



**HUBBAY MINERALS INC.
ANNUAL INFORMATION FORM
FOR THE
YEAR ENDED DECEMBER 31, 2019**

March 29, 2020

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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 and potential revisions to such guidance, anticipated production at our mines and processing facilities, expectations regarding the impact of the COVID-19 pandemic on our operations, financial condition and prospects, expectations regarding the timing of mining activities at the Pampacancha deposit, the anticipated timing, cost and benefits of developing the Rosemont project and the outcome of litigation challenging Rosemont’s permits, expectations regarding the appointment of a permanent CFO, expectations regarding the Lalor gold strategy, including the refurbishment of the New Britannia mill, the possibility of converting inferred mineral resource estimates to higher confidence categories, the potential and our anticipated plans for advancing our mining properties surrounding Constancia and the Mason project, anticipated mine plans, anticipated metals prices and the anticipated sensitivity of our financial performance to metals prices, events that may affect our operations and development projects, anticipated cash flows from operations and related liquidity requirements, the anticipated effect of external factors on revenue, such as commodity prices, estimation of mineral reserves and resources, mine life projections, reclamation costs, economic outlook, government regulation of mining operations, and business and acquisition strategies. Forward-looking information is not, and cannot be, a guarantee of future results or events. Forward-looking information is based on, among other things, opinions, assumptions, estimates and analyses that, while considered reasonable by us at the date the forward-looking information is provided, inherently are subject to significant risks, uncertainties, contingencies and other factors that may cause actual results and events to be materially different from those expressed or implied by the forward-looking information.

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

- the duration of the state of emergency in Peru and our ability to resume operations at Constancia;
- no significant interruptions to our operations in Manitoba or significant delays to our development projects in Manitoba and Peru due to the COVID-19 pandemic;
- the availability of spending reductions and liquidity options;
- the timing of development and production activities on the Pampacancha deposit;
- the timing of the Consulta Previa and permitting process for mining the Pampacancha deposit;
- the timing for reaching additional agreements with individual community members and no significant unanticipated delays to the development of Pampacancha;
- the successful completion of the New Britannia project on budget and on schedule;
- the successful outcome of the Rosemont litigation;
- 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;
- 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 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 the COVID-19 pandemic and its effect on our operations, financial condition, projects and prospects, the possibility of a global recession arising from the COVID-19 pandemic and attempts to control it, the political situation 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), uncertainties related to the development and operation of our projects (including risks associated with the litigation affecting the Rosemont project), risks related to the U.S. district court's recent decisions to set aside the U.S. Forest Service's FROD and the Biological Opinion for Rosemont and related appeals and other legal challenges, risks related to the new Lalor mine plan, including the schedule for the refurbishment of the New Britannia mill and the ability to convert inferred mineral resource estimates to higher confidence categories, risks related to the schedule for mining the Pampacancha deposit (including risks associated with COVID-19, the Consulta Previa process, risks associated with reaching additional agreements with individual community members and risks associated with the rainy season in Peru and the impact of any schedule delays), dependence on key personnel and employee and union relations, risks related to political or social unrest or change, risks in respect of 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**"). For example, the terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in NI 43-101, and these definitions differ from the definitions in SEC Industry Guide 7. Furthermore, while the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by NI 43-101, these terms are not defined terms under SEC Industry Guide 7.

Under SEC Industry Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority. Further, under SEC Industry Guide 7, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Reserve estimates contained in this AIF and documents incorporated by reference herein may not qualify as "reserves" under SEC Industry Guide 7. Further, until recently, the SEC has not recognized the reporting of mineral deposits which do not meet the SEC Industry Guide 7 definition of "reserve".

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

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

United States investors are also cautioned that while the SEC will now recognize "measured mineral

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

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

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

OTHER IMPORTANT INFORMATION

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

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

CURRENCY AND EXCHANGE RATES

This AIF contains references to both United States dollars and Canadian dollars. All dollar amounts referenced, unless otherwise indicated, are expressed in United States dollars, and Canadian dollars are referred to as "Canadian dollars" or "C\$". For United States dollars to Canadian dollars, the average exchange rate for 2019 and the closing exchange rate at December 31, 2019, as reported by the Bank of Canada, were one United States dollar per 1.3269 and 1.2988 Canadian dollars, respectively.

On March 27, 2020, the Bank of Canada daily exchange rate was one United States dollar per 1.4056 Canadian dollars.

NON-IFRS FINANCIAL PERFORMANCE MEASURES

Hudbay uses certain non-IFRS financial performance measures in its financial reports and in this AIF, including net debt, cash cost, sustaining and all-in sustaining cash cost per pound of copper produced, cash cost and sustaining cash cost per pound of zinc produced and 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), please see the Non-IFRS Financial Performance Measures section on pages 42 to 53 of our

management's discussion and analysis for the year ended December 31, 2019, a copy of which has been filed on SEDAR at www.sedar.com and EDGAR at www.sec.gov. Further information on the projected cash cost and sustaining cash cost per ounce of gold produced from our Snow Lake operations is contained in Schedule B to this AIF.

CORPORATE STRUCTURE

INCORPORATION AND REGISTERED OFFICE

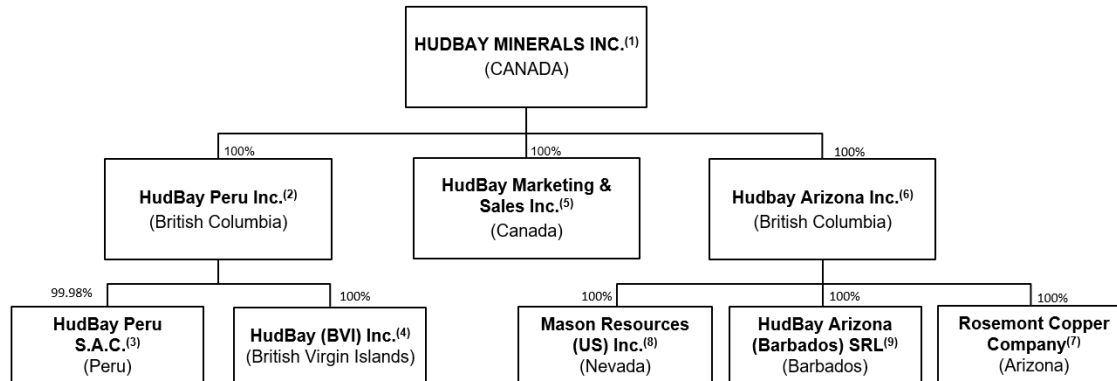
We were formed by the amalgamation of Pan American Resources Inc. and Marvas Developments Ltd. on January 16, 1996, pursuant to the Business Corporations Act (Ontario) and changed our name to Pan American Resources Inc. On March 12, 2002, we acquired ONTZINC Corporation, a private Ontario corporation, 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 project.
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 acquisition, development and operation of high quality, long life deposits with exploration potential in jurisdictions that support responsible mining, and to see the regions and communities in which we operate benefit from our presence.

We believe that the greatest opportunities for shareholder value creation in the mining industry are in the discovery and successful development of new mineral deposits, and through highly efficient low-cost operations to profitably extract ore from those deposits. We also believe that our successful development, ramp-up and operation of the Constancia open-pit mine in Peru, along with our long history of underground mining and full life-cycle experience in northern Manitoba provide us with a competitive advantage in these respects relative to other mining companies of similar scale.

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

To ensure that any capital allocation or acquisition we undertake creates sustainable value for stakeholders, we have established a number of criteria for evaluating mineral property opportunities. These include the following:

- **Geography:** Potential acquisitions should be located in jurisdictions that support responsible mining activity and have acceptable levels of political and social risk. Given our current scale and geographic footprint, our current geographic focus is on select investment grade countries in the Americas, with strong rule of law and respect for human rights consistent with our long-standing

- focus on environmental, social and governance ("**ESG**") principles;
- **Commodity:** Among the metals we produce, we believe copper has the best long-term supply/demand fundamentals and the greatest opportunities for sustained risk-adjusted returns. 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 adding long-life, low-cost assets to our existing portfolio of high quality assets. Long life assets can capture peak pricing of multiple commodity price cycles and low cost assets can generate free cash flow even through the trough of price cycles;
 - **Potential:** We consider the full spectrum of acquisition and investment opportunities from early-stage exploration to producing assets, but they must meet our stringent risk-adjusted criteria for growth and value creation. Regardless of the stage of development, we look for mineral assets that we believe offer significant incremental potential for exploration, development and optimization beyond the stated resources and mine plan;
 - **Process:** Through a robust due diligence and capital allocation process, we develop a clear understanding of how we can create value from the investment or the acquired property through the application of our technical, social, operational and project execution expertise, as well as through the provision of necessary financial capacity and other operational optimization opportunities;
 - **Operatorship:** We believe real value is created through leading efficient project development and operations. Hudbay's leadership team is well positioned to drive value and deliver effective capital allocation with our proven track record of successful project development and operational excellence.
 - **Financial:** Investments and acquisitions should be accretive to Hudbay on a per share basis. Given that our strategic focus includes the capital allocation to non-producing 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

Pampacancha and Constancia Satellite Properties

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. With the completion of this agreement, Hudbay expected to be mining ore from the deposit in late 2020. This timing assumed no delays due to the impact of COVID-19. Following the declaration of a state of emergency in Peru due to the COVID-19 pandemic, as described in this AIF, the Pampacancha land clearing may be delayed and the resulting risk to the project schedule is being carefully monitored. Subject to any changes to the project schedule, Hudbay expects growth capital expenditures associated with project development and acquiring the surface rights for Pampacancha to be approximately \$70 million in 2020.

In accordance with Peru's Consulta Previa law, additional consultation between the Peruvian government and the local community is required before we can begin development activities at Pampacancha. We expect the government processes related to Consulta Previa and permitting applications to be deferred during Peru's state of emergency. Some additional capital costs remain outstanding in recognition of current uses of the land by certain community members and we intend to enter into agreements to address these matters prior to commencing mining activities. With the community's endorsement of the agreement, we believe these processes will be concluded in the first half of 2020 unless there are further delays associated with the state of emergency.

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. Hudbay has commenced permitting, community relations and technical activities required to access and conduct drilling activities on these properties.

Leadership Transition

On January 22, 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.

On October 3, 2019, Stephen A. Lang was appointed as Chair of Hudbay's Board of Directors, replacing Alan Hibben. Mr. Lang has over 40 years of experience in the mining industry, including engineering, development and production at gold, copper, coal and platinum group metals operations.

On February 20, 2020, we announced that David Bryson, Hudbay's Senior Vice President and Chief Financial Officer, is retiring from the Company, effective March 31, 2020, to pursue family and personal commitments. A search for a new CFO is underway, and Eugene Lei, currently Hudbay's Senior Vice President, Corporate Development and Strategy, will act as Interim CFO until the search process is concluded, after which he is expected to return to focusing on his current responsibilities.

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. Hudbay and Waterton also agreed that, following the shareholders' meeting, the Corporate Governance and Nominating Committee would initiate a process to identify a suitable successor to the Chair position.

On March 16, 2020, we announced that we amended certain of the standstill provisions of the settlement agreement with Waterton. Under the amendment, the parties agreed to increase the number of Hudbay shares that may be acquired by Waterton from 15.0% to up to 19.99% during the standstill period. The parties also agreed to amend certain provisions of the standstill and to extend the standstill period for six months if Waterton acquires beneficial ownership in excess of 16% of the Company's shares prior to the original termination date, with an automatic extension of a further six months if Waterton's beneficial ownership interest exceeds 17.5% of the Company's shares prior to the expiry of such initial six-month extension period.

Lalor Mine and New Britannia Project

On February 19, 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. The new mine plan contemplated the processing of gold and copper gold ore at the company's New Britannia mill starting in 2022. The New Britannia mill refurbishment costs are expected to total approximately \$115 million over 2020 and 2021.

Drilling and engineering activities in 2019 at Lalor and in the Snow Lake region resulted in increased mineral reserves and resources and a further optimized mine plan. The capital investment in the New Britannia mill offers high returns and a short payback period, based on current reserves at Lalor. Once the New Britannia mill has reached a steady state rate of production, the average annual gold production from Snow Lake is expected to be over 150,000 ounces at a sustaining cash cost, net of by-products credits, of approximately \$655 per ounce over the first eight years.

The integrated revised mine plan for the Snow Lake operations now supports an 18 year operating life, based solely on proven and probable reserves, and utilizes the existing mining capacity of 4,500 tonnes per day at Lalor for the first ten years of the mine plan. The mine plan has the gold and copper-gold rich ore from Lalor feeding a refurbished New Britannia mill starting in 2022 at an average feed rate of 1,500

tonnes per day at average grades of 6.4 g/t gold and 1.0% copper until 2030 based on the current reserve estimate. The mine plan contemplates that the New Britannia mill will remain in operation at a processing rate varying between 1,200 and 1,500 tonnes per day at average grades of 2.2g/t gold and 1.3% copper until 2037 as the Lalor mine feed is replaced by feed from the WIM and 3 Zone mines. The New Britannia mill is expected to achieve gold recoveries of approximately 93% compared to current gold recoveries of approximately 53% at the Stall mill.

The updated resource model at Lalor includes 4.4 million tonnes of inferred mineral resources, which has the potential to extend the Snow Lake operations beyond 18 years, by providing additional feed for both the Stall and New Britannia mills. Drilling and engineering activities will continue in 2020 to confirm the opportunities for further extending the operating life of the Snow Lake processing facilities.

The New Britannia development plan contemplates construction activities occurring between June 2020 and August 2021, with plant commissioning and ramp-up occurring during the fourth quarter of 2021. This timing assumes no delays or deferrals due to the impact of COVID-19 or related liquidity considerations, which remains a risk we continue to prudently assess and monitor.

For additional information, see “Material Mineral Projects – Lalor”.

Rosemont

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

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 decision in the US Mining Law Litigation to the U.S. Ninth Circuit Court of Appeals. Hudbay expects the appeals process to take approximately two years.

On February 10, 2020, the Court issued a ruling in the third lawsuit challenging the U.S. Forest Service’s issuance of the FROD for the Rosemont mine. 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.

The litigation that was commenced in 2019 in respect of the Section 404 Water Permit has been stayed by the Court.

While the litigation is ongoing, Hudbay remains committed to advancing the Rosemont project.

Acquisition of Mason

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

In the fourth quarter of 2019, Hudbay acquired a prospective package of patented and unpatented mining claims contiguous to the Mason project. The land package, known as the Mason Valley properties, is an exploration stage project that includes past producing mines and has the potential to provide additional mineral resources to the Mason project.

Credit Facility Extension and Amendments

On July 14, 2017, we amended our \$350 million corporate revolving credit facility (the “**Canada Facility**”) and our \$200 million Peru revolving credit facility (the “**Peru Facility**”) and, together with the Canada Facility, the “**Credit Facilities**”) to secure both facilities with substantially all of the Company’s assets, other than assets related to the Rosemont project. The Credit Facilities have since been further amended and mature on July 14, 2022.

Equity Financing

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

Amalgamation

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

DESCRIPTION OF OUR BUSINESS

GENERAL

We are a diversified mining company primarily producing copper concentrate (containing copper, gold, and silver) 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 vision is to be a responsible, top-tier operator of long-life, low-cost mines in the Americas. Our mission is to create sustainable value through acquisition, development and operation of high quality, long life deposits with exploration potential in jurisdictions that support responsible mining, and to see the regions and communities in which we operate benefit from our presence.

We have four material mineral projects:

1. our 100% owned Constancia mine, an open pit copper mine in Peru, which achieved

commercial production in the second quarter of 2015;

2. our 100% owned Lalor mine, an underground zinc, gold and copper mine near Snow Lake, Manitoba, which achieved commercial production in the third quarter of 2014;
3. our 100% owned Rosemont project, a copper development project in Pima County, Arizona; and
4. our 100% owned 777 mine, an underground copper, zinc, gold and silver mine in Flin Flon, Manitoba, which has been producing since 2004.

In addition, we own and operate a portfolio of processing facilities in northern Manitoba, including our primary Flin Flon ore concentrator, which produces zinc and copper concentrates, our Stall concentrator, which produces zinc and copper concentrates and our Flin Flon zinc plant, which produces special high-grade zinc metal and continuous galvanizing grade aluminum alloy zinc metal. In 2015, we acquired the New Britannia mill, located in Snow Lake, which we plan to refurbish and utilize, commencing in 2022, as part of our revised Lalor mine plan. In Peru, we own and operate a processing facility at Constancia, which produces copper and molybdenum concentrates.

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

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



COVID-19 BUSINESS UPDATE

As announced on March 20, 2020, we initiated a temporary and orderly shutdown of operations at Constanca after the Peruvian government declared a state of emergency causing the manufacturing and transport of critical mining supplies to be restricted. The state of emergency in Peru has since been extended until April 12, 2020. A smaller workforce has been maintained at Constanca to oversee critical aspects of the operation, with the overarching goal of facilitating a quick and efficient ramp up back to normal levels once the regional situation improves.

In Manitoba, the team is actively engaging with our employees, contractors and the local communities to manage the evolving situation and is implementing its business preparedness plan, including planning activities in the event we need to reduce or cease operations or construction activities in the future. Our focus is on maintaining business continuity and a safe environment for our workers and our communities.

We continue to prudently manage our liquidity position and currently have approximately \$300 million in cash and cash equivalents. We proactively amended our credit facilities in February 2020 to provide additional near-term flexibility and we are evaluating a variety of liquidity and capital spending options if the current environment persists. We have the ability to defer a majority of our 2020 growth capital expenditures at Pampacancha and the New Britannia gold mill. We will continue to monitor the macro-

environment and the status of our operations to assess the potential impacts on our annual guidance disclosure and expect to update our guidance with our first quarter results.

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 has an expected mine life of 17 years.

We completed construction of the Constancia mine in the fourth quarter of 2014 at a capital cost of construction of approximately \$1.7 billion and the mine reached commercial production in the second quarter of 2015. The mine reached full and steady state production in the second half of 2015 and we have since been focused on optimizing the operation.

