1, 2021 the drawdown rate for the Peru stream agreement for silver was $15.64 per ounce and prior to May 1, 2021 the drawdown rate for silver was $ 21.86 per ounce (year ended December 31, 2020 - $21.52 per ounce).

As at December 31, 2021 Hudbay had mined and processed four million tonnes of ore from the Pampacancha deposit and, as such, Hudbay received an additional deposit payment of $4,000 in the fourth quarter of 2021.

The following table summarizes changes in deferred revenue:

Balance, January 1, 2020	$	563,756
Amortization of deferred revenue		
Liability drawdown		(67,263)
Variable consideration adjustments - prior periods		(6,668)
Accretion on streaming arrangements		
Current year additions		60,362
Variable consideration adjustments - prior periods		(3,692)
Effects of changes in foreign exchange		189
Balance, December 31, 2020	$	546,684
Amortization of deferred revenue		
Liability drawdown		**(71,519)**
Variable consideration adjustments - prior periods		**(1,617)**
Accretion on streaming arrangements (note 5g)		
Current year-to-date additions		**42,060**
Variable consideration adjustments - prior periods		**594**
Reclass of refund liability (note 14)		**(5,424)**
Stream deposit		**4,000**
Effects of changes in foreign exchange		**548**
Balance, December 31, 2021	**$**	**515,326**

Consideration from the Company's stream agreement is considered variable. Gold and silver stream revenue can be subject to cumulative adjustments when the number of ounces to be delivered under the contract changes. As a result of changes in the Company's mineral reserve and resource estimate in the first quarter of 2021, the amortization rate by which deferred revenue is drawn down into income was adjusted and, as required, a current period catch up adjustment is made for all prior period stream revenues since the stream agreement inception date. This variable consideration adjustment resulted in an increase in revenue of $1,617 and an increase of finance expense of $594 for the year ended December 31, 2021.

During the year ended December 31, 2020, the Company recognized an adjustment to gold and silver revenue and finance costs due to a net increase in the Company's mineral reserve and resources estimates coupled with a change to the 777 mine plan. This variable consideration adjustment resulted in an increase in revenue of $6,668 and reversal of finance expense of $ 3,692 for the year ended December 31, 2020.

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

		Dec. 31, 2021		Dec. 31, 2020
Current	**$**	**88,963**	$	102,782
Non-current		**426,363**		443,902
	$	**515,326**	$	546,684

18. Environmental and other provisions

	Decommis-sioning, restoration and similar liabilities	Deferred share units (note 23a)	Restricted share units[1] (note 23a)	Performan-ce share units (note 23a)	Other[2]	Total
Balance, January 1, 2021	$ 343,132	$ 8,719	$ 10,449	$ 2,030	$ 1,144	$ 365,474
Net additional provisions made	172,023	1,233	5,523	2,993	9,182	190,954
Disbursements	(21,663)	(2,053)	(6,143)	-	(5)	(29,864)
Unwinding of discount (note 5g)	4,988	-	-	-	-	4,988
Effect of change in estimate to inflation rates[3]	(23,173)	-	-	-	-	(23,173)
Effect of change in discount rate	(9,982)	-	-	-	-	(9,982)
Effect of foreign exchange	2,475	(18)	316	(10)	(1)	2,762
Effect of change in share price	-	226	744	389	-	1,359
Balance, December 31, 2021	$ 467,800	$ 8,107	$ 10,889	$ 5,402	$ 10,320	$ 502,518

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

[2] Relates primarily to restructuring costs.

[3] Represents changes in estimates of inflation rates applied to expected undiscounted cash flows.

Provisions are reflected in the consolidated balance sheets as follows:

December 31, 2021	Decommis-sioning, restoration and similar liabilities	Deferred share units (note 23a)	Restricted share units[1] (note 23a)	Performan-ce share units (note 23a)	Other	Total
Current (note 13)	$ 16,759	$ 8,107	$ 5,061	$ 4,622	$ 6,468	$ 41,017
Non-current	451,041	-	5,828	780	3,852	461,501
	$ 467,800	$ 8,107	$ 10,889	$ 5,402	$ 10,320	$ 502,518

	Decommis-sioning, restoration and similar liabilities	Deferred share units (note 23a)	Restricted share units[1] (note 23a)	Performan-ce share units (note 23a)	Other	Total
Balance, January 1, 2020	$ 302,116	$ 3,876	$ 5,477	$ -	$ 2,956	$ 314,425
Net additional provisions made	5,868	1,628	3,642	1,257	15	12,410
Disbursements	(18,737)	(497)	(2,646)	-	(1,824)	(23,704)
Unwinding of discount (note 5g)	3,543	-	-	-	-	3,543
Effect of change in discount rate	43,180	-	-	-	-	43,180
Effect of foreign exchange	7,162	191	116	43	(3)	7,509
Effect of change in share price	-	3,521	3,860	730	-	8,111
Balance, December 31, 2020	$ 343,132	$ 8,719	$ 10,449	$ 2,030	$ 1,144	$ 365,474

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

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December 31, 2020	Decommis-sioning, restoration and similar liabilities	Deferred share units (note 23a)	Restricted share units[1] (note 23a)	Performan-ce share units (note 23a)	Other	Total
Current (note 13)	$ 20,308	$ 8,719	$ 4,648	$ -	$ -	$ 33,675
Non-current	322,824	-	5,801	2,030	1,144	331,799

$ 343,132	$ 8,719	$ 10,449	$ 2,030	$ 1,144	$ 365,474

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 ("DRO")

Hudbay'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.

DRO are remeasured at each reporting date to reflect changes in discount rates, exchange rates, and timing and extent of cash outflows which can significantly affect the liabilities. The amount of this 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 third quarter of 2021, following a comprehensive update to the Flin Flon closure plan, additional provisions were recognized to reflect higher estimates for closure activities in Flin Flon through to the year 2122. The increase in the environmental obligation resulted in a corresponding increase in the Flin Flon PP&E. However, as the closure of Flin Flon is expected to commence within 12 months, an impairment indicator was identified in the third and fourth quarter of 2021 which led to an impairment loss of $193,473 for the year ended December 31, 2021 (note 5h).

During the year ended December 31, 2021, additional provisions were recognized mostly as a result of the aforementioned impact in Flin Flon and changes to discount rates.

Hudbay's decommissioning and restoration liabilities relate mainly to its Manitoba operations. Management anticipates that most of the assets in Flin Flon will be placed on care and maintenance once mining activities are completed at the 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. These provisions also reflect estimated post-closure cash flows that extend to the year 2122 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 ra nging from 0.39% to 1.94% per annum (2020 - 0.12% to 1.65%), using pre-tax risk-free interest rates that reflect the estimated maturity of each specific liability.

19. Pension obligations

Hudbay maintains non-contributory and contributory defined benefit pension plans for certain of its employees.

The Company uses a December 31 measurement date for all of its plans. For Hudbay's significant plans, the most recent actuarial valuations filed for funding purposes were performed during 2021 using data as at December 31, 2020. For these plans, the next actuarial valuation required for funding purposes will be performed during 2022 using data as of December 31, 2021.

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

	Year ended	
	Dec. 31, 2021	Dec. 31, 2020
Opening defined benefit obligation:	**$ 240,354**	$ 243,733
Current service costs	**11,295**	11,044
Past service cost (note 5e)	**4,989**	-
Interest cost	**6,172**	6,569
Benefits paid from plan	**(22,546)**	(35,384)
Benefits paid from employer	**(866)**	(1,317)
Participant contributions	**34**	48
Effects of movements in exchange rates	**950**	2,780
Remeasurement actuarial losses/(gains):		
Arising from changes in demographic assumptions	**1,498**	(1,461)
Arising from changes in financial assumptions	**(24,663)**	16,967
Arising from experience adjustments	**(848)**	(2,625)
Closing defined benefit obligation	**$ 216,369**	$ 240,354

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

	Dec. 31, 2021	Dec. 31, 2020
Active members	**$ 176,644**	$ 211,861

Deferred members		**2,538**		2,198
Retired members		**37,187**		26,295
Closing defined benefit obligation	**$**	**216,369**	$	240,354

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

		Year ended		
		Dec. 31, 2021		Dec. 31, 2020
Opening fair value of plan assets:	**$**	**203,486**	$	202,119
Interest income		**5,387**		5,695
Remeasurement adjustment:				
(Loss) return on plan assets (excluding amounts included in net interest expense)		**(306)**		15,377
Contributions from the employer		**12,750**		12,987
Employer direct benefit payments		**866**		1,317
Contributions from plan participants		**34**		48
Benefit payment from employer		**(866)**		(1,317)
Administrative expenses paid from plan assets		**(83)**		(77)
Benefits paid		**(22,546)**		(35,384)
Effects of changes in foreign exchange rates		**923**		2,721
Closing fair value of plan assets	**$**	**199,645**	$	203,486

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, 2021		Dec. 31, 2020
Present value of funded defined benefit obligation	**$**	**197,546**	$	220,210
Fair value of plan assets		**(199,645)**		(203,486)
Present value of unfunded defined benefit obligation		**18,823**		20,144
Net liability arising from defined benefit obligation	**$**	**16,724**	$	36,868

Reflected in the consolidated balance sheets as follows:

		Dec. 31, 2021		Dec. 31, 2020
Pension obligation - current (note 13)	**$**	**10,472**	$	13,552
Pension obligation - non-current		**6,252**		23,316
Total pension obligation	**$**	**16,724**	$	36,868

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Pension expense is as follows:

		Dec. 31, 2021		Dec. 31, 2020
Service costs:				
Current service cost	**$**	**11,295**	$	11,044
Past service cost		**4,989**		-
Total service cost		**16,284**		11,044
Net interest expense		**785**		874
Administration cost		**83**		77
Defined benefit pension expense	**$**	**17,152**	$	11,995
Defined contribution pension expense	**$**	**2,061**	$	1,791

Remeasurement on the net defined benefit liability:

		Dec. 31, 2021		Dec. 31, 2020
Loss (return) on plan assets (excluding amounts included in net interest expense)	**$**	**306**	$	(15,377)
Actuarial losses (gains) arising from changes in demographic assumptions		**1,498**		(1,461)

Actuarial (gains) losses arising from changes in financial assumptions		**(24,663)**		16,967
Actuarial gains arising from experience adjustments		**(848)**		(2,625)
Defined benefit gain related to remeasurement	**$**	**(23,707)**	$	(2,496)
Total pension cost	**$**	**(4,494)**	$	11,290

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.

The defined benefit pension plans typically expose Hudbay 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. Hudbay'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:

	2021	2020
Defined benefit cost:		
Discount rate - benefit obligations	**2.54%**	3.08%
Discount rate - service cost	**2.66%**	3.10%
Expected rate of salary increase [1]	**2.75%**	2.75%
Average longevity at retirement age for current pensioners (years) [2] :		
Males	**20.3**	20.3
Females	**23.7**	23.7
Defined benefit obligation:		
Discount rate	**3.09%**	2.54%
Expected rate of salary increase [1]	**2.75%**	2.75%
Average longevity at retirement age for current pensioners (years) [2] :		
Males	**20.4**	20.3
Females	**23.7**	23.7
Average longevity at retirement age for current employees (future pensioners) (years)[2] :		
Males	**22.2**	22.2
Females	**25.4**	25.4

[1] Plus merit and promotional scale based on member's age

[2] Revised retirement pension plan only - CPM2014 Priv with MI-2017 projection scale with loading of 1.25 and 1.15 for males and females

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Hudbay 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, Hudbay 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 $ 18,774 (increase by $21,539).
- If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by $ 2,824 (decrease $2,522).
- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by $1,795 (decrease by $1,847).

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 recognized in the consolidated balance sheets.

The Company'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, 2021 is $ 12,477.

The average duration of the pension obligation at December 31, 2021 is 19.2 years (2020 - 21.2 years). This number can be broken down as follows:

- Active members: 21.0 years (2020: 22.3 years)
- Deferred members: 23.5 years (2020: 21.9 years)
- Retired members: 10.0 years (2020: 12.0 years)

Asset-Liability-Matching studies are performed periodically to analyze the investment policies in terms of risk and-return profiles.

The pension plans do not invest directly in either securities or property/real estate of the Company.

With the exception of fixed income investments and certain equity instruments, 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, 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments:				
Money market instruments	**$ 2,045**	**$ -**	**$ -**	**$ 2,045**
Pooled equity funds	**78,092**	**-**	**-**	**78,092**
Pooled fixed income funds	**-**	**97,229**	**-**	**97,229**
Alternative investment funds	**-**	**21,983**	**-**	**21,983**
Balanced funds	**-**	**296**	**-**	**296**
	$ 80,137	**$ 119,508**	**$ -**	**$ 199,645**

December 31, 2020	Level 1	Level 2	Level 3	Total
Investments:				
Money market instruments	$ 4,766	$ -	$ -	$ 4,766
Pooled equity funds	68,926	-	-	68,926
Pooled fixed income funds	-	98,922	-	98,922
Alternative investment funds	-	30,323	-	30,323
Balanced funds	-	549	-	549
	$ 73,692	$ 129,794	$ -	$ 203,486

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20. Other employee benefits

Hudbay 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 Hudbay'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, 2021	Dec. 31, 2020
Opening defined benefit obligation	**$ 129,616**	$ 116,696
Current service cost[1]	**3,861**	4,140
Past service cost	**134**	-
Interest cost	**3,531**	3,478
Effects of movements in exchange rates	**639**	2,423
Remeasurement actuarial losses/(gains):		
Arising from changes in demographic assumptions	**2,601**	(4,460)
Arising from changes in financial assumptions	**(7,309)**	10,043
Arising from experience adjustments	**(1,034)**	(489)
Benefits paid	**(3,196)**	(2,215)
Closing defined benefit obligation	**$ 128,843**	$ 129,616

[1] Includes remeasurement of other long term employee benefits

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

	Dec. 31, 2021	Dec. 31, 2020
Active members	**$ 57,775**	$ 68,983
Inactive members	**71,068**	60,633
Closing defined benefit obligation	**$ 128,843**	$ 129,616

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

	Dec. 31, 2021	Dec. 31, 2020
Employer contributions	**$ 3,196**	$ 2,215
Benefits paid	**(3,196)**	(2,215)
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, 2021	Dec. 31, 2020
Unfunded benefit obligation	**$ 128,843**	$ 129,616
Vacation accrual and other - non-current	**3,275**	3,046
Net liability	**$ 132,118**	$ 132,662

Reflected in the consolidated balance sheets as follows:

	Dec. 31, 2021	Dec. 31, 2020
Other employee benefits liability - current (note 13)	**$ 3,530**	$ 3,154
Other employee benefits liability - non-current	**128,588**	129,508
Net liability	**$ 132,118**	$ 132,662

Other employee future benefit expense includes the following:

	Dec. 31, 2021	Dec. 31, 2020
Current service cost [1]	**$ 3,995**	$ 4,140
Net interest cost	**3,531**	3,478
Components recognized in consolidated income statements	**$ 7,526**	$ 7,618

[1] Includes remeasurement of other long term employee benefit

	Dec. 31, 2021	Dec. 31, 2020
Remeasurement on the net defined benefit liability:		
Actuarial losses/(gains) arising from changes in demographic assumptions	**$ 2,601**	$ (4,460)

Actuarial (gains)/losses arising from changes in financial assumptions		**(7,309)**		10,043
Actuarial gains arising from changes experience adjustments		**(1,034)**		(489)
Components recognized in statements of comprehensive income	**$**	**(5,742)**	$	5,094
Total other employee future benefit cost	**$**	**1,784**	$	12,712

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, 2021	Dec. 31, 2020
Defined benefit cost:		
Discount rate	**2.76%**	3.17%
Initial weighted average health care trend rate	**5.66%**	5.68%
Ultimate weighted average health care trend rate	**4.00%**	4.00%
Average longevity at retirement age for current pensioners (years) [1] :		
Males	**20.3**	21.2
Females	**23.7**	23.9

	Dec. 31, 2021	Dec. 31, 2020
Defined benefit obligation:		
Discount rate	**3.30%**	2.76%
Initial weighted average health care trend rate	**6.00%**	5.66%
Ultimate weighted average health care trend rate	**4.00%**	4.00%
Average longevity at retirement age for current pensioners (years) [1] :		
Males	**20.4**	20.3
Females	**23.7**	23.7
Average longevity at retirement age for current employees (future pensioners) (years) [1] :		
Males	**22.3**	22.2
Females	**25.4**	25.4

[1] CPM2014 Priv with CPM-B projection scale

Hudbay 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 Hudbay 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.

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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 $ 11,124 (increase by $12,821).
- If the health care cost assumption increases (decreases) by 1%, the defined benefit obligation would increase by $ 25,894 (decrease by $19,987).
- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligations would increase by $5,088 (decrease by $5,147).

The average duration of the non-pension post-employment obligation at December 31, 2021 is 18.6 years (2020: 19.4 years).

This number can be broken down as follows:

- Active members: 25.4 years (2020: 24.6 years)
- Inactive members: 13.2 years (2020: 13.6 years)

21. Income and mining taxes

(a) Tax recoveries:

The tax expense (recoveries) is applicable as follows:

	Year ended December 31,	
	2021	2020
Current:		
Income taxes	**$ 25,570**	$ 4,458
Mining taxes	**20,830**	4,671
Adjustments in respect of prior years	**-**	(398)
	46,400	8,731
Deferred:		
Income tax recoveries - origination, revaluation and/or reversal of temporary differences	**(17,772)**	(39,411)
Mining tax expense (recoveries) - origination, revaluation and/or reversal of temporary difference	**4,235**	(3,331)
Adjustments in respect of prior years	**8,744**	(494)
	(4,793)	(43,236)
	$ 41,607	$ (34,505)

Adjustments in respect of prior years refers to amounts changing due to the filing of tax returns and assessments from government authorities as well as any change identified that would result in a difference to our current or deferred tax balances as reported in the prior fiscal year end.

(b) Deferred tax assets and liabilities as represented on the consolidated balance sheets:

	Dec. 31, 2021	Dec. 31, 2020
Deferred income tax asset	**$ 133,584**	$ 94,070
Deferred mining tax asset	**-**	7,829
	133,584	101,899
Deferred income tax liability	**(249,638)**	(220,568)
Deferred mining tax liability	**(12,126)**	(8,865)
	(261,764)	(229,433)
Net deferred tax liability balance, end of year	**$ (128,180)**	$ (127,534)

(c) Changes in deferred tax assets and liabilities:

	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020
Net deferred tax liability balance, beginning of year	$ (127,534)	$ (167,882)
Deferred tax expense	4,793	43,236
OCI transactions	(5,474)	(759)
Foreign currency translation on the deferred tax liability	35	(2,129)
Net deferred tax liability balance, end of year	$ (128,180)	$ (127,534)

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(d) Reconciliation to statutory tax rate:

As a result of its mining operations, the Company 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 Company's statutory income tax rate for the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31,	
	2021	2020
Statutory tax rate	**26.4%**	26.3%
Tax recovery at statutory rate	**$ (53,526)**	$ (47,047)
Effect of:		
Deductions related to mining taxes	**(5,491)**	(1,369)
Adjusted income taxes	**(59,017)**	(48,416)
Mining tax expense	**32,034**	1,291
	(26,983)	(47,125)
Permanent differences related to:		
Capital items	**716**	(160)
Other income tax permanent differences	**2,775**	(1,165)
Impact of remeasurement on decommissioning liability	**33,731**	7,094
Temporary income tax differences not recognized	**4,483**	1,100
Impact related to differences in tax rates in foreign operations	**21,201**	5,534
Impact of changes to statutory tax rates	**(706)**	2,412
Foreign exchange on non-monetary items	**4,593**	(3,628)
Impact related to tax assessments and tax return amendments	**1,797**	1,433
Tax expense (recovery)	**$ 41,607**	$ (34,505)

(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, 2021 and 2020 are as follows:

	Balance sheet	
	Dec. 31, 2021	Dec. 31, 2020
Deferred income tax (liability) asset		
Property, plant and equipment	**$ (40,491)**	$ (88,368)
Pension obligation	**4,369**	9,467
Other employee benefits	**27,191**	25,687
Decommissioning and restoration obligation	**29,870**	37,902
Non-capital losses	**93,892**	110,374
Share issuance and debt cost	**17,984**	8,972
Embedded derivative (prepayment option)	**-**	(13,137)
Deferred revenue	**1,661**	(809)
Other	**(892)**	3,982
Deferred income tax asset	**133,584**	94,070
Deferred income tax liability (asset)		
Property, plant and equipment	**322,325**	292,858
Other employee benefits	**(654)**	203
Asset retirement obligations	**(9,609)**	(1,588)
Non-capital losses	**(58,777)**	(78,607)
Other	**(3,647)**	7,702
Deferred income tax liability	**249,638**	220,568
Deferred income tax liability	**$ (116,054)**	$ (126,498)

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 Company has not recognized a deferred tax asset on $ 23.5 million of non-capital losses (December 31, 2020 - $ 115.9 million), $170.8 million of capital losses (December 31, 2020 - $ 166.2 million) and $586.8 million (December 31, 2020 - $291.9 million) of other deductible temporary differences since the realization of any related tax benefit through future taxable profits is not probable. The capital

losses have no expiry dates and the other deductible temporary differences do not expire under current tax legislation.

The Canadian non-capital losses were incurred between 2006 and 2021 and have a twenty-year carry forward period. The United States net operating losses were incurred between 2004 and 2021 and have a twenty-year carry forward period. Peruvian net operating losses were incurred in 2021 and may be carried forward and set off against 50% of future profits without any time restrictions.

(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, 2021 and 2020 are as follows:

Canada	**Dec. 31, 2021**	Dec. 31, 2020
Property, plant and equipment	**$ (278)**	$ 7,829

Peru	**Dec. 31, 2021**	Dec. 31, 2020
Property, plant and equipment	**$ (11,848)**	$ (8,865)

For the year ended December 31, 2021, Hudbay had unrecognized deferred mining tax assets of approximately $ 18,159 (December 31, 2020 - $7,544).

(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 Company 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 tax authorities over the interpretation or application of certain tax rules and regulations in respect of the Company'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.

22. Share capital

(a) Preference shares:

Authorized: Unlimited preference shares without par value.

Issued and fully paid: Nil.

(b) Common shares:

Authorized: Unlimited common shares without par value.

Issued and fully paid:

	Year ended December 31, 2021		Year ended Dec. 31, 2020	
	Common shares	**Amount**	Common shares	Amount
Balance, beginning of year	**261,272,151**	**$ 1,777,340**	261,272,151	$ 1,777,340
Exercise of options	**326,161**	**1,508**	—	—
Balance, end of year	**261,598,312**	**$ 1,778,848**	261,272,151	$ 1,777,340

During the year ended December 31, 2021, the Company declared two semi-annual dividends of C$ 0.01 per share each. The Company paid $2,090 and $2,056 in dividends on March 26, 2021 and September 24, 2021 to shareholders of record as of March 9, 2021 and September 3, 2021.

During the year ended December 31, 2020, the Company paid $ 1,804 and $1,979 in dividends on March 27, 2020 and September 25, 2020 to shareholders of record as of March 10, 2020 and September 4, 2020.

23. Share-based compensation

(a) Cash-settled share-based compensation:

Hudbay has three cash-settled share-based compensation plans, as described below.

Deferred Share Units (DSU)
At December 31, 2021, the carrying amount and the intrinsic value of the outstanding liability related to the DSU plan was $ 8,107 (December 31, 2020 - $8,719) (note 18). The following table outlines information related to DSUs granted, expenses recognized and payments made during the year.

	Year ended	
	Dec. 31, 2021	Dec. 31, 2020
Granted during the year:		
Number of units	**173,929**	465,889
Weighted average price (C$/unit)	**$ 8.85**	$ 4.10
Expenses recognized during the year [1] (notes 5d)	**$ 1,459**	$ 5,149
Payments made during the year (note 18)	**$ 2,053**	$ 497

[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 the Company, 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, 2021, the carrying amount of the outstanding liability related to the RSU plan was $ 10,889 (December 31, 2020 - $10,449) (note 18). The following table outlines information related to RSUs granted, expenses recognized and payments made in the year.

	Year ended	
	Dec. 31, 2021	Dec. 31, 2020
Number of units, beginning of year	**2,940,337**	2,223,999
Number of units granted during the year	**515,727**	1,388,786
Credits for dividends	**6,949**	17,587
Number of units forfeited during the year	**(133,804)**	(44,678)
Number of units vested	**(844,349)**	(645,357)
Number of units, end of year [1]	**2,484,860**	2,940,337
Weighted average price - granted (C$/unit)	**$ 10.42**	$ 3.98
Expenses recognized during the year [2] (note 5d)	**$ 5,385**	$ 6,750
Payments made during the year (note 18)	**$ 6,143**	$ 2,646

[1] Includes 778,224 and 738,002 units that have vested; however, are unreleased and unpaid as of December 31, 2021 and December 31, 2020 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.

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Performance Share Units (PSU)

PSUs granted under the LTEP Plan may be settled in the form of Hudbay common shares or, at the option of the Company, the cash equivalent based on the market price of the common shares as of the vesting date. Hudbay has historically settled similar share-based compensation units in cash. The Company has determined that the appropriate accounting treatment is to classify the PSUs as cash settled transactions. The PSUs contain a performance based multiplier element which will be computed upon vesting.

At December 31, 2021, the carrying amount of the outstanding liability related to PSU plan was $ 5,402 (December 31, 2020 - $2,030) (note 18). The following table outlines information related to PSUs granted, expenses recognized and payments made in the year.

	Year ended	
	Dec. 31, 2021	Dec. 31, 2020
Number of units, beginning of year	**1,095,615**	-
Number of units granted during the year	**406,656**	1,089,569
Credits for dividends	**3,960**	6,046
Number of units, end of year	**1,506,231**	1,095,615
Weighted average price - granted (C$/unit)	**$ 10.42**	$ 3.97
Expenses recognized during the year (note 5d)	**$ 3,382**	$ 1,987
Payments made during the year (note 18)	**$ -**	$ -

(b) Equity-settled share-based compensation - stock options:

The Company's stock option plan was approved in June 2005 and amended in May 2008 (the "Plan"). Under the amended Plan, the Company may grant to employees, officers, directors or consultants of the Company or its affiliates options to purchase up to a maximum of 13 million common shares of Hudbay. The Company has determined that the appropriate accounting treatment is to classify the stock options as equity settled transactions.

During the year ended December 31, 2021, the Company granted 509,385 stock options (year ended December 31, 2020 - 1,581,385).

The following table outlines the changes in the number of stock options outstanding:

	Year ended Dec. 31, 2021		Year ended Dec. 31, 2020	
	Number of shares subject to option	**Weighted-average exercise price C$**	Number of shares subject to option	Weighted average exercise price C$
Balance, beginning of year	**1,563,189**	**$ 3.77**	-	
Number of units granted during the year	**509,385**	**$ 10.42**	1,581,385	$ 3.77
Exercised	**(326,161)**	**$ 3.76**	-	$ -
Forfeited	**(87,125)**	**$ 5.79**	(18,196)	$ 3.76
Balance, end of year	**1,659,288**	**$ 5.71**	1,563,189	$ 3.77

The following table presents the weighted average fair value assumptions used in the Black-Scholes valuation of these options:

For options granted during the year ended	**Dec. 31, 2021**	Dec. 31, 2020
Weighted average share price at grant date (CAD)	**$ 10.42**	$ 3.77
Risk-free rate	**1.02%**	1.14%
Expected dividend yield	**0.2%**	0.5%
Expected stock price volatility (based on historical volatility)	**60.5%**	57.0%
Expected life of option (months)	**84**	84
Weighted average per share fair value of stock options granted (CAD)	**$ 6.06**	$ 2.02

The following table outlines stock options outstanding and exercisable:

Dec. 31, 2021					
Range of exercise prices C$	**Number of options outstanding**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price C$**	**Number of options exercisable**	**Weighted average share price at exercise date C$**
$3.76 - $3.92	**1,176,399**	**5.15**	**$ 3.78**	**191,651**	**$ 3.79**
$10.42 - $10.42	**482,889**	**6.15**	**$ 10.42**	**-**	**$ -**

Dec. 31, 2020

Range of exercise prices C$	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price C$	Number of options exercisable	Weighted average share price at exercise date C$
$3.76 - $3.92	1,156,189	6.15	$ 3.77	-	$ -

Hudbay estimates expected life of options and expected volatility based on historical data, which may differ from actual outcomes.

24. Earnings per share

	Year ended	
	Dec. 31, 2021	Dec. 31, 2020
Basic and diluted weighted average common shares outstanding	**261,462,323**	261,272,151

For periods where Hudbay records a loss, Hudbay calculates diluted loss per share using the basic weighted average number of shares. If the diluted weighted average number of shares were used, the result would be a reduction in the loss, which would be anti-dilutive.

The determination of the diluted weighted-average number of common shares excludes the impact of 640,089 weighted-average stock options outstanding that were anti-dilutive for the year ended December 31, 2021 (year ended December 31, 2020 - 1,292,840) as the Company recorded a loss in the financial periods being reported. For the year ended December 31, 2021, Hudbay calculated diluted loss per share using 261,462,323 (for the year ended December 31, 2020 - 261,272,151 common shares).

25. Capital management

The Company's definition of capital includes total equity and long-term debt. Hudbay's long-term debt balance as at December 31, 2021 was $1,180,274 (December 31, 2020 - $1,135,675).

The Company's objectives when managing capital are to maintain a strong capital base in order to:

- Advance Hudbay's corporate strategies to create long-term value for its stakeholders; and,
- Sustain Hudbay'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 Company's short-term and long-term strategic objectives in a capital intensive industry. Hudbay faces several risks, including volatile metals prices, access to capital, and risk of delays and cost escalation associated with major capital projects. The Company continually assesses the adequacy of its capital structure to ensure its objectives are met. Hudbay monitors its cash and cash equivalents, which were $270,989 as at December 31, 2021 (2020 - $439,135), together with availability under its committed credit facilities. Hudbay 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, Hudbay must maintain sufficient cash to fund the interest expense on the long-term debt outstanding (note 16). As part of the Company's capital management activities, Hudbay monitors interest coverage ratios and leverage ratios.