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. With the completion of this agreement, Hudbay expected to be mining ore from the deposit in late 2020. This timing assumed no delays due to the impact of COVID-19. Following the declaration of a state of emergency in Peru due to the COVID-19 pandemic, as described in this AIF, the Pampacancha land clearing may be delayed and the resulting risk to the project schedule is being carefully monitored. Subject to any changes to the project schedule, Hudbay expects growth capital expenditures associated with project development and acquiring the surface rights for Pampacancha to be approximately \$70 million in 2020.

In accordance with Peru's Consulta Previa law, additional consultation between the Peruvian government and the local community is required before we can begin development activities at Pampacancha. We expect the government processes related to Consulta Previa and permitting applications to be deferred during Peru's state of emergency. Some additional capital costs remain outstanding in recognition of current uses of the land by certain community members and we intend to enter into agreements to address these matters prior to commencing mining activities. With the community's endorsement of the agreement, we believe these processes will be concluded in the first half of 2020 unless there are further delays associated with the state of emergency.

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. Hudbay has commenced permitting, community relations and technical activities required to access and conduct drilling activities on these properties.

100% of the payable silver and 50% of the payable gold at Constancia is subject to a precious metals stream agreement with Wheaton Precious Metals. We receive cash payments equal to the lesser of (i) the market price and (ii) \$400 per ounce (for gold) and \$5.90 per ounce (for silver), subject to one percent annual escalation starting in 2019. Gold recovery for purposes of calculating payable gold is fixed at 55% for gold mined from Constancia and 70% for gold mined from Pampacancha.

On March 29, 2018, we filed a technical report titled "NI 43-101 Technical Report, Constancia Mine, Cuzco, Peru", effective as of December 31, 2017, prepared by Cashel Meagher, P. Geo (our Chief Operating Officer) (the "**Constancia Technical Report**"), a copy of which is available under our profile on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. The mineral reserve and mineral resource estimates effective January 1, 2020 are based on an updated resource model and mine plan which did not differ materially from the ones documented in the Constancia Technical Report with adjustments for the 2019 mining depletion and some minor changes due to the economic re-evaluation of some of the mineral resource estimates. For additional details on our Constancia mine, refer to Schedule B of this AIF.

Mineral Reserves and Resources

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

Constancia Mineral Reserves – January 1, 2020⁽¹⁾⁽²⁾					
	Tonnes	Cu (%)	Mo (g/t)	Au (g/t)	Ag (g/t)
Constancia					
Proven	408,800,000	0.28	85	0.035	2.76
Probable	77,500,000	0.27	70	0.044	3.58
Total Proven and Probable	486,300,000	0.28	83	0.036	2.89
Pampacanacha					
Proven	32,400,000	0.59	178	0.368	4.48
Probable	7,500,000	0.62	173	0.325	5.75
Total Proven and Probable	39,900,000	0.60	177	0.360	4.72
Total Mineral Reserve	526,200,000	0.30	90	0.061	3.03

Notes:

1. The mineral reserve estimates for Constanca are based on a long range mine plan with economic value calculation per block (net smelter return royalty (“NSR”) in \$/t), mining, processing and detailed engineering parameters.
2. The Constanca reserve pits (Constancia and Pampacanacha) consist of operational pits of proven and probable reserves and are based on the following long-term metals prices: \$3.10 per pound of copper; \$11.00 per pound of molybdenum; \$17.00 per ounce of silver; and \$1,375 per ounce of gold; metallurgical recoveries applied by ore type (between 84.4% to 90.5%); and processing cost of \$4.54 per tonne milled, general and administrative costs of \$1.60 per tonne milled and mining costs of \$1.30 and \$1.35 per tonne moved (waste and ore, respectively).

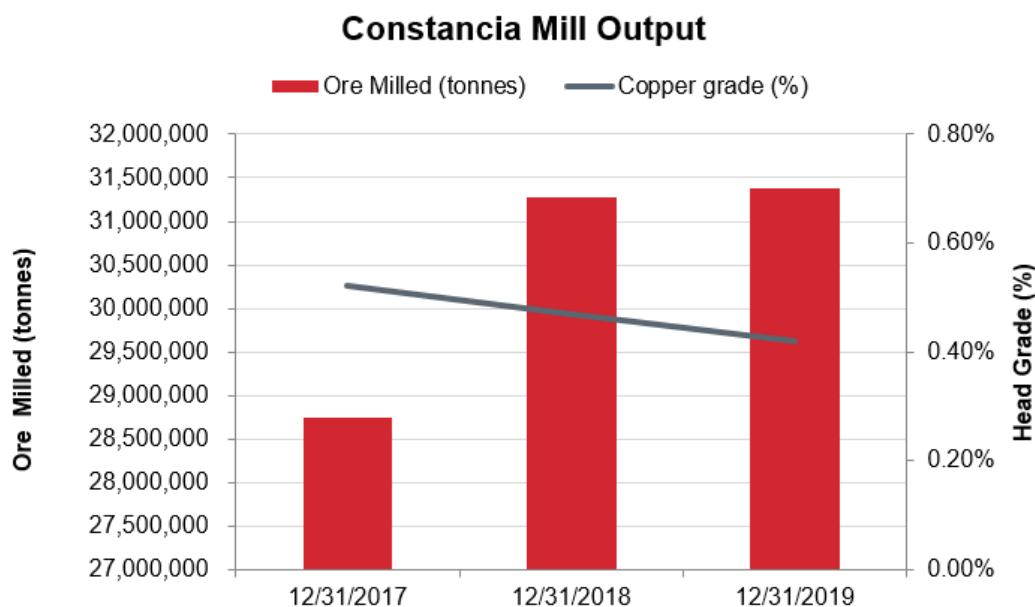
The following table sets forth our estimates of the mineral resources (exclusive of mineral reserves) at the Constanca mine.

Constancia Mineral Resource Estimates (Exclusive of Mineral Reserves) – January 1, 2020⁽¹⁾⁽²⁾					
	Tonnes	Cu (%)	Mo (g/t)	Au (g/t)	Ag (g/t)
Constancia					
Measured	122,700,000	0.18	55	0.028	1.77
Indicated	154,300,000	0.20	65	0.033	1.87
Inferred	83,100,000	0.18	43	0.036	3.39
Pampacanacha					
Measured	11,400,000	0.41	101	0.245	4.95
Indicated	6,000,000	0.35	84	0.285	5.16
Inferred	10,100,000	0.14	143	0.233	3.86
Total Measured & Indicated	294,400,000	0.20	63	0.045	2.01
Total Inferred	93,200,000	0.18	54	0.057	3.44

Notes:

1. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Please refer to Schedule A "Glossary of Mining Terms".
2. The Constanca reserve pits (Constancia and Pampacanacha) consist of operational pits of proven and probable reserves and are based on the following long-term metals prices: \$3.10 per pound of copper; \$11.00 per pound of molybdenum; \$17.00 per ounce of silver; and \$1,375 per ounce of gold; metallurgical recoveries applied by ore type (between 84.4% to 90.5%); and processing cost of \$4.54 per tonne milled, general and administrative costs of \$1.60 per tonne milled and mining costs of \$1.30 and \$1.35 per tonne moved (waste and ore, respectively).

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



Lalor

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

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

On February 19, 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. The new mine plan contemplated the processing of gold and copper gold ore at the Company's New Britannia mill starting in 2022.

Recent infill and exploration drilling conducted in 2019 support another increase in mineral reserve estimates resulting in a longer life operation for the Snow Lake processing facilities, being the Stall and New Britannia mills, as well as a further increase in contained ounces of gold in mineral reserve estimates. Once the New Britannia mill reaches a steady state of production, average annual gold production from Snow Lake is expected to be over 150,000 ounces at a sustaining cash cost, net of by-product credits, of approximately \$655 per ounce over the first eight years. The New Britannia mill refurbishment costs are expected to total approximately \$115 million over 2020 and 2021. The capital investment in the New Britannia mill offers high returns and a short payback period, based on current reserves at Lalor.

The integrated revised mine plan for the Snow Lake operations support an 18 year operating life, based solely on proven and probable reserves, and utilizes the existing mining capacity of 4,500 tonnes per day at Lalor for the first 10 years of the mine plan. The production plan has the copper-gold rich ore feeding a refurbished New Britannia mill starting in 2022 and ramping up to its maximum capacity of 1,500 tonnes per day until 2030 with average grades of 6.4 g/t gold and 1.0% copper until 2030, followed by another eight years of feed from the WIM and 3 Zone deposits at processing rates varying between 1,200 and 1,500 tonnes per day at average grades of 2.2g/t gold and 1.3% copper until 2037, for a total operating life of 18 years. The New Britannia mill is expected to achieve gold recoveries of approximately 93% compared to current gold recoveries of approximately 53% at the Stall mill.

The New Britannia development plan contemplates construction activities occurring between June 2020 and August 2021, with plant commissioning and ramp-up occurring during the fourth quarter of 2021. This timing assumes no delays or deferrals due to the impact of COVID-19 or related liquidity considerations, which remains a risk we continue to prudently assess and monitor. All key environmental permits for the project have been obtained.

The updated resource model at Lalor also includes 4.4 million tonnes of inferred mineral resources, which has the potential to extend the Lalor mine life beyond 10 years and the operating life of the Snow Lake processing facilities beyond 2037. A new copper-gold rich lens, Lens 17, is included in the updated inferred mineral resource estimate for Lalor. Lens 17 contains an inferred mineral resource of 0.8 million tonnes at 3.0% copper, 3.7g/t gold and 18g/t silver based on successful exploration drilling conducted in 2019. This lens has the potential to be expanded down dip and along strike. In addition, the mineral resources at Hudbay's satellite deposits in the Snow Lake region, including the recently discovered 1901 deposit, the Watts deposit, the former gold producing New Britannia mine and the zinc-rich Pen II deposit, could provide additional feed for the Stall and New Britannia processing facilities and further extend the operating life of both mills.

On March 28, 2019, we filed an updated NI 43-101 technical report titled "NI 43-101 Technical Report, Lalor and Snow Lake Operations, Manitoba, Canada", prepared by Olivier Tavchandjian (our Vice President, Exploration and Geology), dated March 28, 2019 and effective as of January 1, 2019 (the "**Lalor Technical Report**"), a copy of which is available under our profile on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. For additional details on our Lalor mine, refer to Schedule B of this AIF.

Mineral Reserves and Resources

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

Lalor Mineral Reserve Estimates – January 1, 2020⁽¹⁾⁽²⁾⁽³⁾					
	Tonnes	Zn Grade (%)	Au Grade (g/t)	Cu Grade (%)	Ag Grade (g/t)
Base Metal Zone					
Proven	7,276,000	6.27	2.42	0.57	29
Probable	1,739,000	4.15	3.83	0.60	31
Gold Zone					
Proven	1,748,000	1.11	6.70	1.37	24
Probable	4,251,000	0.42	6.21	0.83	27
Total proven and probable	15,015,000	3.77	4.16	0.74	28

Notes:

- Totals may not add up correctly due to rounding.
- Mineral reserves are estimated at an NSR cut-off of \$101 per tonne for waste filled mining areas and a minimum of \$113 per tonne for paste filled mining areas.
- A zinc price of \$1.17 per pound (includes premium), copper price of \$3.10 per pound, gold price of \$1,375 per ounce and silver price of \$17.00 per ounce and an exchange rate of 1.30 C\$/US\$ was used to estimate mineral reserves.

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

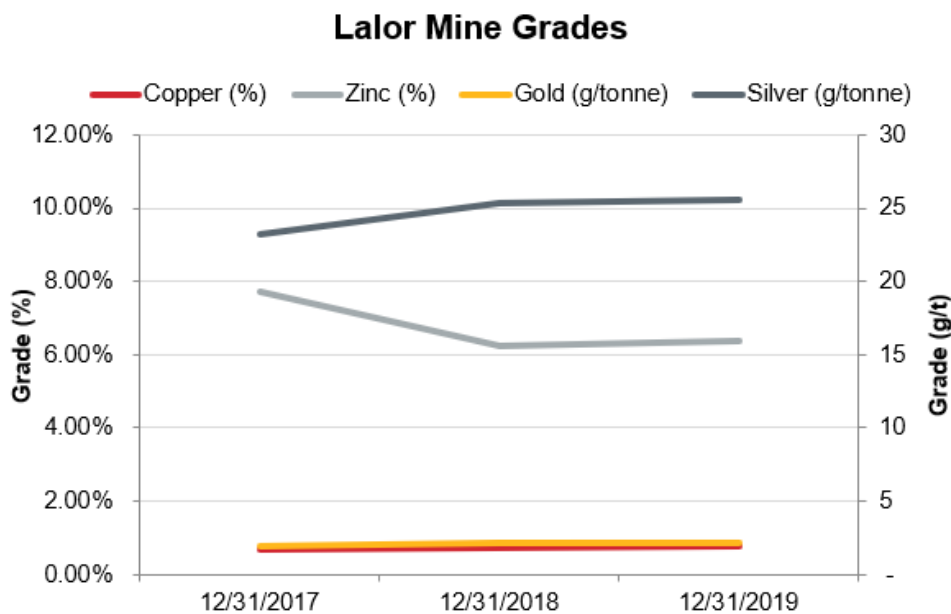
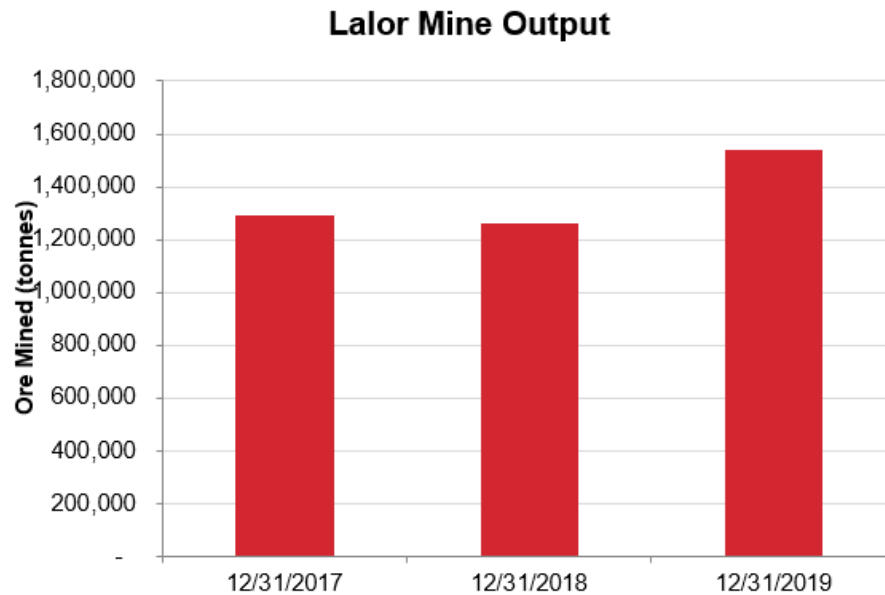
Lalor Mineral Resource Estimates (Exclusive of Mineral Reserves) – January 1, 2020⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾					
	Tonnes	Zn Grade (%)	Au Grade (g/t)	Cu Grade (%)	Ag Grade (g/t)
Base Metal Zone					
Inferred	454,000	7.32	2.16	0.34	21
Gold Zone					
Inferred	3,945,000	0.31	4.69	1.31	26
Total inferred	4,399,000	1.03	4.43	1.21	26

Notes:

- Totals may not add up correctly due to rounding.
- Mineral resources are estimated at a minimum NSR cut-off of \$101 per tonne.
- A zinc price of \$1.17 per pound (includes premium), copper price of \$3.10 per pound, gold price of \$1,375 per ounce and silver price of \$17.00 per ounce and an exchange rate of 1.30 C\$/US\$ was used to estimate mineral resources.
- Mineral resources do not include mining dilution or recovery factors.
- Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Production

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



Rosemont

Our 100% owned Rosemont project is a copper development project, located in Pima County, Arizona, approximately 50 kilometres southeast of Tucson. The Rosemont project will be an open pit, shovel and truck operation and has an expected 19-year mine life. Rosemont is expected to generate an after-tax, unlevered IRR of 15.5%, using a long-term copper price of \$3.00 per pound, with a capital cost estimate of \$1,921 million based on our technical report for Rosemont filed in March 2017.

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.

In 2019, Hudbay also agreed with Wheaton to amend the Rosemont precious metals stream agreement that was entered into with Wheaton prior to Hudbay's acquisition of Rosemont. The amendments to the stream agreement include removal of the condition that the Rosemont permits be free of all challenges and appeals prior to funding. The stream agreement continues to contemplate an upfront initial deposit of \$230 million following the receipt of permits, finalization of the financing plan and commencement of construction, in exchange for delivery of approximately 100% of payable silver and gold produced from Rosemont at a cash price of \$450 per ounce for gold and \$3.90 per ounce for silver, subject to escalation for inflation.

On 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 decision in the US Mining Law Litigation to the U.S. Ninth Circuit Court of Appeals. Hudbay expects the appeals process to take approximately two years.

On February 10, 2020, the Court issued a ruling in the third lawsuit challenging the U.S. Forest Service's issuance of the FROD for the Rosemont mine. 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.

The litigation that was commenced in 2019 in respect of the Section 404 Water Permit has been stayed by the Court.

While the litigation is ongoing, Hudbay remains committed to advancing the Rosemont project

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

Mineral Reserves and Resources

The following table sets forth our estimates of the mineral reserves at the Rosemont project.

Rosemont Mineral Reserve Estimates – January 1, 2020 ⁽¹⁾⁽²⁾⁽³⁾				
	Tonnes	Cu (%)	Mo (%)	Ag (g/t)
Proven	426,100,100	0.48	0.012	4.96
Probable	111,000,000	0.31	0.010	3.09
Total Proven and Probable	537,100,000	0.45	0.012	4.58

Notes:

1. Blocks were classified as Proven or Probable in accordance with CIM Definition Standards 2014.
2. Mineral resources are constrained within a computer generated pit using the Lerchs-Grossman algorithm. Metal prices of US\$3.15 per pound copper, US\$11.00 per pound molybdenum and US\$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.
3. Based on 100% ownership of the Rosemont project.