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26. Financial instruments

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

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

	Dec. 31, 2021		Dec. 31, 2020	
	FV	**CV**	FV	CV
Financial assets at amortized cost				
Cash[1]	**$ 270,989**	**$ 270,989**	$ 439,135	$ 439,135
Restricted cash[1]	**437**	**437**	337	337
Fair value through profit or loss				
Trade and other receivables [1, 2, 3]	**172,890**	**172,890**	114,381	114,381
Non-hedge derivative assets [4]	**7,430**	**7,430**	2,736	2,736
Investments [5]	**11,158**	**11,158**	15,669	15,669

Total financial assets	**$ 462,904**	**$ 462,904**	$ 572,258	$ 572,258
Financial liabilities at amortized cost				
Trade and other payables [1, 2]	**189,179**	**189,179**	209,413	209,413
Deferred Rosemont acquisition consideration [8]	**27,518**	**27,518**	25,961	25,961
Agreements with communities [6]	**33,947**	**36,273**	41,912	40,787
Wheaton refund liability [10]	**5,424**	**5,424**	-	-
Senior unsecured notes [7]	**1,239,018**	**1,185,805**	1,277,124	1,139,695
Fair value through profit or loss				
Gold prepayment liability [9]	**140,008**	**140,008**	137,031	137,031
Non-hedge derivative liabilities [4]	**12,451**	**12,451**	15,312	15,312
Total financial liabilities	**$ 1,647,545**	**$ 1,596,658**	$ 1,706,753	$ 1,568,199

[1] Cash, 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] Trade and other receivables contain receivables including provisionally priced receivables classified as FVTPL and various other items at amortized cost. The fair value of provisionally priced receivables is determined using forward metals prices which is a level 2 valuation method.

[4] 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.

[5] All investments are carried at their fair value, which is determined using quoted market bid prices in active markets for listed shares.

[6] These financial liabilities relate to agreements with communities near the Constancia project in Peru (note 14). Fair values have been determined using a discounted cash flow analysis based on expected cash flows and a credit adjusted discount rate.

[7] Fair value of the senior unsecured notes (note 16) has been determined using the quoted market price at the period end. Fair value incorporates the fair value of the prepayment option embedded derivative. The carrying value of this embedded derivative is at FVTPL (2021: nil; 2020: $49,754) and has been determined using a binomial tree/lattice approach based on the Hull-White single factor interest rate term structure model.

[8] Discounted value based on a risk adjusted discount rate.

[9] The gold prepayment liability (note 14) is designated as fair value through profit or loss under the fair value option. Gains and losses related to the Company's own credit risk have been recorded at fair value through other comprehensive income. The fair value adjustment recorded in other comprehensive income for the year ended December 31, 2021 was a loss of $2,684 (year ended December 31, 2020 was a loss of $1,885).

[10] Discounted value based on a market rate at inception of the applicable Wheaton contract (note 17).

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, 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Financial assets at FVTPL:				
Non-hedge derivatives	**$ -**	**$ 7,430**	**$ -**	**$ 7,430**
Investments	**11,158**	**-**	**-**	**11,158**
	$ 11,158	**$ 7,430**	**$ -**	**$ 18,588**
Financial liabilities measured at fair value				
Financial liabilities at FVTPL:				
Non-hedge derivatives	**$ -**	**$ 12,451**	**$ -**	**$ 12,451**
Gold prepayment liability	**-**	**140,008**	**-**	**140,008**
Financial liabilities at amortized cost:				
Agreements with communities	**-**	**-**	**33,947**	**33,947**
Wheaton refund liability	**-**	**-**	**5,424**	**5,424**
Senior unsecured notes	**1,239,018**	**-**	**-**	**1,239,018**
	$ 1,239,018	**$ 152,459**	**$ 39,371**	**$ 1,430,848**

December 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				

Financial assets at FVTPL:				
Non-hedge derivatives	$ -	$ 2,736	$ -	$ 2,736
Investments	15,669	-	-	15,669
	$ 15,669	$ 2,736	$ -	$ 18,405
Financial liabilities measured at fair value				
Financial liabilities at FVTPL:				
Non-hedge derivatives	$ -	$ 15,312	$ -	$ 15,312
Gold prepayment liability	-	137,031	-	137,031
Financial liabilities at amortized cost:				
Agreements with communities	-	-	41,912	41,912
Senior unsecured notes	1,277,124	-	-	1,277,124
	$ 1,277,124	$ 152,343	$ 41,912	$ 1,471,379

The Company'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, 2021 and year ended December 31, 2020, Hudbay did not make any such transfers.

The following valuation techniques are used for instruments categorized in Levels 2 and 3:

- Non-hedge derivatives (Level 2) - These contracts have been fair valued using observable forward commodity prices corresponding to the maturity of the contract.
- Gold prepayment liability (Level 2) - This contract have been fair valued using observable gold forward prices corresponding to the delivery date of gold ounces in the contract along with an estimate of credit risk for similar instruments.
- Agreements with communities (Level 3) - These contracts have been fair valued using an applicable credit-risk adjusted discount rate and foreign exchange rates.
- Wheaton refund liability (Level 3) - This liability has been fair valued using 777 reserve and resources estimates which management believes will be converted to reserves, future commodity price estimates, estimated timing of deliveries of precious metals to Wheaton and a 9.0% discount rate inherent in the original stream agreement.

Reasonable changes to inputs of financial instruments categorized as Level 3 were insignificant.

(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, 2021, Hudbay had 72.8 million pounds of net copper swaps outstanding at an effective average price of $4.34/lb and settling across January to April 2022. As at December 31, 2020, Hudbay had 43.4 million pounds of net copper swaps outstanding at an effective average price of $3.22/lb and settling across January to April 2021. The aggregate fair value of the transactions at December 31, 2021 was a liability of $5,440 (December 31, 2020 - a liability position of $13,198).

Transactions involving derivatives are with large multi-national financial institutions that Hudbay believes to be credit worthy.

Non-hedge derivative zinc contracts

Hudbay enters into future dated fixed price sales contracts with zinc customers and, to ensure that the Company 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, 2021, Hudbay held contracts for forward zinc purchased of 3.1 million pounds (December 31, 2020 - 3.5 million pounds) that related to forward customer sales of zinc. Prices range from $1.44/lb to $1.52/lb (December 31, 2020 - $0.87/lb to $1.30/lb) and settlement dates extend to June 2022. The aggregate fair value of the transactions at December 31, 2021 was a net asset position of $419 (December 31, 2020 - a net asset position of $ 622).

(c) Provisionally priced receivables

Changes in fair value of provisionally priced receivables

Hudbay 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 inventory or 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, 2021 and December 31, 2020, Hudbay's net position consisted of contracts awaiting final pricing which are as indicated below:

Metal in concentrate	Unit	Sales awaiting final pricing **Dec. 31, 2021**	Dec. 31, 2020	Average YTD price ($/unit) **Dec. 31, 2021**	Dec. 31, 2020
Copper	*pounds (in thousands)*	**75,681**	47,901	**4.42**	3.52
Gold	oz	**27,304**	18,106	**1,828**	1,894
Silver	oz	**125,800**	123,380	**23.33**	26.35

The aggregate fair value of provisionally priced receivables within the copper and zinc concentrate sales contracts at December 31, 2021, was an asset position of $6,500 (December 31, 2020 - an asset position of $21,295).

(d) Embedded derivatives

Prepayment option embedded derivative

The senior unsecured notes (note 16) may contain prepayment options, which represent embedded derivatives that may require bifurcation from the host contract. When bifurcation is required, the embedded derivatives are measured at fair value, with changes in the fair value being recognized as change in fair value of financial instruments on the consolidated income statements (note 5g). Neither the 2026 Notes nor the 2029 Notes contain embedded derivatives that require bifurcation from the host contract. The fair value of the embedded derivative at December 31, 2021 was nil (December 31, 2020 - $49,754).

(e) Other financial liabilities

Gold prepayment liability

The gold prepayment liability (note 14) requires settlement by physical delivery of gold ounces or equivalent gold credits. The fair value of the financial liability at December 31, 2021 was a liability of $140,008 (December 31, 2020 - $137,031).

(f) Financial risk management

Hudbay's financial risk management activities are governed by Board-approved policies addressing risk identification, hedging authorization procedures and limits and reporting. The Company'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 Hudbay. From time to time, the Company 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. Hudbay does not use derivative financial instruments for trading or speculation purposes. The following is a discussion of the Company's risk exposures.

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(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

Hudbay'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 Company'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 Hudbay'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 Company's exposure to foreign currency risk was as follows based on notional financial instrument amounts stated in US equivalent dollars:

	Dec. 31, 2021			Dec. 31, 2020		
	CAD[1]	**USD[2]**	**PEN[3]**	CAD[1]	USD[2]	PEN[3]
Cash	**$ 10,627**	**$ 34,439**	**$ 6,992**	$ 7,791	$ 3,895	$ 4,141
Trade and other receivables	**595**	**71,458**	**36,470**	31	43,316	36,951
Other financial assets	**11,158**	**-**	**-**	15,669	-	-
Trade and other payables	**(6,347)**	**(3,001)**	**(17,006)**	(6,104)	(1,419)	(34,622)
Other financial liabilities	**-**	**-**	**(36,273)**	-	-	(40,787)
	$ 16,033	**$ 102,896**	**$ (9,817)**	$ 17,387	$ 45,792	$ (34,317)

[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, 2021 and does not reflect the overall effect that changes in market variables would have on the Company's operating results.

December 31, 2021	**Change of:**		**Would have changed 2021 after-tax profit by:**	
USD/CAD exchange rate[1]	**+ 10%**	**$**	**4.8**	million
USD/CAD exchange rate[1]	**- 10%**		**(5.7)**	million
USD/PEN exchange rate[2]	**+ 10%**		**0.6**	million
USD/PEN exchange rate[2]	**- 10%**		**(0.7)**	million
December 31, 2020	Change of:		Would have changed 2020 after-tax profit by:	
USD/CAD exchange rate[1]	+ 10%	$	1.1	million
USD/CAD exchange rate[1]	- 10%		(1.4)	million
USD/PEN exchange rate[2]	+ 10%		2.0	million
USD/PEN exchange rate[2]	- 10%		(2.5)	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 Company produces and sells, such as copper, zinc, gold and silver. From time to time, Hudbay 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, 2021 and does not reflect the overall effect that changes in market variables would have on the Company's operating results.

December 31, 2021	**Change of:**		**Would have changed 2021 after-tax profit by:**	
Copper prices ($/lb) [1]	**+ $0.30**	**$**	**0.5**	**million**
Copper prices ($/lb) [1]	**- $0.30**		**(0.5)**	**million**
Zinc prices ($/lb) [2]	**+ $0.10**		**0.2**	**million**
Zinc prices ($/lb) [2]	**- $0.10**		**(0.2)**	**million**
December 31, 2020	Change of:		Would have changed 2020 after-tax profit by:	

Copper prices ($/lb) [1]	+ $0.30	$	(1.4)	million
Copper prices ($/lb) [1]	- $0.30		1.4	million
Zinc prices ($/lb) [2]	+ $0.10		0.3	million
Zinc prices ($/lb) [2]	- $0.10		(0.3)	million

[1] Effect on profit due to provisional pricing derivatives (note 26c) and copper fixed for floating swaps (note 26b).

[2] Effect on non-hedge zinc derivatives (note 26b).

Share price risk

Hudbay is exposed to market risk from share prices of the Company's investments in listed Canadian metals and mining entities. 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 Hudbay's positions. The following sensitivity analysis of 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, 2021 and does not reflect the overall effect that changes in market variables would have on the Company's finance expenses.

December 31, 2021	**Change of:**		**Would have changed 2021 after-tax profit by:**	
Share prices	**+ 25%**	**$**	**2.8**	**million**
Share prices	**- 25%**		**(2.8)**	**million**
December 31, 2020	Change of:		Would have changed 2020 after-tax profit by:	
Share prices	+ 25%	$	3.9	million
Share prices	-25%		(3.9)	million

Interest rate risk

Hudbay 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 any embedded derivative associated with its senior notes; and,
- interest rate risk on its senior secured revolving credit facilities.

The only relevant risks at December 31, 2021 is interest rate risk on its cash and cash equivalents. The senior secured revolving credit facilities remain undrawn as at December 31, 2021. Neither the 2026 Notes nor the 2029 Notes contain embedded derivatives that require bifurcation from the host contract.

The only material of these risks at December 31, 2020 was the embedded derivative associated with the 2025 Notes.

This analysis only quantifies the impact of the embedded derivative on the senior notes and the interest rate risk on cash based on values as at December 31, 2021 and 2020 and does not reflect the overall effect that changes in market variables would have on the Company's finance expenses.

December 31, 2021	**Change of:**		**Would have changed 2021 after-tax profit by:**	
Interest rates	**+ 2.00%**	**$**	**5.4**	**million**
Interest rates	**- 2.00%**		**(5.4)**	**million**
December 31, 2020	Change of:		Would have changed 2020 after-tax profit by:	
Interest rates	+ 2.00%	$	(29.2)	million
Interest rates	**- 2.00%**		39.7	million

(ii) Credit risk

Credit risk is the risk of financial loss to Hudbay if a customer or counterparty to a financial instrument fails to meet its obligations. The Company'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 26a.

A large portion of Hudbay's cash are on deposits with major Schedule 1 Canadian banks. Deposits with Schedule 1 Canadian banks represented 76% of total cash as at December 31, 2021 (2020 - 90%). Hudbay's investment policy requires it to comply with a list of approved investments, concentration and maturity limits, as well as credit quality. Credit concentrations in the Company's short-term investments are monitored on an ongoing basis.

Transactions involving derivatives are with counterparties Hudbay believes to be creditworthy.

Management has a credit policy in place that requires the Company to obtain credit insurance from an investment grade credit insurance provider to mitigate exposure to credit risk in its receivables. At December 31, 2021, approximately 96% of Hudbay's trade receivables were insured or payable by letters of credit (2020 - 95% 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.

Two customers accounted for approximately 29% and 23% of total trade receivables as at December 31, 2021 (2020 - two customers accounted for approximately 40% and 16% of total trade receivables). Credit risk for these customers is assessed as medium to low. As at December 31, 2021, none of the Company's trade receivables were aged more than 30 days (2020 - nil).

(iii) Liquidity risk

Liquidity risk is the risk that the Company 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 Company'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.

Dec. 31, 2021	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	$ 270,989	$ 270,989	$ 270,989	$ -	$ -	$ -
Restricted cash	437	437	437	-	-	-
Trade and other receivables	172,890	172,890	172,890	-	-	-
Non-hedge derivative assets	7,430	7,430	7,430	-	-	-
	$ 451,746	$ 451,746	$ 451,746	$ -	$ -	$ -
Non-derivative financial liabilities						
Trade and other payables, including embedded derivatives	$ (189,179)	$ (189,179)	$ (189,179)	$ -	$ -	$ -
Agreements with communities [1]	(36,273)	(52,497)	(9,282)	(9,719)	(5,220)	(28,276)
Deferred Rosemont acquisition consideration	(27,518)	(30,000)	(10,000)	(20,000)	-	-
Long-term debt	(1,185,805)	(1,614,686)	(68,348)	(136,696)	(717,767)	(691,875)
Gold prepayment obligation [2]	(140,008)	(140,008)	(71,394)	(68,614)	-	-
Wheaton refund liability	(5,424)	(78,500)	-	-	-	(78,500)
	$(1,584,207)	$ (2,104,870)	$ (348,203)	$ (235,029)	$ (722,987)	$ (798,651)
Derivative financial liabilities						
Non hedge derivative contracts	$ (12,451)	$ (12,451)	$ (12,451)	$ -	$ -	$ -
	$ (12,451)	$ (12,451)	$ (12,451)	$ -	$ -	$ -

[1] Represents the Peru community agreement obligation, excluding interest.

[2] Discounted.

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Dec. 31, 2020	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	$ 439,135	$ 439,135	$ 439,135	$ -	$ -	$ -
Restricted cash	337	337	337			
Trade and other receivables	114,381	114,381	114,381	-	-	-
Non-hedge derivative assets	2,736	2,736	2,736	-	-	-
	$ 556,589	$ 556,589	$ 556,589	$ -	$ -	$ -
Non-derivative financial liabilities						
Trade and other payables, including embedded derivatives	$ (209,413)	$ (209,413)	$ (209,413)	$ -	$ -	$ -
Agreements with communities [1]	(40,787)	$ (58,837)	(12,097)	(9,483)	(6,578)	(30,679)
Deferred Rosemont acquisition consideration	(25,961)	$ (30,000)	-	(20,000)	(10,000)	-
Long-term debt, including embedded derivatives	(1,139,695)	$ (1,726,904)	(87,966)	(168,188)	(742,125)	(728,625)
Gold prepayment obligation [2]	(137,031)	(137,031)	-	(137,031)	-	-
	$(1,552,887)	$ (2,162,185)	$ (309,476)	$ (334,702)	$ (758,703)	$ (759,304)
Derivative financial liabilities						
Non-hedge derivative contracts	$ (15,312)	$ (15,312)	$ (15,312)	$ -	$ -	$ -
	$ (15,312)	$ (15,312)	$ (15,312)	$ -	$ -	$ -

[1] Represents the Peru community agreement obligation, excluding interest.

[2] Discounted.

27. Commitments and contingencies

(a) Non capitalized lease commitments

Hudbay has entered into various non-capitalized lease commitments for facilities and equipment. The leases expire in periods ranging from one to two years. There are no restrictions placed on the Company by entering into these leases. Future minimum lease payments under such cancellable leases recognized within results from operating activities at December 31 are:

	2021	2020
Within one year	**$ 19,092**	$ 58,173
After one year but not more than five years	**2,631**	2,192
More than five years	**-**	**-**
	$ 21,723	$ 60,365

(b) Capital commitments

As at December 31, 2021, Hudbay had outstanding capital commitments in Canada of approximately $ 37,476 of which $32,709 can be terminated, approximately $31,918 in Peru, all of which can be terminated, and approximately $ 180,441 in Arizona, primarily related to the Rosemont project, of which approximately $87,928 can be terminated by Hudbay.

(c) Contingent liabilities

Hudbay 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 Hudbay'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.

28. 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	2021	2020
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	Arizona	Exploration/development	HudBay Arizona (US) Holding Corporation	100%	100%

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 Company's key management includes members of the Board of Directors, Hudbay's Chief Executive Officer, Hudbay's senior vice presidents and vice presidents. Total compensation to key management personnel was as follows:

		2021		2020
Short-term employee benefits[1]	$	**10,283**	$	7,951
Post-employment benefits		**837**		639
Long-term share-based awards		**6,737**		6,381
	$	**17,857**	$	14,971

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

29. Supplementary cash flow information

(a) Other cash generated from / (used in) operating activities

		Year ended December 31, 2021		2020
Loss on disposal of property, plant & equipment (note 5f)	$	**7,038**	$	5,088
Closure cost adjustment - non-producing properties (note 5f)		**(4,602)**		2,721
Share based compensation paid		**(6,782)**		(3,143)
Pampacancha delivery obligation paid		**-**		(10,856)
Restructuring - Manitoba (note 5f)		**6,947**		-
Other		**565**		6,593
	$	**3,166**	$	403

(b) Change in non-cash working capital:

		Year ended December 31, 2021		2020
Change in:				
Trade and other receivables	$	**(60,978)**	$	(37,720)
Other financial assets/liabilities		**(7,758)**		4,077
Inventories		**(32,752)**		(2,867)
Prepaid expenses		**1,663**		(3,722)
Trade and other payables		**(11,549)**		36,247
Provisions and other liabilities		**7,328**		1,602
	$	**(104,046)**	$	(2,383)

(c) Non-cash transactions:

During the year ended December 31, 2021 and 2020, Hudbay entered into the following non-cash investing and financing activities which are not reflected in the consolidated statements of cash flows:

- Remeasurement of Hudbay's decommissioning and restoration liabilities for the year ended December 31, 2021 led to an increase in related property, plant and equipment assets of $144,016 (year ended December 31, 2020 - a net increase of $46,792) mostly related to changes to estimated cash flows in the Manitoba business unit following an updated closure plan and changes to discount rates associated with remeasurement of the liabilities.

- Property, plant and equipment included $ 49,695 (year ended December 31, 2020 - $ 17,759) of capital additions related to the recognition of ROU assets. Property, plant and equipment and other assets include $22,796 of capital additions related to agreements with communities (year ended December 31, 2020 - $116,233)

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30. Segmented information

Hudbay 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 Company. Hudbay'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 Hudbay's revenue. The Manitoba segment sells copper concentrate (containing copper, gold and silver), silver/gold doré, zinc metal and other products. The Peru segment consists of Hudbay's Constancia operation and sells copper concentrate and molybdenum concentrate. Hudbay's Arizona segment consists of the Rosemont and Copper World projects located in Arizona. Corporate and other activities include the Company's exploration activities in Chile, and 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 those of 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, Hudbay'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, 2021					
	Manitoba	**Peru**	**Arizona**	**Corporate and other activities**	**Total**
Revenue from external customers	**$ 740,454**	**$ 761,544**	**$ -**	**$ -**	**$ 1,501,998**
Cost of sales					
Mine operating costs	**459,399**	**360,183**	**-**	**-**	**819,582**
Depreciation and amortization	**163,516**	**194,408**	**-**	**-**	**357,924**
Impairment - environmental obligation	**193,473**	**-**	**-**	**-**	**193,473**
Gross (loss) profit	**(75,934)**	**206,953**	**-**	**-**	**131,019**
Selling and administrative expenses	**-**	**-**	**-**	**43,011**	**43,011**
Exploration and evaluation expenses	**5,769**	**9,218**	**24,935**	**39**	**39,961**
Other expenses (income)	**10,620**	**10,491**	**13,399**	**(4,731)**	**29,779**
Results from operating activities	**$ (92,323)**	**$ 187,244**	**$ (38,334)**	**$ (38,319)**	**$ 18,268**
Net interest expense on long term debt					**74,748**
Accretion on streaming arrangements					**42,654**
Change in fair value of financial instruments					**54,514**
Other net finance costs					**49,103**
Loss before tax					**(202,751)**
Tax expense					**41,607**
Loss for the year					**$ (244,358)**

Year ended December 31, 2020					
	Manitoba	Peru	Arizona	Corporate and other activities	Total
Revenue from external customers	$ 615,699	$ 476,719	$ -	$ -	$ 1,092,418
Cost of sales					
Mine operating costs	391,504	300,087	-	-	691,591
Depreciation and amortization	177,552	184,275	-	-	361,827
Gross profit (loss)	46,643	(7,643)	-	-	39,000
Selling and administrative expenses	-	-	-	41,408	41,408
Exploration and evaluation expenses	6,491	6,295	3,870	540	17,196
Other expenses	8,382	4,901	2,066	2,234	17,583
Results from operating activities	$ 31,770	$ (18,839)	$ (5,936)	$ (44,182)	$ (37,187)
Net interest expense on long term debt					82,712
Accretion on streaming arrangements					56,670
Change in fair value of financial instruments					(29,370)
Other net finance costs					31,890
Loss before tax					(179,089)
Tax recovery					(34,505)
Loss for the year					$ (144,584)

December 31, 2021					
	Manitoba	**Peru**	**Arizona**	**Corporate and other activities**	**Total**
Total assets	**$ 812,137**	**$ 2,624,251**	**$ 745,371**	**$ 434,472**	**$ 4,616,231**
Total liabilities	**655,095**	**1,023,186**	**75,782**	**1,385,340**	**3,139,403**
Property, plant and equipment [1]	**706,330**	**2,256,687**	**735,127**	**42,822**	**3,740,966**

[1] Included in Corporate and Other activities is $ 28.3 million of property, plant and equipment that is located in Nevada.

December 31, 2021					
	Manitoba	**Peru**	**Arizona**	**Corporate and other activities**	**Total**
Additions to property, plant and equipment	**$ 224,300**	**$ 163,604**	**$ 25,982**	**$ 11,875**	**$ 425,761**

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December 31, 2020					
	Manitoba	Peru	Arizona	Corporate and other activities	Total
Total assets	$ 801,691	$ 2,535,939	$ 718,982	$ 610,033	$ 4,666,645
Total liabilities	562,013	973,756	76,926	1,354,144	2,966,839
Property, plant and equipment [1]	699,884	2,290,097	709,939	31,735	3,731,655

[1] Included in Corporate and Other activities is $ 27.5 million of property, plant and equipment that is located in Nevada .

December 31, 2020					
	Manitoba	Peru	Arizona	Corporate and other activities	Total
Additions to property, plant and equipment	$ 159,313	$ 208,805	$ 18,640	$ 32	$ 386,790

Geographical Segments

The following tables represent revenue information regarding Hudbay's geographical segments for the years ended December 31, 2021 and

2020:

		2021		2020
Revenue by customer location [1]				
Canada	**$**	**515,967**	$	422,403
China		**349,143**		215,278
United States		**219,853**		206,906
Switzerland		**166,261**		55,703
Peru		**82,598**		56,437
Singapore		**80,668**		29,314
Germany		**37,335**		11,725
Japan		**20,524**		-
Chile		**10,773**		9,967
Philippines		**4,050**		77,575
Other		**14,826**		7,110
	$	**1,501,998**	**$**	**1,092,418**

[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, 2021, five customers accounted for approximately 28%, 11%, 5%, 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, 2020, eight customers accounted for approximately 36%, 17%, 13%, 7%, 7%, 5%, 5% 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, 2021

February 23, 2022

HUDBAY

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") dated February 23, 2022 is intended to supplement Hudbay Minerals Inc.'s audited consolidated financial statements and related notes for the year ended December 31, 2021 (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, 2021.

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. Please also refer to the risks discussed under the heading "Financial Risk Management" in this 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 74 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.

All amounts are in US dollars unless otherwise noted.

OUR BUSINESS

We are a diversified mining company primarily producing copper concentrate (containing copper, gold, and silver), gold/silver doré, molybdenum concentrate and zinc metal. 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, development, operation, and optimization of properties we already control, as well as other mineral assets we may acquire that fit our strategic criteria. 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 the 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 copper has the best long-term supply/demand fundamentals in the mining industry and offers shareholders the greatest opportunity for sustained risk-adjusted returns. Through the discovery and successful development of economic mineral deposits, and through highly efficient low-cost operations to extract the metals, we believe sustainable value will be created for all stakeholders.

Hudbay's successful development, ramp-up and operation of the Constancia open-pit mine in Peru, our long history of underground mining and full life-cycle experience in northern Manitoba, and our track record of reserve expansion through effective exploration provide us with a competitive advantage relative to other mining companies of similar scale.

Over the past decade, we have built a world-class asset base by executing a consistent long-term copper growth strategy. We continuously work to generate strong free cash flow and optimize the value of our producing assets through exploration, brownfield expansion projects and efficient and safe operations. Furthermore, we intend to sustainably grow Hudbay through the exploration and development of our robust project pipeline, as well as through the acquisition of other properties that fit our stringent strategic criteria.

To ensure that any investment in our existing assets or acquisition of other mineral assets is consistent with our mission and creates sustainable value for stakeholders, we have established a number of criteria for evaluating these opportunities. The criteria include the following:

- Sustainability: We are focused on jurisdictions that support responsible mining activity. Our current geographic focus is on select investment grade countries in the Americas, with strong rule of law and respect for human rights consistent with our long-standing focus on environmental, social and governance ("ESG") principles;
- Copper Focus: We believe copper has the best long-term supply/demand fundamentals in the mining industry as global copper mine supply will be unable to meet demand from global decarbonization initiatives. While our primary focus is on copper, we appreciate the polymetallic nature of deposits and, in particular, the counter-cyclical nature of gold production in our portfolio;
- Quality: We are focused on investing in long-life, low-cost high quality assets that can capture peak pricing of multiple commodity price cycles and can generate free cash flow through the trough of price cycles;
- Potential: We consider the full spectrum of acquisition and investment opportunities, from early-stage exploration to producing assets, that offer significant incremental potential for exploration, development and optimization beyond the stated resources and mine plan;
- Process: We develop a clear understanding of how an investment or acquisition can create value through our robust due diligence and capital allocation process that applies our technical, social, operational and project execution expertise;
- Operatorship: We believe real value is created through leveraging Hudbay's leadership to drive safe and efficient operations and effective project exploration and development and;
- Capital Allocation: We pursue investments and acquisitions that are accretive to Hudbay on a per share basis. Given that our strategic focus includes allocating capital to assets at various stages of development, when evaluating accretion, we will consider measures such as internal rate of return ("IRR"), return on invested capital ("ROIC"), net asset value per share and the contained value of reserves and resources per share.

Our key objectives for 2022 are to:

- Deliver meaningful copper and gold production growth to generate positive cash flow and strong returns on invested capital;
- Accelerate drilling, economic studies and permitting activities for the recently discovered Copper World deposits and identify synergies with Rosemont to unlock value;
- Execute the third phase of our Snow Lake gold strategy by optimizing the New Britannia mill, preparing for the ramp up to 5,300 tonnes per day at Lalor and initiating the Stall mill recovery improvement program;
- Progress Constancia's leading efficiency metrics by applying smart technologies to continuously improve operating performance, including sensor-based ore sorting and milling flowsheet enhancements;
- Reach a community agreement to explore the prospective properties near Constancia;
- Transition the Flin Flon operations through orderly closure while further exploring the potential to reprocess tailings in Flin Flon;
- Conduct brownfield and greenfield exploration programs in the Snow Lake region, Peru, Arizona, Nevada and Chile for new mineral discoveries;
- Define greenhouse gas emissions reduction targets to further enhance our ESG objectives; and,
- Evaluate growth opportunities that meet our stringent strategic criteria and allocate capital to pursue those opportunities that create sustainable value for the Company and our stakeholders.

SUMMARY

Fourth Quarter and Full Year Operating and Financial Results

- Consolidated copper production of 99,470 tonnes and consolidated gold production of 193,783 ounces increased by 4% and 55%, respectively, in 2021 as compared to 2020.
- Achieved 2021 consolidated copper, gold and silver production guidance while zinc production fell short of the 2021 guidance range.
- Peru copper production met 2021 guidance with strong operating performance in the fourth quarter, aided by the continued ramp up of Pampacancha. Manitoba zinc production was below 2021 guidance primarily due to higher dilution and mine plan limitations at the 777 mine as it approaches closure.
- Record quarterly consolidated gold production of 64,159 ounces in the fourth quarter, an increase of 18% compared to the third quarter of 2021, due to higher grades at Pampacancha and the commissioning of the New Britannia mill.
- Generated record quarterly revenue of $425.2 million. Operating cash flow before change in non-cash working capital was $156.9 million and adjusted EBITDA[1] was $180.3 million in the fourth quarter of 2021, due to higher realized base metals prices and higher gold and copper sales volumes, partially offset by lower zinc sales volumes.
- Fourth quarter net loss and loss per share were $10.5 million and $0.04, respectively. After adjusting for an impairment charge related to a revaluation of our Flin Flon environmental obligation due to lower long term discount rates in the fourth quarter, amongst other items, fourth quarter adjusted net earnings[1] per share was $0.13.
- Full year, consolidated cash cost and sustaining cash cost per pound of copper produced, net of by-product credits [1], of $0.74 and $2.07, respectively, achieved 2021 guidance as inflationary cost pressures were offset by strong by-product credits.
- Consolidated cash cost and sustaining cash cost per pound of copper produced, net of by-product credits [1], for the fourth quarter of 2021 were $0.51 and $1.95, respectively, a decrease of 18% and an increase of 1%, respectively, compared to the third quarter of 2021.

Executing on Growth Initiatives

- New Britannia achieved commercial production on November 30, 2021. December mill throughput averaged 1,200 tonnes per day with gold and silver recoveries in line with metallurgical models. Throughput and recoveries are expected to achieve design rates in the second quarter of 2022.
- Published an initial mineral resource estimate for Copper World on December 15, 2021, which contained a higher-grade, near-surface zone that has the potential to be mined earlier in the mine life and is composed of both sulphide and oxide mineralogy. The Company remains on track to complete a preliminary economic assessment of Copper World in the first half of 2022.
- Results from the Constancia Norte underground scoping study are expected to be incorporated into the annual mineral reserve and resource update for Constancia in March 2022.
- Commenced a winter drilling program in Manitoba in January 2022 to test high-priority targets near Lalor and 1901 for potential reserve and resource expansion and support the completion of a preliminary economic assessment of the Flin Flon tailings reprocessing opportunity.

2022 Annual Guidance and Outlook

- Consolidated copper production is forecast to increase by 17% to 116,000 [2] tonnes in 2022 and by 34% to 133,500 [2] tonnes in 2024, compared to 2021, with higher copper grades expected from the Pampacancha deposit in Peru.

- Consolidated gold production is forecast to increase by 28% to 247,500 [2] ounces in 2022 and by 59% to 307,500 [2] ounces in 2024, compared to 2021, due to higher production from the New Britannia mill and Pampacancha.
- Introduced 2022 cash cost guidance by business unit with Peru cash cost of $1.10 to $1.40 per pound of copper produced, net of by-product credits[1], and Manitoba cash cost of $300 to $550 per ounce of gold produced, net of by-product credits [1].
- 2022 unit operating costs are expected to increase by approximately 7% [2] in Peru and 15%[2] in Manitoba, compared to 2021, as a result of expected higher input costs due to industry wide inflation in each region and the transition of operations in Manitoba.
- Consolidated cash cost guidance of $0.60 to $1.05 [1] and consolidated sustaining cash cost guidance of $1.60 to $2.25 [2], in each case, per pound of copper produced, net of by-product credits, is expected in 2022.
- Total capital expenditures are expected to decline by 17% year-over-year as major growth investment programs in Peru and Manitoba were completed in 2021 and lower sustaining capital spending is expected in Peru, offset by higher growth spending on technical and economic studies for Copper World.
- Exploration spending of approximately $65.0 million in 2022 reflects plans to continue drilling activities at Copper World and test promising targets in Peru, Manitoba, Nevada and Chile.

Summary of Fourth Quarter Results

Cash generated from operating activities in the fourth quarter of 2021 decreased to $95.8 million compared to $121.1 million in the same quarter of 2020. Operating cash flow before change in non-cash working capital was $156.9 million during the fourth quarter of 2021, reflecting an increase of $70.8 million compared to the same period of 2020. The increase in operating cash flow is primarily the result of higher realized base metal prices and higher gold and copper sales volumes, partially offset by lower zinc sales volumes.

Consolidated copper production in the fourth quarter of 2021 increased by 3% compared to the same period in 2020 primarily as a result of higher throughput in Peru and Manitoba, partially offset by lower grades in Manitoba. Consolidated gold production in the fourth quarter of 2021 increased by 98% compared to the fourth quarter of 2020, due to higher gold grades from Pampacancha and higher gold recoveries in Peru, along with significantly higher gold grades at Lalor. Consolidated zinc production in the quarter decreased by 10%, versus the comparative quarter in 2020, primarily due to the transition of mining toward the gold lenses at Lalor and a corresponding decrease of production from the base metal zones. Consolidated silver production in the fourth quarter increased by 23% compared to the same period in 2020, as a result of higher grades in Manitoba and Peru offset by lower recoveries in Peru.

Net loss and loss per share in the fourth quarter of 2021 were $10.5 million and $0.04, respectively, compared to a net earnings and earnings per share of $7.4 million and $0.03, respectively, in the fourth quarter of 2020. Fourth quarter results were negatively impacted by a revaluation of our environmental obligation due to lower long term discount rates since the middle of the year and a corresponding increase to Flin Flon's property plant and equipment ("PP&E"). As the closure of the 777 mine and Flin Flon operations is expected to commence within several months, an impairment charge was made to PP&E resulting in a loss of $46.2 million. The quarterly financial results were also negatively impacted by $13.3 million in mark-to-market net losses arising from the revaluation of the gold prepayment liability, revaluation of certain other financial instruments, share-based compensation, and a $3.4 million Flin Flon restructuring charge.

Adjusted net earnings [1] and adjusted net earnings per share [1] in the fourth quarter of 2021 were $32.7 million and $0.13 per share, respectively, after adjusting for the impairment charge related to the revaluation of our environmental obligation in Flin Flon, among other items. This compares to an adjusted net loss and adjusted net loss per share of $16.4 million, and $0.06 per share in the same period of 2020. Fourth quarter adjusted EBITDA[1] was $180.3 million, compared to $106.9 million in the same period of 2020.

In the fourth quarter of 2021, consolidated cash cost per pound of copper produced, net of by-product credits [1], was $0.51, compared to $0.43 in the same period in 2020. This increase was a result of higher operating costs in Peru and Manitoba, partially offset by higher gold by-product credits and higher copper production.

As at December 31, 2021, our liquidity includes $271.0 million in cash as well as undrawn availability of $346.9 million under our revolving credit facilities. The Company's liquidity position was further enhanced in October 2021 through the renegotiation of our credit facilities to increase available borrowings to $450.0 million and extend the maturity to 2025.

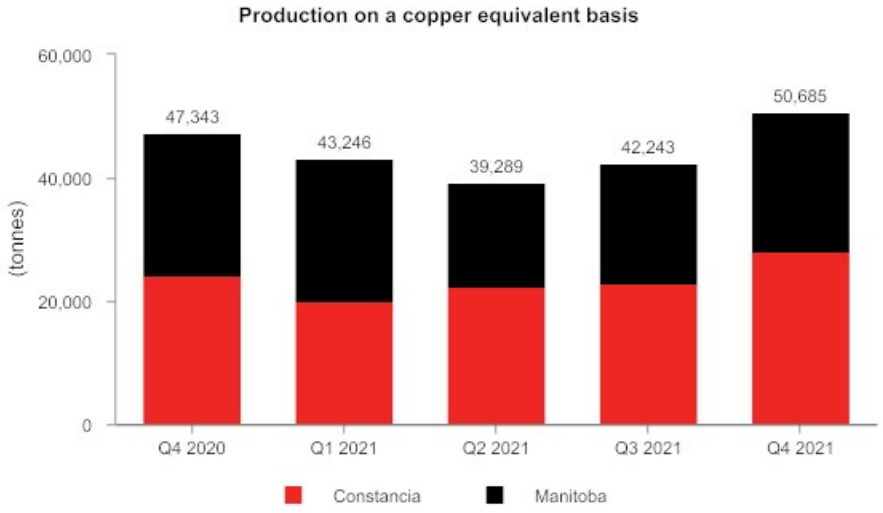
Summary of Full Year Results

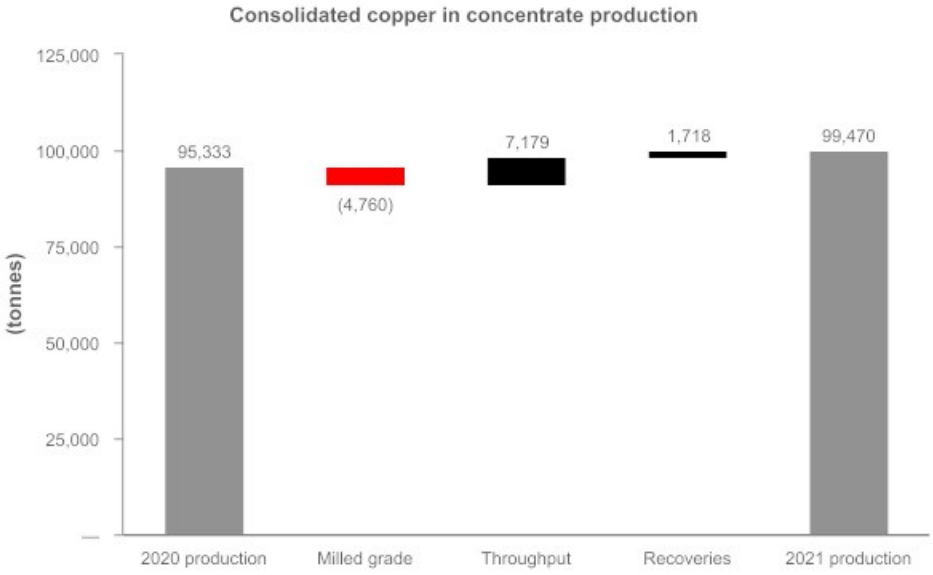
Cash generated from operating activities increased to $383.8 million in 2021 from $239.5 million in 2020. Operating cash flow before change in non-cash working capital increased to $483.9 million from $241.9 million in 2020. The increase is the result of higher realized base metal and molybdenum prices and higher sales volumes of gold and copper, partially offset by lower zinc sales volumes.

On a consolidated basis, our copper, gold and silver production met 2021 guidance; however, production of zinc and molybdenum fell short of our 2021 guidance ranges. Production of gold in Peru exceeded the top end of the guidance range due to strong gold grades from Pampacancha. Production of gold and silver in Manitoba fell below our 2021 guidance range primarily due to higher than expected grade dilution at the 777 mine during the fourth quarter and prioritizing base metal rich zones in the fourth quarter at Lalor while deferring some gold-rich ore for future processing at New Britannia to achieve higher gold recoveries. Zinc production was impacted by higher dilution and mine plan limitations as the 777 mine approaches the end of life.

Net loss and loss per share for 2021 were $244.4 million and $0.93, respectively, compared to a net loss and loss per share of $144.6 million and $0.55, respectively, in 2020. Contributing to the 2021 net loss was an impairment charge of $193.5 million related to an updated closure plan reflecting higher estimates for closure activities in Flin Flon. Full year results were also negatively impacted by charges related to the refinancing of the 2025 senior notes, including a write off of the non-cash embedded derivative of $49.8 million connected with the exercise of the redemption option and a call premium payment of $22.9 million, as well as a $12.4 million Flin Flon restructuring charge.

Consolidated cash costs per pound of copper produced, net of by-product credits [1], for 2021 increased to $0.74 from $0.60 in 2020 and consolidated sustaining cash cost per pound of copper produced, net of by-product credits[1], for 2021 increased to $2.07 from $1.93 in 2020, in line with our 2021 guidance range.





[1] Adjusted net earnings (loss) and adjusted net earnings (loss) per share, adjusted EBITDA, cash cost, sustaining cash cost, all-in sustaining cash cost per pound of copper produced, net of by-product credits, cash cost per ounce of gold produced, net of by-product credits, and net debt 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.

[2] Assumes the mid-point of the guidance range is achieved.

KEY FINANCIAL RESULTS

Financial Condition	**Dec. 31, 2021**	Dec. 31, 2020
(in $ thousands)		
Cash	**$ 270,989**	$ 439,135
Total long-term debt	**1,180,274**	1,135,675
Net debt[1]	**909,285**	696,540
Working capital[2]	**147,512**	306,888
Total assets	**4,616,231**	4,666,645
Equity	**1,476,828**	1,699,806

[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.

[2] Working capital is determined as total current assets less total current liabilities as defined under IFRS and disclosed on the consolidated financial statements.

Financial Performance	Three months ended		Year ended	
(in $ thousands, except per share amounts)	**Dec. 31, 2021**	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
Revenue	**$ 425,170**	$ 322,290	**$ 1,501,998**	$ 1,092,418
Cost of sales	**343,426**	287,923	**1,370,979**	1,053,418
(Loss) earnings before tax	**(149)**	911	**(202,751)**	(179,089)
Net (loss) earnings	**(10,453)**	7,406	**(244,358)**	(144,584)
Basic and diluted (loss) earnings per share	**(0.04)**	0.03	**(0.93)**	(0.55)
Adjusted earnings (loss) per share [1]	**0.13**	(0.06)	**0.09**	(0.46)
Operating cash flow before precious metal stream deposit and changes in non-cash working capital[2]	**156.9**	86.1	**483.9**	241.9
Adjusted EBITDA[1,2]	**180.3**	106.9	**547.1**	306.7

[1] Adjusted earnings (loss) per share and adjusted EBITDA are non-IFRS financial performance measures 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.

[2] In millions.

HUDBAY

KEY PRODUCTION RESULTS

		Three months ended Dec. 31, 2021			Three months ended Dec. 31, 2020		
		Peru	**Manitoba**	**Total**	Peru	Manitoba	Total
Contained metal in concentrate and doré produced [1]							
Copper	*tonnes*	**22,856**	**5,342**	**28,198**	21,554	5,724	27,278
Gold	*oz*	**17,917**	**46,242**	**64,159**	3,689	28,687	32,376
Silver	*oz*	**578,140**	**321,573**	**899,713**	477,775	252,904	730,679
Zinc	*tonnes*	**-**	**23,207**	**23,207**	-	25,843	25,843
Molybdenum	*tonnes*	**275**	**-**	**275**	333	-	333
Payable metal sold							
Copper	*tonnes*	**20,551**	**4,408**	**24,959**	18,583	4,380	22,963
Gold[2]	*oz*	**16,304**	**40,623**	**56,927**	3,297	31,882	35,179
Silver[2]	*oz*	**380,712**	**257,928**	**638,640**	480,843	281,541	762,384
Zinc[3]	*tonnes*	**-**	**21,112**	**21,112**	-	28,431	28,431
Molybdenum	*tonnes*	**245**	**-**	**245**	457	-	457

[1] Metal reported in concentrate is prior to deductions associated with smelter contract terms.
[2] Includes total payable gold and silver in concentrate and in doré sold.
[3] Includes refined zinc metal sold and payable zinc in concentrate sold.

		Year ended Dec. 31, 2021			Year ended Dec. 31, 2020		
		Peru	**Manitoba**	**Total**	Peru	Manitoba	Total
Contained metal in concentrate and doré produced [1]							
Copper	*tonnes*	**77,813**	**21,657**	**99,470**	73,150	22,183	95,333
Gold	*oz*	**50,306**	**143,477**	**193,783**	12,395	112,227	124,622
Silver	*oz*	**1,972,949**	**1,072,532**	**3,045,481**	1,622,972	1,127,901	2,750,873
Zinc	*tonnes*	**-**	**93,529**	**93,529**	-	118,130	118,130
Molybdenum	*tonnes*	**1,146**	**-**	**1,146**	1,204	-	1,204
Payable metal sold							
Copper	*tonnes*	**71,398**	**20,802**	**92,200**	68,506	20,382	88,888
Gold[2]	*oz*	**41,807**	**126,551**	**168,358**	10,986	111,963	122,949
Silver[2]	*oz*	**1,490,651**	**936,857**	**2,427,508**	1,518,548	1,067,038	2,585,586
Zinc[3]	*tonnes*	**-**	**96,435**	**96,435**	-	109,347	109,347
Molybdenum	*tonnes*	**1,098**	**-**	**1,098**	1,321	-	1,321

[1] Metal reported in concentrate and doré is prior to deductions associated with smelter contract terms.
[2] Includes total payable gold and silver in concentrate and in doré sold.
[3] Includes refined zinc metal sold and payable zinc in concentrate sold.

KEY COST RESULTS

		Three months ended		Year ended		Guidance
		Dec. 31, 2021	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020	Annual 2021
Consolidated cash cost per pound of copper produced [1]						
Cash cost [1]	*$/lb*	**0.51**	0.43	**0.74**	0.60	0.65 - 0.80
Peru	*$/lb*	**1.28**	1.47	**1.54**	1.45	
Manitoba	*$/lb*	**(2.77)**	(3.48)	**(2.11)**	(2.20)	
Sustaining cash cost [1]	*$/lb*	**1.95**	1.97	**2.07**	1.93	2.05 - 2.30
Peru	*$/lb*	**2.46**	2.58	**2.46**	2.20	
Manitoba	*$/lb*	**(0.23)**	(0.36)	**0.69**	1.02	
All-in sustaining cash cost [1]	*$/lb*	**2.20**	2.24	**2.30**	2.16	
Combined mine/mill unit operating cost per tonne of copper processed [1,2]						
Peru [3]	*$/tonne*	**10.47**	10.17	**11.39**	9.46	8.90 - 10.90
Manitoba	*C$/tonne*	**168**	140	**154**	132	145 - 155
Zinc Plant unit operating cost per tonne of zinc processed [1,4]						
Unit operating costs	*C$/lb*	**0.63**	0.45	**0.55**	0.47	0.50 - 0.55

[1] Cash cost, sustaining cash cost, all-in sustaining cash cost per pound of copper produced, net of by-product credits and unit operating cost 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.

[2] Reflects combined mine, mill and G&A costs per tonne of milled ore. Peru costs reflect the deduction of expected capitalized stripping costs.

[3] Includes approximately $4.1 million, or $0.51 per tonne, of COVID-related costs during the three months ended December 31, 2021 and $19.8 million, or $0.69 per tonne during the year ended December 31, 2021.

[4] Zinc plant unit operating costs include G&A costs per pound of zinc processed.

RECENT DEVELOPMENTS

COVID-19 Business Update

We are maintaining COVID-19 measures and controls to ensure the safety of our workforce, partners and communities. This has contributed to increased operating costs beyond levels initially budgeted for 2021. Despite the maintenance of these stringent measures, we continue to experience intermittent operational supply chain, travel, labour and shipping disruptions with periodic waves of COVID-19 cases.

New Britannia Commercial Production Achieved

The construction of a new copper flotation facility at New Britannia was completed in October 2021, followed by a brief commissioning period that was completed ahead of schedule. The New Britannia mill achieved commercial production on November 30, 2021 after reaching the required recoveries and throughput in the copper and gold circuits. The ramp up of throughput, recoveries and metal production at New Britannia achieved best-in-class timelines as represented by widely recognized ramp-up curves.

The New Britannia mill is expected to average 1,500 tonnes per day in 2022 with continued ramp-up activities and rod mill liner maintenance scheduled during the first quarter. Full design throughput rates and recoveries are expected to be achieved in the second quarter of 2022, a mere six months after commissioning.

Average annual gold production from Lalor and the Snow Lake operations is expected to increase to over 180,000 ounces at an average cash cost and sustaining cash cost, net of by-product credits, of $412 and $788 per ounce of gold, respectively, during the first six full years of New Britannia's operation.

Advancing the Copper World Discovery

On December 15, 2021, we released a National Instrument 43-101 ("NI 43-101") initial mineral resource estimate for the recently discovered Copper World deposits in Arizona. The 100% owned Copper World project is located in close proximity to the 100% owned Rosemont deposit, with mineralization closer to surface than Rosemont. The Copper World project consists of seven deposits extending over seven kilometres, including Bolsa, Broad Top Butte, Copper World, Peach, Elgin, South Limb and North Limb.

Copper World's initial mineral resource estimate includes global indicated mineral resources of 272 million tonnes at 0.36% copper and inferred mineral resources of 142 million tonnes at 0.36% copper. The global resource estimate includes near surface, higher grade indicated mineral resources of 96 million tonnes at 0.57% copper and inferred mineral resources of 31 million tonnes at 0.71% copper, with the potential for this higher grade resource to be mined earlier in the mine life. Resources comprise both sulphide and oxide mineralogy and are potentially amenable to flotation and heap leach processing methods, respectively.

We have increased the number of drill rigs at site to six to conduct infill drilling and to support future economic studies. The technical studies for Copper World are well-advanced and the results will be incorporated into a Preliminary Economic Assessment ("PEA") contemplating the development of the Copper World deposits in conjunction with the Rosemont deposit. The PEA is also expected to reflect preliminary expectations of potential synergies between Copper World and Rosemont. We are on track to publish the PEA results in a NI 43-101 Technical Report in the first half of 2022.

We continue to await a decision from the U.S. Court of Appeals for the Ninth Circuit relating to the appeal of the unprecedented Rosemont court decision.

Other Exploration Updates

Peru Regional Exploration

We continue drilling and scoping studies to evaluate the underground potential at Constancia Norte, and the results are expected to be incorporated into the annual mineral reserve and resource update for Constancia in March 2022. We also continue to progress exploration agreement discussions with nearby communities on prospective properties near Constancia.

Drilling continues at the Llaguen copper porphyry target in northern Peru, near the city of Trujillo and in close proximity to existing infrastructure. The confirmatory phase of the drill program has totaled over 7,000 metres in 16 holes with two drill rigs presently turning at site. Assay results have been received for five holes with all holes intersecting mineralization. Pending positive results from this initial drilling phase, a second phase of the project will aim at defining an initial inferred mineral resource estimate for Llaguen to be completed in the third quarter of 2022.

Snow Lake Regional Exploration

The Company is actively conducting surface and underground winter drilling activities in the Snow Lake area, primarily focused on testing down-plunge extensions of the copper-gold rich feeder zone at the 1901 deposit, the drilling gap between 1901 and lens 17 at Lalor, and a high-priority geophysical target located immediately north of Lalor. In addition, we continue to compile drilling results from the 2021 program at Lalor and 1901, which are expected to be incorporated into the annual mineral reserve and resource estimates to be published at the end of March 2022.

Flin Flon Reclamation Obligations and Tailings Reprocessing Opportunity

In early January 2022, we commenced a confirmatory drill program on the tailings facility in Flin Flon to support the completion of a PEA on the tailings reprocessing opportunity by the first quarter of 2023. The company is also conducting engineering and test work throughout 2022 to support the PEA. This opportunity could utilize the Flin Flon concentrator, with modifications, after the closure of the 777 mine, creating operating and economic benefits to the Flin Flon community. It could also provide the opportunity to redesign the closure plans, increase metal production, defer or reduce certain closure costs and reduce the environmental footprint of the tailings facility.

Dividend Declared

A semi-annual dividend of C$0.01 per share was declared on February 23, 2022. The dividend will be paid out on March 25, 2022 to shareholders of record as of March 8, 2022.

PERU OPERATIONS REVIEW

		Three months ended		Year ended		Guidance	
		Dec. 31, 2021	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020	Annual 2021	2022
Constancia ore mined [1]	*tonnes*	**7,742,469**	9,313,784	**29,714,327**	27,529,950		
Copper	*%*	**0.33**	0.31	**0.31**	0.32		
Gold	*g/tonne*	**0.04**	0.03	**0.04**	0.03		
Silver	*g/tonne*	**2.81**	2.61	**2.88**	2.75		
Molybdenum	*%*	**0.01**	0.01	**0.01**	0.02		
Pampacancha ore mined [1]	*tonnes*	**2,107,196**	-	**5,141,001**	-		
Copper	*%*	**0.27**	-	**0.27**	-		
Gold	*g/tonne*	**0.34**	-	**0.30**	-		
Silver	*g/tonne*	**4.26**	-	**4.02**	-		
Molybdenum	*%*	**0.01**	-	**0.01**	-		
Ore milled	*tonnes*	**8,048,925**	7,741,714	**28,809,755**	26,297,318		
Copper	*%*	**0.33**	0.33	**0.32**	0.34		
Gold	*g/tonne*	**0.11**	0.03	**0.08**	0.03		
Silver	*g/tonne*	**3.67**	2.74	**3.35**	2.87		
Molybdenum	*%*	**0.01**	0.02	**0.01**	0.02		
Copper concentrate	*tonnes*	**96,123**	94,552	**335,490**	321,395		
Concentrate grade	*% Cu*	**23.78**	22.80	**23.19**	22.76		
Copper recovery	*%*	**86.0**	85.3	**84.6**	83.0		
Gold recovery	*%*	**63.6**	52.7	**64.6**	49.8		
Silver recovery	*%*	**60.8**	70.1	**63.7**	66.9		
Molybdenum recovery	*%*	**26.7**	28.4	**31.5**	29.4		
Combined unit operating costs[2,3,4]	*$/tonne*	**10.47**	10.17	**11.39**	9.46	8.90 - 10.90	10.10 - 12.90[5]

[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.

[4] Includes approximately $4.1 million, or $0.51 per tonne, of COVID-related costs during the three months ended December 31, 2021 and $19.8 million, or $0.69 per tonne during the year ended December 31, 2021.

[5] Combined unit cost guidance for 2022 excludes COVID-19 related costs.

Peru has experienced notable improvements in COVID-19 health statistics throughout 2021. Our Peru operations did not encounter any major COVID-19 interruptions during the year; however, with the recent emergence of the Omicron variant in Peru, we continue to maintain stringent COVID-19 measures and controls to ensure the safety of our workforce and this has contributed to elevated unit operating costs during 2021.

Total ore mined during the fourth quarter of 2021 increased by 6% from the comparative 2020 period as mining operations at the higher grade Pampacancha deposit have fully ramped up. Ore mined at Pampacancha in 2021 was 5.1 million tonnes, exceeding the four million tonne threshold required to receive an additional $4 million deposit from Wheaton Precious Metals ("Wheaton") under the amended Constancia streaming agreement. The proceeds of this deposit were received in December 2021 and were accounted for as an increase in our deferred revenue balance.

Ore milled during the fourth quarter of 2021 was 4% higher than the same period in 2020. Milled copper grades in the fourth quarter of 2021 remained consistent compared to the same period in 2020, but have improved relative to the second and third quarter of 2021. Gold grades mined at Pampacancha were significantly higher than in previous quarters, which contributed to gold production exceeding the upper end of the 2021 guidance range.

Copper recoveries in the fourth quarter sightly increased over the comparative 2020 period due to lower oxide levels in the Constancia ore. Recoveries of gold in the fourth quarter of 2021 were significantly above the comparative 2020 period, mainly due to higher grades from Pampacancha, while silver recoveries decreased due to less favorable metallurgical characteristics of the earlier ores from Pampacancha. Recently completed metallurgical test work indicates that Pampacancha silver recoveries should increase to normal levels in 2022 with some sections of the deposit remaining at risk of lower recoveries due to the presence of certain contaminants.

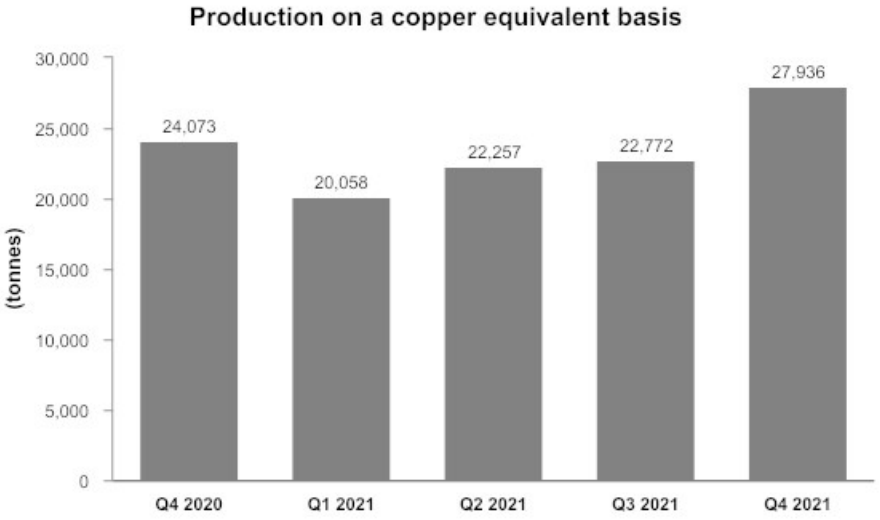
Combined unit operating costs in the fourth quarter of 2021 were 3% higher than the same period in 2020 primarily due to inflationary pressures on consumable and energy costs offset in part by additional tonnes milled. More specifically, costs were higher in the fourth quarter of 2021 as a result of increased ore hardness, higher steel prices affecting grinding media costs, higher fuel prices affecting mining costs, higher community costs and lower capitalized stripping. Full year combined unit operating costs were 20% higher than the same period in 2020 due to the same factors as described above for the quarter-over-quarter variance as well as increases in material moved and higher COVID-19 expenditures.

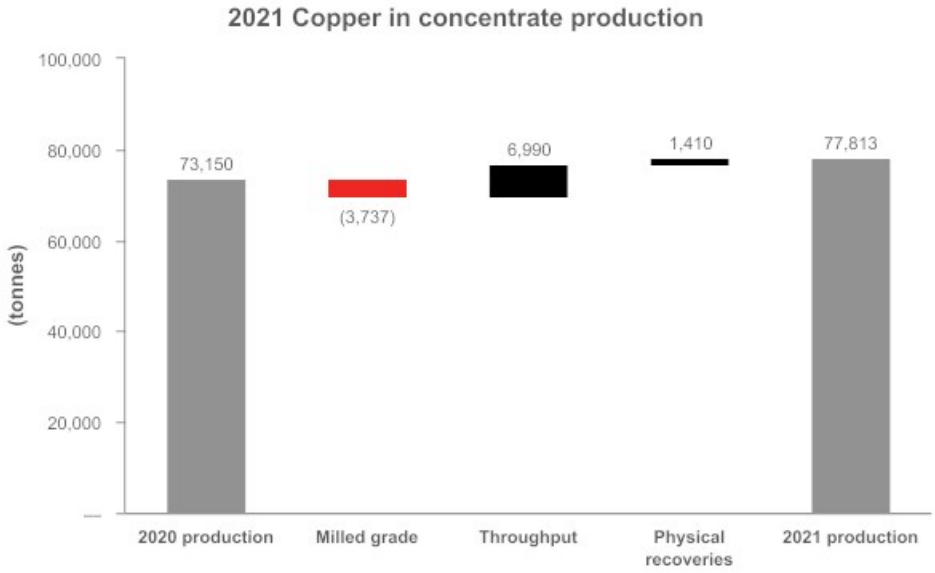
COVID-related costs in Peru were $4.1 million in the fourth quarter of 2021. Combined unit operating costs in the fourth quarter were $9.96 per tonne excluding these COVID-related costs. COVID-related costs in 2021 were $19.8 million, $13.6 million of which were not budgeted. Excluding these unbudgeted COVID-related costs, combined unit operating costs for the full year 2021 were $10.92 per tonne, slightly above the upper end of our 2021 combined unit cost guidance.

Contained metal in concentrate produced		Three months ended		Year ended		Guidance	
		Dec. 31, 2021	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020	Annual 2021	Annual 2022
Copper	*tonnes*	**22,856**	21,554	**77,813**	73,150	72,000 - 88,000	89,000 - 115,000
Gold	*oz*	**17,917**	3,689	**50,306**	12,395	40,000 - 50,000	70,000 - 90,000
Silver	*oz*	**578,140**	477,775	**1,972,949**	1,622,972	1,800,000 - 2,170,000	1,620,000 - 2,100,000
Molybdenum	*tonnes*	**275**	333	**1,146**	1,204	1,400 - 1,700	1,100 - 1,400

Copper production was higher in the fourth quarter of 2021 due to an increase in throughput and recovery compared to the same period in 2020. Gold and silver production was also higher in the fourth quarter of 2021 compared to the same period in 2020 due to significantly higher gold and silver head grades from Pampacancha and higher gold recoveries.