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

Rosemont Mineral Resource Estimates (Exclusive of Mineral Reserves) – January 1, 2020 ⁽¹⁾⁽²⁾⁽³⁾				
	Tonnes	Cu (%)	Mo (%)	Ag (g/t)
Measured	161,300,000	0.38	0.009	2.72
Indicated	374,900,000	0.25	0.011	2.60
Total Measured & Indicated	536,200,000	0.29	0.011	2.64
Total Inferred	62,300,000	0.30	0.010	1.58

Notes:

1. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Please refer to Schedule A “Glossary of Mining Terms”.
2. Mineral resources are constrained within a computer generated pit using the Lerchs-Grossman algorithm. Estimates of mineral resources are based on the following long-term metals prices: \$3.15 per pound of copper; \$11.00 per pound of molybdenum; and \$18.00 per ounce of silver. Metallurgical recoveries of 85% copper, 60% molybdenum and 75% silver were applied to sulfide material. Metallurgical recoveries of 40% copper, 30% molybdenum and 40% silver were applied to mixed material. A metallurgical recovery of 65% for copper was applied to oxide material. NSR was calculated for every model block and is an estimate of recovered economic value of copper, molybdenum, and silver combined. Cut-off grades were set in terms of NSR based on current estimates of process recoveries, total processing and general and administrative operating costs of \$5.70 per ton for oxide, mixed and sulfide material.
3. Based on 100% ownership of the Rosemont project.

777 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 principal concentrator and zinc pressure leach plant in Flin Flon, Manitoba. Development of the 777 mine commenced in 1999 and commercial production began in 2004. Based on the most recent estimate of mineral reserves, the 777 mine life has been extended to the end of the second quarter of 2022.

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

Pursuant to the precious metals stream agreement we entered into with Wheaton Precious Metals in respect of the 777 mine, we are required to deliver 50% of the payable gold and 100% of the payable silver from the 777 mine and receive fixed payments equal to the lesser of (i) the market price and (ii) \$400 per ounce (for gold) and \$5.90 per ounce (for silver), subject to one percent annual escalation that

started in 2015.

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

Mineral Reserves and Resources

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

777 Mineral Reserve Estimates – January 1, 2020⁽¹⁾⁽²⁾					
	Tonnes	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)
Base Metal Zone					
Proven	2,122,000	1.44	4.55	2.01	27
Probable	459,000	1.11	4.11	1.75	26
Total Proven and Probable	2,581,000	1.38	4.47	1.96	27

Notes:

- Totals may not add up correctly due to rounding.
- Life of mine (2020-2022) average zinc price of \$1.11 per pound (includes premium), copper price of \$2.92 per pound, gold price of \$1,392 per ounce and silver price of \$16.33 per ounce using an exchange rate of 1.30 C\$/US\$ was used to estimate mineral reserves and mineral resources.

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

777 Mineral Resource Estimates (Exclusive of Mineral Reserves) – January 1, 2020⁽¹⁾⁽²⁾⁽³⁾					
	Tonnes	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)
Measured	370,000	2.02	3.69	1.97	25
Indicated	140,000	1.02	3.85	1.57	26
Total Measured and Indicated	510,000	1.75	3.74	1.86	26

777 Inferred Mineral Resources – January 1, 2020⁽¹⁾⁽²⁾⁽³⁾					
	Tonnes	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)
Inferred	210,000	1.48	5.22	3.11	40

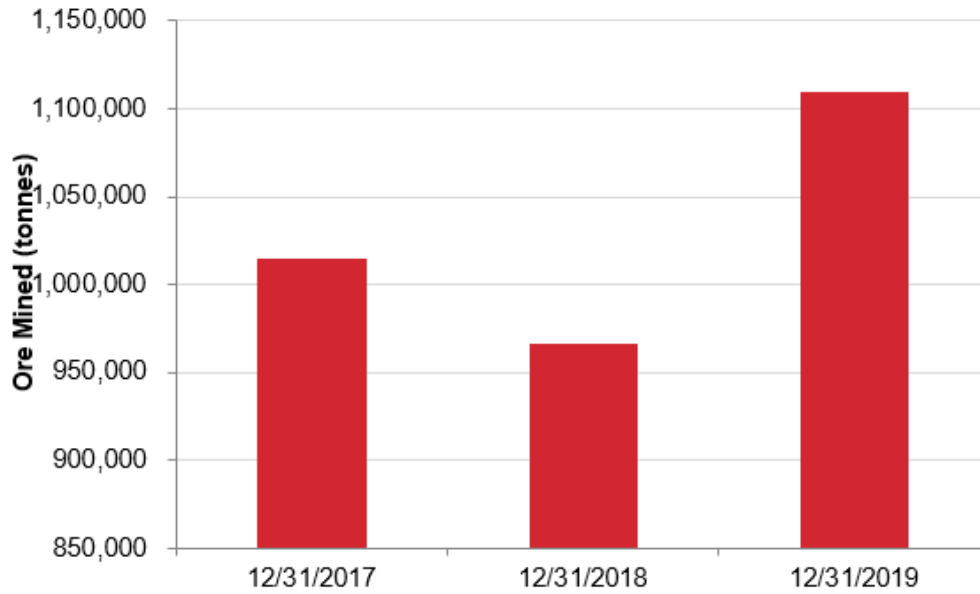
Notes:

- Totals may not add up correctly due to rounding.
- Life of mine (2020-2022) average zinc price of \$1.11 per pound (includes premium), copper price of \$2.92 per pound, gold price of \$1,392 per ounce and silver price of \$16.33 per ounce using an exchange rate of 1.30 C\$/US\$ was used to estimate mineral reserves and mineral resources.
- Mineral resources that are not mineral reserves do not have demonstrated economic viability. Please refer to Schedule A “Glossary of Mining Terms”.

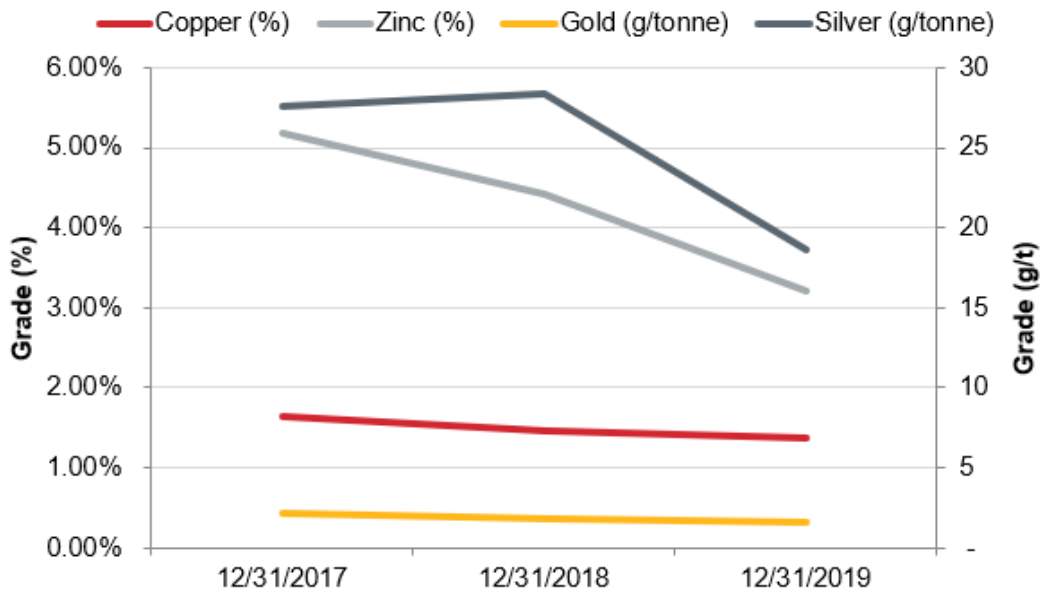
Production

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

777 Mine Output



777 Mine Grades



OTHER ASSETS

Snow Lake Regional Deposits

As discussed under “Lalor” above, the mineral resources at Hudbay’s satellite deposits in the Snow Lake region, including the newly discovered 1901 Deposit, the copper-gold WIM deposit, the former gold producing New Britannia mine and the zinc-rich 1901, Watts and Pen II deposits have the potential to provide feed for the Stall and New Britannia processing facilities and further extend Lalor’s mine life. The following table sets forth our estimates of the mineral reserves and resources at the Snow Lake regional deposits (excluding Lalor).

Snow Lake Regional Gold Deposits Mineral Reserve Estimates – January 1, 2020⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾					
	Tonnes	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)
Probable Reserves					
WIM	2,448,000	1.63	0.25	1.6	6.3
3 Zone	662,000	-	-	4.2	-
Total Probable (Gold)	3,110,000	1.28	0.20	2.2	5.0

Notes:

- Totals may not add up correctly due to rounding.
- WIM has been re-assigned from a base metal (2019) to a gold mineral deposit.
- WIM mineral reserves are estimated at a minimum NSR cut-off of C\$150 per tonne, assuming processing recoveries of 98% for copper, 88% for gold and 70% for silver, and using long-term prices of \$3.10 per pound copper, \$1,375 per ounce gold and \$17.00 per ounce silver.
- 3 Zone mineral reserves are estimated at a minimum NSR cut-off of C\$150 per tonne, assuming processing recoveries of 85% for gold, and using a long-term price of \$1,375 per ounce gold.

Snow Lake Regional Gold Deposits Mineral Resource Estimates– January 1, 2020⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾

	Tonnes	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)
Inferred Resources (Exclusive of Mineral Reserves)					
Birch	569,000	-	-	4.4	-
New Britannia	2,753,000	-	-	4.5	-
Total Inferred (Gold)	3,322,000	-	-	4.5	-

Snow Lake Regional Base Metal Deposits Mineral Resource Estimates – January 1, 2020⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾

	Tonnes	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)
Indicated Resources (Exclusive of Mineral Reserves)					
PEN II	469,000	0.49	8.89	0.4	6.8
Total Indicated (Base Metals)	469,000	0.49	8.89	0.4	6.8

Inferred Resources (Exclusive of Mineral Reserves)					
1901	2,065,000	0.25	9.67	0.9	30.3
Watts	3,153,000	2.34	2.58	1.0	31.0
PEN II	132,000	0.37	9.81	0.3	6.9
Total Inferred (Base Metals)	5,350,000	1.48	5.49	0.9	30.1

Notes:

- Totals may not add up correctly due to rounding.
- Mineral resources that are not mineral reserves do not have demonstrated economic viability.
- Mineral resources in the above tables do not include mining dilution or recovery factors.
- 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).
- 1901 mineral resources are estimated at a minimum NSR cut-off of \$170 per tonne, assuming processing recoveries of 73% for copper, 94% for zinc, 48% for gold and 47% for silver, and using long-term prices of \$3.10 per pound copper, \$1,260 per ounce gold, \$1.10 per pound zinc and \$18.00 per ounce silver.
- Watts mineral resources are estimated at a minimum NSR cut-off of \$150 per tonne, assuming processing recoveries of 87% for copper, 80% for zinc, 65% for gold and 64% for silver, and using long-term prices of \$3.10 per pound copper, \$1,375 per ounce gold, \$1.10 per pound zinc and \$17.00 per ounce silver.
- Pen II mineral resources are estimated at a minimum NSR cut-off of \$75 per tonne and assume that the Pen II mineral resources would be amenable to processing at the Stall mill.

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. The Mason project is one of our high priority exploration projects in North America and we have been active in taking steps to try to optimize this opportunity.

In the fourth quarter of 2019, we acquired a prospective package of patented and unpatented mining claims contiguous to the Mason project. The land package, known as the Mason Valley properties, is an exploration stage project that includes past producing mines and has the potential to provide additional mineral resources to the Mason project.

We have also entered into an option agreement to acquire an 80% interest in the Gray Hills unpatented mining claims in Lyon County, Nevada, located approximately 25km southeast of the Mason project, as part of our land consolidation in the Yerington district.

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

Mason Project Mineral Resource Estimates – March 3, 2017 ⁽¹⁾⁽²⁾					
	Tonnes	Grade			
		Cu (%)	Au (g/t)	Ag (g/t)	Mo (%)
Measured & Indicated	1,400,000,000	0.32	0.03	0.65	0.006
Inferred	623,000,000	0.29	0.03	0.66	0.007

Notes:

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

Processing Facilities

Manitoba Business Unit

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

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 103,345 tonnes of cast zinc in 2019 and the 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, a modern electro-winning cellhouse, a casting plant, and a zinc storage area with the ability to load trucks or rail cars. The zinc plant has a dedicated leach residue disposal facility. The bulk of the waste material is tailings cake residues containing gypsum, iron, and sulphur. Wastewater is treated and recycled through the zinc plant.

Our Stall concentrator in Snow Lake, Manitoba was re-started in 2009 and a new copper recovery circuit was installed in the third quarter of 2012 to facilitate processing of Lalor ore. In 2014, we refurbished equipment and facilities at the Stall concentrator, and the concentrator now processes approximately 3,800 tonnes per day of ore production from the Lalor mine and produces zinc and copper concentrates. The zinc concentrate is shipped by truck for further processing at our zinc plant in Flin Flon. The majority of the tailings produced from the Stall mill are pumped to the Lalor paste plant, where it is dewatered, mixed with cement and sent underground as pastefill. If pastefill is not required, the tailings are diverted to the Anderson tailings impoundment area.

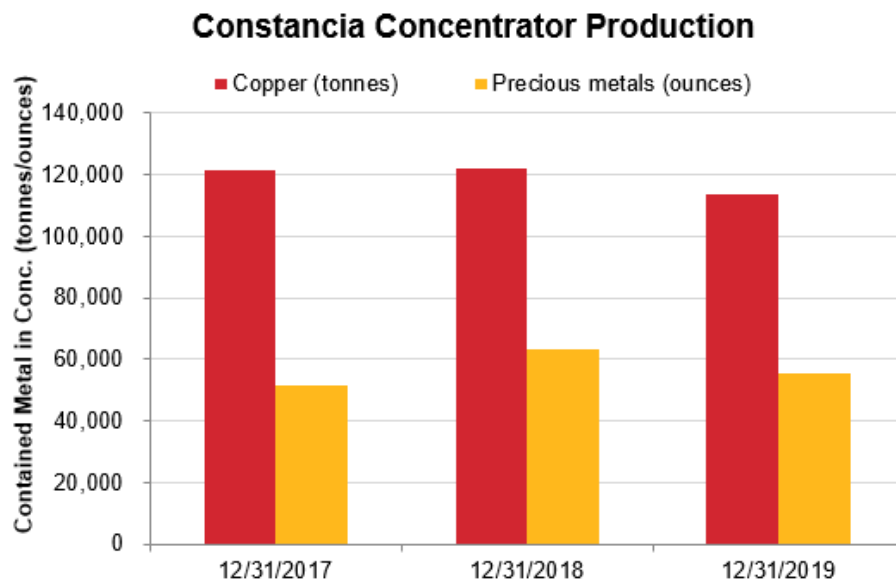
In 2015, Hudbay acquired a 100% interest in the New Britannia mine and mill, located in Snow Lake, Manitoba. Hudbay plans to refurbish the New Britannia mill, including the addition of a copper flotation circuit, to optimize processing of the Lalor gold and copper gold ores (See “Material Mineral Projects – Lalor”).

Peru Business Unit

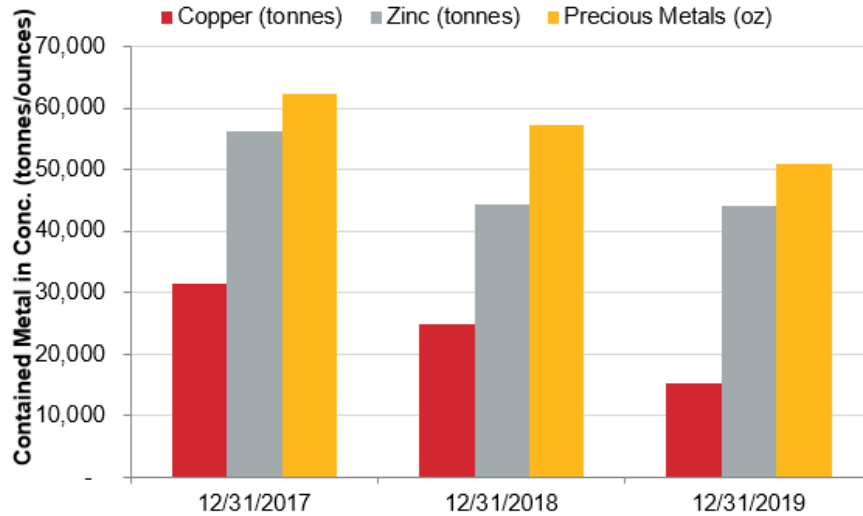
Our processing plant at Constanca has a nominal throughput capacity of 90,000 dry metric tonnes per day of ore at 94% plant mechanical availability and resulting in average throughput of approximately 86,000 dry metric tonnes per day in 2019. We improved the performance of the plant in 2019 through technology 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 Constanca, Flin Flon and Stall concentrators for the last three years:



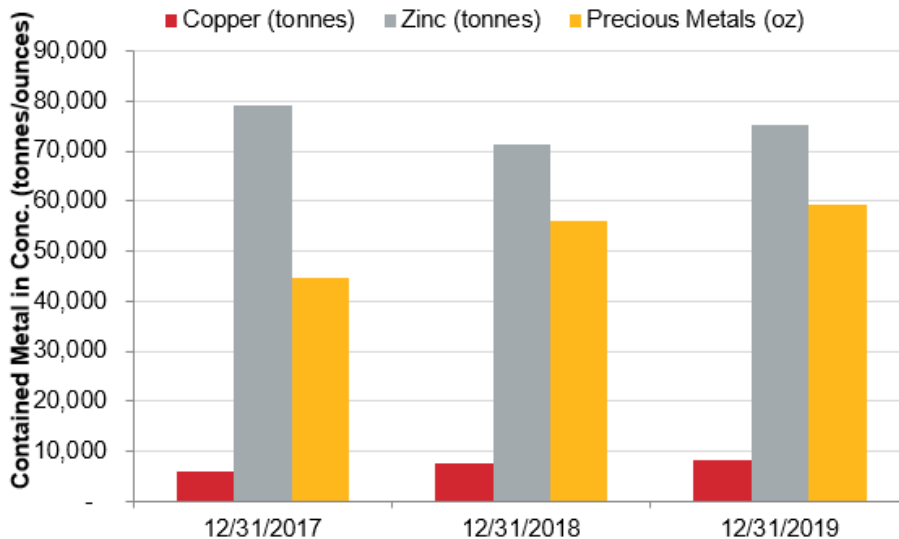
Flin Flon Concentrator Production



Note:

1. The Reed copper mine closed in 2018.

Stall Concentrator Production



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 has historically used subaqueous deposition of tailings. In order to accommodate ongoing production from our Lalor mine, we are in the process of raising the dam around Anderson using the downstream method. Our Constancia tailings facility was constructed utilizing a downstream method which created a solid rockfill platform foundation. This foundation supports ongoing centerline construction which will continue until the end of the operating life of the structure.