Full year 2021 copper production increased by 6% year-over-year to 77,813 tonnes, within the annual guidance range. Full year 2021 gold production increased by 306% year-over-year to 50,306 ounces and exceeded the 2021 guidance range due to increased throughput, higher grades from Pampacancha and higher gold recoveries. Full year 2021 production guidance was met for all metals except molybdenum, which was in line with our mine plan published in March 2021.


Production on a copper equivalent basis
30,000
25,000
20,000
15,000
10,000
5,000
0
(tonnes)
24,073
20,058
22,257
22,772
27,936
Q4 2020
Q1 2021
Q2 2021
Q3 2021
Q4 2021


2021 Copper in concentrate production
100,000
80,000
60,000
40,000
20,000
(tonnes)
73,150
(3,737)
6,990
1,410
77,813
2020 production
Milled grade
Throughput
Physical recoveries
2021 production

Peru Cash Cost and Sustaining Cash Cost

		Three months ended		Year ended		Guidance[2]
		Dec. 31, 2021	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020	Annual 2022
Cash cost per pound of copper produced, net of by-product credits[1]	*$/lb*	**1.28**	1.47	**1.54**	1.45	1.10 - 1.40
Sustaining cash cost per pound of copper produced, net of by-product credits[1]	*$/lb*	**2.46**	2.58	**2.46**	2.20	

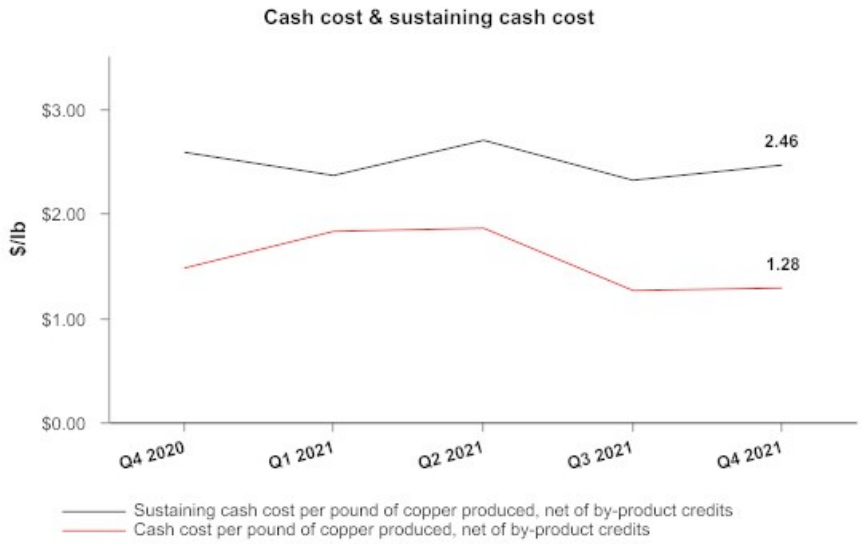
[1] Cash cost and sustaining cash costs per pound of copper produced, net of by-product credits, are not recognized under IFRS. For more detail on these non-IFRS financial performance measures, please see the discussion under the "Non-IFRS Financial Performance Measures" section of this MD&A.

[2] Peru cash cost guidance was introduced in 2022.

Cash cost per pound of copper produced, net of by-product credits, for the fourth quarter and full year ended December 31, 2021 were $1.28 and $1.54, respectively. The cash costs in the fourth quarter of 2021 decreased 13% compared to the same period in 2020 due to higher copper production and higher by-product credits from gold, partially offset by higher overall mining and general and administrative costs.

Full year 2021 cash costs increased 6% compared to the same period in 2020 due to comparatively higher mining, milling, general and administrative costs in 2021 as a result of lower capitalized stripping, increased ore hardness, higher steel and fuel prices, and higher COVID-19 related expenditures, partially offset by higher by-product credits from gold and higher copper production.

Sustaining cash cost per pound of copper produced, net of by-product credits for the fourth quarter of 2021 was $2.46, which decreased by 5% compared to the same period of 2020 mainly due to the same factors affecting cash costs noted above partially offset by expenditures related to several new projects contributing to higher sustaining costs. Full year 2021 sustaining cash cost per pound of copper produced, net of by-product credits increased by 12% to $2.46, compared to the same period of 2020, mainly due to the same factors affecting full year 2021 cash costs noted above, as well as higher sustaining capital expenditures on a comparative basis due to lower expenditures incurred during the eight-week COVID-related suspension of operations in 2020.



Metal Sold

		Three months ended		Year ended	
		Dec. 31, 2021	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
Payable metal in concentrate					
Copper	*tonnes*	**20,551**	18,583	**71,398**	68,506
Gold	*oz*	**16,304**	3,297	**41,807**	10,986
Silver	*oz*	**380,712**	480,843	**1,490,651**	1,518,548
Molybdenum	*tonnes*	**245**	457	**1,098**	1,321

Quantities of payable metal sold for the year ended December 31, 2021 were primarily affected by the same factors as contained metal production.

Mines

		Three months ended		Year ended	
		Dec. 31, 2021	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
Lalor					
Ore	*tonnes*	**422,208**	468,101	**1,593,141**	1,654,240
Copper	*%*	**0.78**	0.80	**0.71**	0.74
Zinc	*%*	**4.19**	5.54	**4.23**	5.73
Gold	*g/tonne*	**3.92**	2.79	**3.41**	2.51
Silver	*g/tonne*	**30.35**	24.96	**24.66**	25.31
777					
Ore	*tonnes*	**266,744**	164,856	**1,053,710**	991,576
Copper	*%*	**1.13**	1.89	**1.28**	1.40
Zinc	*%*	**4.16**	2.98	**3.91**	3.88
Gold	*g/tonne*	**1.80**	1.85	**2.03**	1.90
Silver	*g/tonne*	**25.02**	21.64	**25.25**	24.13
Total Mines					
Ore	*tonnes*	**688,952**	632,957	**2,646,851**	2,645,816
Copper	*%*	**0.91**	1.08	**0.94**	0.98
Zinc	*%*	**4.18**	4.87	**4.10**	5.04
Gold	*g/tonne*	**3.10**	2.55	**2.86**	2.29
Silver	*g/tonne*	**28.29**	24.10	**24.90**	24.87

		Three months ended		Year ended	
Unit Operating Costs[1,2]		**Dec. 31, 2021**	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
Mines					
Lalor	*C$/tonne*	**112.34**	98.74	**114.95**	96.51
777	*C$/tonne*	**100.34**	87.17	**91.12**	79.94
Total Mines	*C$/tonne*	**107.69**	95.73	**105.46**	90.30

[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 2021 was 9% higher than the same period in 2020 mainly due to a temporary closure of 777 in the prior year caused by a shaft incident that resulted in a six-week suspension of hoisting operations. Gold and silver grades mined during the fourth quarter of 2021 were 22% and 17% higher, respectively, compared to the same period in 2020, mainly due to increased mining of gold and copper-gold stopes at Lalor, in line with the mine plan. Copper and zinc grades mined during the fourth quarter of 2021 were 16% and 14% lower than the same period in 2020 as mining of the gold zones at Lalor to feed the New Britannia mill displaced production from the base metal zones in the quarter.

Lalor production processes to separate gold and base metal ores are now fully established to optimally provide feed for both the New Britannia and Stall mills. At the end of 2021, Snow Lake ore stockpiles were at normalized levels with approximately 26,000 tonnes of gold ore and approximately 24,000 tonnes of base metal ore on surface. A production ramp-up strategy to achieve 5,300 tonnes per day at Lalor by the end of 2022 is underway that includes advancing development for new mining fronts, additions to the mine equipment fleet, transition of workforce from the 777 mine upon closure, and expansion of change house and office facilities.

The 777 mine is within months of closure and the focus continues to be on mining out the remaining reserves by completing the necessary ground rehabilitation to access remnant and pillar stoping blocks. Challenging ground conditions have caused delays in the production sequence and resulted in higher dilution than planned. These challenges are expected to continue until the end of mine life in June 2022. Pre-closure activities are underway in mined out areas to decommission stationary equipment of value for redeployment at Lalor.

Total mine unit operating costs for the mines during the fourth quarter of 2021 increased by 12% compared to the same period in 2020 mainly due to lower capitalized development at 777 as all costs are now operating in nature and higher contractor, camp and COVID-19 related expenses at Lalor. Full year 2021 total mine unit operating costs in Manitoba were 17% higher as compared to the same period in 2020 due to the same factors as the fourth quarter variances as well as lower capitalized development at Lalor.

Processing Facilities

		Three months ended		Year ended	
		Dec. 31, 2021	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
Stall & New Britannia Concentrator Combined					
Ore	*tonnes*	**419,727**	372,624	**1,506,756**	1,412,751
Copper	*%*	**0.75**	0.79	**0.72**	0.73
Zinc	*%*	**4.12**	5.47	**4.30**	5.76
Gold	*g/tonne*	**3.90**	2.88	**3.42**	2.55
Silver	*g/tonne*	**30.07**	24.43	**24.95**	25.37
Copper concentrate	*tonnes*	**17,494**	14,271	**57,291**	47,680
Concentrate grade	*% Cu*	**15.92**	18.03	**16.43**	18.74
Zinc concentrate	*tonnes*	**27,672**	36,395	**111,370**	147,862
Concentrate grade	*% Zn*	**51.02**	50.89	**50.56**	50.57
Copper recovery	*%*	**88.7**	87.1	**86.8**	86.2
Zinc recovery	*%*	**87.4**	90.9	**88.9**	91.9
Gold recovery - concentrate	*%*	**54.6**	59.5	**54.9**	60.0
Silver recovery - concentrate	*%*	**53.9**	60.3	**54.4**	60.4
Contained metal in concentrate produced					
Copper	*tonnes*	**2,785**	2,572	**9,415**	8,934
Zinc	*tonnes*	**14,119**	18,520	**56,310**	74,776
Gold	*oz*	**28,720**	20,507	**90,911**	69,657
Silver	*oz*	**218,679**	176,534	**656,847**	696,425
Metal in doré produced					
Gold	*oz*	**8,598**	-	**9,002**	-
Silver	*oz*	**6,519**	-	**6,529**	-
Flin Flon Concentrator					
Ore	*tonnes*	**262,565**	225,663	**1,133,516**	1,205,314
Copper	*%*	**1.12**	1.59	**1.23**	1.28
Zinc	*%*	**4.16**	3.87	**3.95**	4.21
Gold	*g/tonne*	**1.78**	1.99	**2.04**	1.96
Silver	*g/tonne*	**25.04**	22.65	**24.90**	24.26
Copper concentrate	*tonnes*	**12,554**	13,900	**56,646**	57,658
Concentrate grade	*% Cu*	**20.37**	22.68	**21.61**	22.98
Zinc concentrate	*tonnes*	**18,353**	14,078	**73,974**	85,232
Concentrate grade	*% Zn*	**49.51**	52.02	**50.31**	50.87
Copper recovery	*%*	**86.7**	88.1	**87.7**	86.0
Zinc recovery	*%*	**83.1**	83.9	**83.0**	85.5
Gold recovery	*%*	**59.2**	56.6	**58.5**	56.0
Silver recovery	*%*	**45.6**	46.5	**45.1**	45.9
Contained metal in concentrate produced					
Copper	*tonnes*	**2,557**	3,152	**12,242**	13,249
Zinc	*tonnes*	**9,088**	7,323	**37,219**	43,354
Gold	*oz*	**8,924**	8,180	**43,564**	42,570
Silver	*oz*	**96,375**	76,370	**409,156**	431,476

Unit Operating Costs[1]		Three months ended Dec. 31, 2021	Three months ended Dec. 31, 2020	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020	Guidance Annual 2021	Guidance Annual 2022
Concentrators							
Stall & New Britannia	*C$/tonne*	**47.67**	23.52	**31.17**	23.56		
Flin Flon	*C$/tonne*	**30.33**	25.31	**28.27**	23.59		
Combined mine/mill unit operating costs [2,3]							
Manitoba	*C$/tonne*	**168**	140	**154**	132	145 - 155	170 - 185

[1] Reflects costs per tonne of milled ore.

[2] Reflects combined mine, mill and G&A costs per tonne of milled ore.

[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.

During the fourth quarter of 2021, the New Britannia mill continued to ramp up with the flotation circuit starting in October. New Britannia processed 109,242 tonnes of ore during the fourth quarter and achieved commercial production in November, triggering the start of depreciation for the mill. In December, New Britannia throughput averaged 1,200 tonnes per day with gold and silver recoveries in line with the metallurgical model. A number of optimization initiatives are underway to improve the mechanical availability of grinding, leaching and tailings circuits. It is anticipated that the throughput and recoveries will achieve full design rates in the second quarter of 2022.

Although there was less feed to the Stall concentrator in the fourth quarter as gold ore was directed to New Britannia, the combined Snow Lake mills processed a significantly higher volume of ore in the fourth quarter of 2021 compared to the same period in 2020. Stall recoveries were consistent with the metallurgical model for the head grades delivered. New Britannia recoveries continued ramping up during the fourth quarter. Compared to the same periods in 2020, unit operating costs at the Snow Lake mills were higher for the fourth quarter and full year ended December 31, 2021 as a result of the higher costs at New Britannia. Unit operating costs at the Stall and New Britannia mills are expected to normalize in the second quarter of 2022 once the plant initiatives described above are implemented.

The Flin Flon concentrator consumed the available ore feed from the 777 mine in the fourth quarter of 2021. Recoveries were consistent with the metallurgical model for the head grades delivered. Unit operating costs at the Flin Flon concentrator increased by 20% during the fourth quarter compared to the same period in 2020 primarily as a result of increased tailings management costs and increased grinding media used to fulfill paste fill requirements at 777 mine.

Full year 2021 ore processed at Snow Lake increased by 7% versus the comparative period in 2020 due to the commencement of operations at the New Britannia mill in August 2021. Full year ore processed at the Flin Flon mill was 6% lower than the comparative 2020 period as excess ore mined at Lalor stopped being milled in Flin Flon in May 2021.

Combined unit operating costs in the fourth quarter of 2021 increased by 20% compared to the same period in 2020, due to higher overall operating costs for the reasons described above partially offset by higher ore milled. Full year combined mine, mill and G&A unit operating costs were 17% higher than the prior year due to the same factors as the fourth quarter variances. Full year combined unit operating cost was within the 2021 guidance range.

Contained metal in concentrate produced[1]		Three months ended		Year ended		Guidance	
						Annual	
		Dec. 31, 2021	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020	2021	2022
Copper	*tonnes*	**5,342**	5,724	**21,657**	22,183	20,000 - 24,000	12,000 - 16,000
Gold[2]	*oz*	**37,644**	28,687	**134,475**	112,227	-	-
Silver[3]	*oz*	**315,054**	252,904	**1,066,003**	1,127,901	-	-
Zinc	*tonnes*	**23,207**	25,843	**93,529**	118,130	96,000 - 107,000	50,000 - 70,000
Metal in doré produced[1]							
Gold[2]	*oz*	**8,598**	-	**9,002**	-	-	-
Silver[3]	*oz*	**6,519**	-	**6,529**	-	-	-
Contained metal in concentrate and doré produced							
Gold[2]	*oz*	**46,242**	28,687	**143,477**	112,227	150,000 - 165,000	150,000 - 185,000
Silver[3]	*oz*	**321,573**	252,904	**1,072,532**	1,127,901	1,200,000 - 1,400,000	800,000 - 1,100,000

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

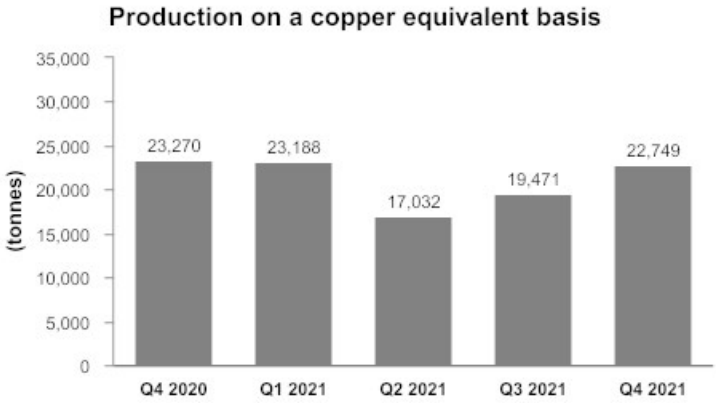
[2]Gold production guidance includes gold contained in concentrate produced and gold in doré.

[3]Silver production guidance includes silver contained in concentrate produced and silver in doré.

Compared to the same period in 2020, gold and silver production in the fourth quarter of 2021 increased by 61% and 27%, respectively. These increases were primarily due to the processing of higher grade precious metal ore from the Lalor mine and the start of operations at New Britannia which contributed to higher overall throughput at Snow Lake. Copper and zinc production decreased 7% and 10% in the fourth quarter of 2021 compared to the same period in 2020 as Lalor mining transitioned to gold lenses and away from base metal zones and 777 mine stope sequencing delays due to challenging ground conditions and higher than anticipated dilution.

Gold production increased by 28% during 2021 versus the comparative period mainly due to higher gold grades at Lalor mine, offset by lower recoveries at Stall mill. Full year 2021 production of copper, silver and zinc declined by 2%, 5% and 21%, respectively, compared to the same period in 2020, primarily due the transition of mining toward the gold lenses at Lalor and a corresponding decrease of production from the base metal zones and higher than anticipated dilution at 777 mine.

Full year copper production achieved our 2021 guidance; however, zinc, gold and silver production for the year fell short of our guidance ranges. Zinc production was predominantly impacted by higher than planned dilution at the 777 mine as it nears the end of life. Gold and silver production were below guidance due to higher dilution at the 777 mine in the fourth quarter and the deferral of some higher gold content ore for future processing at New Britannia to achieve higher gold recoveries.



Zinc Plant

		Three months ended		Year ended		Guidance
Zinc Production		**Dec. 31, 2021**	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020	Annual 2021
Zinc Concentrate Treated						
Domestic	*tonnes*	**45,143**	61,395	**191,283**	241,089	
Refined Metal Produced						
Domestic	*tonnes*	**20,783**	28,818	**89,568**	111,637	96,000 - 103,000

		Three months ended		Year ended		Guidance
Unit Operating Costs		**Dec. 31, 2021**	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020	Annual 2021
Zinc Plant [1,2]	*C$/lb*	**0.63**	0.45	**0.55**	0.47	0.50 - 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.

The zinc plant production was constrained by the availability of concentrate for processing, resulting from Lalor transitioning production to the gold lenses, and the mine plan limitations at 777 as it nears closure. The zinc plant is within several months of closure and it is anticipated that the plant will continue to be concentrate constrained through to closure. Unit operating costs per pound of zinc metal produced for the fourth quarter and full year of 2021 was considerably higher over the same 2020 period primarily due to lower production. Full year 2021 refined zinc metal production decreased by 20% compared to the same period of 2020 due to the same factors.

Due to Lalor mine transitioning from base metal lenses to gold lenses as New Britannia ramps up and the challenging ground conditions experienced at 777 mine, the full year production of cast zinc did not meet 2021 guidance. As a result, zinc plant unit operating costs finished the year at the top end of the 2021 guidance range.

Manitoba Cash Cost and Sustaining Cash Cost

		Three months ended		Year ended	
		Dec. 31, 2021	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
Cost per pound of copper produced					
Cash cost per pound of copper produced, net of by-product credits [1]	*$/lb*	**(2.77)**	(3.48)	**(2.11)**	(2.20)
Sustaining cash cost per pound of copper produced, net of by-product credits [1]	*$/lb*	**(0.23)**	(0.36)	**0.69**	1.02
Cost per pound of zinc produced					
Cash cost per pound of zinc produced, net of by-product credits [1]	*$/lb*	**(0.07)**	(0.02)	**-**	0.10
Sustaining cash cost per pound of zinc produced, net of by-product credits [1]	*$/lb*	**0.52**	0.67	**0.65**	0.71

[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.

Cash cost per pound of copper produced, net of by-product credits, in the fourth quarter of 2021 was negative $2.77. These costs were higher compared to the same period in 2020, as a result of higher mining, milling and G&A costs and lower copper production, partially offset by higher by-product revenues. Cash cost per pound of copper produced, net of by-product credits, for the full year 2021 was higher compared to the same period in 2020, primarily due to the same factors.

Sustaining cash cost per pound of copper produced, net of by-product credits, in the fourth quarter of 2021 was negative $0.23. These costs were higher compared to the same period in 2020, primarily due to the reasons listed above partially offset by lower sustaining capital expenditures compared to the same period in 2020. Sustaining cash cost per pound of copper produced, net of by-product credits, for the full year 2021 were lower compared to the same period in 2020 due to lower sustaining capital expenditures and higher by-product revenues partially offset by higher mining, milling and G&A costs and lower copper production.

Cash cost per pound of zinc produced, net of by-product credits, in the fourth quarter of 2021 and year-to-date were generally in line with the same periods in the prior year despite zinc production being considerably lower in 2021. This was due to higher by-product credits being mostly offset by lower zinc production and higher operating costs. Sustaining cash costs for the fourth quarter of 2021 and year-to-date were lower than the same periods in 2020 due to significantly lower sustaining capital expenditures.

Starting in the first quarter of 2022, the company intends to disclose cash cost per ounce of gold produced, net of by-product credits, as gold revenue grows to become the most significant contributor to total Manitoba revenue for the foreseeable future.


Zinc cash cost and sustaining cash cost
$1.2
$1.0
$0.8
$0.6
$0.4
$0.2
$0.0
$-0.2
$/lb
0.52
(0.07)
Q4 2020
Q1 2021
Q2 2021
Q3 2021
Q4 2021
Sustaining cash cost per pound of zinc produced, net of by-product credits
Cash cost per pound of zinc produced, net of by-product credits

Metal Sold

		Three months ended		Year ended	
		Dec. 31, 2021	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
Payable metal in concentrate and doré					
Copper	*tonnes*	**4,408**	4,380	**20,802**	20,382
Gold	*oz*	**40,623**	31,882	**126,551**	111,963
Silver	*oz*	**257,928**	281,541	**936,857**	1,067,038
Refined zinc	*tonnes*	**21,112**	28,431	**96,435**	109,347

Quantities of payable copper and gold sold for the fourth quarter and full year of 2021 were higher than each of the comparable periods in 2020 due to the same reasons as contained metal production. Refined zinc sales and payable silver sales were lower than each of the comparable periods in 2020 primarily due to lower head grades.

OUTLOOK

This outlook includes forward-looking information about our operations and financial expectations based on our expectations and outlook as of February 23, 2022. As a result of the COVID-19 global pandemic, we have experienced intermittent operational, supply chain, travel, labour and shipping disruptions, and we may continue to experience similar disruptions in the future. Given the uncertainty of the duration and magnitude of the impact of COVID-19, the social and political tensions in Peru, and the mine plan limitations at the 777 mine given its pending closure, our 2022 production and cost guidance are subject to a higher-than-normal degree of uncertainty. The guidance below does not reflect any potential for unforeseen suspensions or other significant disruption to our operations.

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, as per our "Commodity Markets" and "Sensitivity Analysis" discussions below. In addition to this section, refer to the "Operations Review", "Financial Review" and "Liquidity and Capital Resources" sections for additional details on our outlook for 2022.

Material Assumptions

Our annual production and operating cost guidance, along with our annual capital and exploration expenditure forecasts are discussed in detail below.

Production Guidance

Contained Metal in Concentrate and Doré[1]		2022 Guidance	Year ended Dec. 31, 2021	2021 Guidance
Peru				
Copper	*tonnes*	89,000 - 115,000	77,813	72,000 - 88,000
Gold	*oz*	70,000 - 90,000	50,306	40,000 - 50,000
Silver	*oz*	1,620,000 - 2,100,000	1,972,949	1,800,000 - 2,170,000
Molybdenum	*tonnes*	1,100 - 1,400	1,146	1,400 - 1,700
Manitoba				
Gold	*oz*	150,000 - 185,000	143,477	150,000 - 165,000
Zinc	*tonnes*	50,000 - 70,000	93,529	96,000 - 107,000
Copper	*tonnes*	12,000 - 16,000	21,657	20,000 - 24,000
Silver	*oz*	800,000 - 1,100,000	1,072,532	1,200,000 - 1,400,000
Total				
Copper	*tonnes*	101,000 - 131,000	99,470	92,000 - 112,000
Gold	*oz*	220,000 - 275,000	193,783	190,000 - 215,000
Zinc	*tonnes*	50,000 - 70,000	93,529	96,000 - 107,000
Silver	*oz*	2,420,000 - 3,200,000	3,045,481	3,000,000 - 3,570,000
Molybdenum	*tonnes*	1,100 - 1,400	1,146	1,400 - 1,700

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

On a consolidated basis, we met 2021 production guidance for copper, gold and silver, and Peru's gold production exceeded the top end of the guidance range due to strong gold grades from the Pampacancha satellite deposit. Zinc production was below the guidance range primarily due to higher grade dilution and mine plan limitations experienced at the 777 mine in Manitoba late in the year as the mine approaches the end of its life. Molybdenum production was below guidance but was consistent with the range published in our Constancia mine plan released in March 2021.

In 2022, consolidated copper production is forecast to increase by 17% [1] compared to 2021 levels primarily as a result of higher expected copper production in Peru, with higher planned copper grades from both the Constancia and Pampacancha pits more than offsetting lower copper production in Manitoba. Consolidated gold production in 2022 is expected to increase by 28%[1] year-over-year due to significantly higher gold grades and recoveries expected in both Manitoba and Peru. In Manitoba, gold production is expected to increase by 17%[1] in 2022 due to the first full year of production at the recently refurbished New Britannia gold mill. In Peru, gold production is expected to increase by 59%[1] in 2022 as we incorporate the first full year of Pampacancha. Year-over-year zinc production is expected to decline by 36% [1] as a result of the expected closure of the 777 mine in June 2022 and the mining of the gold-rich zones at Lalor in connection with the startup of the New Britannia mill, which will result in mining less of the zinc-rich base metal zones at Lalor.

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

Peru's 2022 production guidance assumes copper grades remain consistent with the higher grades seen in the fourth quarter of 2021 for a majority of the year before significantly increasing in the fourth quarter of 2022. Peru's production guidance reflects regularly scheduled semi-annual mill maintenance shutdowns at Constancia during the first and third quarters of 2022. The guidance also assumes mining continues in the harder ore areas of the pits in 2022, with slight impacts on mill throughput, but improving ore hardness is expected in 2023 and beyond.

Manitoba's 2022 production guidance reflects continued strong production from the Lalor mine, operating at a throughput rate of 4,650 tonnes per day and ramping up to 5,300 tonnes per day by 2023. The New Britannia mill is expected to average 1,500 tonnes per day in 2022 with continued ramp-up activities and rod mill liner maintenance scheduled during the first quarter and full design rates expected to be achieved in the second quarter. 2022 production assumes lower mining rates at the 777 mine as the mine approaches closure in June 2022. The low end of the production guidance ranges reflects reduced output from the 777 mine to capture the potential for higher dilution and increased variability in the remnant stopes. The 2022 and 2023 guidance contained in this MD&A replaces the company's previously issued guidance for these years.

3-Year Production Outlook				
Contained Metal in Concentrate and Doré [1]		**2022 Guidance**	**2023 Guidance**	**2024 Guidance**
Peru				
Copper	*tonnes*	89,000 - 115,000	110,000 - 134,000	111,000 - 136,000
Gold	*oz*	70,000 - 90,000	100,000 - 125,000	110,000 - 135,000
Silver	*oz*	1,620,000 - 2,100,000	2,300,000 - 2,800,000	2,900,000 - 3,500,000
Molybdenum	*tonnes*	1,100 - 1,400	2,000 - 2,400	1,700 - 2,100
Manitoba[2]				
Gold	*oz*	150,000 - 185,000	160,000 - 195,000	170,000 - 200,000
Zinc	*tonnes*	50,000 - 70,000	36,000 - 44,000	36,000 - 44,000
Copper	*tonnes*	12,000 - 16,000	10,000 - 12,000	9,000 - 11,000
Silver	*oz*	800,000 - 1,100,000	1,000,000 - 1,200,000	1,000,000 - 1,200,000
Total				
Copper	*tonnes*	101,000 - 131,000	120,000 - 146,000	120,000 - 147,000
Gold	*oz*	220,000 - 275,000	260,000 - 320,000	280,000 - 335,000
Zinc	*tonnes*	50,000 - 70,000	36,000 - 44,000	36,000 - 44,000
Silver	*oz*	2,420,000 - 3,200,000	3,300,000 - 4,000,000	3,900,000 - 4,700,000
Molybdenum	*tonnes*	1,100 - 1,400	2,000 - 2,400	1,700 - 2,100

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

[2] Manitoba production guidance assumes the 777 mine is depleted at the end of the second quarter of 2022, resulting in lower copper and zinc production after its closure.

Consolidated copper and gold production are expected to increase to 133,500 [1] tonnes and 307,500 [1] ounces, respectively, in 2024, which represents an increase of 34% [1] and 59% [1], respectively, from 2021 levels, which demonstrates the continued growth from our recent brownfield growth projects. These growth projects are expected to more than offset the lost copper and gold production from 777 after its closure in mid-2022.

Peru's three-year production guidance reflects the incorporation of Pampacancha into the mine plan with higher copper and gold grades from 2022 and beyond. The mine plan has been re-sequenced since the publication of the March 2021 Constancia technical report, resulting in higher gold grade areas in the Pampacancha pit being moved from 2022 to 2023, which is expected to lead to a 41%[1] increase in gold production in 2023 from 2022 levels.

Manitoba's three-year production guidance reflects an increase in Lalor's mine throughput from 4,650 tonnes per day in 2022 to 5,300 tonnes per day starting in 2023 due to technical and operational improvements and the allocation of mining resources from the 777 mine after its closure in 2022. The low end of the 2023 production guidance range reflects a more conservative project start and ramp up of the Stall recovery improvement program. The production numbers exclude the impact of upside opportunities, such as the potential to operate New Britannia above design capacity.

Capital Expenditure Guidance

Capital Expenditures[1] *(in $ millions)*	**2022 Guidance**	**Year ended Dec. 31, 2021**	**2021 Guidance**
Sustaining capital			
Peru[2]	105.0	128.9	135.0
Manitoba[3]	115.0	100.4	90.0
Total sustaining capital	**220.0**	**229.3**	**225.0**
Growth capital			
Peru	10.0	22.8	25.0
Manitoba[3]	50.0	119.2	105.0
Arizona[4]	35.0	22.9	20.0
Total growth capital	**95.0**	**164.9**	**150.0**
Capitalized exploration	25.0	13.3	15.0
Total	**340.0**	**407.5**	**390.0**

[1] Excludes capitalized costs not considered to be sustaining or growth capital expenditures.

[2] Includes capitalized stripping costs.

[3] Capital expenditures are converted into U.S. dollars using an exchange rate of 1.27 Canadian dollars.

[4] Arizona spending includes capitalized costs associated with the Copper World and Rosemont projects.

Total capital expenditures are expected to decline by 17% year-over-year primarily due to lower expected sustaining capital in Peru and lower growth spending in Manitoba in 2022.

Sustaining capital expenditures in Peru are expected to decrease from 2021 levels primarily due to lower costs associated with heavy civil works after completion of a tailings dam raise in 2021. This is expected to be partially offset by higher capitalized stripping expenditures in 2022 due to changes in the sequencing of mining phases in 2021 and the deferral of some capitalized stripping costs into 2022. Sustaining capital expenditures in Manitoba are expected to be higher than 2021 primarily due to accelerated underground development and equipment spending at Lalor in connection with the ramp up to 5,300 tonnes per day and the introduction of New Britannia sustaining costs, partially offset by lower capital development at 777 as the mine approaches closure.

Peru's growth capital spending of $10.0 million in 2022 includes costs associated with mill recovery improvement initiatives targeted to increase copper and molybdenum recoveries starting in 2023. These low-capital brownfield growth projects are expected to generate attractive returns and are part of our continuous improvement efforts.

Manitoba's growth capital spending of $50.0 million in 2022 includes approximately $25.0 million for the completion of the Stall mill recovery improvement project, which is expected to involve several flow sheet enhancements to increase copper, gold and silver recoveries starting in 2023. Approximately $15.0 million is budgeted for the expansion of the surface facilities in Snow Lake to support the transition to 5,300 tonnes per day at Lalor by 2023. Approximately $5.0 million has been allocated to engineering studies to advance the development of the 1901 deposit ahead of the current 2026 production-start timeline.

The spending guidance excludes approximately $20.0 million of tailings investments in Manitoba as we complete the improvements on the legacy Flin Flon tailings impoundment area in 2022, a program that was initiated in 2019, to ensure compliance with higher industry-wide standards for tailings dam safety. These expenditures are associated with the decommissioning and restoration liability and, therefore, will be accounted for as a drawdown of the liability through operating cash flow, rather than sustaining capital expenditures.

Arizona's growth capital spending of $35.0 million includes approximately $25.0 million for annual carrying costs for Rosemont and Copper World and approximately $10.0 million on anticipated Copper World permitting and economic studies in the first half of 2022.

Exploration Guidance

		Year ended	
(in $ millions)	**2022 Guidance**	**Dec. 31, 2021**	**2021 Guidance**
Peru	**25.0**	17.3	20.0
Manitoba	**15.0**	10.5	10.0
Arizona and other	**25.0**	25.5	34.0
Total exploration expenditures	**65.0**	53.3	64.0
Capitalized spending	**(25.0)**	(13.3)	(15.0)
Total exploration expense	**40.0**	40.0	49.0

Our total expected exploration expenditures of $65.0 million in 2022 are higher than 2021 levels due to continued exploration activities at our Copper World discovery in Arizona and additional drilling activities in Peru and Manitoba.

In Peru, 2022 drilling activities will focus on three greenfield projects, including the Llaguen project in northern Peru and in-mine exploration at Constancia and Pampacancha. We also expect to advance community relations and permitting activities on the regional satellite properties in Peru during 2022. In Manitoba, we expect to complete a winter drill program focused on testing targets in the Chisel Basin, drilling targets identified at 1901 and the Lalor mine and drilling the Flin Flon tailings area. In Arizona, 2022 exploration expenditures include further infill drilling at the Copper World deposits, continued exploration drilling between the known deposits at Copper World and a planned initial drill program at the Mason Valley skarn properties in late 2022.

Unit Cost and Cash Cost Guidance

We are introducing cash cost guidance in 2022 for each of our operations. Copper remains the primary metal produced in our Peru operations and therefore we have presented cash cost per pound of copper produced. In Manitoba, we recognize that with the New Britannia mill operating at full capacity, the primary metal produced is gold and, therefore, we have included guidance for cash cost per ounce of gold produced. We continue to provide combined mine/mill unit operating cost guidance by site and consolidated copper cash cost and sustaining cash cost guidance given copper remains the primary revenue contributor on a consolidated basis.

Peru Operating Costs		2022 Guidance	Year ended Dec. 31, 2021	2021 Guidance[3]
Combined mine/mill unit operating cost (excluding COVID-19 costs) [1,2]	*$/tonne*	**10.10 - 12.90**	10.70	-
Combined mine/mill unit operating cost (including COVID-19 costs) [1,2]	*$/tonne*	**-**	11.39	8.90 - 10.90
Cash cost per pound of copper [2,3]	*$/lb*	**1.10 - 1.40**	1.54	-

[1] Reflects combined mine, mill and G&A costs per tonne of milled ore. Peru costs reflect the deduction of expected capitalized stripping costs. Unit operating cost guidance in 2022 excludes estimated COVID-19 related costs of approximately $18.0 million. 2021 actual COVID-19 costs incurred was $19.8 million, which was higher than budgeted in 2021.

[2] Combined unit costs and cash costs per pound of copper produced 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.

[3] Cash cost, net of by-product credits, per pound of copper contained in concentrate. By-product credits are calculated using the gold and silver deferred revenue drawdown rates in effect on December 31, 2021 and the following commodity prices:, $1,800 per ounce gold, $24.00 per ounce silver, $1.25 per pound zinc (excludes premium), $13.00 per pound molybdenum and an exchange rate of 1.27 C$/US$. Peru cash cost guidance was introduced in 2022 and is not available for 2021.

Combined unit costs for Peru in 2022 are approximately 7% [1] higher than 2021 as a result of higher consumable costs, including grinding media and fuel, higher mill maintenance costs due to general cost pressures seen in the industry, payments relating to community agreements and the impact of processing harder ore in the Constancia pit.

Copper cash costs in Peru are expected to decline by 19% [1] in 2022 versus 2021, primarily due to higher gold by-product credits and higher copper production.

Manitoba Operating Costs		2022 Guidance	Year ended Dec. 31, 2021	2021 Guidance
Combined mine/mill unit operating cost [1,2]	*C$/tonne*	**170 - 185**	154	145-155
Cash cost per ounce of gold [2,3]	*$/oz*	**300 - 550**	-	-

[1] Reflects combined mine, mill and G&A costs per tonne of milled ore.

[2] Combined unit costs and cash cost per ounce of gold produced 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.

[3] Cash cost, net of by-product credits, per ounce of gold contained in concentrate and doré. By-product credits are calculated using the silver deferred revenue drawdown rate in effect on December 31, 2021 and the following commodity prices: $4.00 per pound copper, $24.00 per ounce silver, $1.25 per pound zinc (excludes premium), $13.00 per pound molybdenum and an exchange rate of 1.27 C$/US$. Manitoba cash cost guidance was introduced in 2022 and is not available for 2021. Similarly, reported actual cash cost per ounce of gold for Manitoba will be introduced in 2022 and is not available for 2021.

Combined unit costs for Manitoba in 2022 are forecast to be approximately 15% [1] higher than 2021 levels primarily due to expected cost inflation on materials and consumables and the inclusion of the New Britannia mill, which is expected to result in higher milling unit costs compared to the Flin Flon and Stall mills as disclosed in our Snow Lake operations mine plan released in March 2021. Manitoba unit costs also reflect the closure of the 777 mine in June 2022 and the transition of a portion of the workforce to Snow Lake.

Gold cash costs in Manitoba are expected to be $300 to $550 per ounce of gold in 2022 as gold production increases year-over-year and the operations transition to becoming a majority gold producer.

Consolidated Copper Cash Cost[1,2]		2022 Guidance	Year ended Dec. 31, 2021	2021 Guidance
Cash cost	*$/lb*	**0.60 - 1.05**	0.74	0.65 - 0.80
Sustaining cash cost	*$/lb*	**1.60 - 2.25**	2.07	2.05 - 2.30

[1] Cash cost and sustaining cash cost, net of by-product credits, per pound of copper contained in concentrate. By-product credits are calculated using the gold and silver deferred revenue drawdown rates in effect on December 31, 2021 and the following commodity prices: $1,800 per ounce gold, $24.00 per ounce silver, $1.25 per pound zinc (excludes premium), $13.00 per pound molybdenum and an exchange rate of 1.27 C$/US$.

[2] Cash cost and sustaining cash cost 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.

The mid-point of the guidance range for consolidated cash cost per pound of copper produced, net of by-product credits, is higher than 2021 levels due to the expected increase in unit costs as described above, partially offset by expected higher copper production and higher gold by-product credits. The mid-point of the guidance range for consolidated sustaining cash cost per pound of copper produced, net of by-product credits, is lower than 2021 levels due to lower sustaining capital expenditures and higher copper production, partially offset by the increase in unit costs.

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 vary from the annual guidance range above based on a variety of factors, including the scheduling of maintenance events, the impact of COVID-19 related interruptions, and seasonal heating requirements, particularly in Manitoba. Cash cost and sustaining cash cost may also vary based on changes in commodity prices affecting by-product credits.

Commodity Markets

Our 2022 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 copper and zinc, while interest rates, inflation, the performance of financial markets and the level of economic uncertainty will influence the investment demand for gold. The realized prices we achieve in the commodity markets significantly affect our financial 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 volumes, our 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 during 2021 remained well above the 10-year trailing average due to a strong rebound in demand for physical metal, lingering supply issues related to COVID-19 and consistent speculative interest from the investor community. Copper prices breached the $4 per pound barrier for the first time in many years in February 2021, rising as high as $4.86 per pound in the year and zinc prices broke above $1.25 per pound in February and rose above $1.70 per pound in the fourth quarter due to the temporary idling of some zinc smelting capacity in Europe and China as a result of substantial increases in power prices.

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

Copper

In 2021, the London Metal Exchange ("LME") copper price averaged $4.23 per pound, ranging from a low of $3.52 per pound at the beginning of the year to an all-time high of $4.86 per pound in May. Prices drifted lower during the summer due to negative sentiment surrounding the announcement of sales from China's strategic copper stockpile and due to the typical seasonal reduction in demand before spiking higher again in October due to a technical squeeze made possible by low metal exchange stocks.

Copper consumption grew at an unexpectedly high rate of 4% in 2021, outstripping the growth in refined production and keeping the physical market relatively balanced and stocks at historically low levels. This market backdrop combined with very positive sentiment for future copper demand growth underpinned by the global move towards renewable energy sources (wind, hydro, solar), carbon neutrality and the adoption of electric vehicles resulted in an average price that was 51% higher than the prior year.

Strong future demand for copper will necessitate the development of intrinsically higher cost greenfield mines from the world's existing inventory of undeveloped deposits, at a time when existing mines are seeing significant cost inflation due to higher energy costs, consumables costs and taxes. This combination of market factors will likely result in significantly higher long term copper prices.

Zinc

In 2021, the LME zinc price averaged $1.36 per pound, with prices ranging from $1.15 per pound to $1.73 per pound. Zinc demand surged by 7.1% during the year after declining by 4.5% in 2020 due to the effects related to COVID-19. This strong demand growth, combined with the lowest supply growth in the past decade, returned the market to a deficit position of 320 thousand tonnes in 2021 after it recorded a surplus of 472 thousand tonnes in the prior year.

Exchange stocks dropped to historically low levels in the second half of 2021 as zinc production in Europe and China was constrained by higher electricity prices. This sudden supply shock resulted in a spike in zinc prices in the fourth quarter of the year and the development of a significant backwardation in zinc futures markets.

The annual zinc metal market deficit is expected to increase again in 2022 to over 400 thousand tonnes as refined supply grows only marginally due to the continued idling of some smelter capacity in Europe as a result of electricity prices that are almost three times higher than they were in 2020. Consensus estimates for LME prices over the next several years are in excess of $1.60 per pound in response to continued market deficits and price spikes to even higher level could occur due to chronically low exchange stocks.

Gold

In 2021, the London Gold Bullion Market price for gold averaged $1,799 per ounce, compared with an average of $1,772 per ounce in 2020. Gold prices traded between $1,684 per ounce and $1,950 per ounce during the year responding primarily to changing market sentiments on future direction of inflation and interest rate hikes and on the projected effect of the COVID-19 pandemic on the world economy.

The physical supply and demand for gold is not an arbitrator of future prices as it is with base metals because most of the gold ever mined is stored in bank vaults. Gold is an investment that has traditionally provided a safe haven for investors during uncertain economic times, as well as a hedge against inflation, future currency devaluation and declining values of other riskier asset classes. Concerns regarding the effect of COVID-19 on the global economic growth as governments taper monetary stimulus combined with record-high inflation and political instability in many regions of the world bodes well for the price of gold price in 2022. However, market expectations for increases in interest rates and a stronger US dollar may keep gold range bound between $1,700 and $1,800 per ounce.

Treatment Charges, Refining Charges, Zinc Metal Premiums and Freight Costs

Hudbay's operating margins are affected by a variety of marketing related costs and premiums related to the products that we produce. For the copper, zinc and molybdenum concentrates that we produce, we pay freight costs to deliver these products from our facilities to our customers and depending on the destination, we incur various combinations of truck, rail or ocean freight costs along with warehousing and loading fees. We also pay treatment and refining charges ("TC/RCs") to our customers who process our concentrates. For zinc metal and precious metal doré we produce, we incur truck and/or rail freight costs as well as warehousing costs to ship to our customers and receive a premium to the LME price on our zinc metal sales.

A significant portion of our copper concentrate sales are made under multiyear contracts with an annual benchmark reference for TC/RCs. The annual benchmark for 2022 was established earlier this year at $65/6.5¢ compared to $59.5/5.95¢ in 2021 which represented a low point of a multiyear cycle. The annual benchmark treatment charge for 2022 zinc concentrates has yet to be established but in 2021 it was $159/mt. Hudbay will be exposed to zinc treatment charges for the first time in 2022 because our Flin Flon zinc plant is expected to close mid-year with the closure of 777 mine, from which point we will be selling zinc concentrate instead of refined zinc metal.

Zinc metal premiums in 2021 averaged approximately $0.07 per pound which was close to the North American average for annual sales. In 2022, annual zinc premiums in North America and the rest of the world are expected to be dramatically higher due to the tightness in the European zinc metal market as the result of temporary smelter closures and higher power costs.

Ocean freight rates for shipments of both bulk commodities and containers saw a dramatic increase in early 2021 as a result of imbalances in supply chains and port disruptions due to closures and restrictions related to COVID-19 and the swift recovery of industrial and consumer demand for freight services in 2021. Spot rates for bulk shipments of copper and zinc concentrates spend most of the year at levels that were between two and two-and-a-half times higher than rates in 2020 and spot container rates for shipments of molybdenum concentrates were over five times higher over the same period. Hudbay locks in the majority of its direct ocean freight exposure under multiyear Contracts of Affreightment ("COAs") and was not exposed in any substantial way to the higher spot terms in 2021. In 2022, Hudbay still has substantial COA coverage for its bulk ocean shipments and, in addition, spot rates for the Peru-to-China shipping corridor have dropped from $80/wmt to $90/wmt to approximately $50/wmt at the present time.

In 2021, Hudbay signed a multiyear agreement with the Royal Canadian Mint to refine precious metal doré production from our recently refurbished New Britannia mill.

Sensitivity Analysis

The following table displays the estimated impact of changes in metals prices and foreign exchange rates on our 2022 net profit, earnings per share and operating cash flow, assuming that our operational performance is consistent with the mid-point of our guidance for 2022. The effects of a given change in an assumption are calculated in isolation.

	2022 Base	Change of 10% represented by:	Impact on Profit	Impact on EPS[1]	Impact on Operating CF before WC changes
Metals Prices					
Copper price[2]	$4.00/lb	+/- $0.40/lb	+/- $69M	+/- $0.26	+/- $87M
Zinc price	$1.25/lb	+/- $0.13/lb	+/- $12M	+/- $0.05	+/- $16M
Gold price[3]	$1,800/oz	+/- $180/oz	+/- $24M	+/- $0.09	+/- $33M
Exchange Rates [4]					
C$/US$	1.27	+/- 0.13	+/- $42M	+/- $0.16	+/- $43M

[1] Based on 261.6 million common shares outstanding as at December 31, 2021.

[2] Quotational period hedging program neutralizes provisional pricing adjustments.

[3] Gold price sensitivity also includes an impact of a +/- 10% change in the silver price (2022 assumption: $24.00/oz of silver).

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

Financial Results

In the fourth quarter of 2021, we recorded a net loss of $10.5 million compared to a net profit of $7.4 million for the same period in 2020, representing a decrease in profit of $17.9 million. For the full year, we recorded a net loss of $244.4 million compared to a net loss of $144.6 million for the same period in 2020, representing an increase in losses of $99.8 million.

The following table provides further details on these variances:

(in $ millions)	**Three months ended December 31, 2021**	**Year ended December 31, 2021**
Increase (decrease) in components of profit or loss:		
Revenues	**102.9**	**409.6**
Cost of sales		
Mine operating costs	**(18.0)**	**(128.0)**
Depreciation and amortization	**8.7**	**4.0**
Impairment - environmental obligation	**(46.2)**	**(193.5)**
Selling and administrative expenses	**1.0**	**(1.6)**
Exploration and evaluation expenses	**(6.9)**	**(22.8)**
Other expenses	**(10.2)**	**(12.3)**
Net finance expense	**(32.4)**	**(79.1)**
Tax	**(16.8)**	**(76.1)**
Increase in loss for the period	**(17.9)**	**(99.8)**

Revenue

Revenue for the fourth quarter of 2021 was $425.2 million, $102.9 million higher than the same period in 2020, primarily as a result of higher realized base metal prices as well as higher sales volumes of gold and copper. Offsetting this increase were lower zinc metal volumes due to lower zinc grades at Lalor and lower zinc recoveries at the Stall concentrator.

Full year revenue in 2021 was $1,502.0 million, $409.6 million higher than the same period in 2020, primarily as a result of higher realized base metal and molybdenum prices as well as higher sales volumes of copper and gold. Offsetting these increases were lower realized gold prices and lower sales volumes of zinc due to lower Manitoba zinc grades and recoveries. The significantly increased sales volumes of gold is mainly the result of the commencement of operations at the high-grade Pampacancha deposit in the second quarter of 2021 as well as comparatively lower production in the prior year period due to the temporary suspension of Constancia operations following a government declared state of emergency.

The following table provides further details on these variances:

(in $ millions)	Three months ended December 31, 2021	Year ended December 31, 2021
Metals prices[1]		
Higher copper prices	**57.7**	**270.7**
Higher zinc prices	**16.5**	**69.3**
Higher (lower) gold prices	**1.0**	**(10.3)**
Lower silver prices	**(2.4)**	**(1.9)**
Sales volumes		
Higher copper sales volumes	**14.5**	**21.0**
Lower zinc sales volumes	**(20.0)**	**(31.2)**
Higher gold sales volumes	**37.7**	**81.0**
Lower silver sales volumes	**(3.3)**	**(4.1)**
Other		
Change in derivative mark-to-market on zinc	**0.4**	**(0.9)**
Molybdenum and other volume and pricing differences	**(0.2)**	**19.6**
Variable consideration adjustments	**-**	**(5.1)**
Effect of lower treatment and refining charges	**1.0**	**1.5**
Increase in revenue in 2021 compared to 2020	**102.9**	**409.6**

[1] See discussion below for further information regarding metals prices.

Our revenue by significant product type is summarized below:

(in $ millions)	Three months ended		Year ended	
	Dec. 31, 2021	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
Copper	**247.8**	167.0	**873.3**	563.9
Zinc	**73.9**	76.6	**301.1**	264.1
Gold	**84.5**	49.2	**246.6**	181.0
Silver	**7.3**	8.0	**26.9**	26.0
Molybdenum	**10.6**	8.8	**37.5**	25.6
Other metals	**1.4**	1.6	**7.5**	5.6
Revenue from contracts	**425.5**	311.2	**1,492.9**	1,066.2
Amortization of deferred revenue - gold	**10.1**	8.4	**37.8**	27.9
Amortization of deferred revenue - silver	**7.2**	11.7	**33.7**	39.4
Amortization of deferred revenue - variable consideration adjustments - prior periods	**-**	-	**1.6**	6.7
Pricing and volume adjustments [1]	**(3.9)**	5.7	**(8.6)**	9.1
Treatment and refining charges	**(13.7)**	(14.7)	**(55.4)**	(56.9)
Revenue	**425.2**	322.3	**1,502.0**	1,092.4

[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.

For further detail on variable consideration adjustments, refer to note 17 of our consolidated financial statements.

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 2021 and 2020, respectively, are summarized below:

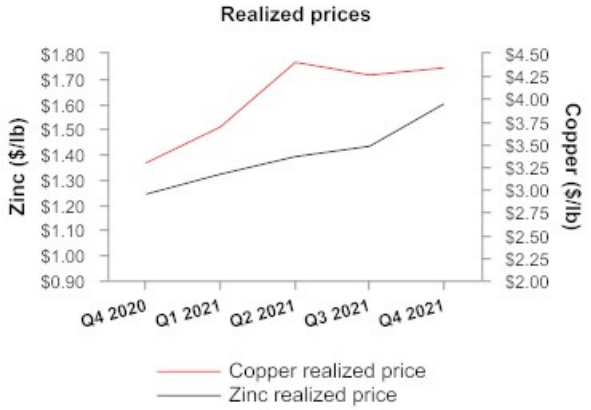
			Realized prices[1] for the Three months ended			Realized prices[1] for the Year ended	
		LME QTD 2021[2]	**Dec. 31, 2021**	Dec. 31, 2020	**LME YTD 2021[2]**	**Dec. 31, 2021**	Dec. 31, 2020
Prices							
Copper	*$/lb*	**4.40**	**4.34**	3.29	**4.23**	**4.19**	2.86
Zinc[3]	*$/lb*	**1.53**	**1.60**	1.24	**1.36**	**1.42**	1.10
Gold[4]	*$/oz*		**1,752**	1,734		**1,722**	1,783
Silver[4]	*$/oz*		**23.26**	27.05		**25.29**	26.04

[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] All sales for the three months and year ended December 31, 2021 and 2020 were cast zinc metal. 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.

[4] Sales of gold and silver from our 777 and Constancia mines are subject to our precious metals stream agreement with Wheaton, pursuant to which we recognize deferred revenue for precious metals deliveries and also receive cash payments. Stream sales are included within realized prices and their respective deferred revenue and cash payment rates can be found on page 40.



The following tables provide 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, 2021							
(in $ millions) [1]	**Copper**	**Zinc**	**Gold**	**Silver**	**Molybdenum**	**Other**	**Total**
Revenue from contracts [2]	**247.8**	**73.9**	**84.5**	**7.3**	**10.6**	**1.4**	**425.5**
Amortization of deferred revenue	**-**	**-**	**10.1**	**7.2**	**-**	**-**	**17.3**
Pricing and volume adjustments [3]	**(9.2)**	**0.6**	**5.1**	**0.4**	**(0.8)**	**-**	**(3.9)**
By-product credits [4]	**238.6**	**74.5**	**99.7**	**14.9**	**9.8**	**1.4**	**438.9**
Derivative mark-to-market [5]	**-**	**(0.2)**	**-**	**-**	**-**	**-**	**(0.2)**
Revenue, excluding mark-to-market on non-QP hedges	**238.6**	**74.3**	**99.7**	**14.9**	**9.8**	**1.4**	**438.7**
Payable metal in concentrate sold [6]	**24,959**	**21,112**	**56,927**	**638,640**	**245**	**-**	**-**
Realized price [7]	**9,559**	**3,523**	**1,752**	**23.26**	**-**	**-**	**-**
Realized price [8]	**4.34**	**1.60**	**-**	**-**	**-**	**-**	**-**
Year ended December 31, 2021							
(in $ millions) [1]	**Copper**	**Zinc**	**Gold**	**Silver**	**Molybdenum**	**Other**	**Total**
Revenue from contracts [2]	**873.3**	**301.1**	**246.6**	**26.9**	**37.5**	**7.5**	**1,492.9**
Amortization of deferred revenue	**-**	**-**	**37.8**	**33.7**	**-**	**-**	**71.5**
Pricing and volume adjustments [3]	**(21.9)**	**1.2**	**5.6**	**0.7**	**5.8**	**-**	**(8.6)**
By-product credits [4]	**851.4**	**302.3**	**290.0**	**61.3**	**43.3**	**7.5**	**1,555.8**
Derivative mark-to-market [5]	**-**	**0.2**	**-**	**-**	**-**	**-**	**0.2**
Revenue, excluding mark-to-market on non-QP hedges	**851.4**	**302.5**	**290.0**	**61.3**	**43.3**	**7.5**	**1,556.0**
Payable metal in concentrate sold [6]	**92,200**	**96,435**	**168,358**	**2,427,508**	**1,099**	**-**	**-**
Realized price [7]	**9,235**	**3,137**	**1,722**	**25.29**	**-**	**-**	**-**
Realized price [8]	**4.19**	**1.42**	**-**	**-**	**-**	**-**	**-**

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

[2] As per financial statements.

[3] 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.

[4] By-product credits subtotal is used in the calculated of cash cost per pound of copper and zinc produced, net of by-product credits. Cash cost per pound of copper and zinc 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.

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

[6] Copper, zinc and molybdenum shown in metric tonnes and gold and silver shown in ounces.

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

[8] Realized price for copper and zinc in $/lb.

Three months ended December 31, 2020							
(in $ millions) [1]	Copper	Zinc	Gold	Silver	Molybdenum	Other	Total
Revenue from contracts [2]	167.0	76.6	49.2	8.0	8.8	1.6	311.2
Amortization of deferred revenue	-	-	8.4	11.7	-	-	20.1
Pricing and volume adjustments [3]	(0.6)	1.0	3.4	0.9	1.0	-	5.7
By-product credits [4]	166.4	77.6	61.0	20.6	9.8	1.6	337.0
Derivative mark-to-market [5]	-	0.2	-	-	-	-	0.2
Revenue, excluding mark-to-market on non-QP hedges	166.4	77.8	61.0	20.6	9.8	1.6	337.2
Payable metal in concentrate sold [6]	22,963	28,431	35,179	762,384	457	-	-
Realized price [7]	7,245	2,737	1,734	27.05	-	-	-
Realized price [8]	3.29	1.24	-	-	-	-	-
Year ended December 31, 2020							
(in $ millions) [1]	Copper	Zinc	Gold	Silver	Molybdenum	Other	Total
Revenue from contracts [2]	563.9	264.1	181.0	26.0	25.6	5.6	1,066.2
Amortization of deferred revenue	-	-	27.9	39.4	-	-	67.3
Pricing and volume adjustments [3]	(4.2)	1.0	10.4	1.9	-	-	9.1
By-product credits [4]	559.7	265.1	219.3	67.3	25.6	5.6	1,142.6
Derivative mark-to-market [5]	-	(0.7)	-	-	-	-	(0.7)
Revenue, excluding mark-to-market on non-QP hedges	559.7	264.4	219.3	67.3	25.6	5.6	1,141.9
Payable metal in concentrate sold [6]	88,888	109,347	122,949	2,585,586	1,321	-	-
Realized price [7]	6,297	2,418	1,783	26.04	-	-	-
Realized price [8]	2.86	1.10	-	-	-	-	-

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

[2] As per financial statements.

[3] 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.

[4] By-product credits subtotal is used in the calculated of cash cost per pound of copper and zinc produced, net of by-product credits. Cash cost per pound of copper and zinc 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.

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

[6] Copper, zinc and molybdenum shown in metric tonnes and gold and silver shown in ounces.

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

[8] 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, 2021		**Year ended Dec. 31, 2021**	
		Manitoba	**Peru [4]**	**Manitoba**	**Peru [4]**
Gold	*oz*	**4,290**	**6,196**	**18,441**	**18,352**
Silver	*oz*	**69,472**	**351,004**	**326,056**	**1,476,537**
Gold deferred revenue drawdown rate[1,2]	*$/oz*	**1,253**	**762**	**1,262**	**791**
Gold cash rate[3]	*$/oz*	**429**	**412**	**426**	**410**
Total gold stream realized price	*$/oz*	**1,682**	**1,174**	**1,688**	**1,201**
Silver deferred revenue drawdown rate[1,2]	*$/oz*	**24.14**	**15.64**	**24.32**	**17.47**
Silver cash rate[3]	*$/oz*	**6.33**	**6.08**	**6.29**	**6.05**
Total silver stream realized price	$/oz	**30.47**	**21.72**	**30.61**	**23.52**

		Three months ended Dec. 31, 2020		Year ended Dec. 31, 2020	
		Manitoba	Peru	Manitoba	Peru
Gold	*oz*	5,435	1,848	18,503	6,299
Silver	*oz*	92,834	442,199	355,318	1,460,886
Gold deferred revenue drawdown rate[1,2]	*$/oz*	1,217	976	1,173	976
Gold cash rate [3]	*$/oz*	424	408	422	406
Total gold stream realized price	*$/oz*	1,641	1,384	1,595	1,382
Silver deferred revenue drawdown rate[1,2]	*$/oz*	23.47	21.52	22.43	21.52
Silver cash rate [3]	*$/oz*	6.26	6.02	6.23	5.99
Total silver stream realized price	*$/oz*	29.73	27.54	28.66	27.51

[1]Subsequent to the variable consideration adjustment recorded on January 1, 2021, the deferred revenue amortization is recorded in Manitoba at C$1,578/oz gold and C$30.38/oz silver (for the three months and year ended December 31, 2020- C$1,589/oz gold and C$30.63/oz silver) 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. The gold and silver cash rate for Peru increased by 1% from $400/oz and $5.90/oz effective July 1, 2019. Subsequently every year, on July 1, the cash rate will increase by 1% compounded. The weighted average cash rate is disclosed.

[4] Effective May 1, 2021, the drawdown rate for the Peru stream agreement for gold was $762/oz and prior to May 1, 2021 the drawdown rate for Peru gold was $990/oz. Effective May 1, 2021 the drawdown rate for the Peru stream agreement for silver was $15.64/oz and prior to May 1, 2021 the drawdown rate for Peru gold was $21.86/oz.