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

At our 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 the next three years, particularly in areas previously constructed using the upstream method. We expect to spend approximately \$20 million per year from 2020 to 2022 to implement improvements and increase the safety factor of these tailings facilities.

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

Exploration

Hudbay has an exploration portfolio of owned or optioned mineral properties which consists of approximately 850,000 hectares across Canada, Peru, the United States and Chile. Hudbay’s 2020 exploration budget of \$25 million, which includes option payments, will be focused on exploration near existing processing infrastructure in Manitoba and Peru.

In Peru, the company expects to conduct exploration drilling on skarn targets in two areas close to the Constanca mine as well as for the definition of a porphyry deposit at the greenfield Liaguen project, located 56 kilometres east of the city of Trujillo in Northern Peru where Hudbay has been successful in reaching a community agreement. In Manitoba, the company expects to conduct more underground drilling at Lalor to support the long-term gold strategy in Snow Lake as well as surface drilling to expand its gold resource base.

Exploration activities elsewhere will consist of geological mapping, geochemical sampling and geophysical surveys.

Strategic Investments

As at December 31, 2019, we held minority equity positions in 15 junior exploration companies, representing investments with a fair market value of approximately \$12 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, 2019 were \$396 million, and are held in low risk liquid investments and deposit accounts pursuant to our investment policy.

OTHER INFORMATION

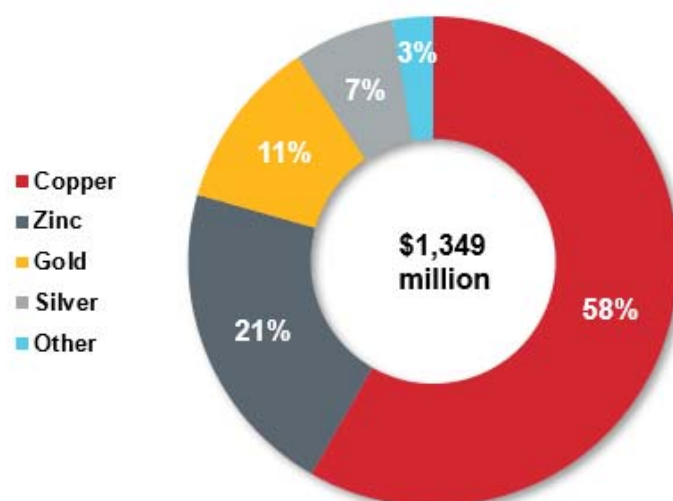
Products and Marketing

Our principal products are copper concentrate, which contains payable copper, gold and silver, zinc concentrate, refined zinc metal and molybdenum concentrate. In 2019, we produced 595,326 tonnes of copper concentrate (487,772 tonnes from Constancia and 107,554 tonnes from our operations in Manitoba), 233,556 tonnes of zinc concentrate, the majority of which was processed in our Flin Flon zinc plant facility to produce 103,340 tonnes of cast zinc, and 2,599 tonnes of molybdenum concentrate.

In 2019, copper concentrate sales represented approximately 58% (2018 – 61%), zinc sales represented approximately 21% (2018 – 20%) and molybdenum sales represented approximately 2% (2018 – 1%), 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 2019 revenue breakdown by commodity type is illustrated in the chart below:

2019 REVENUE BREAKDOWN



Notes:

1. Revenue for the full year ended December 31, 2019. Gold and silver revenues include deferred revenue and cash payments applicable to precious metals stream sales.
2. This number excludes treatment and refining charges.

In 2019, approximately 55% (65% in 2018) of our copper concentrate sales were to third party purchasers at benchmark terms and for 2020 this is expected to increase to approximately 72%. The majority of the balance of our copper concentrate production is sold pursuant to shorter-term contracts (one to two years) at spot market terms. 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 2019.

All molybdenum concentrate production in 2019 was sold to third party purchasers under long-term contracts and was delivered to roasters in South America, Asia and North America.

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.

We ship cast zinc metal produced at our Flin Flon zinc plant by rail and truck to third party customers in North America.

Commodity Markets

In addition to our production, financial performance is directly affected by a number of factors, including metals prices, foreign exchange rates, and input costs, including energy prices. Average prices for copper and zinc declined significantly in 2019 from 2018 as concerns about the trade dispute between the U.S. and China, and the resulting impact on Chinese economic growth, outweighed reasonably supportive fundamentals in the physical copper and zinc markets.

For additional information refer to our market analysis of copper and zinc prices on pages 24 and 25 of our management's discussion and analysis for the year ended December 31, 2019, a copy of which has been filed on SEDAR at www.sedar.com and EDGAR at www.sec.gov.

Specialized Skill and Knowledge

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

Competitive Conditions

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

Economic Dependence

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

Environmental Protection

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

Our goal is to continue to improve our environmental performance and we have an environmental management program directed at environmental protection and compliance to achieve our goal and address these regulatory changes. For additional information, see "Tailings Management Facilities" above and "Sustainability".

Employees

As at December 31, 2019, we had 72 employees at our Toronto head office, 1,411 employees in Manitoba, 728 employees in Peru and 25 employees in Arizona.

We have entered into separate three-year collective bargaining agreements that expire at the end of 2020 with the unionized workforces at our Manitoba and Peru operations. Unionized workers represented

approximately 78% of our employees in Manitoba and 36% of our employees in Peru as at December 31, 2019.

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 and communities and being able to bring that good reputation to new communities and jurisdictions when we embark on new projects. We therefore commit to our stakeholders to work to create benefits and opportunities that contribute to their economic and social wellbeing, and to protect our natural environment. We also commit to our employees to maintain a safe and healthy work environment. As described below, we have adopted a number of voluntary codes and other external instruments that we consider particularly relevant to our business, including Environmental Management System Standard ISO 14001, Occupational Health and Safety Assessment Series (“OHSAS”) 18001, the Voluntary Principles on Security and Human Rights, and our commitment to follow the TSM program of the Mining Association of Canada at all of our operating locations.

HEALTH, SAFETY AND ENVIRONMENTAL POLICIES

Among our core values are protecting the health and welfare of our employees and contractors and reducing the impact of our operations on the environment. All of our producing operations have management systems certified to Safety and Environmental Management System Standards OHSAS 18001 and ISO 14001. In addition, the production and supply of our cast zinc products are registered to the ISO 9001 quality standard.

We believe that ongoing improvement in the safety of our workplace assists in maintaining healthy labour relations and that our ability to minimize recordable injuries (Medical Aid, Restricted Work and Lost Time injuries) and comply with environmental requirements are significant factors in maintaining social license to operate and realizing opportunities to improve overall operational efficiency. Our safety management systems also focus on identifying and mitigating fatal risks, including implementing critical controls addressing fatal risks and also on thoroughly investigating any incidents that represent a potential fatality regardless of the actual outcome of the incident. During 2018 and 2019, we transitioned to classifying injuries across our company using the International Council on Mining and Metals (ICMM) criteria. Based on the ICMM criteria, in 2019, our recordable injury frequency per 200,000 hours worked was 1.27, a slight decrease from our 2018 performance of 1.32 (restated using the ICMM criteria). The key difference between the ICMM classification and our previously reported numbers is that instances in which an injured worker is examined by a doctor but does not receive any medical treatment is not considered a “recordable” injury (although it is still recorded and investigated as a First Aid), whereas previously for our Manitoba operation our corporate statistics reflected the Manitoba regulatory criteria and would have been included as “recordable”. By moving to the ICMM criteria we are able to present performance statistics that are more comparable to our industry peers. Our other key measure of performance, Lost Time Severity, decreased substantially in 2019 to 4.1 days lost per 200,000 hours worked from an average of 11 over 2017 and 2018. This was largely due a reduction in lost time injuries and implementing improved return to work programs in our Manitoba Business Unit (we measure lost time and severity based on time away from work and do not include days of restricted work). While Hudbay’s Peru Business Unit experienced an increase in recordable injuries and lost time severity in 2019, it still achieved a noteworthy

lost time frequency performance of 0.03 per 200,000 hours worked in 2019.

Our environmental management program consists of a corporate environmental policy, and at each site, comprehensive environmental management plans and procedures that are integrated with operating procedures, employee training, regular internal and external audits, and emergency response systems. Appropriate water stewardship plays an important role in the development and operation of our projects, particularly the Rosemont project. We did not have any material environmental non-compliances in 2019.

We maintain a company wide information system for recording, managing and tracking environmental, health, safety and community incidents.

HUMAN RIGHTS POLICY

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

The Voluntary Principles on Security and Human Rights provide important guidance for our security and community relations practices in locations with higher potential for social conflict and, in Peru, we regularly audit security policies and practices and conduct gap analyses against the Voluntary Principles. In early 2019, we formalized a corporate Security Management Policy and Standards to support a consistent and structured approach to security across our locations.

SUSTAINABILITY REPORTING

Each year we publish a combined Annual and Corporate Social Responsibility (“**CSR**”) Report that presents and discusses our environmental, social, health and safety performance in the context of our overall business performance. This report is prepared pursuant to the Global Reporting Initiative guidelines, which is the world’s most widely used sustainability framework. Our 2018 Annual CSR Report has been prepared largely in accordance with the “Core” option of the G4 guidelines and is available on our website at <https://hudsonbayminerals.com/disclosure-centre/default.aspx>. Our 2019 report is expected to be released in the second quarter of 2020.

RISK FACTORS

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

METALS PRICES AND FOREIGN EXCHANGE

Our profit or loss and financial condition depend upon the market prices of the metals we produce, which are cyclical and which can fluctuate widely with demand. The profitability of our current operations is directly related and sensitive to changes in the market price of copper and zinc and, to a lesser extent, that of gold, silver and molybdenum (see “Sensitivity Analysis” on page 25 of our management’s discussion and analysis for the year ended December 31, 2019). 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 the COVID-19 pandemic), 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 the COVID-19 pandemic, trade disputes, increased self-sufficiency, increased reliance on other suppliers to meet demand or a prolonged market disruption event, including as a result of the recent COVID-19 pandemic. 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 (including as a result of the COVID-19 pandemic) may, depending on hedging practices, materially reduce our profitability and could cause us to reduce output at our operations (including, possibly, closing one or more of our mines or plants). If such price declines were significant, there could be a material and adverse effect on our cash flow from operations and our ability to finance our projects and satisfy our debt service obligations (see "Access to Capital and Indebtedness" below).

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

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

PUBLIC HEALTH THREATS

An outbreak of infectious disease, a pandemic or a similar public health threat (such as the recent outbreak of the novel coronavirus known 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.

On March 15, 2020, the Peruvian government declared a national state of emergency in response to the COVID-19 outbreak in Peru, requiring non-essential businesses to be shut down for 15 days. Under the state of emergency, the government enacted 15 days of mandatory quarantine starting at midnight on March 16. Limited quarantine exemptions include movement to obtain food and medical care, as well as the transport of fuel, mineral products and certain other essentials for mining operations. The state of emergency rapidly changed the environment, which caused the manufacturing and transport of critical supplies to be suspended. With the limited availability of certain critical mining supplies, we initiated a temporary and orderly shutdown of operations at Constancia. The government has since extended the state of emergency until April 12, 2020 and Constancia remains temporarily shutdown. The possibility of a prolonged shutdown at some or all of our operations would cause us to continue to incur costs without realizing revenue. A smaller workforce will be maintained at Constancia to oversee critical aspects of the operation, with the overarching goal of facilitating a quick and efficient ramp up back to normal levels once

the regional situation improves. We also expect the government processes related to Consulta Previa and permitting applications to be deferred during this state of emergency.

In Manitoba, there remains a risk that we will need to reduce or cease operations or construction activities in the future.

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 and the possibility of a prolonged shutdown at some or all of our operations would cause us to continue to incur costs without realizing revenue.

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, and, to a lesser extent, to refurbish the New Britannia mill and develop the Pampacancha deposit. Our capital and operating costs may be affected by a variety of factors, including project scope changes, local currency appreciation and general cost escalation common to mining projects globally. Factors such as COVID-19 related 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. Many major mining projects constructed in the last five to ten years have experienced cost overruns that substantially exceeded the capital cost estimated during the basic engineering phase of those projects, sometimes by as much as 50% or more. There can be no certainty that there will be sufficient financing or other transactions available on acceptable terms to fund the construction of Rosemont if we are successfully in having the required permits reinstated.

The development of the Rosemont project may not occur as planned. While we expect that the Rosemont project will eventually be constructed and result in increased copper and precious metals production and enhanced growth opportunities for us, these anticipated benefits are not assured. There can be no assurance that administrative and legal challenges to Rosemont's permits (including those with respect to the FROD and Section 404 Water Permit) will be successfully resolved. Moreover, there may be further delays caused by additional administrative and legal challenges to Rosemont's permits.

The capital expenditures, timeline and other risks involved with developing a new mine, such as Rosemont, refurbishing and commissioning a new processing facility, such as the New Britannia mill, and mining a new deposit such as Pampacancha at our Constancia mine in Peru, are considerable. In the case of the New Britannia mill, the primary risk is the construction schedule and the constraints imposed on construction by COVID-19 related concerns and winter weather conditions in northern Manitoba. In the case of Pampacancha, there is a risk that we may not be able to use the surface rights we acquired from the community to develop the deposit if we are unable to reach agreements with those individual community members that currently use a portion of the acquired lands. If we do not achieve certain production milestones from Pampacancha, we will be obliged to deliver additional ounces of gold to Wheaton Precious Metals; however, we do not consider any such delivery obligations to be material. Any inability to use the acquired surface rights for Pampacancha or take possession of other areas for which we hold surface rights could render us unable to carry out planned exploration, development and mining

activities and expose us to financial risks. There can be no assurance that our current development projects or other projects we intend to develop will be able to be developed successfully or economically or that they will not be subject to the other risks described in this section.

DEPLETION OF RESERVES

Subject to any future expansion or other development, production from existing operations at our mines will typically decline over the life of the mine and, in the case of a maturing mine nearing the end of its life such as our 777 mine, the risk of the extraction of mineral reserves becoming uneconomic increases. As a result, our ability to maintain our current production or increase our annual production of base and precious metals and generate revenues therefrom will depend significantly upon our ability to discover or acquire new deposits, to successfully bring new mines into production and to expand mineral reserves at existing mines. Exploration and development of mineral properties 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 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.

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

In situations where we have acquired mineral rights, we may not be able to secure required surface rights. In addition, in situations where we possess surface rights, our land may be illegally occupied or access could otherwise be denied. Any inability to secure required surface rights or take possession of areas for which we hold surface rights could render us unable to carry out planned exploration, development and mining activities. We are at the highest risk of this occurring at our Constancia mine in Peru, where we need to reach agreements with certain individual community members that use a portion of the surface lands that we've acquired from the community in order to commence mining Pampacancha and need to enter into land use agreements with other communities in order to explore the prospective mineral

properties we acquired in close proximity to Constancia. In addition, we possess certain other surface rights that could be illegally occupied or challenged by the surrounding communities.

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

COMMUNITY RELATIONS AND INDIGENOUS RIGHTS

Our relationships and reputation, particularly with the communities in which we operate in Manitoba, 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 in the area, there can be no assurance that disputes will not arise with these communities or with other communities with whom we do not have an agreement in place. There is also a risk we will be unable to reach agreements with certain individual community members that use a portion of the Pampacancha surface lands that we've acquired from the community which would impair our ability to successfully develop the Pampacancha deposit. There is also a risk we may be unable to reach land use agreements with other 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. Although we expect the Consulta Previa process for the development of Pampacancha to be completed during the first half of 2020, there is a risk that this process could take longer than anticipated due to the state of emergency or be suspended or delayed for other reasons.

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 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. Recently, for example, protests related to the Coastal GasLink pipeline project shutdown CN railway lines across Canada and impaired Hudbay's ability to ship mineral products to its customers.

While we are committed to operating in accordance with applicable laws and in a socially responsible manner, there can be no assurance that our efforts in this respect will fully mitigate this potential risk.

MINING, PROCESSING AND INSURANCE

Mining operations, including exploration, development and production of mineral deposits and disposal of tailings, generally involve a high degree of risk and are subject to conditions and events beyond our control. Our operations are subject to all of the hazards and risks normally encountered in the mining industry including: adverse environmental conditions; industrial and environmental accidents; metallurgical and other processing problems; unusual or unexpected rock formations; ground or slope failures; structural cave-ins or slides; flooding or fires; seismic activity; rock bursts; equipment failures; and periodic interruptions due to weather conditions, as well as intentional acts by individuals or groups who intend to harm or disrupt our operations. These risks could result in the destruction of mines or processing facilities, the failure of tailings management facilities and damage to infrastructure, causing partial or complete shutdowns, personal injury or death, environmental or other damage to our properties or the properties of others, monetary losses and potential legal liability. Although we conduct extensive maintenance and monitoring and incur significant costs to maintain our mines, equipment and infrastructure, including our tailings management facilities, unanticipated failures or damage may occur that cause injuries, production loss or environmental pollution and resulting legal and economic liability, which may be significant. We may be at a heightened risk of such anticipated failures or damage in Manitoba, where some of our mines, equipment and infrastructure, including our tailings management facilities, were built over 80 years ago and, in the case of FFTIA, were based on the upstream construction design method.

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 has resulted in a decision to implement a number of improvements to our Manitoba tailings facilities over the next three years 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, such as our Stall concentrator and the Flin Flon metallurgical complex, the risk of unexpected shutdowns and reduced availability increases. Any inability to provide adequate feed to our processing facilities or maintain the availability of our processing facilities could

adversely impact our profitability and impair the viability of our operations.

Our insurance will not cover all the potential risks associated with our operations. In addition, although certain risks are insurable, 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 of 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.