Cost of Sales

Our detailed cost of sales is summarized as follows:

	Three months ended		Year ended	
(in $ thousands)	**Dec. 31, 2021**	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
Peru				
Mining	**27,756**	24,967	**98,200**	70,724
Milling	**40,121**	39,219	**168,477**	134,096
Changes in product inventory	**(4,507)**	(6,550)	**(13,743)**	(3,883)
Depreciation and amortization - DRO assets	**1,213**	1,322	**4,631**	4,592
Depreciation and amortization - Other PP&E [1]	**52,865**	49,539	**189,777**	179,683
G&A	**18,496**	14,540	**63,876**	43,393
Overhead costs related to suspension of activities (cash)	**-**	-	**-**	15,810
Inventory adjustments	**-**	(2,188)	**(1,446)**	32
Freight, royalties and other charges	**12,371**	11,388	**44,819**	39,915
Total Peru cost of sales	**148,315**	132,237	**554,591**	484,362
Manitoba				
Mining	**58,891**	46,598	**222,660**	178,308
Milling	**22,193**	11,147	**62,995**	46,057
Zinc plant	**19,008**	18,736	**72,392**	71,799
Changes in product inventory	**(11,740)**	2,029	**(4,437)**	2,054
Depreciation and amortization - DRO assets	**3,384**	12,424	**19,534**	44,953
Depreciation and amortization - Other PP&E [1]	**32,465**	35,298	**143,982**	132,599
G&A	**14,345**	10,604	**54,063**	48,042
Overhead costs related to suspension of activities (cash)	**-**	8,232	**-**	8,232
Inventory adjustments	**-**	2,270	**5,445**	2,270
Past service pension cost	**737**	-	**4,965**	-
Freight, royalties and other charges	**9,660**	8,348	**41,316**	34,742
Total Manitoba cost of sales	**148,943**	155,686	**622,915**	569,056
Cost of sales	**297,258**	287,923	**1,177,506**	1,053,418

[1] Includes depreciation and amortization from property, plant, and equipment, excluding decommissioning and restoration assets.

Total cost of sales for the fourth quarter of 2021 was $297.3 million, reflecting an increase of $9.3 million from the fourth quarter of 2020. Peru cost of sales increased by $16.1 million in the fourth quarter of 2021, compared to the same period of 2020. This increase is mainly related to higher overall mining, milling and general and administrative costs, as well as higher depreciation and lower relative buildup in product inventory. The increase was also caused, in part, by a $2.2 million inventory adjustment in the fourth quarter of 2020 which did not occur again in the fourth quarter of 2021. Manitoba cost of sales decreased by $6.7 million in the fourth quarter of 2021, compared to the same period of 2020, mainly due to a larger relative buildup in product inventory caused by an increase in concentrate inventories and lower depreciation, partially offset by higher overall mining, milling and general administrative costs. The prior period also included an inventory adjustment for certain materials and supplies inventories in Flin Flon, as well as overhead costs related to the suspension of activities at 777 mine, neither of which occurred again in the fourth quarter of 2021.

Total cost of sales for the full year in 2021 was $1,177.5 million, reflecting an increase of $124.1 million compared to 2020. In Peru, costs increased by $70.2 million, largely due to higher overall mining, milling, general and administrative costs, higher depreciation and freight costs, partially offset by a higher relative buildup in product inventory caused by an increase in ore stockpiles. There was also a $31.9 million fixed overhead charge (cash: $15.8 million, non-cash: $16.1 million included in depreciation) being recorded in the comparative 2020 period with no corresponding charges recorded in 2021. In Manitoba, year-to-date cost of sales increased by $53.9 million compared to 2020 largely due to higher overall mining, milling and general administrative costs, and higher past service pension costs, inventory adjustments and freight costs. The increase was partially offset by a higher relative buildup of product inventory and lower depreciation.

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 2021, other significant variances in expenses from operations, compared to the same period in 2020, include the following:

- **Exploration and evaluation expenses** increased by $6.9 million, as the Copper World drilling program and related metallurgical studies continued during the fourth quarter of 2021.

- **Other expenses** increased by $10.2 million, mostly related to $7.6 million in Copper World PEA study costs and a $3.4 million restructuring charge in Manitoba for severance related to the closure of the Flin Flon operations.

- **Impairment** charge of $46.2 million related to an increase in the valuation of the environmental obligation due to lower long-term discount rates for the Flin Flon operation, which was expensed in the current quarter since the site will no longer be operational past 2022.

For the full year of 2021, other significant variances in expenses from operations, compared to 2020, include the following:

- **Exploration and evaluation expenses** increased by $22.8 million compared to 2020 for the same reason as noted above.

- **Other expenses** increased by $12.2 million, for the same reasons as above offset by a relative gain on the revaluation of the DRO liability on non-producing properties in Manitoba.

- **Impairment** charge of $193.5 million in relation to a revised Flin Flon closure plan reflecting higher cost estimates, leading to an increase in the environmental obligation which was expensed in the current year since the site will no longer be operational past 2022.

Net finance expense

(in $ thousands)	Three months ended		Year ended	
	Dec. 31, 2021	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
Finance costs - accrued or payable:				
Interest expense on long-term debt	**16,911**	21,610	**74,748**	82,712
Withholding taxes	**1,846**	2,095	**7,727**	8,267
Tender premium on senior unsecured notes	**-**	-	**22,878**	7,252
Other accrued/payable costs (income)[1]	**1,271**	2,225	**6,816**	7,014
Total finance costs - accrued or payable	**20,028**	25,930	**112,169**	105,245
Finance costs - non-cash:				
Accretion on streaming agreements[2]	**8,295**	13,854	**42,654**	56,670
Change in fair value of financial assets and liabilities at fair value through profit or loss	**6,779**	(37,520)	**54,514**	(29,370)
Write off unamortized transaction costs	**-**	-	**2,480**	3,817
Other non-cash costs[3]	**3,545**	4,004	**9,202**	5,540
Total finance costs - non-cash	**18,619**	(19,662)	**108,850**	36,657
Net finance expense	**38,647**	6,268	**221,019**	141,902

[1] Includes interest income and other finance expense.

[2] Includes variable consideration adjustment (prior periods).

[3] Includes accretion on community agreements, unwinding of discount on provisions, and net foreign exchange losses (gains).

During the quarter ended December 31, 2021, net finance expense increased by $32.4 million compared to the same period in 2020 due to a $38.3 million increase in non-cash finance costs partially offset by a $6.0 million decrease in payable finance costs.

The increase was primarily driven by changes in fair value of financial instruments, including a $40.3 million relative reduction in revaluation gains on an embedded derivative on the early redemption option associated with our senior unsecured notes due in 2025 in the fourth quarter of 2020 and a higher non-cash loss of $3.2 million on the revaluation of the gold prepayment liability. Offsetting these increases in net finance expense were $4.7 million reduction in interest expense on long-term debt as a result of refinancing of our senior notes at lower interest rates during the third quarter of 2020 and first quarter of 2021 and a $5.6 million reduction of the accretion of streaming agreements arising from a lower interest rate on the amended Peru streaming agreement.

During the year ended December 31, 2021, net finance expense increased by $79.1 million compared to the same period in 2020 due to a $72.2 million increase in non-cash finance costs as well as a $6.9 million increase in accrued finance costs.

These increases were primarily related to the refinancing of our 2025 senior notes in the first quarter of 2021. The early redemption of these notes resulted in a $49.8 million write off of the non-cash embedded derivative related to the exercise of the prepayment option, compared to the net gains of $45.4 million in the prior year. Also, in connection with the refinancing of our 2025 notes compared to the refinancing of our 2029 notes, we expensed an additional $15.6 million in call premiums compared to prior year. We also incurred an increase of $8.6 million in revaluation losses on our investments consisting of securities in Canadian metals and mining companies. Offsetting these increases in net finance expense was a reduction in interest expense of $8.0 million, a $19.8 million reduction in non-cash losses on the revaluation of the gold prepayment liability and an $14.0 million decrease in accretion on streaming arrangements, for the same reasons as described above.

Tax Expense

For the three months and year ended December 31, 2021, tax expense increased by $16.8 million and $76.1 million respectively, compared to the same period in 2020. The following table provides further details:

	Three months ended		Year ended	
(in $ thousands)	**Dec. 31, 2021**	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
Deferred tax expense (recovery) - income tax [1]	**(7,161)**	(11,711)	**(15,995)**	(39,904)
Deferred tax (recovery) expense - mining tax [1]	**2,179**	(256)	**11,202**	(3,332)
Total deferred tax expense (recovery)	**(4,982)**	(11,967)	**(4,793)**	(43,236)
Current tax expense - income tax	**11,503**	3,749	**25,570**	4,109
Current tax expense - mining tax	**3,783**	1,723	**20,830**	4,622
Total current tax expense	**15,286**	5,472	**46,400**	8,731
Tax expense (recovery)	**10,304**	(6,495)	**41,607**	(34,505)

[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 26.4% to our loss before taxes of $202.8 million for the year-to-date period in 2021 would have resulted in a tax recovery of approximately $53.5 million; however, we recorded an income tax expense of $9.6 million. The significant items causing our effective income tax rate to be different than the 26.4% estimated Canadian statutory income tax rate include:

- Deductible temporary differences with respect to Peru, relating to the decommissioning and restoration liabilities, were recognized as we have determined that it is probable that we will realize the recovery of these deferred tax assets based on the timing of the reversals of the deductible temporary differences and the future projected taxable profit of the Peruvian operations. This has resulted in a deferred tax recovery of $6.3 million.
- Deductible temporary differences with respect to Manitoba, and relating to the decommissioning and restoration liabilities, were not recognized as we have determined that it is not probable that we will realize the recovery of these deferred tax assets based on the timing of the reversals of the deductible temporary differences and the future projected taxable profit of the Manitoba operations. This resulted in a deferred tax expense of $40.0 million.
- Temporary income tax differences not recognized as we have determined that it is not probable that we will realize the recovery of these deferred tax assets. This resulted in a deferred tax expense of $4.5 million.

- Foreign exchange on the translation of deferred tax balances to group currency resulted in a deferred tax expense of $4.6 million.
- The tax expense with respect to our foreign operations are recorded using an income tax rate other than the Canadian statutory income tax rate of 26.4%, resulting in a tax expense of $21.2 million.

Mining Tax Expense

Applying the estimated Manitoba mining tax rate of 10.0% to our loss before taxes of $202.8 million for the year-to-date period in 2021 would have resulted in a tax recovery of approximately $20.3 million; however, we recorded a mining tax expense of $32.0 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;
- Between mining profit of C$50 and $C55 million, mining tax is equal to a minimum of C$5 million plus mining profit less C$50 million multiplied by 65%;
- 15% of total mining taxable profit if mining profits are between C$55 million and C$100 million;
- Between mining profit of C$100 million and C$105 million, mining tax is equal to a minimum of C$15 million plus mining profit less C$100 million multiplied by 57%; 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, 2021, at the tax rate we expect to apply when temporary differences reverse.

LIQUIDITY AND CAPITAL RESOURCES

Senior Unsecured Notes

Following our recent bond refinancings, we now have $600.0 million aggregate principal amount of 4.5% senior notes due April 2026 and $600.0 million aggregate principal amount of 6.125% senior notes due April 2029.

Extension and Amendment of Senior Secured Revolving Credit Facilities

We have two senior secured revolving credit facilities ("the Credit Facilities") for our Canadian and Peruvian businesses, with combined total availability of $450 million and substantially similar terms and conditions. As at December 31, 2021, our liquidity includes $271.0 million in cash as well as undrawn availability of $346.9 million under our Credit Facilities. As at December 31, 2021, we were in compliance with our covenants under the Credit Facilities and had drawn $103.1 million in letters of credit under the Credit Facilities. Due to the recently updated Flin Flon closure plan finalized in the third quarter of 2021, we expect the letters of credit issued under the Credit Facilities to increase in the near future to support the higher estimated closure costs.

As at December 31, 2021, the Arizona business unit had $28.3 million in surety bonds issued to support future reclamation and closure obligations. The Peru business unit also had $87.1 million in letters of credit issued with various Peruvian financial institutions. No cash collateral is required to be posted under these letters of credit or surety bonds.

Financial Condition

Financial Condition as at December 31, 2021 compared to December 31, 2020

Cash decreased by $168.1 million during the year to $271.0 million as at December 31, 2021. This decrease was mainly the result of $377.4 million of capital investments primarily at our Peru and Manitoba operations, interest payments of $84.4 million, lease payments of $37.7 million, note redemption premium and transaction costs of $31.0 million and other financing payments of $19.6 million, as well as paid dividends of $4.1 million. Offsetting these cash outflows was cash flow from operating activities of $383.8 million. We hold the majority of our cash in low-risk, liquid investments with major Canadian and Peruvian financial institutions.

Working capital decreased by $159.4 million to $147.5 million from December 31, 2020 to December 31, 2021, primarily due to the cash decrease of $168.1 million, an increase of $76.0 million in other financial liabilities as approximately half of the gold prepayment liability was reclassified to current. Offsetting these items was an increase in trade and other receivables of $62.9 million due to timing of contract deliveries, a decrease in trade and other payables of $25.4 million arising mainly from timing of payments and an increase in inventories of $15.4 million mainly due to a rise in materials and supplies.

Cash Flows

The following table summarizes our cash flows for the three months and year ended December 31, 2021 and December 31, 2020:

(in $ thousands)	Three months ended		Year ended	
	Dec. 31, 2021	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
Operating cash flow before precious metals stream deposit and changes in non-cash working capital	**156,917**	86,071	**483,862**	241,863
Precious metals stream deposit	**4,000**	-	**4,000**	-
Change in non-cash working capital	**(65,068)**	35,019	**(104,046)**	(2,383)
Cash generated from operating activities	**95,849**	121,090	**383,816**	239,480
Cash used in investing activities	**(104,348)**	(117,498)	**(375,002)**	(359,018)
Cash (used in) generated from financing activities	**(18,513)**	(13,192)	**(175,899)**	162,093
Effect of movement in exchange rates on cash	**550**	(279)	**(1,061)**	434
(Decrease) increase in cash	**(26,462)**	(9,879)	**(168,146)**	42,989

Cash Flow from Operating Activities

Cash generated from operating activities was $95.8 million during the fourth quarter of 2021, a decrease of $25.2 million compared with the same period in 2020. Operating cash flow before precious metals stream deposit and changes in non-cash working capital was $156.9 million during the fourth quarter of 2021, reflecting an increase of $70.8 million compared to the fourth quarter of 2020. The increase in operating cash flow is primarily the result of higher realized base metal prices, and higher gold and copper sales volumes. This was partially offset by lower sales volumes of zinc metal compared to the fourth quarter of 2020.

Cash generated from operating activities for the full year in 2021 was $383.8 million, representing an increase of $144.3 million compared to 2020. Operating cash flow before precious metals stream deposit and changes in non-cash working capital was $483.9 million for the year ended 2021, compared to $241.9 million for the same period in 2020. The full year increase in operating cash flow is due to the same factors described above for the quarter-over-quarter variance as well as higher comparative molybdenum prices and the impact of the Constancia shut-down that occurred in the comparative 2020 period.

Cash Flow from Investing and Financing Activities

During the fourth quarter of 2021, we spent $122.9 million in investing and financing activities, primarily driven by $104.8 million in capital expenditures, $9.4 million in capitalized lease payments and $9.4 million in other financing payments.

For the full year, we spent $550.9 million in investing and financing activities, driven by $377.4 million in capital expenditures, $84.4 million in interest payments, $50.6 million in other financing payments and transaction costs, $37.7 million in capitalized lease payments and $4.1 million in dividends paid.

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	
(in $ millions)	**2021**	2020	**2021**	2020	2021	2022
Manitoba sustaining capital expenditures	**22.5**	21.7	**100.4**	94.3	90.0	115.0
Peru sustaining capital expenditures [1]	**45.0**	37.0	**128.9**	91.1	135.0	105.0
Total sustaining capital expenditures	**67.5**	58.7	**229.3**	185.4	225.0	220.0
Arizona capitalized costs	**9.7**	5.9	**22.9**	15.6	20.0	35.0
Peru growth capitalized expenditures [2]	**-**	11.3	**22.8**	107.0	25.0	10.0
Manitoba growth capitalized expenditures [3]	**22.0**	30.4	**119.2**	61.4	105.0	50.0
Other capitalized costs [4]	**1.1**	5.8	**(31.2)**	52.3	-	-
Capitalized exploration	**9.9**	8.6	**13.3**	11.9	15.0	25.0
Total other capitalized expenditures	**42.7**	62.0	**147.0**	248.2		
Total capital additions	**110.2**	120.7	**376.3**	433.6		
Reconciliation to cash capital additions:						
Decommissioning and restoration obligation	**0.6**	(3.6)	**49.4**	(46.8)		
Right-of-use asset additions	**(17.2)**	(0.3)	**(49.7)**	(17.8)		
Change in community agreement accruals	**1.2**	0.6	**1.0**	(6.7)		
Change in capital accruals and other	**10.0**	0.5	**0.4**	(2.1)		
Total cash capital additions	**104.8**	117.9	**377.4**	360.2		

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

[2] Hudbay's revised growth capital guidance for Peru of $25.0 million includes the cost of individual land user agreements.

[3] Hudbay's revised growth capital guidance for Manitoba of $105.0 million was revised in August 2021.

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

Total capital additions declined by 13% in 2021 compared to 2020 as a result of lower growth spending in Peru, partially offset by higher sustaining capital expenditures in both Peru and Manitoba.

Sustaining capital expenditures in Manitoba for the fourth quarter and year ended December 31, 2021 were $22.5 million and $100.4 million, respectively, representing increases of $0.8 million and $6.1 million compared to the same periods in 2020. The increases are due to higher expenditures for Lalor capital development and higher expenditures for the Anderson tailings facility, partially offset by the cessation of capitalizing development costs at 777 given its upcoming closure.

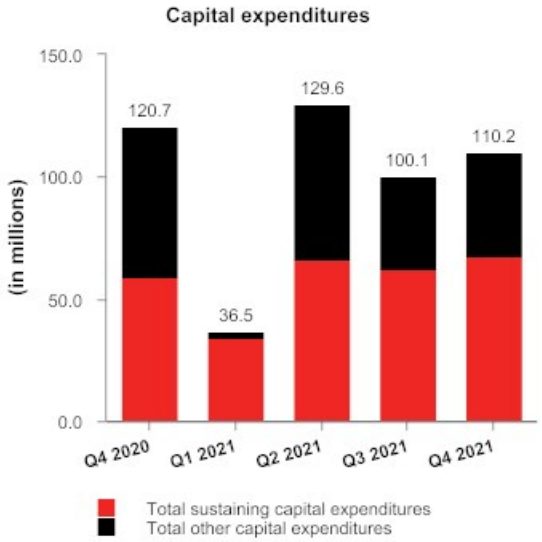
Sustaining capital expenditures in Peru for the fourth quarter and year ended December 31, 2021 were $45.0 million and $128.9 million, respectively, representing increases of $8.0 million and $37.8 million compared to the same periods in 2020. The increases were mainly due to curtailed spending in the full year 2020 period arising from an eight-week suspension of Constancia operations, a tailings management facility expansion, the construction of a tailings discharge line and an increase in leased assets.

Manitoba's full year growth capital of $119.2 million relates primarily to capital spending to complete the New Britannia refurbishment project. The project was completed in October and achieved commercial production on November 30, 2021. Also contributing to the higher growth capital in 2021 was Lalor camp expansion costs, additional leases entered into for the 1901 deposit and Stall recovery initiatives. Growth capital spending in Manitoba was higher than expected in the fourth quarter primarily due to additional leases entered into for the future development of the 1901 deposit and additional costs to complete the New Britannia mill refurbishment project, which caused us to exceed our full year 2021 guidance.

Peru's full year growth capital of $22.8 million, incurred mainly in the first quarter, includes costs associated with the remaining land user agreements as well as civil works related to the development of Pampacancha before reaching commercial production in April.

Arizona's full year growth capital of $22.9 million relates primarily to land acquisition costs, permitting and other costs associated with Copper World and Rosemont.

Other capitalized costs for the year ended December 31, 2021 were $1.1 million and negative $31.2 million, respectively. These relate primarily to the remeasurement of previously recognized decommissioning and restoration liabilities at our Manitoba and Peru operations as a result of changing real discount rates.



Capital Commitments

As at December 31, 2021, we had outstanding capital commitments in Canada of approximately $37.5 million of which $32.7 million can be terminated, approximately $31.9 million in Peru primarily related to exploration option agreements, all of which can be terminated, and approximately $180.4 million in Arizona, primarily related to our Rosemont project, of which approximately $87.9 million can be terminated.

Contractual Obligations

The following table summarizes our significant contractual obligations as at December 31, 2021:

Payment Schedule (in $ millions)	Total	Less than 12 months	13 - 36 months	37 - 60 months	More than 60 months
Long-term debt obligations[1]	1,614.7	68.3	136.7	717.8	691.9
Gold prepayment obligation[2]	140.0	71.4	68.6	-	-
Lease obligations	112.6	53.2	32.4	10.5	16.5
Purchase obligation - capital commitments	249.8	56.2	15.0	26.1	152.5
Purchase obligation - other commitments[3]	822.9	335.6	245.7	107.2	134.4
Pension and other employee future benefits obligations[2]	145.6	14.0	13.9	8.4	109.3
Community agreement obligations[4]	52.5	9.3	9.7	5.2	28.3
Decommissioning and restoration obligations[5]	435.7	17.1	7.6	8.3	402.7
Total	3,573.8	625.1	529.6	883.5	1,535.6

[1] Long-term debt obligations include scheduled interest payments, as well as principal repayments.

[2] Discounted.

[3] Primarily made up of long-term agreements with operational suppliers, obligations for power purchase, concentrate handling, fleet and port services, as well as deferred consideration arising from the acquisition of Rosemont's minority interest.

[4] Represents community agreement obligations and various finalized land user agreements, including Pampacancha.

[5] Undiscounted 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 stream agreements for the 777 mine and Constancia mines;
- A net smelter returns royalty agreement related to the 777 mine; and,
- Government royalty payments related to the Constancia mine.

Outstanding Share Data

As of February 22, 2022, there were 261,601,784 common shares of Hudbay issued and outstanding. In addition, there were 1,529,227 stock options outstanding.

The risks relating to Hudbay and our business include those risks described under the heading "Risk Factors" in our most recent Annual Information Form, which section has been incorporated by reference into this MD&A and should be reviewed by readers. In addition to those risks, we have identified the following other risks which may affect our financial statements in the future.

Impact of COVID-19

Despite implementing measures to minimize the spread of COVID-19, we continue experience intermittent operational, supply chain, travel, labour and shipping disruptions, that may continue for the foreseeable future. As a result, our financial results may remain volatile as COVID-19 continues to affect production, operating costs and the prices we receive for our products. The resumption of normal operating activities is expected to be gradual and dependent on the global response to COVID-19. We expect that our current liquidity together with cash flows from operations will be sufficient to meet our liquidity needs in 2022.

Given the uncertainty of the duration and magnitude of the impact of COVID-19, our 2022 production and cost guidance are subject to a higher than normal degree of uncertainty.

Political and Social Risks

In June 2021 Peru held a presidential election resulting in the election of Pedro Castillo. A change in government, government policy, the declaration of a state of emergency or 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. 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. We are at a heightened risk of having this occur whenever there is a change in government in the countries or regions in which we operate particularly in the current COVID-19 environment.

Political or social unrest in Peru or instability could adversely affect our ability to operate the Constancia mine and the Pampacancha satellite deposit. 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 by government or non-government actors, including demanding payments, encroaching on our land, challenging the boundaries of such land or our rights to possess and operate on such land, protesting against our operation, impeding project activities through roadblocks or other public manifestations and attacking project assets or personnel. 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. We continue to seek to constructively engage with all our stakeholders in the Constancia region and we continue to actively monitor the Peru social risks and political landscape.

Carrying Values and Mine Plan Updates

At the end of each reporting period, Hudbay reviews its groups of non-financial assets to determine whether there are any indicators of impairment or impairment reversal. If any such indicator exists, the Company estimates the recoverable amount of the non-financial asset group in order to determine the extent of the impairment loss or reversal, if any. At December 31, 2021, the Company assessed whether there were impairment or impairment reversal indicators associated with the general business environment and known changes to business planning (including any arising from the potential impacts of COVID-19 on our business). Other than an impairment indicator related to the increase in closure cost obligations at our Flin Flon operations triggered by lower discount rates, there were no other impairment or impairment reversal indicators.

There are a number of potential indicators that could trigger non-financial asset impairment or reversal of impairment in the future. One such potential indicator is a change to the life of mine ("LOM") plan for an asset. LOM plans incorporate management's best estimates of key assumptions which include future commodity prices, the value of mineral resources not included in the LOM plan, production based on current estimates of recoverable reserves, discount rates, future operating and capital costs and future foreign exchange rates.

There is a risk that an updated LOM plan for the Rosemont project and/or a Copper World PEA and/or the outcome of the Rosemont appeals litigation could give rise to an indicator of impairment or impairment reversal and cause an adjustment to the carrying value of relevant assets.

Management expects changes in risk-free discount rates to impact the revaluation of our environmental obligations and our PP&E. However, due to the planned near-term closure of the 777 mine and Flin Flon operations, there is a risk that such changes or updates to the Flin Flon operational plan may result in an impairment or impairment reversal until the operations are closed mid-2022.

Metals Price Strategic 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.

Commodity prices are a key driver of our financial and operational results. 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; or,
- To offset fixed price zinc sales contracts with customers.

During 2021, we entered into copper hedging transactions intended to manage the risk associated with provisional pricing terms in concentrate sales agreements.

As at December 31, 2021, we had 72.8 million pounds of net copper fixed for floating swaps outstanding at an average fixed receivable price of $4.34/lb associated with provisional pricing risk in concentrate sales agreements. These swaps settle across January to April 2022.

During the second quarter of 2020, we entered into a gold forward sale and prepay transaction which generated $115.0 million in cash proceeds to pre-fund the expected capital requirements for the New Britannia gold mill refurbishment project. The transaction valued the future gold ounce delivery obligation for 79,954 gold ounces in 2022 and 2023 at forward curve prices averaging approximately $1,682 per ounce. The gold delivery obligation is to be satisfied with a monthly delivery of 3,331 gold ounces over a 24-month period from January 2022 to December 2023. The New Britannia gold mill achieved commercial production in the fourth quarter of 2021.

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, 2021, approximately $233.6 million of our cash was held in US dollars, approximately $30.4 million of our cash was held in Canadian dollars, and approximately $7.0 million of our cash was held in Peruvian soles.

TREND ANALYSIS AND QUARTERLY REVIEW

A detailed quarterly and annual summary of financial and operating performance can be found in the "Summary of Results" section at the end of this MD&A. The following table sets forth selected consolidated financial information for each of our eight most recently completed quarters:

(in $ millions, except per share amounts)	2021				2020			
	Q4	Q3[3]	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**425.2**	359.0	404.2	313.6	322.3	316.1	208.9	245.1
Gross earnings (loss)	**81.7**	(85.4)	82.2	52.5	34.4	39.3	(12.7)	(22.0)
(Loss) profit before tax	**(0.2)**	(147.8)	14.8	(69.6)	0.9	(23.9)	(74.6)	(81.5)
(Loss) profit	**(10.5)**	(170.4)	(3.4)	(60.1)	7.4	(24.0)	(51.9)	(76.1)
Adjusted net earnings (loss) [1,3]	**32.7**	0.9	5.4	(16.1)	(16.4)	(25.4)	(39.7)	(39.3)
(Loss) earnings per share:								
Basic and diluted	**(0.04)**	(0.65)	(0.01)	(0.23)	0.03	(0.09)	(0.20)	(0.29)
Adjusted net earnings (loss) [1,3] per share	**0.13**	0.00	0.02	(0.06)	(0.06)	(0.10)	(0.15)	(0.15)
Operating cash flow[2]	**156.9**	103.5	132.8	90.7	86.1	84.4	29.5	42.0
Adjusted EBITDA[1]	**180.3**	119.3	143.2	104.2	106.9	96.1	49.1	55.0

[1] Adjusted net earnings (loss), adjusted net earnings (loss) per share, and adjusted EBITDA are 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.

[2] Operating cash flow before changes in non-cash working capital.

[3] The adjusted net earnings (loss) and adjusted net earnings (loss) per share in the third quarter of 2021 have been adjusted by $37.3 million from what was previously reported due to a change in the computed tax effect on certain adjustments. The adjusted net earnings changed from $38.2 million to an adjusted net earnings of $0.9 million and the adjusted net earnings per share changed from $0.15/share to an adjusted net earnings per share of $0.00/share.

Base metal prices have steadily increased since the second quarter of 2020. Other than one-time charges, our revenues, gross profit and operating cash flow have steadily improved with the rise in base metal prices and, more recently, with the benefit of production from the higher grade Pampacancha deposit and the ramp-up of the New Britannia gold mill.

The 2021 fourth quarter results reflect higher realized base metal prices, particularly for zinc, and sustained higher precious metals prices. This strength in commodity prices combined with higher gold production following the commencement of commercial production at New Britannia and improving copper recoveries has led to record revenue of $425.2 million in the fourth quarter of 2021. Adjusted EBITDA and operating cash flow both reached record highs driven by the aforementioned revenue growth. Notwithstanding these records, continued inflationary pressures along with lower copper grades have caused operating costs to climb and put pressure on the gross margins, compared to earlier quarters. As a result of the planned closure of Flin Flon operations in June 2022 and lower long term discount rates, a revaluation of our environmental obligation for the Flin Flon closure plan resulted in a $46.2 million non-cash charge, which negatively impacted net income for the quarter.

As part of our year-end 2021 tax provision calculation, a review of all previous tax impacts on adjusted earnings was completed. During the course of the review, we determined that the tax impact related to the impairment charge for the environmental obligation for the third quarter of 2021 had been understated. This impacted our calculation of adjusted net earnings and adjusted net earnings per share. As a result, the previously disclosed adjusted net earnings of $38.2 million for the third quarter of 2021 has been recalculated to an adjusted net earnings of $0.9 million and the adjusted net earnings per share of $0.15 has been recalculated to an adjusted net earnings per share of nil. This recalculation of adjusted net earnings and adjusted net earnings per share does not impact our financial statements and has been included in the full year adjusted net earnings and adjusted net earnings per share tables disclosed in this MD&A.

During the third quarter of 2021, we continued to realize higher base metal prices resulting in elevated revenues and operating cash flow. Mining at Pampacancha has continued to ramp-up, contributing significantly to gold production during the quarter. As a result of the planned closure of Flin Flon operations in mid-2022 and an updated Flin Flon closure plan, non-cash charges totaling $156.3 million were incurred, which negatively impacted gross profit for the quarter. In Peru, ongoing COVID-19 costs, along with lower copper grades, have put pressure on operating costs.

Financial results in the second quarter of 2021 benefited from initial production at the Pampacancha pit but were negatively impacted by higher operating costs in Peru and lower Manitoba metal production caused by COVID-19 related impacts as well as lower copper and zinc grades and lower precious metal recoveries.