LIQUIDITY, ACCESS TO CAPITAL AND INDEBTEDNESS

As at December 31, 2019, we had cash and cash equivalents of \$396.1 million as well as \$420.6 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 the deterioration in metals prices and other risks associated with the COVID-19 pandemic.

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

We have a significant amount of indebtedness. As of December 31, 2019, our total long-term debt was approximately \$1.0 billion. As a result, we have a substantial annual interest expense, including approximately \$75 million in respect of our Senior Unsecured Notes.

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

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

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

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

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

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

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

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

GOVERNMENTAL APPROVALS, 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 addition, we are now hauling a portion of the ore production from the Lalor mine approximately 200 kilometers by road to Flin Flon for processing. In Peru, concentrate production from the Constancia mine must travel approximately 450 kilometers by road to the Port of Matarani. The method and route of transportation of ore and concentrates to our processing facilities and for sale give rise to a number of risks, including road safety and community and environmental risks. We may have similar dependencies at future mining and processing operations. Inability to secure reliable and cost-effective transportation and other infrastructure, or disruption of these services due to community or political protests (as was recently the case with the CN rail blockades in Canada), weather-related problems, strikes, lock-outs or other events could have a material adverse effect on our operations. If transportation for our products is or becomes unavailable, our ability to market our products could suffer. In addition, increases in our transportation costs, relative to those of our competitors, could make our operations less competitive and could adversely affect our profitability.

RECRUITMENT, RETENTION AND LABOUR RELATIONS

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

We also are dependent on a number of key management and operating personnel, and our success will depend in large part on the efforts of these individuals and our ability to retain them. The recent changes to our Board of Directors and CEO may heighten this risk.

Although we have collective bargaining agreements in place with our unionized workforces in Manitoba and Peru and currently enjoy labour stability, there can be no assurance that our business will not suffer from a work stoppage at any location where we operate. There is a heightened risk of a work stoppage in connection with the renegotiation of collective bargaining agreements. The collective bargaining agreements with the labour union in Peru and the seven labour unions at our Manitoba operations expire on or around the end of 2020 and there is a risk that one or more of the labour unions could strike if we are unable to reach a new agreement.

In addition, from time to time we may temporarily suspend or close certain of our operations and we may incur significant labour and severance costs as a result of a suspension or closure. Further, temporary suspensions and closures may adversely affect our future access to skilled labour, as employees who are laid off may seek employment elsewhere.

TITLE TO MINERAL PROPERTIES

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

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

MINERAL RESOURCE AND RESERVE ESTIMATES

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

may vary substantially from our actual results.

RECLAMATION AND MINE CLOSURE COSTS

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

INFORMATION TECHNOLOGY SYSTEMS

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

ENERGY 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 global and regional supply and demand, political and economic conditions, and applicable regulatory regimes. The prices of various sources of energy we rely on may increase significantly from current levels and any carbon-based energy we use may become subject to a carbon tax; any such significant increase or punitive tax could have an adverse effect on our profitability.

COMPETITION

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

REPUTATIONAL RISK

As a result of the increased usage and reach of social media and other internet platforms used to create and publish user-generated content, companies today are at much greater risk of losing control over how they are perceived in the marketplace. Publicity adverse to us, including as a result of such user-

generated content, could result from the actual or perceived occurrence of any number of events (for example, with respect to the handling of environmental matters, community relations or litigation), whether true or not. Although Hudbay seeks to mitigate this risk through a number of measures, there can be no assurance that the Company's reputation will not be harmed. Reputation loss may lead to increased challenges in developing and maintaining community relations and decreased investor confidence and could ultimately have a material adverse impact on Hudbay.

CLIMATE CHANGE

Governments and regulatory bodies at the international, national, regional and local levels have introduced or may introduce legislative 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 action to regulate (and price) climate change, including regulations on carbon emissions and energy and water use to achieve net-zero emissions by 2050, could increase the direct and indirect costs of our operations and may have a material adverse effect on our business.

In addition, there is increased investor attention on climate change and sustainability issues more generally. Notwithstanding our commitment to conducting our business in a socially responsible manner, 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 its perceived role in a transition to a low carbon economy, 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. Constanica is situated in an area susceptible to seismic activity and El Niño and La Niña weather systems, the Rosemont project is vulnerable to extreme dry heat and the Manitoba operations are predisposed to cold temperatures, heavy snowfall and the inherent risks associated with sudden and drastic changes in temperature. An increase in extreme weather events at our operations, including increased frequency and severity of storms, winds and changes in precipitation and temperatures, could result in unanticipated challenges and may adversely affect our operations.
- *Rising sea levels:* A change in sea level can disrupt supply shipping channels, impacting both the transportation of equipment and resources to our operations and the delivery of our products to smelters and other purchasers.
- *Water availability:* Climate change may adversely affect the availability of water in arid locations, including the Southwestern United States (where our Rosemont project is located) and Chile (where we have an active exploration program). Water scarcity and shortage can lead to pressure and government action to reduce industrial water consumption which may restrict the use of existing water rights.

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

POST-RETIREMENT OBLIGATIONS

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

CREDIT RISK

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

DIVIDEND PAYMENTS

The Senior Unsecured Notes impose certain restrictions on our ability to make restricted payments, including common dividends. Our ability to make future dividend payments will be subject to compliance with the covenants contained in our debt agreements along with other liquidity considerations. At all times, the declaration of dividends is subject to the discretion of our Board of Directors and our Board of Directors may determine to cease our past practice of making dividend payments at any time.

MARKET PRICE OF COMMON SHARES

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

GROWTH STRATEGY 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 ratably over the U.S. taxpayer’s holding period, (b) the amount deemed realized in each year had been subject to tax in each such year at the highest marginal rate for such year (other than income allocated to the current period or any taxable period before we became a PFIC, which would generally be subject to tax at the U.S. taxpayer’s regular ordinary income rate for the current year and would not be subject to the interest charge discussed in (c) below), and (c) the interest charge generally applicable to underpayments of tax had been imposed on the taxes deemed to have been payable in those years. Where a company that is a PFIC meets certain reporting requirements, a U.S. taxpayer may be able to mitigate certain adverse PFIC consequences described above by making a “qualified electing fund” (“**QEF**”) election to be taxed currently on its proportionate share of the PFIC’s ordinary income and net capital gains. If we determine that we are a PFIC for any taxable year, we will determine at that time whether we will comply with the necessary accounting and record keeping requirements that would allow a U.S. taxpayer to make a QEF election with respect to us. We have no obligation to determine whether we are a PFIC and may not make any such determination.

DESCRIPTION OF CAPITAL STRUCTURE

COMMON SHARES

We are authorized to issue an unlimited number of common shares, of which there were 261,272,151 common shares issued and outstanding as of March 27, 2020.

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

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

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

On or after July 15, 2019 (in the case of the 2023 Notes) or January 15, 2020 (in the case of the 2025 Notes), we may redeem the Senior Unsecured Notes, at our option in whole or in part, at the redemption prices (expressed as percentages of the principal amount of such series of the Senior Unsecured Notes to be redeemed) set forth below, plus accrued and unpaid interest to the applicable date of redemption, if redeemed during the twelve-month period beginning on July 15 (in the case of the 2023 Notes, or in the case of July 15, 2021, the 18-month period to maturity) or January 15 (in the case of the 2025 Notes) of each of the years indicated below:

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

CREDIT RATINGS

The following table sets out the credit ratings we received from Standard and Poor's Ratings Services ("**S&P**") on October 19, 2019, Moody's Investors Services ("**Moody's**") on August 19, 2019 and Fitch Ratings ("**Fitch**") on March 23, 2020.

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

S&P

On October 19, 2019, S&P lowered Hudbay's long-term corporate credit rating and issue-level rating to B from B+, while reaffirming its '3' recovery rating for the Senior Unsecured Notes. On March 24, 2020, S&P revised its outlook on Hudbay from stable to negative, while maintaining its credit ratings and recovery ratings.

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 August 19, 2019, Moody's reaffirmed our corporate family rating of 'B2', our speculative grade liquidity rating of 'SGL-2', our probability of default rating of 'B2-PD', and our 'stable' outlook. It also reaffirmed our 'B3' rating for our Senior Unsecured Notes.

Moody's 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 23, 2020, Fitch Ratings assigned a first-time, Long-Term Issuer Default Rating of 'B+' to Hudbay Minerals Inc. and HudBay Peru S.A.C. Fitch has also assigned a 'B+/RR4' rating to the unsecured notes. The Rating Outlook is Stable.

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 (2019)	High (C\$)	Low (C\$)	Volume (common shares)	High (\$)	Low (\$)	Volume (common shares)
January	8.04	6.11	32,178,389	6.12	4.53	16,255,681
February	9.24	7.52	26,612,019	7.03	5.64	15,096,779
March	9.63	8.60	29,902,783	7.22	6.40	18,973,598

Trading of Common Shares on TSX				Trading of Common Shares on NYSE		
Period (2019)	High (C\$)	Low (C\$)	Volume (common shares)	High (\$)	Low (\$)	Volume (common shares)
April	10.42	8.79	26,003,357	7.83	6.52	19,493,786
May	8.94	6.10	29,860,197	6.67	4.52	23,640,862
June	7.55	6.34	18,146,569	5.74	4.73	15,147,099
July	7.30	6.26	18,646,461	5.59	4.76	19,507,171
August	5.60	3.98	32,365,010	4.44	2.99	23,313,522
September	5.41	4.30	25,086,020	4.08	3.23	13,877,503
October	5.12	4.18	23,018,585	3.92	3.14	14,484,937
November	5.28	4.16	21,917,695	4.02	3.15	15,506,499
December	5.49	4.14	20,519,006	4.22	3.11	19,056,798

On March 27, 2020, the closing prices of our common shares on the TSX and NYSE were C\$2.40 and \$1.70 per common share, respectively.

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS¹

<p>Carol T. Banducci <i>Toronto, Ontario, Canada</i></p>	<p>Director since: May 4, 2017 Committee membership:</p> <ul style="list-style-type: none"> • Audit Committee (Chair) • Environmental, Health, Safety and Sustainability (“EHSS”) Committee 	<p>Ms. Banducci is Executive Vice President and Chief Financial Officer of IAMGOLD Corporation. She joined IAMGOLD in July 2007, and she currently oversees all aspects of the finance, information technology and investor relations functions.</p>
<p>Igor Gonzales <i>Lima, Peru</i></p>	<p>Director since: July 31, 2013 Committee memberships:</p> <ul style="list-style-type: none"> • EHSS Committee • Technical Committee 	<p>Mr. Gonzales has more than 30 years of experience in the mining industry. He joined Sierra Metals as President and CEO in April 2017, following over two years as Vice President of Operations of Compañía de Minas Buenaventura S.A.A. Prior to that, Mr. Gonzales was with Barrick Gold Corporation from 1998 to 2013, most recently as Executive Vice President and Chief Operating Officer.</p>
<p>Richard Howes <i>Toronto, Ontario, Canada</i></p>	<p>Director since: May 7, 2019 Committee memberships:</p> <ul style="list-style-type: none"> • Compensation and Human Resources (“CHR”) Committee • Technical Committee 	<p>Mr. Howes recently announced his retirement as President and Chief Executive Officer of Dundee Precious Metals Inc., effective May 9, 2020. He is a Professional Mining Engineer. He joined Dundee Precious Metals in early 2009 as General Manager and Executive Director and in November 2010, was appointed Executive Vice President and Chief Operating Officer.</p>
<p>Sarah B. Kavanagh <i>Toronto, Ontario, Canada</i></p>	<p>Director since: July 31, 2013 Committee memberships:</p> <ul style="list-style-type: none"> • EHSS Committee (Chair) • Corporate Governance and Nominating (“CGN”) Committee 	<p>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.</p>
<p>Carin S. Knickel <i>Golden, Colorado, United States</i></p>	<p>Director since: May 22, 2015 Committee memberships:</p> <ul style="list-style-type: none"> • CHR Committee (Chair) • CGN Committee 	<p>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.</p>
<p>Peter Kukielski <i>Toronto, Ontario, Canada</i></p>	<p>Director since: May 7, 2019 Committee memberships:</p> <ul style="list-style-type: none"> • None 	<p>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 the acquisition of Nevsun 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, latterly including Chief Operating Officer.</p>
<p>Stephen A. Lang <i>Columbia, Missouri, United States</i></p>	<p>Director since: October 3, 2019 Committee memberships:</p> <ul style="list-style-type: none"> • CHR Committee • CGN Committee • Technical Committee 	<p>Mr. Lang was appointed Chair of Hubsbay’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.</p>

Daniel Muñiz Quintanilla <i>Mexico City, Mexico</i>	Director since: May 7, 2019 Committee memberships: <ul style="list-style-type: none"> • 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 <i>Burlington, Ontario, Canada</i>	Director since: May 2018 Committee memberships: <ul style="list-style-type: none"> • Technical Committee (Chair) • Audit Committee 	Mr. Osborne is President and Chief Operating 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 <i>West Vancouver, British Columbia Canada</i>	Director since: May 7, 2019 Committee memberships: <ul style="list-style-type: none"> • 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 a Vice President of Ballard Power Systems, Inc. from 2002 to 2009. Previously, he spent 16 years with Placer Dome Inc. in various senior positions and 4 years with PriceWaterhouseCoopers. He is currently a corporate director.

1. After assisting with the Chair transition and the CEO search, Alan Hibben stepped down as a director in February 2020. Mr. Hibben joined the Board in 2009 and served as Chair from 2017 to 2019.

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 <i>Toronto, Ontario, Canada</i> President and Chief Executive Officer	For biographical information for Mr. Kukielski, refer above to the heading "Board of Directors".
David S. Bryson <i>Toronto, Ontario, Canada</i> Senior Vice President and Chief Financial Officer	Mr. Bryson has been with Hudbay as Chief Financial Officer since August 2008 and, on February 20, 2020, Hudbay announced that Mr. Bryson would be retiring from the company effective March 31, 2020 to pursue family and personal commitments. Prior to joining Hudbay, Mr. Bryson held senior finance positions with Skye Resources Inc. and with Terasen Inc., a Vancouver-based energy infrastructure firm.
Eugene Lei <i>Toronto, Ontario, Canada</i> Senior Vice President, Corporate Development and Strategy	Mr. Lei joined Hudbay in 2012, after 11 years as an investment banker. Prior to joining Hudbay, Mr. Lei was Managing Director, Mining at Macquarie Capital Markets Canada, working as an advisor on global and domestic mergers and acquisitions and equity capital markets offerings. Prior to being appointed to his current role in January 2017, Mr. Lei was Vice President, Corporate Development.
Cashel Meagher <i>Mississauga, Ontario, Canada</i> Senior Vice President and Chief Operating Officer	Prior to being appointed to his current role in January 2016, Mr. Meagher was Vice President, South America Business Unit and oversaw the development of the Constancia mine. Prior to joining Hudbay in 2008, Mr. Meagher held management positions with Vale Inco in exploration, technical services, business analysis and mine operations.

<p>Peter Adamek <i>Toronto, Ontario, Canada</i></p> <p>Vice President, Finance</p>	<p>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 as a research associate at RBC Capital Markets Global Mining division.</p>
<p>Peter Amelunxen <i>Cole Bay, Sint Maarten, Dutch Caribbean</i></p> <p>Vice President, Technical Services</p>	<p>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.</p>
<p>Robert Assabgui <i>Toronto, Ontario, Canada</i></p> <p>Vice President, Manitoba Business Unit</p>	<p>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.</p>
<p>David Clarry <i>Toronto, Ontario, Canada</i></p> <p>Vice President, Corporate Social Responsibility</p>	<p>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.</p>
<p>Javier Del Rio <i>Lima, Peru</i></p> <p>Vice President, South America Business Unit</p>	<p>Prior to being appointed to his current role in 2017, Mr. Del Rio was Executive Director, Business Development – South America. Mr. Del Rio joined Hudbay in 2010 and has over 25 years of mining experience. He has held management positions in business planning, optimization process, and business analysis with Newmont Mining Corporation in the United States and Peru.</p>
<p>Patrick Donnelly <i>Oakville, Ontario, Canada</i></p> <p>Vice President and General Counsel</p>	<p>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.</p>
<p>Jon Douglas <i>Toronto, Ontario, Canada</i></p> <p>Vice President and Treasurer</p>	<p>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.</p>
<p>Elizabeth Gitajn <i>Toronto, Ontario, Canada</i></p> <p>Vice President, Risk Management</p>	<p>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.</p>
<p>André Lauzon <i>Tucson, Arizona, United States</i></p> <p>Vice President, Arizona Business Unit</p>	<p>Mr. Lauzon was appointed Vice President, Arizona Business Unit in April 2018, following almost two years in the role of Vice President, Manitoba Business Unit. Mr. Lauzon has experience with both open pit and underground mines. He has worked in and supported projects and mines in a wide range of challenging locations and conditions, from Voisey's Bay in Newfoundland, to Turkey, Alaska, Australia, Indonesia, Brazil and most recently, northern Ontario, with Vale.</p>

<p>Olivier Tavchandjian <i>Toronto, Ontario, Canada</i></p> <p>Vice President, Exploration and Geology</p>	<p>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.</p>
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As of March 27, 2020, our directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 778,586 common shares, representing less than 1% 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.

CONFLICTS OF INTEREST

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

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

AUDIT COMMITTEE DISCLOSURE

The Audit Committee is responsible for monitoring our systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents and monitoring the performance and independence of our external auditors. The Audit Committee is also responsible for reviewing our annual audited consolidated financial statements, unaudited consolidated quarterly financial statements and management’s discussion and analysis of results of operations and financial condition for annual and interim periods prior to their approval by the full board of directors. There was no instance in 2019 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, 2019, 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 is Executive Vice President and Chief Financial Officer of IAMGOLD Corporation. She joined IAMGOLD in July 2007, and she currently oversees all aspects of the finance, information technology and investor relations functions. From 2005 to 2007, Ms. Banducci was Vice President, Financial Operations of Royal Group Technologies. Previous executive finance roles include Chief Financial Officer of Canadian General-Tower Limited and Chief Financial Officer of Orica Explosives North America and ICI Explosives Canada & Latin America. Ms. Banducci has extensive finance experience in capital markets, statutory and management reporting, audit, budgeting, capital programs, treasury, tax, acquisitions and divestments, pension fund management, insurance and information technology. She holds a Bachelor of Commerce degree from the University of Toronto.

Mr. 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 Operating 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, 2019 and 2018.

Category of Fees	2019	2018
Audit fees	C\$2,464,702	C\$1,972,713
Audit-related fees	C\$122,396	C\$123,600
Tax fees	-	-
All other fees	C\$96,600	-
Total	C\$2,683,698	C\$2,096,313

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

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

LEGAL PROCEEDINGS

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

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

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

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

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

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

REGULATORY ACTIONS

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

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except pursuant to the agreement with Waterton or as otherwise disclosed in this AIF, since January 1, 2017, none of our directors, executive officers or 10% shareholders and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction that has materially affected or is reasonably expected to materially affect us.

TRANSFER AGENT AND REGISTRAR

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

MATERIAL CONTRACTS

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

1. the Precious Metals Purchase Agreement dated August 8, 2012, as amended by amending agreements dated as of November 12, 2014 and March 27, 2017 with Wheaton Precious Metals (previously Silver Wheaton), whereby we agreed to sell a portion of the precious metals production from our 777 mine to Wheaton Precious Metals.
2. the Amended and Restated Precious Metals Purchase Agreement dated November 4, 2013, as amended by amending agreements dated June 2, 2014, September 10, 2014 and December 31,

2016 with Wheaton Precious Metals (International) Ltd. (“**Wheaton International**”, previously Silver Wheaton (Caymans) Ltd.), whereby we agreed to sell 100% of the silver production and 50% of the gold production from our Constancia mine to Wheaton International.

3. the Amended and Restated Precious Metals Purchase Agreement, dated as of February 8, 2019 between HudBay Arizona (Barbados) SRL, Hudbay, Wheaton International and Wheaton Precious Metals;
4. the Settlement Agreement dated as of May 3, 2019 between Hudbay Minerals Inc. and Waterton Global Resource Management, Inc., as amended on March 16, 2020;
5. the Indenture dated as of December 12, 2016 with U.S. Bank National Association, as trustee, governing the Senior Unsecured Notes. For additional details, refer above to the heading “Description of Capital Structure – Senior Unsecured Notes”;
6. the Fourth Amended and Restated Credit Facility with the lenders party thereto from time to time and The Bank of Nova Scotia, as administrative agent, dated as of July 14, 2017, as amended, providing for a four year \$350 million revolving credit facility; and
7. the Second Amended and Restated Credit Facility with the lenders party thereto from time to time and The Bank of Nova Scotia, as administrative agent, dated as of July 14, 2017, as amended, providing for a four year \$200 million revolving credit facility.

QUALIFIED PERSONS

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

INTERESTS OF EXPERTS

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

The auditor of the Company is Deloitte LLP. Deloitte LLP is independent 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 5, 2019. Additional financial information is provided in our financial statements and management's discussion and analysis for the fiscal year ended December 31, 2019.

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

SCHEDULE A: GLOSSARY OF MINING TERMS

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

“mineral reserves”	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 following categories:
“proven mineral reserves”	That part of a measured mineral resource that is the economically mineable part of a measured mineral resource, demonstrated by at least a preliminary feasibility study that includes adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.
“probable mineral reserves”	That part of an indicated and in some circumstances a measured mineral resource that is economically mineable demonstrated by at least a preliminary feasibility study that includes adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.
“mineral resources”	A concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources fall under the following categories:
“measured mineral resource”	That part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
“indicated mineral resource”	That part of a mineral resource for which quantity, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters and to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.
“inferred mineral resource”	That part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

SCHEDULE B: MATERIAL MINERAL PROJECTS

CONSTANCIA MINE

Project Description, Location and Access

We own a 100% interest in the Constancia mine in southern Peru. Constancia includes the Constancia and Pampacancha deposits and is located approximately 600 kilometres southeast of Lima at elevations of 4,000 to 4,500 metres above sea level. Geographic coordinates at the centre of the property are longitude 71° 47' west and latitude 14° 27' south.

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

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

Constancia is subject to the following 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 Constancia’s silver production and 50% of its gold production is subject to our agreement with Wheaton Precious Metals, as described in this AIF.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

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

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

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

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

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

We have entered into life-of-mine agreements with the neighbouring communities of Chilloroya and Uchuccarco. These agreements provide us the surface rights required for operations and specify our commitments to these local communities over the course of the mine life. In particular, the community agreements contemplated cash payments for the land access rights, as well as funds for facilitation of development projects and investment for local enterprises. The agreements also outline ongoing annual investments in community development including medical, educational and agricultural services and contemplate a bi-annual review of certain of the social development terms. We have also entered into an agreement with the community of Chilloroya for the Pampacancha deposit's surface rights. In accordance with Peru's Consulta Previa law, additional consultation between the Peruvian government and the local community is required before Hudbay can begin development activities at Pampacancha. Some additional capital costs remain outstanding in recognition of current uses of the land by certain community members and the company intends to enter into agreements to address these matters prior to commencing mining activities. With the community's endorsement of the agreement, the company believes these processes will be concluded in the first half of 2020 unless there are further delays due to the state of emergency.

History

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

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

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

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

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

Geological Setting, Mineralization, and Deposit Types

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

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

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

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

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

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

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

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

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

Exploration

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

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

Drilling

Extensive drilling has been conducted at the Constancia and Pampacancha deposits since the early 2000s. The three most recent drilling programs were completed by Hudbay, with prior drilling programs conducted by Rio Tinto and Norsemont Mining. In 2019, 23 diamond drill holes were completed in order to better define the geometry and extent of high grade skarn zones for short-term and medium-term planning. This new drilling has been incorporated in the 2019 resource model. The various drilling campaigns conducted at Constancia and Pampacancha totaled 204,000 meters of drilling with approximately 90% of the drilling being conducted by diamond drilling (coring) methods and only 10% done by reverse circulation (RC).

Out of the total drilling completed over the two deposits, 441 holes (131,582m) 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.

2,153 and 633 bulk density measurements were respectively conducted at Constancia and Pampacancha by 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.

Data Validation

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

All lithological, alteration, geotechnical and mineralization data was logged on paper logs that were later entered in spreadsheets from where they were imported into the database. The data entry spreadsheets have a number of built-in logical checks to improve the validity of the database. We checked collar positions visually on plans and down-hole surveys were validated by examining significant deviations.

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

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

Mineral Processing and Metallurgical Testing

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

Feasibility study testwork is currently being finalized and will be completed when Pampacancha's ore production starts. This work will confirm the ore recovery and throughput assumption currently used in the Life of Mine plan.

For the production year 2019, the Constancia plant achieved an average copper recovery of 85.6%. Copper recoveries over the remaining life of mine are expected to average 86%. The recoveries will vary based on ore type and processing plant flow sheet improvements currently in progress.

Mineral Resource and Mineral Reserve Estimates

The mineral resource and mineral reserve estimates for the Constancia and Pampacancha properties are effective January 1, 2020. 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. 441 holes totaling 131,582 metres were used for the resource model of Constancia while 140 holes totaling 38,240 metres were used to support the resource model of Pampacancha. Multi pass ordinary kriging interpolation setup was used to interpolate the grades in the block model while honouring the geology.

In 2019, a reconciliation between the reserve model and the reported production from the Constancia mine as credited by the mill showed that tonnes, grade and quantity of copper could all be reproduced within 6%.

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 559 million tonnes of waste and 526 million tonnes of ore, yielding a waste to ore stripping ratio of 1.1 to 1.0. An average life of mine mining rate of 67.5 million tonnes per annum, with a maximum of 74 million tonnes per annum, will be required to provide the assumed nominal process feed rate of approximately 31.0 million tonnes per annum. The ore production schedule for the

life of mine shows average grades of 0.30% Cu, 0.009% Mo, 0.06 g/t Au and 3.0 g/t Ag.

Reconciliation of Reserves and Resources

A year over year reconciliation of the estimated mineral reserves and resources at the Constancia mine is set out below. There has been a minor change to the resource model and mine plan for the Constancia mine and no changes to the Pampacancha mine in 2020. The changes in mineral reserve and mineral resource estimates are mainly due to mining depletion and the re-evaluation of certain mineral resources reported in 2019.

Constancia

Constancia Mine - January 1, 2020 ⁽¹⁾⁽²⁾						
Mineral Reserve Reconciliation (Proven & Probable)	Tonnes	Cu (%)	Mo (g/t)	Ag (g/t)	Au (g/t)	Cu (t)
A 2019 Mineral Reserve	493,800,000	0.29	91	2.9	0.035	1,397,000
B 2019 Production / Depletion (from Reserve)	33,500,000	0.40	97	3.8	0.037	133,900
C (A-B) = Depleted Reserve	460,300,000	0.28	91	2.8	0.035	1,283,000
D Mine Planning Gain/(Loss)	26,000,000	-	-	-	-	-
E 2020 Mineral Reserve (C+D) including stocks	486,300,000	0.28	83	2.9	0.036	1,349,000

Mineral Resource Reconciliation Measured & Indicated	Tonnes	Cu (%)	Mo (g/t)	Ag (g/t)	Au (g/t)	Cu (t)
F 2019 Mineral Resource	350,000,000	0.19	53	2.2	0.030	665,000
G 2019 Depletion (conversion to Reserve)	(41,300,000)	-	-	-	-	-
H (F-G) = Depleted Resource	308,700,000	0.17	44	2.0	0.030	522,000
I Economic re-evaluation Gain/(Loss)	(31,700,000)	-	-	-	-	-
J 2020 Mineral Resource (H+I)	277,000,000	0.19	61	1.8	0.031	522,000

Mineral Resource Reconciliation Inferred	Tonnes	Cu (%)	Mo (g/t)	Ag (g/t)	Au (g/t)	Cu (t)
K 2019 Mineral Resource	50,800,000	0.24	43	2.4	0.046	122,000
L 2020 Mineral Resource (Depletion)	-	-	-	-	-	-
M (K-L) = Depleted Resource	50,800,000	0.24	43	2.4	0.046	122,000
N Economic re-evaluation Gain/(Loss)	32,300,000	-	-	-	-	-
O 2020 Mineral Resource (M+N)	83,100,000	0.18	43	3.4	0.036	152,000

Notes:

1. Totals may not add up correctly due to rounding.
2. Re-evaluation of economic viability.

Pampacancha

Mineral Reserve Reconciliation (Proven & Probable)	Tonnes ⁽¹⁾	Cu%	Mo (g/t)	Ag (g/t)	Au (g/t)	Tonnes Cu
A 2019 Mineral Reserve	39,900,000	0.60	177	4.7	0.360	238,000
B 2019 Production (Depletion)	-	-	-	-	-	-
C (A - B)	39,900,000	0.60	177	4.7	0.360	238,000
F Geology (Gain/Loss)	-	-	-	-	-	-
G Mine Planning & Economics (Gain/Loss)	-	-	-	-	-	-
H 2020 Mineral Reserve (C + F + G)	39,900,000	0.60	177	4.7	0.360	238,000

Mineral Resource Reconciliation (Measured & Indicated)	Tonnes ⁽¹⁾	Cu%	Mo (g/t)	Ag (g/t)	Au (g/t)	Tonnes Cu
I 2019 Mineral Resource (Measured & Indicated)	17,400,000	0.39	95	5.0	0.258	69,000
J 2020 Mineral Resource (Measured & Indicated)	17,400,000	0.39	95	5.0	0.258	69,000
K (J - I) Gain/(Loss)	-	-	-	-	-	-

Mineral Resource Reconciliation (Inferred)	Tonnes ⁽¹⁾	Cu%	Mo (g/t)	Ag (g/t)	Au (g/t)	Tonnes Cu
L 2019 Mineral Resource (Inferred)	10,100,000	0.14	143	3.9	0.233	14,000
M 2020 Mineral Resource (Inferred)	10,100,000	0.14	143	3.9	0.233	14,000
N (M - L) Gain/(Loss)	-	-	-	-	-	-

Note:

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

Mining Operations

The Constancia mine is a traditional open pit shovel/truck operation with two deposits: Constancia and Pampacancha. The operation consists of an open pit mining and flotation of sulphide minerals to produce commercial grade concentrates of copper and molybdenum. Silver and a small quantity of payable gold reports to the copper concentrate. The Pampacancha deposit exhibits higher grades of copper and gold and is scheduled to enter into production once we have acquired the necessary surface rights.

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

Processing and Recovery Operations

In 2019, the processing plant achieved its nominal throughput capacity of 90,000 tonnes per day of ore (31 million tonnes per annum at 94% 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 will enhance the processing plant's performance with various initiatives implemented at different sub-process levels. These initiatives include video cameras at the apron feeder and belts, froth cameras at the flotation cells and a particle-size analyzer, all of which have been installed, with some commissioned. These initiatives are part of an overall automation plan integrated into the processing plant system.

Infrastructure, Permitting, and Compliance Activities

The infrastructure includes the waste rock facility, tailings management facility, water management system, electrical power supply and transmission and improvements to the roads and port. The primary road to the site consists of a 70 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.

Copper concentrate is shipped from the Constancia Mine 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.

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

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

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

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

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

In addition, the permits required for the pre-stripping and operation of the Pampacancha Pit are in process.

Capital and Operating Costs

The life of mine sustaining capital expenditures is estimated to be \$652 million (excluding capitalized stripping) and Pampacancha project capex is estimated to be \$70 million in 2020 (excluding the additional capital costs that remain outstanding in recognition of current uses of the land by certain community members).

The total 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 LOM operating costs are set out in the Constancia Technical Report and our projected unit operating costs for 2020 are set out in our February 20, 2020 press release.

Exploration, Development and Production

The Constancia mine commenced initial production in the fourth quarter of 2014 and achieved commercial production in the second quarter of 2015. Pampacancha is expected to be developed and mined commencing later in 2020 unless there are further delays due to the state of emergency.

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

LALOR MINE

Project Description and Location

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

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

Accessibility, Climate, Local Resources, Infrastructure and Physiography

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

The Snow Lake area has a typical mid-continental climate, with short summers and long, cold winters. Climate generally has only a minor effect on local exploration and mining activities. The project area is approximately 300 metres above sea level, consisting of ridged to hummocky sloping rocks with depressional lowlands, and has gentle relief that rarely exceeds 10 metres. The area of Lalor and surrounding water bodies (Snow, File, Woosey, Anderson and Wekusko lakes) are located in the Churchill River Upland Ecoregion in the Wekusko Ecodistrict.

We commissioned a 2,000 US 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 Lalor deposit is situated in the Chisel Basin. Exploration in the Chisel Basin has been active since 1955. The Chisel Basin area has hosted three producing mines, namely, Chisel Lake, Chisel Open Pit and Chisel North. All three mines have very similar lithological and mineralogical features.

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

Geological Setting

The Lalor property lies in the eastern (Snow Lake) portion of the Paleoproterozoic Flin Flon Greenstone Belt and is overlain by a thin veneer of Pleistocene glacial/fluviol sediments. Located within the Trans-Hudson Orogen, the Flin Flon Greenstone Belt consists of a variety of distinct 1.92 to 1.87 Ga tectonostratigraphic assemblages including juvenile arc, back-arc, ocean-floor and ocean-island and evolved volcanic arc assemblages. The Snow Lake arc assemblage hosts the producing and past-producing mines in the Snow Lake area.

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

Drilling

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

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

The drill hole database contains 3,785 assayed drill holes including 68,236 metres of mineralization that were used to support the mineral resource estimate of the 2020 block model and resource estimate update. All diamond drilling completed from surface or underground retrieved whole core sizes of BQ and NQ with core recovery near 100%.

In 2019, a total of 64,114 metres in 617 underground drill holes were added to support continued base metal mine ramp up and expansion. In addition, confirmatory drilling had defined a new mineralized copper-gold lens named Lens 17 for which inferred mineral resource estimates are reported for the first time this year.

Mineralization

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

The Lalor VMS deposit is isoclinally folded and flat lying, with zinc mineralization beginning at approximately 600 metres from surface and extending to a depth of approximately 1,100 metres. The mineralization trends about 320° to 340° azimuth and dips between 30° and 45° to the northeast. It has a lateral extent of about 1,400 metres in the north-south direction and 780 metres in the east-west direction.

Sulphide mineralization is pyrite, sphalerite and chalcopyrite.

Notable gold and silver rich zones have also been intersected in the footwall of the zinc rich base metal mineral resources on the property. The precious metal mineralization begins at approximately 750 metres from surface and extends to a depth of approximately 1,400 metres. The current interpretation suggests the deeper copper-gold lens tends to have a much more linear trend to the north than the rest of the zones.

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

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

Sampling and Analysis: Sampling Methods

Drill core is logged, sample intervals selected and marked clearly on the core. The majority of exploration core is cut in half with a diamond saw and a representative portion of the hole is kept. Definition and delineation core is whole core sampled. All samples are placed in a plastic bag with its unique sample identification tag. The average length for the sample intervals is 0.9 metres.

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

Prior to 2017, a total of 160,804 drill core samples were analyzed at the Hudbay laboratory in Flin Flon. Copper, zinc, and silver were digested in aqua regia and analyzed by ICP-OES. Gold was determined by lead-collection fire assay fusion, for total sample decomposition, followed by atomic absorption spectroscopy (AAS) analysis. Fire assays were performed on 15 to 30g subsample pulps to avoid problems due to potential nuggetty gold. All samples with gold values (AAS) > 10 g/t were re-assayed using a gravimetric finish.

Since 2017, 100% of the samples are analyzed at Bureau Veritas. As of January 1, 2020, a total of 234,204 drill core samples were analyzed at Bureau Veritas laboratories. Copper, zinc and silver were digested in aqua regia and analyzed by inductively coupled plasma optical emission spectrometry (ICP-OES) and more recently in 2016 by inductively coupled plasma mass spectrometry (ICP-MS). Samples with copper and zinc over the upper limit of detection (ULD) were analyzed by titration, whereas those

samples with silver values over the ULD were analyzed by fire assay and gravimetric finish. Gold was determined by fire assay followed by atomic absorption spectroscopy (AAS).

As of January 1, 2020, a total of 79,782 density measurements were collected by Hudbay. These measurements were performed at the Flin Flon laboratory, Bureau Veritas laboratory or at Hudbay logging facility, using a non-wax-sealed immersion technique to measure the weight of each sample in air and in water and pycnometry methods.