The first quarter of 2021 saw lower revenues compared to the fourth quarter of 2020 due to a delayed Peru shipment for which revenue could not be recognized, and lower sales volumes from Manitoba related to a buildup of finished goods inventory during the quarter as a result of a lack of rail car availability. First quarter results were negatively impacted by $75.2 million of various finance expenses related to the refinancing of our senior notes.

We experienced production disruptions during the first half of 2020 due to an eight-week suspension of Constancia operations in Peru from a government declared state of emergency and at the 777 mine during the fourth quarter of 2020 due to a six-week interruption to perform repairs following a skip hoist incident. However, the deferral of production and sales that arose from these disruptions allowed us to benefit from increasing commodity prices. The reduced copper production from Constancia and 777 in 2020 was partially offset by increased production from Lalor. Earnings in the fourth quarter of 2020 were negatively impacted by the 777 production interruption which resulted in $11.7 million in certain overhead costs being expensed. Earnings in the first and second quarter of 2020 were impacted by the temporary suspension of operations at Constancia, which resulted in $31.9 million in certain overhead costs being expensed.

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)	**2021**	2020	2019
Revenue	**1,502.0**	1,092.4	1,237.4
Gross profit	**131.0**	39.0	151.5
(Loss) profit before tax	**(202.8)**	(179.1)	(452.8)
(Loss) profit	**(244.4)**	(144.6)	(343.8)
Adjusted net earnings (loss) [1]	**23.1**	(121.0)	(48.6)
(Loss) earnings per share:			
Basic and diluted	**(0.93)**	(0.55)	(1.32)
Adjusted net earnings (loss) [1] per share	**0.09**	(0.46)	(0.18)
Total assets	**4,616.2**	4,666.6	4,461.1
Operating cash flow[2]	**483.9**	241.9	307.3
Adjusted EBITDA[1]	**547.1**	306.7	358.5
Total non-current financial liabilities[3]	**1,345.7**	1,360.1	1,074.2
Dividends declared per share - C$[4]	**0.02**	0.02	0.02

[1] Adjusted net earnings (loss), adjusted net earnings (loss) per share, and adjusted EBITDA are 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.

[2] Operating cash flow before change in non-cash working capital.

[3] Total non-current financial liabilities consists of non-current other financial liabilities, lease liabilities and long-term debt.

[4] Dividend paid during March and September of each year.

Gold production in 2021 climbed 55% compared to 2020 following the start of operations at our high-grade Pampacancha deposit and our New Britannia gold mill in the second and third quarter of 2021, respectively. The increased production of gold allowed us to capitalize on continued strength in gold prices. In addition, consistent throughput from Peru with improved copper recoveries and a nearly 50% increase in realized copper prices compared to 2020 was a significant factor in revenues climbing 37% to a record-high $1,502.0 million for the full year. From a cost perspective, global inflationary pressures have increased substantially, contributing to a 20% and a 17% increase in 2021 combined unit costs in Peru and Manitoba, respectively, compared to 2020. Despite these cost pressures, the increases in copper and gold production and realized base metal prices allowed 2021 operating cash flow to increase by 100% from the prior year. Net losses in 2021 were $244.4 million and reflect a pre-tax, non-cash impairment charge of $193.5 million related to an updated Flin Flon closure plan, among other items.

Although 2020 realized prices for copper and gold rose by 5% and 24%, respectively compared to 2019, 2020 revenues declined by 12% due to lower sales volumes for copper. Sales volumes of copper declined by 31% in 2020 as compared to 2019 as a result of the temporary suspension of Constancia operations. Gross profit declined by 74% in 2020 as compared to 2019 as we expensed certain fixed overhead production costs of $31.9 million during the temporary suspension of operations at Constancia and $11.7 million during the production interruption at 777. Adjusted net loss in 2020 increased by $72.4 million compared to 2019 as a result of the same factors described above.

In 2019, realized prices for copper and zinc decreased by 7% and 11% respectively, compared to prices in 2018. Realized prices for gold increased by 6% compared to prices in 2018. Mill throughput at Constancia reached annual record levels, contributing to higher milling costs, however milled grades dropped in accordance with the mine plan and these factors drove the overall reduction in operating cash flow before changes in non-cash working capital. Revenues decreased by 16% due to lower metals prices and sales volumes for copper and zinc. Profit before tax decreased $623.6 million mainly due to a $322.2 million Rosemont impairment charge, as well as a write down of the UCM Receivable for $26.0 million.

NON-IFRS FINANCIAL PERFORMANCE MEASURES

Adjusted net earnings (loss), adjusted net earnings (loss) per share, adjusted EBITDA, net debt, cash cost, sustaining and all-in sustaining cash cost per pound of copper produced, cash cost and sustaining cash cost per pound of zinc produced and combined unit cost and zinc plant unit cost are non-IFRS performance measures. 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.

Management believes adjusted net earnings (loss) and adjusted net earnings (loss) per share provides an alternate measure of the Company's performance for the current period and gives insight into its expected performance in future periods. These measures are used internally by the Company to evaluate the performance of its underlying operations and to assist with its planning and forecasting of future operating results. As such, the Company believes these measures are useful to investors in assessing the Company's underlying performance. We provide adjusted EBITDA to help users analyze our results and to provide additional information about our ongoing cash generating potential in order to assess our capacity to service and repay debt, carry out investments and cover working capital needs. 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. Combined unit cost and zinc plant unit cost is shown because we believe they help investors and management assess our cost structure and margins that are not impacted by variability in by-product commodity prices.

In addition, during 2021, there were non-recurring adjustments for Manitoba operations, including severance, past service pension costs, write-downs of certain machinery and equipment, and inventory supplies write-downs as well as non-cash impairment charges related to an updated Flin Flon closure plan and lower long term discount rates in the fourth quarter, none of which management believes are indicative of ongoing operating performance and have therefore been excluded from the calculations of adjusted net earnings (loss) and adjusted EBITDA.

In the first half of 2020, a government-imposed shutdown of non-essential businesses led to a temporary suspension of our Constancia mining operations. Similarly, in the fourth quarter of 2020, a shaft incident led to a production interruption at 777 in Manitoba. Fixed overhead production costs incurred during these temporary production disruptions were directly charged to cost of sales. These costs did not contribute to production of inventory and were therefore excluded from the calculations of adjusted net earnings (loss), adjusted EBITDA and cash costs.

Adjusted Net Earnings (Loss)

Adjusted net earnings (loss) represents net earnings (loss) excluding certain impacts, net of taxes, such as mark-to-market adjustments, impairment charges and reversal of impairment charges, write-down of assets, and foreign exchange (gain) loss. These measures are not necessarily indicative of net earnings (loss) or cash flows as determined under IFRS.

The following table provides a reconciliation of earnings (loss) per the consolidated income statements, to adjusted net earnings (loss) for the three months and year ended December 31, 2021 and 2020.

	Three months ended		Year ended	
(in $ millions)	**Dec. 31, 2021**	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
(Loss) profit for the period	**(10.5)**	7.4	**(244.4)**	(144.6)
Tax expense (recovery)	**10.3**	(6.5)	**41.6**	(34.5)
(Loss) profit before tax	**(0.2)**	0.9	**(202.8)**	(179.1)
Adjusting items:				
Mark-to-market adjustments[1]	**13.3**	(28.0)	**66.7**	(14.4)
Peru inventory reversal	**-**	(2.2)	**(1.4)**	-
Peru cost of sales direct charge from temporary shutdown	**-**	-	**-**	31.9
Manitoba cost of sales direct charge from temporary shutdown	**-**	11.7	**-**	11.7
Variable consideration adjustment - stream revenue and accretion	**-**	-	**(1.0)**	(10.4)
Foreign exchange loss (gain)	**1.1**	2.6	**1.5**	(1.6)
Write-down of unamortized transaction costs	**-**	-	**2.5**	3.8
Premium paid on redemption of notes	**-**	-	**22.9**	7.3
Impairment - environmental obligation	**46.2**	-	**193.5**	-
Restructuring charges - Manitoba[2]	**3.4**	-	**12.4**	-
Past service pension cost	**0.7**	-	**5.0**	-
Loss on disposal of plant and equipment - Manitoba	**2.4**	-	**7.8**	-
Adjusted earnings (loss) before income taxes	**66.9**	(15.0)	**107.1**	(150.8)
Tax (expense) recovery	**(10.3)**	6.5	**(41.6)**	34.5
Adjusted tax (expense) recovery impact[3]	**(23.9)**	(7.9)	**(42.4)**	(4.7)
Adjusted net earnings (loss)	**32.7**	(16.4)	**23.1**	(121.0)
Adjusted net earnings (loss) ($/share)	**0.13**	(0.06)	**0.09**	(0.46)
Basic weighted average number of common shares outstanding (millions)	**261.6**	261.3	**261.5**	261.3

[1] Includes changes in fair value of the embedded derivative on our Redeemed Notes, gold prepayment liability, Canadian junior mining investments, other financial assets and liabilities at fair value through profit or loss and share-based compensation expenses.

[2] Includes severance accrued for unionized employees and write down of materials and supply inventories at the Flin Flon operations.

[3] Amounts have been adjusted on a year-to-date basis for 2021. The adjusted net earnings (loss) and adjusted net earnings (loss) per share from the third quarter of 2021 have been adjusted by $37.3 million from what was previously reported due to a change in tax impacts. The adjusted net earnings changed from $38.2 million to an adjusted net earnings of $0.9 million and the adjusted net earnings per share changed from $0.15/share to an adjusted net earnings per share of $0.00/share. See the "Trend Analysis and Quarterly Review" section of this MD&A for further details.

After adjusting reported net earnings for those items not considered representative of the Company's core business or indicative of future operations, the Company had an adjusted net earnings in the fourth quarter of 2021 of $32.7 million or $0.13 earnings per share and an adjusted net earnings for the year ended December 31, 2021 of $23.1 million or $0.09 earnings per share.

Adjusted EBITDA

Adjusted EBITDA is profit or loss before net finance expense/income, tax expense/recoveries, depreciation and amortization of property, plant and equipment and deferred revenue, as well as certain other adjustments. We calculate adjusted EBITDA by excluding certain adjustments included within our adjusted net earnings measure which we believe reflects the underlying performance of our core operating activities. The measure also removes the impact of non-cash items and financing costs that are not associated with measuring the underlying performance of our operations. However, our adjusted EBITDA is not the measure defined as EBITDA under our senior notes or revolving credit facilities and may not be comparable with performance measures with the same name reported by other companies. Adjusted EBITDA should not be considered as a substitute for profit or loss or as a better measure of liquidity than operating cash flow, which are calculated in accordance with IFRS. We provide adjusted EBITDA to help users analyze our results and to provide additional information about our ongoing cash generating potential in order to assess our capacity to service and repay debt, carry out investments and cover working capital needs.

The following table presents the reconciliation of earnings (loss) per the consolidated income statements, to adjusted EBITDA for the three months and year ended December 31, 2021 and 2020:

	Three months ended		Year ended	
(in $ millions)	**Dec. 31, 2021**	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
(Loss) profit for the period	**(10.5)**	7.4	**(244.4)**	(144.6)
Add back: Tax expense (recovery)	**10.3**	(6.5)	**41.6**	(34.5)
Add back: Net finance expense	**38.6**	6.3	**221.0**	141.9
Add back: Other expenses	**16.1**	6.0	**29.8**	17.6
Add back: Depreciation and amortization [1]	**89.9**	98.6	**357.9**	361.8
Less: Amortization of deferred revenue and variable consideration adjustment	**(17.3)**	(20.1)	**(73.1)**	(74.0)
	127.1	91.7	**332.8**	268.2
Adjusting items (pre-tax):				
Peru inventory write down reversal	**-**	(2.2)	**(1.4)**	-
Impairment - environmental obligation	**46.2**	-	**193.5**	-
Restructuring charges - Manitoba[2]	**-**	-	**5.4**	-
Past service pension cost	**0.7**	-	**5.0**	-
Cash portion of Peru cost of sales direct charge from temporary shutdown	**-**	-	**-**	15.8
Cash portion of Manitoba cost of sales direct charge from temporary shutdown	**-**	8.2	**-**	8.2
Share-based compensation expenses[3]	**6.3**	9.2	**11.8**	14.5
Adjusted EBITDA	**180.3**	106.9	**547.1**	306.7

[1] Includes the non-cash portion of the Peru cost of sales charge from the temporary shutdown of $16.1 million and the non-cash portion of the Manitoba cost of sales charge from the temporary shutdown of $3.5 million, for the year ended December 31, 2020.

[2] Represents the write-down of materials and supply inventories at the Flin Flon operations.

[3] Share-based compensation expenses reflected in cost of sales and selling and administrative expenses.

Net Debt

The following table presents our calculation of net debt as at December 31, 2021 and December 31, 2020:

(in $ thousands)	**Dec. 31, 2021**	Dec. 31, 2020
Total long-term debt	**1,180,274**	1,135,675
Cash	**(270,989)**	(439,135)
Net debt	**909,285**	696,540

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 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 cash sustaining capital expenditures, including payments on capitalized leases, capitalized sustaining exploration, net smelter returns royalties, payments on certain long-term community agreements, as well as accretion and amortization for expected decommissioning activities for producing assets. 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, regional costs, accretion and amortization for community agreements relating to current operations, and accretion for expected decommissioning activities for non-producing assets. 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 three months and year ended December 31, 2021 and 2020. 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, 2021**	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
Peru	**50,389**	47,519	**171,548**	161,269
Manitoba	**11,777**	12,619	**47,745**	48,905
Net pounds of copper produced	**62,166**	60,138	**219,293**	210,174

Consolidated	Three months ended				Year ended			
	Dec. 31, 2021		Dec. 31, 2020		**Dec. 31, 2021**		Dec. 31, 2020	
Cash cost per pound of copper produced	**$000s**	**$/lb**	$000s	$/lb	**$000s**	**$/lb**	$000s	$/lb
Cash cost, before by-product credits	**232,224**	**3.73**	196,533	3.27	**867,607**	**3.95**	709,757	3.38
By-product credits	**(200,306)**	**(3.22)**	(170,646)	(2.84)	**(704,345)**	**(3.21)**	(582,882)	(2.77)
Cash cost, net of by-product credits	**31,918**	**0.51**	25,887	0.43	**163,262**	**0.74**	126,875	0.60

Consolidated	Three months ended				Year ended			
	Dec. 31, 2021		Dec. 31, 2020		**Dec. 31, 2021**		Dec. 31, 2020	
Supplementary cash cost information	**$000s**	**$/lb [1]**	$000s	$/lb [1]	**$000s**	**$/lb [1]**	$000s	$/lb [1]
By-product credits[2]:								
Zinc	**74,585**	**1.20**	77,593	1.29	**302,301**	**1.38**	265,105	1.26
Gold [3]	**99,728**	**1.60**	61,010	1.01	**289,981**	**1.32**	219,245	1.04
Silver [3]	**14,853**	**0.24**	20,624	0.34	**61,388**	**0.28**	67,342	0.32
Molybdenum & other	**11,140**	**0.18**	11,419	0.19	**50,675**	**0.23**	31,190	0.15
Total by-product credits	**200,306**	**3.22**	170,646	2.84	**704,345**	**3.21**	582,882	2.77
Reconciliation to IFRS:								
Cash cost, net of by-product credits	**31,918**		25,887		**163,262**		126,875	
By-product credits	**200,306**		170,646		**704,345**		582,882	
Treatment and refining charges	**(13,721)**		(14,723)		**(55,430)**		(56,888)	
Inventory adjustments	**-**		82		**3,999**		2,302	
Share-based compensation expense	**744**		919		**1,347**		1,400	
Past service pension cost	**737**		-		**4,965**		-	
Change in product inventory	**(16,247)**		(4,521)		**(18,180)**		(1,829)	
Royalties	**3,594**		2,818		**15,274**		12,807	
Overhead costs related to suspension of activities (cash) - Peru	**-**		-		**-**		15,810	
Overhead costs related to suspension of activities (cash) - Manitoba	**-**		8,232		**-**		8,232	
Depreciation and amortization [4]	**89,927**		98,583		**357,924**		361,827	
Cost of sales[5]	**297,258**		287,923		**1,177,506**		1,053,418	

[1] Per pound of copper produced.

[2] By-product credits are computed as revenue per financial statements, including amortization of deferred revenue and pricing and volume adjustments. For more information, please see the realized price reconciliation table on page 38 for these figures.

[3] Gold and silver by-product credits do not include variable consideration adjustments with respect to stream arrangements. Variable consideration adjustments are cumulative adjustments to gold and silver stream deferred revenue primarily associated with the net change in mineral reserves and resources or amendments to the mine plan that would change the total expected deliverable ounces under the precious metal streaming arrangement. For the three months and year ended December 31, 2021 the variable consideration adjustments amounted to income of nil and $1,617, respectively. For the three months and year ended December 31, 2020 - income of nil and $6,668, respectively.

[4] Depreciation is based on concentrate sold.

[5] As per IFRS financial statements.

Peru	Three months ended		Year ended	
(in thousands)	**Dec. 31, 2021**	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
Net pounds of copper produced[1]	**50,389**	47,519	**171,548**	161,269

[1] Contained copper in concentrate.

Peru	Three months ended				Year ended			
	Dec. 31, 2021		Dec. 31, 2020		**Dec. 31, 2021**		Dec. 31, 2020	
Cash cost per pound of copper produced	**$000s**	**$/lb**	$000s	$/lb	**$000s**	**$/lb**	$000s	$/lb
Mining	**27,756**	**0.55**	24,967	0.53	**98,200**	**0.57**	70,724	0.44
Milling	**40,121**	**0.80**	39,219	0.83	**168,477**	**0.99**	134,096	0.83
G&A	**18,351**	**0.36**	14,327	0.30	**63,629**	**0.37**	43,105	0.27
Onsite costs	**86,228**	**1.71**	78,513	1.65	**330,306**	**1.93**	247,925	1.54
Treatment & refining	**8,636**	**0.17**	10,082	0.21	**32,365**	**0.19**	36,655	0.23
Freight & other	**11,609**	**0.23**	9,989	0.21	**41,316**	**0.24**	34,794	0.21
Cash cost, before by-product credits	**106,473**	**2.11**	98,584	2.08	**403,987**	**2.36**	319,374	1.98
By-product credits	**(41,900)**	**(0.83)**	(28,802)	(0.61)	**(139,885)**	**(0.82)**	(85,067)	(0.53)
Cash cost, net of by-product credits	**64,573**	**1.28**	69,782	1.47	**264,102**	**1.54**	234,307	1.45

Peru	Three months ended				Year ended			
	Dec. 31, 2021		Dec. 31, 2020		**Dec. 31, 2021**		Dec. 31, 2020	
Supplementary cash cost information	**$000s**	**$/lb** [1]	$000s	$/lb [1]	**$000s**	**$/lb** [1]	$000s	$/lb [1]
By-product credits[2]:								
Gold[3]	**24,325**	**0.49**	5,394	0.11	**61,510**	**0.37**	17,626	0.11
Silver[3]	**7,793**	**0.15**	13,584	0.29	**35,154**	**0.20**	41,870	0.26
Molybdenum	**9,782**	**0.19**	9,824	0.21	**43,221**	**0.25**	25,571	0.16
Total by-product credits	**41,900**	**0.83**	28,802	0.61	**139,885**	**0.82**	85,067	0.53
Reconciliation to IFRS:								
Cash cost, net of by-product credits	**64,573**		69,782		**264,102**		234,307	
By-product credits	**41,900**		28,802		**139,885**		85,067	
Treatment and refining charges	**(8,636)**		(10,082)		**(32,365)**		(36,655)	
Inventory adjustments	**-**		(2,188)		**(1,446)**		32	
Share-based compensation expenses	**145**		213		**247**		288	
Change in product inventory	**(4,507)**		(6,550)		**(13,743)**		(3,883)	
Royalties	**762**		1,399		**3,503**		5,121	
Overhead costs related to suspension of activities (cash)	**-**		-		**-**		15,810	
Depreciation and amortization[4]	**54,078**		50,861		**194,408**		184,275	
Cost of sales[5]	**148,315**		132,237		**554,591**		484,362	

[1] Per pound of copper produced.

[2] By-product credits are computed as revenue per financial statements, including amortization of deferred revenue and pricing and volume adjustments. For more information, please see the realized price reconciliation table on page 38.

[3] Gold and silver by-product credits do not include variable consideration adjustments with respect to stream arrangements.

[4] Depreciation is based on concentrate sold.

[5] As per IFRS financial statements.

Manitoba	Three months ended		Year ended	
(in thousands)	**Dec. 31, 2021**	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
Net pounds of copper produced[1]	**11,777**	12,619	**47,745**	48,905

[1] Contained copper in concentrate.

Manitoba	Three months ended				Year ended			
	Dec. 31, 2021		Dec. 31, 2020		**Dec. 31, 2021**		Dec. 31, 2020	
Cash cost per pound of copper produced	**$000s**	**$/lb**	$000s	$/lb	**$000s**	**$/lb**	$000s	$/lb
Mining	**58,891**	**5.01**	46,598	3.69	**222,660**	**4.66**	178,308	3.65
Milling	**22,193**	**1.88**	11,147	0.88	**62,995**	**1.32**	46,057	0.94
Refining (zinc)	**19,008**	**1.61**	18,736	1.48	**72,392**	**1.52**	71,799	1.47
G&A	**13,746**	**1.17**	9,898	0.78	**52,963**	**1.11**	46,930	0.96
Onsite costs	**113,838**	**9.67**	86,379	6.85	**411,010**	**8.61**	343,094	7.02
Treatment & refining	**5,085**	**0.43**	4,641	0.37	**23,065**	**0.48**	20,233	0.41
Freight & other	**6,828**	**0.58**	6,929	0.55	**29,545**	**0.62**	27,056	0.55
Cash cost, before by-product credits	**125,751**	**10.68**	97,949	7.76	**463,620**	**9.71**	390,383	7.98
By-product credits	**(158,406)**	**(13.45)**	(141,844)	(11.24)	**(564,460)**	**(11.82)**	(497,815)	(10.18)
Cash cost, net of by-product credits	**(32,655)**	**(2.77)**	(43,895)	(3.48)	**(100,840)**	**(2.11)**	(107,432)	(2.20)

Manitoba	Three months ended				Year ended			
	Dec. 31, 2021		Dec. 31, 2020		**Dec. 31, 2021**		Dec. 31, 2020	
Supplementary cash cost information	**$000s**	**$/lb [1]**	$000s	$/lb [1]	**$000s**	**$/lb [1]**	$000s	$/lb [1]
By-product credits[2]:								
Zinc	**74,585**	**6.33**	77,593	6.15	**302,301**	**6.33**	265,105	5.42
Gold[3]	**75,403**	**6.40**	55,616	4.41	**228,471**	**4.78**	201,619	4.12
Silver[3]	**7,060**	**0.60**	7,040	0.56	**26,234**	**0.55**	25,472	0.52
Other	**1,358**	**0.12**	1,595	0.13	**7,454**	**0.16**	5,619	0.11
Total by-product credits	**158,406**	**13.45**	141,844	11.24	**564,460**	**11.82**	497,815	10.18
Reconciliation to IFRS:								
Cash cost, net of by-product credits	**(32,655)**		(43,895)		**(100,840)**		(107,432)	
By-product credits	**158,406**		141,844		**564,460**		497,815	
Treatment and refining charges	**(5,085)**		(4,641)		**(23,065)**		(20,233)	
Inventory adjustments	**-**		2,270		**5,445**		2,270	
Past service pension cost	**737**		-		**4,965**		-	
Share-based compensation expenses	**599**		706		**1,100**		1,112	
Change in product inventory	**(11,740)**		2,029		**(4,437)**		2,054	
Royalties	**2,832**		1,419		**11,771**		7,686	
Overhead costs related to suspension of activities (cash)	**-**		8,232		**-**		8,232	
Depreciation and amortization[4]	**35,849**		47,722		**163,516**		177,552	
Cost of sales[5]	**148,943**		155,686		**622,915**		569,056	

[1] Per pound of copper produced.

[2] By-product credits are computed as revenue per financial statements, including amortization of deferred revenue and pricing and volume adjustments. For more information, please see the realized price reconciliation table on page 38.

[3] Gold and silver by-product credits do not include variable consideration adjustments with respect to stream arrangements.

[4] Depreciation is based on concentrate sold.

[5] As per IFRS financial statements.

Consolidated	Three months ended				Year ended			
	Dec. 31, 2021		Dec. 31, 2020		**Dec. 31, 2021**		Dec. 31, 2020	
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	**31,918**	**0.51**	25,887	0.43	**163,262**	**0.74**	126,875	0.60
Cash sustaining capital expenditures	**77,539**	**1.25**	81,523	1.36	**268,190**	**1.22**	257,558	1.23
Capitalized exploration	**8,000**	**0.13**	8,040	0.13	**8,000**	**0.04**	8,040	0.04
Royalties	**3,594**	**0.06**	2,818	0.05	**15,274**	**0.07**	12,807	0.06
Sustaining cash cost, net of by-product credits	**121,051**	**1.95**	118,268	1.97	**454,726**	**2.07**	405,280	1.93
Corporate selling and administrative expenses & regional costs	**14,729**	**0.24**	15,709	0.26	**46,663**	**0.21**	45,010	0.21
Accretion and amortization of decommissioning and community agreements[1]	**894**	**0.01**	1,006	0.02	**2,830**	**0.01**	4,115	0.02
All-in sustaining cash cost, net of by-product credits	**136,674**	**2.20**	134,983	2.24	**504,219**	**2.30**	454,405	2.16
Reconciliation to property, plant and equipment additions:								
Property, plant and equipment additions	**91,432**		96,377		**346,335**		303,653	
Capitalized stripping net additions	**19,201**		20,763		**79,426**		83,137	
Decommissioning and restoration obligation net additions	**(555)**		3,637		**(49,457)**		46,792	
Total accrued capital additions	**110,078**		120,777		**376,304**		433,582	
Less other non-sustaining capital costs[2]	**42,621**		62,041		**146,978**		248,150	
Total sustaining capital costs	**67,457**		58,736		**229,326**		185,432	
Right of use leased assets	**(6,714)**		(250)		**(26,685)**		(17,670)	
Capitalized lease cash payments - operating sites	**9,099**		8,973		**35,071**		33,606	
Community agreement cash payments	**1,266**		-		**1,691**		2,591	
Accretion and amortization of decommissioning and restoration obligations	**6,431**		14,064		**28,987**		53,599	
Cash sustaining capital expenditures	**77,539**		81,523		**268,390**		257,558	

[1] Includes accretion of decommissioning relating to non-productive sites, and accretion and amortization of current community agreements.

[2] Other non-sustaining capital costs include Arizona capitalized costs, capitalized interest, capitalized exploration, growth capital expenditures and decommissioning and restoration obligation adjustments.

Peru	Three months ended				Year ended			
	Dec. 31, 2021		Dec. 31, 2020		**Dec. 31, 2021**		Dec. 31, 2020	
Sustaining cash cost per pound of copper produced	**$000s**	**$/lb**	$000s	$/lb	**$000s**	**$/lb**	$000s	$/lb
Cash cost, net of by-product credits	**64,573**	**1.28**	69,782	1.47	**264,102**	**1.54**	234,307	1.45
Cash sustaining capital expenditures	**50,423**	**1.00**	43,542	0.92	**146,044**	**0.85**	107,994	0.67
Capitalized exploration[1]	**8,000**	**0.16**	8,040	0.17	**8,000**	**0.05**	8,040	0.05
Royalties	**762**	**0.02**	1,399	0.03	**3,503**	**0.02**	5,121	0.03
Sustaining cash cost per pound of copper produced	**123,758**	**2.46**	122,763	2.58	**421,649**	**2.46**	355,462	2.20

[1] Only includes exploration costs incurred for locations near to existing mine operations.

Manitoba	Three months ended				Year ended			
	Dec. 31, 2021		Dec. 31, 2020		**Dec. 31, 2021**		Dec. 31, 2020	
Sustaining cash cost per pound of copper produced	**$000s**	**$/lb**	$000s	$/lb	**$000s**	**$/lb**	$000s	$/lb
Cash cost, net of by-product credits	**(32,655)**	**(2.77)**	(43,895)	(3.48)	**(100,840)**	**(2.11)**	(107,432)	(2.20)
Cash sustaining capital expenditures	**27,116**	**2.30**	37,981	3.01	**122,146**	**2.56**	149,564	3.06
Royalties	**2,832**	**0.24**	1,419	0.11	**11,771**	**0.25**	7,686	0.16
Sustaining cash cost per pound of copper produced	**(2,707)**	**(0.23)**	(4,495)	(0.36)	**33,077**	**0.69**	49,818	1.02

Zinc Cash Cost and Zinc Sustaining Cash Cost

Cash cost per pound of zinc produced ("zinc cash cost") is a non-IFRS measure that management uses as a key performance indicator to assess the performance of our Manitoba operations. This alternative cash cost calculation designates zinc as 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 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 cash sustaining capital expenditures, capitalized exploration, net smelter returns royalties, as well as accretion and amortization for expected decommissioning activities for producing assets. 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 three months and year ended December 31, 2021 and 2020. 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, 2021**	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
Net pounds of zinc produced[1]	**51,163**	56,974	**206,196**	260,432

[1] Contained zinc in concentrate.

Manitoba	Three months ended				Year ended			
	Dec. 31, 2021		Dec. 31, 2020		**Dec. 31, 2021**		Dec. 31, 2020	
Cash cost per pound of zinc produced	**$000s**	**$/lb**	$000s	$/lb	**$000s**	**$/lb**	$000s	$/lb
Cash cost, before by-product credits[1]	**125,751**	**2.45**	97,949	1.72	**463,620**	**2.25**	390,383	1.50
By-product credits	**(129,164)**	**(2.52)**	(98,915)	(1.74)	**(464,333)**	**(2.25)**	(363,312)	(1.40)
Zinc cash cost, net of by-product credits	**(3,413)**	**(0.07)**	(966)	(0.02)	**(713)**	**-**	27,071	0.10

[1] For additional detail on cash cost, before by-product credits please see page 63 of this MD&A.