Sampling and Analysis: Quality Assurance and Quality Control

As part of Hudbay quality assurance and quality control (QAQC) program, QAQC samples were systematically introduced in the sample stream to assess sub-sampling procedures, potential cross-contamination, precision, and accuracy. Hudbay commonly includes 5% certified reference materials (CRM), 2% certified blanks, and 5% coarse duplicates. Since 2017, 7,500 pulp samples have also been submitted to the SGS laboratory in order to monitor reproducibility of Bureau Veritas results, which represent 4.5% of the sample stream and duplicate analyses concluded the accuracy achieved by Bureau Veritas for copper, zinc, silver and gold since 2017 is of good quality for resource estimation.

Security of Samples

Security measures taken to ensure the validity and integrity of the samples collected consist of a chain of custody of drill core from the drill site to the core logging area. All facilities used for core logging and sampling are located on the mine site and all sample splitting and shipping activities are conducted by technicians under the supervision of Hudbay geologists. The samples results are stored on a secure mainframe based Laboratory Information Management System (LIMS). The diamond drill hole database is stored on the secure Hudbay network, using the acQuire database management system with strict access rights.

Mineral Processing and Metallurgical Testing

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

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

The updated Lalor mine plan contemplates the processing of gold and copper gold ore at the company's New Britannia mill starting in 2022. As described in this AIF, Hudbay plans to refurbish the New Britannia mill, including the addition of a copper flotation circuit, to optimize processing of the Lalor gold and copper gold ores.

In order to establish the future performance of the New Britannia mill, a laboratory program was conducted at SGS in 2015-2016. All sample composites were submitted for mineralogical analysis by QEMSCAN to identify minerals and their liberation as well as to Bond rod mill work index and Bond ball mill work index tests, gravity concentration test, rougher and cleaner flotation tests, cyanidation tests, and rolling bottle leach tests. In addition, CIP modelling was completed as per standard SGS procedures (SGS, 2015) to predict the gold extraction performance of a CIP or CIL circuit. Cyanide destruction tests using the SO₂/Air process were also carried out following standard SGS procedure of completing batch tests first to confirm applicability and to optimize retention times and reagent requirements. A total of six locked cycle tests were completed to confirm the flowsheet, and to generate tailings for the cyanidation

testwork. Results of the locked cycle tests which covered a wide range of copper head grades from 0.22% Cu to 3.69% Cu form the basis for the recovery models. Detailed chemical analyses were completed on eight of the copper concentrates produced in the test program. Based on these analyses, no significant penalties are expected.

Mineral Resource Estimates

The mineral resource and mineral reserve estimates for Lalor are effective January 1, 2020. 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 are estimated either as base metal lenses or gold zones and classified as Measured, Indicated and Inferred resources, as described in the most recent technical report.

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

The resource is based on integrated geological and assay interpretation of information recorded from diamond drill core logging and assaying and underground mapping and is comprised of the following steps: exploratory data analysis, high-grade capping (when required), and estimation and interpolation parameters consistent with industry standards.

The Lalor block model was updated on infill and exploration drilling conducted in 2019 using the same methodology documented in the Lalor 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
- Smoothing correction to remove the smoothing effect of the grade interpolation

Mineral Reserve Estimates

The 2020 mineral reserves were estimated based on a life of mine (“LOM”) plan prepared using Deswik mine design software that generated mining inventory based on stope geometry parameters and mine development sequences. Appropriate dilution and recovery factors were applied based on cut and fill and longhole open stoping mining methods with a combination of paste and unconsolidated waste backfill material.

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

Average dilution of the mineral resources that are in the LOM production plan is 19.5%. Mining recovery is defined as the ratio of mineral resource tonnes delivered to the concentrator to the in-situ mineral resource tonnes. Average recovery of the mineral resources that are in the LOM production plan is 85.4%.

Diluted and recovered mineral resources exceeding an NSR cut-off were included in the mineral reserves using the following:

- C\$113 per tonne for longhole filled with paste directed to the Stall mill
- C\$101 per tonne for longhole filled with waste directed to the Stall mill

- C\$129 per tonne for longhole filled with paste directed to the New Britannia mill
- C\$123 per tonne for the post pillar cut and fill directed to the Stall mill
- C\$139 per tonne for the post pillar cut and fill directed to the New Britannia mill

NSRs are based on metal grades from the stope optimizer and block model, long-term metal prices, concentrator recoveries, smelter treatment, refining and payabilities and a Hudbay Manitoba Business Unit administration cost. Metal prices of \$1.17 per pound zinc (includes premium), \$1,375 per ounce gold, \$3.10 per pound copper, and \$17.00 per ounce silver with a CAD/US foreign exchange of 1.30 was used to estimate mineral reserves.

The orebody is polymetallic with economically significant metals being zinc, gold, copper and silver. There are two different ore types, base metal ore and gold rich ore:

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

Reconciliation of Reserves and Resources

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

Lalor Mine - January 1, 2020 ⁽¹⁾⁽²⁾⁽³⁾					
Mineral Reserve Reconciliation (Proven & Probable)	Tonnes	Cu (t)	Zn (t)	Au (oz)	Ag (oz)
A 2019 Mineral Reserve	13,700,000	96,000	610,000	1,664,000	11,480,000
B 2019 Production (from Reserve)	(1,300,000)	(11,000)	(96,000)	(67,000)	(1,085,000)
C (A-B) = Depleted Reserve	12,400,000	85,000	513,000	1,597,000	10,395,000
D 2020 Reserve update	15,000,000	111,000	566,000	2,006,000	13,624,000
E (D-C) Gain/(Loss)	2,600,000	26,000	52,000	409,000	3,229,000

Mineral Resource Reconciliation Base Metal (Inferred)	Tonnes	Cu (t)	Zn (t)	Au (oz)	Ag (oz)
F 2019 Mineral Resource	1,400,000	10,000	32,000	200,000	1,941,000
G 2020 Resources update	500,000	2,000	33,000	32,000	304,000
H (G-F) Gain/(Loss)	(900,000)	(8,000)	1,000	(168,000)	(1,637,000)

Mineral Resource Reconciliation Gold Zones (Inferred)	Tonnes	Cu (t)	Zn (t)	Au (oz)	Ag (oz)
I 2019 Mineral Resource	4,500,000	49,000	16,000	636,000	2,965,000
J 2020 Resources update	3,900,000	52,000	12,000	595,000	3,318,000
K (J-I) Gain/(Loss)	(600,000)	3,000	(4,000)	(41,000)	353,000

Notes:

- Totals may not add up due to number rounding.
- Mineral reserves are estimated at an NSR cut-off of \$101 per tonne for waste filled mining areas and a minimum of \$113 per tonne for paste filled mining areas.
- A zinc price of \$1.17 per pound (includes premium), copper price of \$3.10 per pound, gold price of \$1,375 per ounce and silver price of \$17 per ounce and an exchange rate of 1.30 C\$/US\$ was used to estimate mineral reserves.

Mining Operations: Mine Planning

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

Power is provided to the mine via power cables located in the production shaft. The Chisel North mine ventilation system in sequence with the Lalor mine Downcast Raise, provide 400,000 cfm down the Lalor mine Access Ramp, with 150,000 cfm exhausting to surface via the Chisel North mine Ramp. An additional 555,000 cfm is downcast via the Lalor mine Production Shaft for a total of 955,000 cfm exhausting up the Main Exhaust Shaft. Mine ventilation air is heated by direct fired propane heaters located at each of the intakes. Lalor mine's fresh water source is Chisel Lake. Mine water reports to the water treatment plant at Chisel Lake where it is treated and released. All water within the mine is collected in intermediary collection sumps and proceeds to the main collection areas via drain lines, drain holes or drainage ditches.

In 2019, we mined 1,550,000 tonnes of ore via the production shaft at Lalor and ore was trucked to the Stall concentrator and Flin Flon concentrator for processing.

Mining is done using mobile rubber tired diesel equipment. Load haul dump ("LHD") units vary from 8 to 10 cubic yards. Trucks are currently 42 to 65 tonne units that haul both ore and waste. Autonomous operation of a LHD loader underground is 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 Hubbay concentrators. Waste rock is disposed of as backfill underground.

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

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

Production rates have achieved and sustained 4,500 tonnes per day in 2019. The production is supported by a hoisting plant capable of 6,000 tpd, transitioning to more bulk mining methods with additional mining fronts and design changes to improve mining efficiencies, developing ore passes and transfer raises to reduce truck haulage cycle times from the upper portions of the mine and a paste backfill plant commissioned 2018.

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

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

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

Commencing in 2007, AECOM carried out extensive environmental baseline investigations needed to conclude an environmental impact assessment for the Lalor project, including terrestrial and aquatic field studies. This baseline work was utilized in the Lalor Paste Plant Notice of Alteration (NoA) which was submitted to Manitoba Sustainable Development in the fourth quarter of 2016 and was approved in January 2017.

Additional baseline work and studies were completed for the Anderson TIA expansion NOA which was

submitted in Q3 2016 and approved by Manitoba regulators in Q2 2018.

Further baseline work and studies were necessary for the New Britannia Concentrator refurbishment NOA. This was submitted in Q1 of 2019 and approved in Q1 2020. This approval includes the construction and operation of the associated tailings and pipeline facilities. Hudbay has applied for a new water withdrawal licence for this site which is anticipated to be obtained before potential operational needs.

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

Capital and Operating Costs

Unit Operating Costs and Cash Costs

Unit Operating Costs		LOM Average
Mining	C\$/tonne	\$110.20
Milling – Stall	C\$/tonne	\$28.01
Milling – New Britannia	C\$/tonne	\$39.01

Notes:

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

Lalor's significant by-product credits reduce its cash operating costs and sustaining cash costs on a gold basis. A steady state rate of operation with New Britannia (2022 to 2029), Lalor is estimated to produce over 150,000 ounces of gold annually at a sustaining cash cost, net of by-product credits, of approximately \$655/oz over the first eight years.

Cash Costs		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2022-2029 Avg.
Gold Basis													
Contained gold	ounces (000s)	74	102	158	151	136	154	192	139	146	146	105	153
Cash costs	US\$/oz	(\$95)	\$151	\$371	\$507	\$584	\$524	\$387	\$624	\$434	\$456	\$669	\$480
Sustaining cash costs	US\$/oz	\$966	\$980	\$848	\$805	\$882	\$720	\$460	\$685	\$443	\$466	\$815	\$657

Notes:

- "LOM" refers to life-of-mine.
- Cash costs include all onsite (mining, milling and general and administrative) and offsite costs associated with Lalor and are reported net of by-product credits. By-product credits calculated using the following assumptions: zinc price of \$1.18 per pound in 2020, \$1.08 per pound in 2021 to 2023, \$1.17 per pound long-term (includes premium); gold price of \$1,425 per ounce in 2020, \$1,375 per ounce in 2021 and long-term; copper price of \$2.65 per pound in 2020, \$3.00 per pound in 2021, \$3.10 per pound in 2022 and long-term; silver price of \$16.00 per ounce in 2020, \$16.50 per ounce in 2021 to 2023, and \$17.00 per ounce long-term; C\$/US\$ exchange rate of 1.30 for current and long-term.
- Sustaining cash costs incorporate all costs included in cash costs calculation plus sustaining capital expenditures.
- Cash costs and sustaining cash costs are non-IFRS financial performance measures with no standardized definition under IFRS. For further details on why Husbay believes cash costs are a useful performance indicator, please refer to the Company's most recent Management's Discussion and Analysis for the year ended December 31, 2019.

Sustaining and Capital Costs

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

Capital Expenditures		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	LOM
Sustaining Capital													
Capitalized development	C\$ millions	\$66	\$64	\$70	\$38	\$39	\$25	\$11	\$1	\$1	\$1	-	\$317
Mine equipment and buildings	C\$ millions	\$19	\$22	\$21	\$15	\$13	\$14	\$7	\$10	\$1	-	-	\$122
Stall equipment and buildings	C\$ millions	\$7	\$5	\$1	\$1	\$1	-	-	-	-	-	-	\$16
Shared general plant	C\$ millions	-	-	-	-	-	-	-	-	-	-	-	-
Environmental	C\$ millions	\$9	\$18	\$6	\$6	-	-	-	-	-	-	-	\$39
Total sustaining capital	C\$ millions	\$102	\$111	\$98	\$58	\$53	\$39	\$18	\$11	\$2	\$2	-	\$494
Total sustaining capital	US\$ millions	\$79	\$85	\$75	\$45	\$41	\$30	\$14	\$8	\$1	\$1	-	\$380
Growth Capital													
New Britannia capital	C\$ millions	\$105	\$48	-	-	-	-	-	-	-	-	-	\$152
New Britannia capital	US\$ millions	\$80	\$37	-	-	-	-	-	-	-	-	-	\$117

Note: Totals may not add up correctly due to rounding. "LOM" refers to life-of-mine. Canadian dollar capital expenditures converted to U.S. dollar capital expenditures at an exchange rate of 1.30 C\$/US\$ and, as a result, the New Britannia growth capital presented in the table does not match the \$115 million presented elsewhere 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. Surface drilling has identified a new Cu-Au feeder type zone named Lens 17 which is deemed to be an analog to the now well defined Lens 27 and to constitute the feeder zone of Lens 10. Approximately 7,500 metres of exploration underground drilling has been conducted per year at Lalor since 2017.

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

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

With the inclusion of the New Britannia mill, net revenue at Lalor will shift from primarily zinc to primarily gold in the updated production profile, positioning Lalor as a primary gold mine with significant zinc, copper and silver by-products. The life-of-mine net revenue from Lalor is approximately 60% precious metals, 26% zinc and 15% copper¹. Once the New Britannia mill is operational in the fourth quarter of 2021, revenue from precious metals through the remaining life-of-mine is expected to be approximately 66% of total revenue. Significant zinc and copper revenue provides diversified commodity exposure.

Contained Metal	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	LOM
Cu tonnes (000s)	8	9	9	10	10	9	9	8	11	11	3	97
Zn tonnes (000s)	81	74	55	52	43	48	54	32	23	20	9	492
Au ounces (000s)	74	102	158	151	136	154	192	139	146	146	103	1,501
Ag ounces (000s)	783	829	956	851	828	914	1,087	778	665	625	382	8,698

Note: Production includes metal contained in concentrate and doré.

Snow Lake Satellite Deposits

The WIM deposit was acquired by Hudbay in the third quarter of 2018 for approximately C\$0.5 million. WIM is a copper-gold deposit that starts from surface and is located approximately 15 kilometres by road from New Britannia. In 2019, Golder Associates was engaged by Hudbay following the acquisition to independently validate the previous mineral resource estimates. The resource model was constructed using multi pass ordinary kriging interpolation and an unfolding process to interpolate the grades in the block model while honouring the geology.

New Britannia is a former producing gold mine that produced approximately 600,000 ounces between

¹ Net revenue calculated net of zinc refining and using the following assumptions: zinc price of \$1.18 per pound in 2020, \$1.08 per pound in 2021 to 2022 and \$1.17 per pound long-term (includes premium); gold price of \$1,425 per ounce in 2020, \$1,375 per ounce in 2021 to 2022 and long-term; copper price of \$2.65 per pound in 2020, \$3.00 per pound in 2021, \$3.10 per pound in 2022 and long-term; silver price of \$16.00 per ounce in 2020, \$16.50 per ounce in 2021 to 2023 and \$17.00 per ounce long-term; C\$/US\$ exchange rate of 1.30 for both current and long-term.

1949 and 1958 and an additional 800,000 ounces between 1995 and 2005. Significant mineral resources remain accessible at New Britannia as well as in the nearby Birch and 3 Zone with some investment in the existing mining infrastructure. WSP Global was engaged in 2018 to audit and restate the historical resource estimates previously reported for these deposits. Based on this recent work, WSP Global has re-estimated a combined inferred resource of 4.4-5 million tonnes grading 4.8 g/t gold. In 2019, Golder Associates was engaged to remodel the resource at the 3 Zone and Birch satellite zones were multi pass ordinary kriging interpolation and an unfolding process to interpolate the grades in the block model while honouring the geology.

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

In February 2019, Hudbay announced the discovery of the 1901 deposit located approximately half-way between the former producing Chisel mine and Lalor mine at a depth ranging from 550 to 700m. Following an exploration campaign of 55 diamond drill holes, Hudbay reported an initial inferred mineral resource estimate for the 1901 deposit of 2.1 million tonnes grading 0.3% copper, 0.9 g/t gold, 30.4 g/t silver and 9.7% Zn. The 1901 deposit is located less than 1,000 metres from the existing ramp between Chisel and Lalor and could benefit from the proximity of these existing infrastructures and could also constitute a supplemental source of feed for the Stall mill. In 2020, Hudbay will conduct infill drilling aimed at upgrading the 1901 resource category from inferred to indicated, confirming a gold rich resource intersected already between the two zinc rich lenses that supported the initial mineral resource estimate. In addition, Hudbay will collect samples for metallurgical testing while progressing technical studies to confirm the technical and economic viability of the mineral resource estimates.

The Watts deposit is located approximately 100 kilometres by road from the Stall mill and between 50 and 900 metres below surface. In 2019, Hudbay has conducted a limited drill program which has successfully extended known high grade copper mineralization along the strike of the ore body. Based on this recent drilling, Hudbay has updated the resource model which now supports an inferred mineral resource estimate of 3.2 million tonnes at 2.6% Zn, 2.3% Cu, 1.0g/t Au and 31.0 g/t Ag. Watts could be mined via a ramp from surface and the ore could constitute a supplemental source of feed for the Stall mill. In 2020, Hudbay will progress technical studies to confirm the technical and economic viability of the mineral resource estimates.

Mineral Processing and Metallurgical Testing

In 2019, Hudbay completed two drilling programs and initiated two metallurgical testing programs, each designed to confirm the copper, gold and silver recoveries to be anticipated for the WIM and 3 Zone mineralization when processed through the future refurbished New Britannia mill. Hudbay engaged Blue Coast Research to undertake mineral characterization and metallurgical testwork.