Manitoba	Three months ended				Year ended			
	Dec. 31, 2021		Dec. 31, 2020		**Dec. 31, 2021**		Dec. 31, 2020	
Supplementary cash cost information	**$000s**	**$/lb [1]**	$000s	$/lb [1]	**$000s**	**$/lb [1]**	$000s	$/lb [1]
By-product credits[2]:								
Copper	**45,343**	**0.89**	34,664	0.61	**202,174**	**0.98**	130,602	0.50
Gold[3]	**75,403**	**1.47**	55,616	0.98	**228,471**	**1.11**	201,619	0.77
Silver[3]	**7,060**	**0.14**	7,040	0.12	**26,234**	**0.13**	25,472	0.11
Other	**1,358**	**0.03**	1,595	0.03	**7,454**	**0.04**	5,619	0.02
Total by-product credits	**129,164**	**2.52**	98,915	1.74	**464,333**	**2.25**	363,312	1.40
Reconciliation to IFRS:								
Cash cost, net of by-product credits	**(3,413)**		(966)		**(713)**		27,071	
By-product credits	**129,164**		98,915		**464,333**		363,312	
Treatment and refining charges	**(5,085)**		(4,641)		**(23,065)**		(20,233)	
Past service pension cost	**737**		-		**4,965**		-	
Share-based compensation expenses	**599**		706		**1,100**		1,112	
Inventory adjustments	**-**		2,270		**5,445**		2,270	
Change in product inventory	**(11,740)**		2,029		**(4,437)**		2,054	
Royalties	**2,832**		1,419		**11,771**		7,686	
Overhead costs related to suspension of activities (cash)	**-**		8,232		**-**		8,232	
Depreciation and amortization[4]	**35,849**		47,722		**163,516**		177,552	
Cost of sales[5]	**148,943**		155,686		**622,915**		569,056	

[1] Per pound of zinc produced.

[2] By-product credits are computed as revenue per financial statements, amortization of deferred revenue and pricing and volume adjustments. For more information, please see the realized price reconciliation table on page 38.

[3] Gold and silver by-product credits do not include variable consideration adjustments with respect to stream arrangements.

[4] Depreciation is based on concentrate sold.

[5] As per IFRS financial statements.

Manitoba	Three months ended				Year ended			
	Dec. 31, 2021		Dec. 31, 2020		**Dec. 31, 2021**		Dec. 31, 2020	
Sustaining cash cost per pound of zinc produced	**$000s**	**$/lb**	$000s	$/lb	**$000s**	**$/lb**	$000s	$/lb
Zinc cash cost, net of by-product credits	**(3,413)**	**(0.07)**	(966)	(0.02)	**(713)**	**-**	27,071	0.10
Cash sustaining capital expenditures	**27,116**	**0.53**	37,981	0.67	**122,146**	**0.59**	149,564	0.57
Royalties	**2,832**	**0.06**	1,419	0.02	**11,771**	**0.06**	7,686	0.03
Sustaining cash cost per pound of zinc produced	**26,535**	**0.52**	38,434	0.67	**133,204**	**0.65**	184,321	0.71

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 and refined zinc metal produced, respectively. 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. In the first half of 2020, as a result of the temporary suspension of operations in Peru, fixed overhead production costs incurred during the suspension were directly charged to cost of sales. These costs did not contribute to production of inventory and were therefore excluded from the calculation of combined unit costs.

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 three months and year ended December 31, 2021 and 2020.

Peru	Three months ended		Year ended	
(in thousands except unit cost per tonne)				
Combined unit cost per tonne processed	**Dec. 31, 2021**	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
Mining	**27,756**	24,967	**98,200**	70,724
Milling	**40,121**	39,219	**168,477**	134,096
G&A [1]	**18,351**	14,327	**63,629**	43,105
Other G&A [2]	**(1,937)**	213	**(2,152)**	865
Unit cost	**84,291**	78,726	**328,154**	248,790
Tonnes ore milled	**8,049**	7,742	**28,810**	26,297
Combined unit cost per tonne	**10.47**	10.17	**11.39**	9.46
Reconciliation to IFRS:				
Unit cost	**84,291**	78,726	**328,154**	248,790
Freight & other	**11,609**	9,989	**41,316**	34,794
Other G&A	**1,937**	(213)	**2,152**	(865)
Share-based compensation expenses	**145**	213	**247**	288
Inventory adjustments	**-**	(2,188)	**(1,446)**	32
Change in product inventory	**(4,507)**	(6,550)	**(13,743)**	(3,883)
Royalties	**762**	1,399	**3,503**	5,121
Overhead costs related to suspension of activities (cash)	**-**	-	**-**	15,810
Depreciation and amortization	**54,078**	50,861	**194,408**	184,275
Cost of sales[3]	**148,315**	132,237	**554,591**	484,362

[1] G&A as per cash cost reconciliation above.

[2] Other G&A primarily includes profit sharing costs.

[3] As per IFRS financial statements.

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	**2021**	2020	**2021**	2020
Mining	**58,891**	46,598	**222,660**	178,308
Milling	**22,193**	11,147	**62,995**	46,057
G&A [1]	**13,746**	9,898	**52,963**	46,930
Less: G&A allocated to zinc metal production and other areas	**(3,762)**	(3,301)	**(14,656)**	(14,441)
Unit cost	**91,068**	64,342	**323,962**	256,854
USD/CAD implicit exchange rate	**1.26**	1.30	**1.25**	1.34
Unit cost - C$	**114,751**	83,669	**406,164**	344,672
Tonnes ore milled	**682,292**	598,287	**2,640,272**	2,618,065
Combined unit cost per tonne - C$	**168**	140	**154**	132
Reconciliation to IFRS:				
Unit cost	**91,068**	64,342	**323,962**	256,854
Freight & other	**6,828**	6,929	**29,545**	27,056
Refined (zinc)	**19,008**	18,736	**72,392**	71,799
G&A allocated to zinc metal production	**3,762**	3,301	**14,656**	14,441
Share-based compensation expenses	**599**	706	**1,100**	1,112
Inventory adjustments	**-**	2,270	**5,445**	2,270
Past service pension cost	**737**	-	**4,965**	-
Change in product inventory	**(11,740)**	2,029	**(4,437)**	2,054
Royalties	**2,832**	1,419	**11,771**	7,686
Overhead costs related to suspension of activities (cash)	**-**	8,232	**-**	8,232
Depreciation and amortization	**35,849**	47,722	**163,516**	177,552
Cost of sales[2]	**148,943**	155,686	**622,915**	569,056

[1] G&A as per cash cost reconciliation above.

[2] As per IFRS financial statements.

Manitoba	Three months ended		Year ended	
(in thousands except zinc plant unit cost per pound)				
Zinc plant unit cost	**Dec. 31, 2021**	Dec. 31, 2020	**Dec. 31, 2021**	Dec. 31, 2020
Zinc plant costs	**19,008**	18,736	**72,392**	71,799
G&A [1]	**13,746**	9,898	**52,963**	46,930
Less: G&A allocated to other areas	**(9,984)**	(6,597)	**(38,307)**	(32,499)
Zinc plant unit cost	**22,770**	22,037	**87,048**	86,230
USD/CAD implicit exchange rate	**1.26**	1.30	**1.25**	1.34
Zinc plant unit cost - C$	**28,690**	28,700	**109,062**	115,400
Refined metal produced (in pounds)	**45,819**	63,533	**197,461**	246,117
Zinc plant unit cost per pound - C$	**0.63**	0.45	**0.55**	0.47
Reconciliation to IFRS:				
Zinc plant unit cost	**22,770**	22,037	**87,048**	86,230
Freight & other	**6,828**	6,929	**29,545**	27,056
Mining	**58,891**	46,598	**222,660**	178,308
Milling	**22,193**	11,147	**62,995**	46,057
G&A allocated to other areas	**9,984**	6,597	**38,307**	32,499
Share-based compensation expenses	**599**	706	**1,100**	1,112
Inventory adjustments	**-**	2,270	**5,445**	2,270
Past service pension costs	**737**	-	**4,965**	-
Change in product inventory	**(11,740)**	2,029	**(4,437)**	2,054
Royalties	**2,832**	1,419	**11,771**	7,686
Overhead costs related to suspension of activities (cash)	**-**	8,232	**-**	8,232
Depreciation and amortization	**35,849**	47,722	**163,516**	177,552
Cost of sales[2]	**148,943**	155,686	**622,915**	569,056

[1] G&A as per cash cost reconciliation above.

[2] As per IFRS financial statements.

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, 2021.

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 mineral reserves and resources based on information compiled by qualified persons as defined in accordance with NI 43-101;
    - IFRS 15 - Revenue - stream transactions
    - Income and mining taxes, including estimates of future taxable profit which impacts the ability to realize deferred tax assets on our balance sheet; 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 (and reversal of 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; 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, which is based on timing of future sales, and adjustments of the expected conversion of resource to reserves;
  - Pensions and other employee benefits; and
  - Decommissioning, restoration and similar liabilities including estimated future costs and timing of spending.
- 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, 2021.

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, 2021, 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, 2021, 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 of Hudbay is responsible for establishing and maintaining adequate ICFR. Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our ICFR as of December 31, 2021 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, 2021.

The effectiveness of the Company's ICFR as of December 31, 2021 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, 2021.

Changes in ICFR

We did not make any changes to ICFR during the year ended December 31, 2021 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, expectations regarding the impact of COVID-19 and inflationary pressures on the cost of operations, financial condition and prospects, expectations regarding the Copper World project, including future drill programs, potential synergies with Rosemont and the timeline for completing a preliminary economic assessment, expectations regarding the Snow Lake gold strategy, including anticipated timelines for achieving target throughput and recoveries at the New Britannia mill, increasing the mining rate at Lalor to 5,300 tpd and implementing the Stall mill recovery improvement program, expectations regarding the Flin Flon closure process and the transition of personnel and equipment to Snow Lake, expectations regarding the potential to reprocess Flin Flon tailings in the future and the possible benefits of such a project, the potential and our anticipated plans for advancing our mining properties surrounding Constancia and elsewhere in Peru, 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:

- our ability to continue to operate safely and at full capacity despite COVID-19 related challenges;
- the availability, global supply and effectiveness of COVID-19 vaccines, the effective distribution of such vaccines in the countries in which we operate, the lessening of restrictions related to COVID-19, and the anticipated rate and timing for each of the foregoing;
- the ability to achieve production and cost guidance;

- no significant interruptions to our operations due to COVID-19 or social or political unrest in the regions Hudbay operates;
- a positive preliminary economic assessment in respect of Copper World will present opportunities to unlock value at Rosemont;
- the successful outcome of the Rosemont litigation;
- the ability to ramp-up the New Britannia mill to target throughput and recoveries and achieve the anticipated production;
- the economic prospects of reprocessing Flin Flon tailings;
- 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 and governmental approvals;
- the availability of personnel for our exploration, development and operational projects and ongoing employee relations;
- 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 neighbouring Indigenous communities and local governments;
- 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 Indigenous peoples or challenges to the validity of our unpatented mining claims;
- 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, changes in taxation policies 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 associated with COVID-19 and its effect on our operations, financial condition, projects and prospects, uncertainties related to the closure of the 777 mine and the Flin Flon operations, the direct and indirect impacts of the change in government in Peru, future uncertainty with respect to the Peruvian mining tax regime and social unrest in Peru, risks generally associated with the mining industry, such as economic factors (including future commodity prices, currency fluctuations, energy prices and general cost escalation in the current inflationary environment), uncertainties related to the development and operation of our projects, risks related to the ongoing Rosemont litigation process and other legal challenges that could affect Rosemont or Copper World, risks related to the new Lalor mine plan, including the continuing ramp-up of the New Britannia mill and the ability to convert inferred mineral resource estimates to higher confidence categories, risks related to the technical and economic prospects of reprocessing Flin Flon tailings, the potential that additional financial assurance will be required to support the updated Flin Flon closure plan, dependence on key personnel and employee and union relations, risks related to political or social instability, unrest or change, risks in respect of Indigenous and community relations, rights and title claims, operational risks and hazards, including the cost of maintaining and upgrading the Company's tailings management facilities and any 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 "Financial Risk Management" in this MD&A and 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 U.S. issuers.

Qualified Person and NI 43-101

The technical and scientific information in this MD&A related to our material mineral projects has been approved by Olivier Tavchandjian, P. Geo, our Vice President, Exploration and Geology. Mr. Tavchandjian is a qualified person 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.

HUDBAY

SUMMARY OF RESULTS

The following unaudited tables set out a summary of quarterly and annual results for the Company.

		2021 [4]	Q4 2021	Q3 2021[5]	Q2 2021	Q1 2021	2020 [4]	Q4 2020	Q3 2020	Q2 2020	Q1 2020	2019	Q4 2019
Consolidated Financial Condition ($000s)													
Cash		**$270,989**	**$270,989**	$297,451	$294,287	$310,564	$439,135	$439,135	$449,014	$391,136	$305,997	$396,146	$396,146
Total long-term debt		**1,180,274**	**1,180,274**	1,182,612	1,181,195	1,180,798	1,135,675	1,135,675	1,175,104	988,418	988,074	985,255	985,255
Net debt[1]		**909,285**	**909,285**	885,161	886,908	870,234	696,540	696,540	726,090	597,282	682,077	589,109	589,109
Consolidated Financial Performance ($000s except per share amounts)													
Revenue		**$1,501,998**	**$425,170**	$358,961	$404,242	$313,624	$1,092,418	$322,290	$316,108	$208,913	$245,105	$1,237,439	$324,485
Cost of sales		**1,370,979**	**343,426**	444,379	322,060	261,112	1,053,418	287,923	276,830	221,567	267,096	1,085,897	298,852
(Loss) earnings before tax		**(202,751)**	**(149)**	(147,830)	14,819	(69,592)	(179,089)	911	(23,944)	(74,604)	(81,452)	(452,763)	(42,352)
(Loss) earnings		**(244,358)**	**(10,453)**	(170,411)	(3,395)	(60,102)	(144,584)	7,406	(23,955)	(51,901)	(76,134)	(343,810)	(1,455)
Basic and diluted (loss) earnings		**$(0.93)**	**$(0.04)**	$(0.65)	$(0.01)	$(0.23)	$(0.55)	$0.03	$(0.09)	$(0.20)	$(0.29)	$(1.32)	$(0.01)
Adjusted earnings (loss) per share [1]		**$0.09**	**$0.13**	$-	$0.02	$(0.06)	$(0.46)	$(0.06)	$(0.10)	$(0.15)	$(0.15)	$(0.18)	$(0.09)
Operating cash flow before change in non-cash working capital [1]		**483,862**	**156,917**	103,509	132,786	90,656	241,863	86,071	84,383	29,457	41,951	307,284	69,141
Adjusted EBITDA (in $ millions) [1]		**547.1**	**180.3**	119.3	143.2	104.2	306.7	106.9	96.1	49.1	55.0	358.5	82.2
Consolidated Operational Performance													
Contained metal in concentrate produced [2]													
Copper	*tonnes*	**99,470**	**28,198**	23,245	23,474	24,553	95,333	27,278	25,395	18,026	24,635	137,179	32,422
Gold	*ounces*	**184,781**	**55,561**	53,872	39,848	35,500	124,622	32,376	29,277	32,614	30,355	114,692	32,712
Silver	*ounces*	**3,038,952**	**893,194**	763,167	685,916	696,673	2,750,873	730,679	671,685	580,817	767,692	3,585,330	930,137
Zinc	*tonnes*	**93,529**	**23,207**	20,844	21,538	27,940	118,130	25,843	30,570	31,222	30,495	119,106	30,592
Molybdenum	*tonnes*	**1,146**	**275**	282	295	294	1,204	333	392	124	354	1,272	372
Contained metal in doré													
Gold	*ounces*	**9,002**	**8,598**	404	-	-	-	-	-	-	-	-	-
Silver	*ounces*	**6,529**	**6,519**	10	-	-	-	-	-	-	-	-	-
Payable metal in concentrate and doré sold													
Copper	*tonnes*	**92,200**	**24,959**	21,136	25,176	20,929	88,888	22,963	25,903	15,951	24,072	128,519	33,715
Gold	*ounces*	**168,358**	**56,927**	47,843	38,205	25,383	122,949	35,179	30,605	30,590	26,574	108,999	30,344
Silver	*ounces*	**2,427,508**	**638,640**	701,601	577,507	509,760	2,585,586	762,384	705,495	541,785	575,922	3,452,926	909,423
Zinc [3]	*tonnes*	**96,435**	**21,112**	21,619	25,361	28,343	109,347	28,431	26,520	27,604	26,792	104,319	28,001
Molybdenum	*tonnes*	**1,098**	**245**	304	265	284	1,321	457	313	120	431	1,186	199
Cash cost [1]	*$/lb*	**$ 0.74**	**$ 0.51**	$ 0.62	$ 0.84	$ 1.04	$ 0.60	$ 0.43	$ 0.65	$ 0.29	$ 0.98	$ 0.83	$ 0.90
Sustaining cash cost	*$/lb*	**$ 2.07**	**$ 1.95**	$ 1.97	$ 2.25	$ 2.16	$ 1.93	$ 1.97	$ 2.02	$ 1.59	$ 2.05	$ 1.72	$ 2.11
All-in sustaining cash cost [1]	*$/lb*	**$ 2.30**	**$ 2.20**	$ 2.18	$ 2.48	$ 2.37	$ 2.16	$ 2.24	$ 2.25	$ 1.91	$ 2.17	$ 1.86	$ 2.22

[1]Net debt, adjusted earnings (loss) per share, adjusted EBITDA, 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 discussion under the "Non-IFRS Financial Reporting Measures" section of this MD&A.

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

[3] Includes refined zinc metal sold.

[4] Annual consolidated results may not calculate based on amounts presented in this table due to rounding.

[5] The Q3 2021 adjusted net earnings (loss) and adjusted net earnings (loss) per share have been adjusted for changes made in the computation of tax impacts on certain adjusting items. The adjusted net earnings per share changed from $ 0.15/share to adjusted net earnings of $0.00/share. See the "Trend Analysis and Quarterly Review" section of this MD&A for further details.

		2021 [4]	Q4 2021	Q3 2021	Q2 2021	Q1 2021	2020 [4]	Q4 2020	Q3 2020	Q2 2020	Q1 2020	2019	Q4 2019
Peru Operations													
Constancia ore mined[1]	*tonnes*	**29,714,327**	**7,742,469**	6,208,019	8,016,373	7,747,466	27,529,950	9,313,784	8,455,668	2,775,286	6,985,212	33,308,369	8,049,063
Copper	*%*	**0.31**	**0.33**	0.30	0.30	0.30	0.32	0.31	0.31	0.34	0.34	0.43	0.41
Gold	*g/tonne*	**0.04**	**0.04**	0.04	0.04	0.04	0.03	0.03	0.03	0.04	0.03	0.04	0.04
Silver	*g/tonne*	**2.88**	**2.81**	2.76	3.02	2.90	2.75	2.61	2.55	2.90	3.10	3.76	3.87
Molybdenum	*%*	**0.01**	**0.01**	0.01	0.01	0.01	0.02	0.01	0.02	0.02	0.02	0.02	0.02
Pampacancha ore mined[1]	*tonnes*	**5,141,001**	**2,107,196**	2,050,813	982,992	-	-	-	-	-	-	-	-
Copper	*%*	**0.27**	**0.27**	0.27	0.26	-	-	-	-	-	-	-	-
Gold	*g/tonne*	**0.30**	**0.34**	0.27	0.27	-	-	-	-	-	-	-	-
Silver	*g/tonne*	**4.02**	**4.26**	3.58	4.43	-	-	-	-	-	-	-	-
Molybdenum	*%*	**0.01**	**0.01**	0.01	0.01	-	-	-	-	-	-	-	-
Ore milled	*tonnes*	**28,809,755**	**8,048,925**	6,985,035	7,413,043	6,362,752	26,297,318	7,741,714	7,480,655	4,355,482	6,719,466	31,387,281	7,474,136
Copper	*%*	**0.32**	**0.33**	0.30	0.31	0.33	0.34	0.33	0.33	0.34	0.34	0.42	0.42
Gold	*g/tonne*	**0.08**	**0.11**	0.11	0.07	0.04	0.03	0.03	0.03	0.04	0.03	0.04	0.04
Silver	*g/tonne*	**3.35**	**3.67**	3.93	2.88	2.84	2.87	2.74	2.68	3.04	3.13	3.64	3.86
Molybdenum	*%*	**0.01**	**0.01**	0.01	0.01	0.01	0.02	0.02	0.02	0.01	0.02	0.02	0.02
Copper recovery	*%*	**84.6**	**86.0**	84.9	83.3	84.1	83.0	85.3	83.3	76.6	84.3	85.7	85.6
Gold recovery	*%*	**64.6**	**63.6**	71.9	62.2	52.0	49.8	52.7	51.6	43.4	50.2	48.1	50.0
Silver recovery	*%*	**63.7**	**60.8**	59.1	68.2	69.9	66.9	70.1	66.7	59.6	68.2	68.2	68.2
Molybdenum recovery	*%*	**31.5**	**26.7**	33.5	33.3	33.4	29.4	28.4	30.4	19.9	35.0	26.5	30.8
Contained metal in concentrate				-									
Copper	*tonnes*	**77,813**	**22,856**	18,072	19,058	17,827	73,150	21,554	20,803	11,504	19,290	113,825	26,659
Gold	*ounces*	**50,306**	**17,917**	17,531	10,220	4,638	12,395	3,689	3,333	2,311	3,062	19,723	5,007
Silver	*ounces*	**1,972,949**	**578,140**	521,036	468,057	405,714	1,622,972	477,775	430,208	253,687	461,302	2,504,769	631,774
Molybdenum	*tonnes*	**1,146**	**275**	282	295	294	1,204	333	392	124	354	1,272	372
Payable metal sold				-									
Copper	*tonnes*	**71,398**	**20,551**	16,065	19,946	14,836	68,506	18,583	21,654	9,023	19,247	106,184	28,430
Gold	*ounces*	**41,807**	**16,304**	16,902	5,638	2,963	10,986	3,297	3,753	1,317	2,618	18,956	4,824
Silver	*ounces*	**1,490,651**	**380,712**	457,263	315,064	337,612	1,518,548	480,843	433,595	242,519	361,591	2,452,496	666,839
Molybdenum	*tonnes*	**1,098**	**245**	304	265	284	1,321	457	313	120	431	1,186	199
Peru combined unit operating cost[2, 3]	*$/tonne*	**$11.39**	**$10.47**	$11.62	$11.25	$12.46	$9.46	$10.17	$9.85	$7.77	$9.31	$9.50	$10.20
Peru cash cost[3]	*$/lb*	**$1.54**	**$1.28**	$1.26	$1.85	$1.82	$1.45	$1.47	$1.54	$1.31	$1.42	$1.16	$1.36
Peru sustaining cash cost[3]	*$/lb*	**$2.46**	**$2.46**	$2.31	$2.69	$2.36	$2.20	$2.58	$2.29	$1.84	$1.91	$1.65	$2.17

[1] Reported tonnes and grade for ore mined are estimates based on mine plan assumptions and may not fully reconcile 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, cash cost, and 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

[4] Annual consolidated results may not calculate based on amounts presented in this table due to rounding.

		2021 [1]	Q4 2021	Q3 2021	Q2 2021	Q1 2021	2020 [1]	Q4 2020	Q3 2020	Q2 2020	Q1 2020	2019	Q4 2019
Manitoba Operations													
Lalor ore mined	*tonnes*	**1,593,141**	**422,208**	392,380	356,951	421,602	1,654,240	468,101	357,213	407,408	421,518	1,536,780	390,140
Copper	*%*	**0.71**	**0.78**	0.86	0.64	0.57	0.74	0.80	0.66	0.77	0.70	0.75	0.80
Zinc	*%*	**4.23**	**4.19**	3.60	3.81	5.20	5.73	5.54	5.98	6.05	5.43	6.36	6.20
Gold	*g/tonne*	**3.41**	**3.92**	3.85	3.19	2.67	2.51	2.79	2.28	2.64	2.27	2.16	2.63
Silver	*g/tonne*	**24.66**	**30.35**	22.13	22.98	22.75	25.31	24.96	21.23	28.4	26.18	25.51	28.38
777 ore mined	*tonnes*	**1,053,710**	**266,744**	256,536	255,170	275,260	991,576	164,856	264,905	281,890	279,925	1,109,782	269,342
Copper	*%*	**1.28**	**1.13**	1.06	0.82	2.06	1.40	1.89	0.98	1.72	1.18	1.37	1.17
Zinc	*%*	**3.91**	**4.16**	3.88	3.57	4.00	3.88	2.98	3.95	4.13	4.11	3.22	3.33
Gold	*g/tonne*	**2.03**	**1.80**	1.96	1.97	2.39	1.90	1.85	2.01	1.91	1.82	1.61	1.52
Silver	*g/tonne*	**25.25**	**25.02**	22.99	23.35	29.32	24.13	21.64	24.25	25.73	23.86	18.67	18.52
Stall & New Britannia Concentrator Combined:													
Ore milled	*tonnes*	**1,506,756**	**419,727**	408,201	317,484	361,344	1,412,751	372,624	335,739	334,601	369,787	1,290,300	310,622
Copper	*%*	**0.72**	**0.75**	0.82	0.68	0.60	0.73	0.79	0.68	0.76	0.70	0.73	0.80
Zinc	*%*	**4.30**	**4.12**	3.58	4.06	5.53	5.76	5.47	6.11	6.16	5.38	6.39	6.24
Gold	*g/tonne*	**3.42**	**3.90**	3.84	3.19	2.57	2.55	2.88	2.35	2.70	2.28	2.13	2.60
Silver	*g/tonne*	**24.95**	**30.07**	23.32	22.02	23.40	25.37	24.43	22.08	28.72	26.28	25.48	28.12
Copper recovery	*%*	**86.8**	**88.7**	84.3	88.8	85.7	86.2	87.1	84.0	86.6	86.5	85.9	85.9
Zinc recovery	*%*	**88.9**	**87.4**	88.2	88.1	91.1	91.9	90.9	92.7	92.4	91.4	91.1	90.7
Gold recovery	*%*	**54.9**	**54.6**	53.4	55.5	57.5	60.0	59.5	57.4	62.3	60.9	56.8	61.1
Silver recovery	*%*	**54.4**	**53.9**	52.7	55.1	56.2	60.4	60.3	57.5	62.1	61.1	60.4	62.9
Flin Flon Concentrator:													
Ore milled	*tonnes*	**1,133,516**	**262,565**	258,062	329,503	283,386	1,205,314	225,663	322,156	324,906	332,589	1,362,006	374,529
Copper	*%*	**1.23**	**1.12**	1.06	0.89	1.88	1.28	1.59	0.99	1.52	1.11	1.27	1.11
Zinc	*%*	**3.95**	**4.16**	3.86	3.65	4.20	4.21	3.87	4.07	4.41	4.36	3.78	4.05
Gold	*g/tonne*	**2.04**	**1.78**	1.96	2.06	2.34	1.96	1.99	1.99	1.99	1.88	1.72	1.75
Silver	*g/tonne*	**24.90**	**25.04**	22.93	23.65	28.01	24.26	22.65	24.01	25.56	24.33	19.84	20.56
Copper recovery	*%*	**87.7**	**86.7**	85.2	84.8	91.3	86.0	88.1	83.9	87.3	84.1	88.0	86.9
Zinc recovery	*%*	**83.0**	**83.1**	82.2	84.8	81.8	85.5	83.9	87.9	84.9	85.0	85.5	85.8
Gold recovery	*%*	**58.5**	**59.2**	58.1	52.9	64.0	56.0	56.6	55.3	58.6	53.5	59.4	56.1
Silver recovery	*%*	**45.1**	**45.6**	42.4	37.5	54.1	45.9	46.5	42.0	50.7	44.3	50.8	49.2

[1] Annual consolidated results may not calculate based on amounts presented in this table due to rounding.

		2021 [4]	Q4 2021	Q3 2021	Q2 2021	Q1 2021	2020 [4]	Q4 2020	Q3 2020	Q2 2020	Q1 2020	2019	Q4 2019
Manitoba Operations (continued)													
Total Manitoba contained metal in concentrate produced													
Copper	*tonnes*	**21,657**	**5,342**	5,173	4,416	6,726	22,183	5,724	4,592	6,522	5,345	23,354	5,763
Zinc	*tonnes*	**93,529**	**23,207**	20,844	21,538	27,940	118,130	25,843	30,570	31,222	30,495	119,106	30,592
Gold	*ounces*	**134,475**	**37,644**	36,341	29,628	30,862	112,227	28,687	25,944	30,303	27,293	94,969	27,705
Silver	*ounces*	**1,066,003**	**315,054**	242,131	217,859	290,959	1,127,901	252,904	241,477	327,130	306,390	1,080,561	298,363
Precious metal in doré produced													
Gold	*ounces*	**9,002**	**8,598**	404	-	-	-	-	-	-	-	-	-
Silver	*ounces*	**6,529**	**6,519**	10	-	-	-	-	-	-	-	-	-
Total Manitoba payable metal sold and doré													
Copper	*tonnes*	**20,802**	**4,408**	5,071	5,230	6,093	20,382	4,380	4,249	6,928	4,825	22,335	5,285
Zinc[1]	*tonnes*	**96,435**	**21,112**	21,619	25,361	28,343	109,347	28,431	26,520	27,604	26,792	104,346	28,001
Gold	*ounces*	**126,551**	**40,623**	30,941	32,567	22,420	111,963	31,882	26,852	29,273	23,956	90,043	25,520
Silver	*ounces*	**936,857**	**257,928**	244,338	262,443	172,148	1,067,038	281,541	271,900	299,266	214,331	1,000,430	242,584
Manitoba combined unit operating cost[2,3]	*C$/tonne*	**$154**	**$168**	$147	$148	$151	$132	$140	$126	$135	$127	$134	$128
Manitoba cash cost[3]	*$/lb*	**$(2.11)**	**$(2.77)**	$(1.64)	$(3.51)	$(1.04)	$(2.20)	$(3.48)	$(3.41)	$(1.51)	$(0.62)	$(0.75)	$(1.26)
Manitoba sustaining cash cost[3]	*$/lb*	**$0.69**	**$(0.23)**	$0.75	$0.36	$1.62	$1.02	$(0.36)	$0.83	$1.16	$2.54	$2.07	$1.83

[1] Includes refined zinc metal sold.

[2] Reflects combined mine, mill and G&A costs per tonne of milled ore.

[3] Combined unit costs, cash cost, and 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.

[4] Annual consolidated results may not calculate based on amounts presented in this table due to rounding.

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, 2021, the Registrant's Rosemont, Copper World and Mason projects 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, 2021, 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, Peter Kukielski, 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 28, 2022

/s/ Peter Kukielski
Peter Kukielski
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, Steve Douglas, 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 28, 2022

/s/ Steve Douglas
Steve Douglas
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, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter Kukielski, 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 28, 2022

/s/ Peter Kukielski
Peter Kukielski
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, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steve Douglas, 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 28, 2022

/s/ Steve Douglas
Steve Douglas
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, 2021, 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, 2021, 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 28, 2022

Exhibit 99.10

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 23, 2022 relating to the financial statements of Hudbay Minerals Inc. (the "Company") and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 40-F for the year ended December 31, 2021.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
March 28, 2022