The following summarizes the LOM average recoveries estimated by Blue Coast Research for these two deposits

Average WIM LOM recoveries	
Copper (Cu):	97.7%
Silver (Ag):	69.8%
Gold (Au):	88.4%
Average 3Zone LOM recovery	
Gold (Au):	85.0%

Mineral Reserves and Mineral Resources Estimates

The mineral resource and mineral reserve estimates for WIM and 3 Zone are effective January 1, 2020. 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.

These two deposits will provide supplemental feed to the New Britannia mill when production from Lalor starts to ramp down.

Probable mineral reserves within the final mine design for the two deposits total 3.1 million tonnes grading 1.28% Cu, 2.2g/t Au and 5 g/t Ag.

WIM, 3 Zone, Birch, New Britannia ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾					
Mineral Reserve Reconciliation Gold (Proven & Probable)	Tonnes	Cu (t)	Zn (t)	Au (oz)	Ag (oz)
A 2019 Mineral Reserve	-	-	-	-	-
B Mine Planning & Economics Gain/(Loss)	3,110,000	39,900	6,200	215,400	496,600
C 2020 Mineral Reserve update	3,110,000	39,900	6,200	215,400	496,600

Mineral Resource Reconciliation Gold (Measured & Indicated)	Tonnes	Cu (t)	Zn (t)	Au (oz)	Ag (oz)
D 2019 Mineral Resource	3,899,000	66,700	10,500	196,800	837,400
E 2020 Resources update	-	-	-	-	-
F (E-D) Gain/(Loss)	(3,899,000)	(66,700)	(10,500)	(196,800)	(837,400)

Mineral Resource Reconciliation Gold (Inferred)	Tonnes	Cu (t)	Zn (t)	Au (oz)	Ag (oz)
G 2019 Mineral Resource	5,191,000	7,500	2,700	733,900	109,300
H 2020 Resources update	3,322,000	-	-	479,800	-
I (H-G) Gain/(Loss)	(1,869,000)	(7,500)	(2,700)	(254,100)	(109,300)

Notes:

- Totals may not add up correctly due to rounding.
- Mineral resources that are not mineral reserves do not have demonstrated economic viability.
- Mineral resources in the above tables do not include mining dilution or recovery factors.
- WIM has been re-assigned from a base metal (2019) to a gold mineral deposit.
- WIM mineral resources are estimated at a minimum NSR cut-off of C\$150 per tonne, assuming processing recoveries of 98% for copper, 88% for gold, and 70% for silver, and using long-term prices of \$3.10 per pound copper, \$1,375 per ounce gold and \$17.00 per ounce silver.
- 3 Zone mineral resources are estimated at a minimum NSR cut-off of C\$150 per tonne, assuming processing recoveries of 85% for gold, and using a long-term price of \$1,375 per ounce gold.
- 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).

1901, Watts, PEN II ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾					
Mineral Resource Reconciliation Base Metal (Measured & Indicated)	Tonnes	Cu (t)	Zn (t)	Au (oz)	Ag (oz)
D 2019 Mineral Resource	469,000	2,300	41,700	5,300	102,700
E 2020 Resources update	469,000	2,300	41,700	5,300	102,700
F (E-D) Gain/(Loss)	-	-	-	-	-

Mineral Resource Reconciliation Base Metal (Inferred)	Tonnes	Cu (t)	Zn (t)	Au (oz)	Ag (oz)
G 2019 Mineral Resource	132,000	500	12,900	1,300	29,100
H 2020 Resources update	5,350,000	79,400	294,000	155,300	5,182,300
I (H-G) Gain/(Loss)	5,218,000	78,900	281,100	154,000	5,153,200

Notes:

- Totals may not add up correctly due to rounding.
- Mineral resources that are not mineral reserves do not have demonstrated economic viability.
- Mineral resources in the above tables do not include mining dilution or recovery factors.
- 1901 mineral resources are estimated at a minimum NSR cut-off of C\$170 per tonne, assuming processing recoveries of 73% for copper, 94% for zinc, 48% for gold and 47% for silver, and using long-term prices of \$3.10 per pound copper, \$1,260 per ounce gold, \$1.10 per pound zinc and \$18.00 per ounce silver.
- Watts mineral resources are estimated at a minimum NSR cut-off of C\$150 per tonne, assuming processing recoveries of 87% for copper, 80% for zinc, 65% for gold and 64% for silver, and using long-term prices of \$3.10 per pound copper, \$1,375 per ounce gold, \$1.10 per pound zinc and \$17.00 per ounce silver.
- Pen II mineral resources are estimated at a minimum NSR cut-off of C\$75 per tonne and assume that the Pen II mineral resources would be amenable to processing at the Stall mill.

Mine operations are scheduled for 24 hours per day, 365 days per year. 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 Lalor mine ceases operation. From 2030 to 2037, 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 (see “Snow Lake Satellites Mine Plan” below).

Snow Lake Satellites Mine Plan

		2030	2031	2032	2033	2034	2035	2036	2037	LOM
WIM Ore										
Ore Mined	tonnes (000s)	104	414	438	438	401	316	288	49	2,448
<i>Ore Mined</i>	<i>tpd</i>	286	1,133	1,200	1,200	1,100	867	788	134	-
Cu Grade	% Cu	1.22%	1.62%	1.47%	1.72%	1.71%	1.71%	1.67%	1.70%	1.63%
Zn Grade	% Zn	0.09%	0.18%	0.32%	0.42%	0.28%	0.17%	0.13%	0.13%	0.25%
Au Grade	g/t Au	0.76	1.24	1.55	1.74	1.82	1.82	1.68	1.87	1.60
Ag Grade	g/t Ag	4.64	6.01	5.66	6.51	6.67	6.92	6.76	6.86	6.31
3 Zone Ore										
Ore Mined	tonnes (000s)	-	-	-	-	38	219	219	187	662
<i>Ore Mined</i>	<i>tpd</i>	-	-	-	-	103	600	600	511	-
Cu Grade	% Cu	-	-	-	-	-	-	-	-	-
Zn Grade	% Zn	-	-	-	-	-	-	-	-	-
Au Grade	g/t Au					3.40	4.17	4.17	4.46	4.21
Ag Grade	g/t Ag	-	-	-	-	-	-	-	-	-
Total Ore - Satellite Deposits										
Ore Mined	tonnes (000s)	104	414	438	438	438	535	507	235	3,110
<i>Ore Mined</i>	<i>tpd</i>	286	1,133	1,200	1,200	1,203	1,467	1,389	645	-
Cu Grade	% Cu	1.22%	1.62%	1.47%	1.72%	1.56%	1.01%	0.95%	0.35%	1.28%
Zn Grade	% Zn	0.09%	0.18%	0.32%	0.42%	0.26%	0.10%	0.07%	0.03%	0.20%
Au Grade	g/t Au	0.76	1.24	1.55	1.74	1.96	2.78	2.76	3.93	2.15
Ag Grade	g/t Ag	4.64	6.01	5.66	6.51	6.10	4.09	3.84	1.42	4.97

Note: Tonnes per day ("tpd") assumes 365 operating days a year. LOM refers to life-of-mine.

WIM Mine Metal Production	2030	2031	2032	2033	2034	2035	2036	2037	LOM
Cu tonnes (000s)	1	7	6	7	7	5	5	1	39
Au ounces (000s)	2	14	19	22	21	17	14	3	110
Ag ounces (000s)	10	56	54	65	61	50	44	8	347

3 Zone Mine Metal Production	2030	2031	2032	2033	2034	2035	2036	2037	LOM
Au ounces (000s)	-	-	-	-	3	25	25	23	76

Note: Production includes metal contained in concentrate and doré.

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 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 profile as illustrated in the table below.

Capital Expenditures		2029	2030	2031	2032	2033	2034	2035	2036	2037
Sustaining Capital										
WIM Sustaining Capital	C\$ millions	-	\$20	\$21	\$13	-	-	-	-	-
3 Zone Sustaining Capital	C\$ millions	-	-	-	-	-	\$16	\$25	\$14	-
Total Sustaining Capital	US\$ millions	-	\$15	\$16	\$10	-	\$12	\$19	\$10	-
Growth Capital										
WIM Development	C\$ millions	\$50	-	-	-	-	-	-	-	-
3 Zone Development	C\$ millions	-	-	-	-	-	-	-	-	-
Total Growth Capital	US\$ millions	\$39	-	-	-	-	-	-	-	-

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

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 spared 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 WIM and 3 Zone will be traditional long hole underground mining operation with waste backfill and ramp access. The estimated operating costs for the WIM and 3 Zone are summarized in the table below.

Snow Lake Satellites Unit Operating Costs

Unit Operating Costs		Life of Mine Average
Mining – WIM	C\$/tonne	\$73.44
Mining – 3 Zone	C\$/tonne	\$68.41
Milling – New Britannia	C\$/tonne	\$39.01

Note: Unit operating costs include on-site and off-site associated administrative costs.

WIM's significant copper and silver credits will reduce the cash operating costs and sustaining cash costs on a gold basis. Between 2030 and 2037, WIM and 3 Zone will produce on average 36,000 ounces of gold at an average cash cost^{2,3} after by-product credits of US\$410 per ounce and an all in sustaining cost^{3,4} of US\$700 per ounce.

² Cash costs include all onsite (mining, milling and general and administrative) and offsite costs associated with WIM and 3 Zone and are reported net of by-product credits. By-product credits calculated using the following long-term pricing assumptions: copper price of \$3.10 per pound; silver price of \$17.00 per ounce; C\$/US\$ exchange rate of 1.30.

³ Cash costs and sustaining cash costs are non-IFRS financial performance measures with no standardized definition under IFRS. For further details on why Hudbay believes cash costs are a useful performance indicator, please refer to the Company's most recent Management's Discussion and Analysis for the year ended December 31, 2019.

⁴ Sustaining cash costs incorporate all costs included in cash costs calculation plus sustaining capital expenditures.

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 31° 50'N and 110° 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 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 Paleozoic and Mesozoic rocks as chrysocolla, copper carbonates and supergene chalcocite.

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

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

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

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

The Mesozoic rocks of the structural block above the LAF consist predominantly of arkosic siltstones, sandstones, and conglomerate. Within the Arkose are subordinate andesite flows or sills that range from a few tens of feet to several hundred feet thick. Also structurally wedged into the upper plate block at the

base of the Arkose are the Glance Conglomerate, a limestone-cobble conglomerate, and some occurrences of relatively fresh Paleozoic formations.

Exploration

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

Drilling

Extensive drilling has been conducted at the Rosemont deposit by several successive property owners. The most recent drilling was by Hudbay, with prior drilling campaigns completed by Banner Mining Company, Anaconda Mining Co., Anamax, ASARCO and Augusta. In total, 155,686 metres of drilling have been completed on the property.

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

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

Sampling, Analysis, and Data Verification

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

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

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

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

their check assay program.

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

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

As part of Hudbay's quality control and quality assurance (QA/QC) program, QA/QC samples were systematically introduced in the sample stream to assess adequate sub-sampling procedures, potential cross-contamination, precision, and accuracy. A total of 1,000 representative pulp samples (5.4%) from 2014 drilling and 742 representative pulp samples (5.0%) from 2015 drilling were selected and re-analyzed at SGS Canada Inc., laboratory in Vancouver. The blanks, CRM and duplicates samples all indicated the laboratory used did not have contamination issues and produced accurate and precise results.

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

Mineral Processing and Metallurgical Testing

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

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

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

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

Mineral Reserves and Mineral Resources Estimates

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

The mineral resource and mineral reserve estimates for Rosemont are effective January 1, 2020. Other than as disclosed in this AIF, there are no known metallurgical, environmental, permitting, legal, taxation, socio-economic, marketing or political issues that could reasonably be expected to materially impact the mineral resource and mineral reserve estimates.

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

Multi pass ordinary kriging interpolation setup was used to interpolate the grades in the block model while 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. As of the effective date of this report, there are no other known mining, metallurgical, infrastructure or other relevant factors that may materially affect the mineral reserve estimates.

Mining Operations

The Rosemont project will be a traditional open pit shovel/truck operation. To match the production requirements, the proposed pit operations will be conducted from 50-foot-high benches using large-scale mine equipment, including: 10-5/8-inch-diameter rotary blast hole drills, 60 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, Rosemont Copper production plan and in-house information. The flowsheet has been developed from previous feasibility study work, value engineering studies and the recent testwork. Benchmarking has been used to define and support the design parameters. This includes the copper-molybdenum separation circuit where testwork has been limited to a few tests. This is due to the relatively large sample mass required for a more detailed molybdenum testwork program and analysis. The molybdenum plant design is based primarily on projected mass flows, grades and densities as well as the recent Constancia Plant design.

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

Capital and Operating Costs

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

The average LOM operating costs (mining, milling and G&A) are estimated to be \$9.24/ton milled (before deducting capitalized stripping) and \$7.92/ton milled (after deducting capitalized stripping).

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

Metal Price Assumptions:

Spot Copper:	\$3.00 (per pound)
Spot Molybdenum:	\$11.00 (per pound)
Spot Silver:	\$18.00 (per ounce)
Streamed Silver ¹ :	\$3.90 (per ounce)

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

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

Rosemont's 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 NPV^{8%} 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

Exploration, Development, and Production

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

777 MINE

Project Description and Location

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

We own a 100% interest in the properties that comprise the 777 mine through mineral leases, Order in Council (“OIC”) leases and mineral claims in Manitoba and Saskatchewan. The properties cover approximately 3,800 hectares, including approximately 500 hectares in Manitoba and approximately 3,300 hectares in Saskatchewan. Annual lease rental payments are C\$6,527 and C\$1,600 to the Manitoba and Saskatchewan governments, respectively, and the annual work expenditure requirement for the Saskatchewan properties is C\$257,025. Individual leases have different term expiry dates that range from 2021 to 2036. Our surface rights and permits are sufficient for purposes of our current mining operations.

Liabilities associated with the 777 mine are addressed by the closure plans that have been submitted to regulators in both Saskatchewan and Manitoba and financial assurance is in place to address the closure obligations associated with demolition and remediation activities outlined in such closure plans. In addition, closure plans have been submitted and are backed with financial assurance for the associated Flin Flon Metallurgical Complex (“**FFMC**”), which includes the FFTIA utilized by the 777 mine.

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

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

Accessibility, Climate, Local Resources, Infrastructure and Physiography

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

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

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

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

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

History

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

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

Geological Setting

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

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

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

Exploration: Drilling

Diamond drilling is the only drilling type carried out for the purposes of exploration, ore zone definition and sampling of our 777 mine mineralization. The modern 777 drilling program began in the early 2000's and, as of January 1, 2020, a total of 2,888 holes and 390,717 metres had been drilled. Drill hole spacing along the 777 deposit is generally 30 to 50 metres.

Standard procedure is that the core is initially logged and sample intervals are determined by both lithology and a visual estimate of the sulphide mineralization. As a general rule, sample intervals are approximately one metre.

Mineralization

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

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

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

shallow plunge trending at -30° towards 145°.

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

Mineral Processing and Metallurgical Testing

The Flin Flon concentrator is an operating plant running at steady state and as a result, several of the initial metallurgical testing and assumptions have been replaced by the operating experience and performance of the plant over its 16 years of operation in processing the ore produced from the 777 mine.

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

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

Mineral Resource and Mineral Reserve Estimates

The mineral resource and mineral reserve estimates for 777 are effective January 1, 2020. 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.

1. Mineral Resources

Mineral resources were separated into the 777 and Callinan portions of the deposit. This was done for mining and planning purposes as the Callinan lenses represent the upper, and more historic, portion of the mineralization and the 777 zones represent the lower more recently drilled and identified mineralization. The interpreted lenses of the 777 zones and certain Callinan lenses were built by digitizing polylines around the mineralization. Polylines were then linked with tag strings and triangulated in order to create three dimensional wireframe solids.

The mineral resource estimate was completed using MineSight 12.0-2 software in mine coordinates. The block model was constrained by interpreted 3D wireframes of the mineralization. Gold, silver, copper, zinc, iron, specific gravity and in some cases dilution variables and horizontal width were estimated into blocks using either ordinary kriging or relative co-ordinate kriging for most lenses.

2. Mineral Reserves

Mining, processing and economic parameters were applied to the block model to form the basis of the reserve estimate with an effective date of January 1, 2020. The measured resources were used to estimate the proven mineral reserves and the indicated resources were used to estimate the probable mineral reserves. For mining purposes, there are eight active mining areas in the mine to allow for a blended product with the end goal to send a blended grade to the mill. Mining methods were established for each mining area and a net smelter return (“NSR”) was calculated to determine the economic viability. NSR revenues were calculated for each mining area comprised of blocks from the block model assuming metallurgical recoveries and our four year average metal prices and exchange rates. To determine the economic viability and NSR margin of each mining block, onsite operating costs, capital development and offsite costs were estimated and applied against copper and zinc concentrate produced for each mining block. The final step of the reserving process involved developing an annualized life-of-mine production plan and supporting cash flow analysis to determine the mineral reserves.

Reconciliation of Reserves and Resources

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

777 Mine – January 1, 2020 ⁽¹⁾					
Mineral Reserve Reconciliation (Proven & Probable)	Tonnes	Cu (t)	Zn (t)	Au (oz)	Ag (oz)
A 2019 Mineral Reserve	3,550,000	52,600	148,200	213,700	2,807,400
B 2019 Production (from Reserve)	935,000	15,900	25,400	47,300	505,100
C (A-B) = Depleted Reserve	2,615,000	36,700	122,800	166,400	2,302,300
D Reserve stope design update Gain/(Loss)	(34,000)	(1,100)	(7,300)	(3,100)	(66,300)
E 2020 Mineral Reserve (C-D)	2,581,000	35,600	115,500	163,300	2,236,000

Constrained Mineral Resource Reconciliation (Measured & Indicated inside the stope design)	Tonnes	Cu (t)	Zn (t)	Au (oz)	Ag (oz)
F 2019 Mineral Resource	370,000	4,200	15,200	21,600	356,400
G 2020 Mineral Resource	510,000	8,900	19,100	30,500	427,100
H (G-F) = Gain/(Loss)	140,000	4,700	3,900	8,900	70,700

Constrained Mineral Resource Reconciliation (Inferred inside the stope design)	Tonnes	Cu (t)	Zn (t)	Au (oz)	Ag (oz)
I 2019 Mineral Resource	390,000	5,600	19,900	39,200	513,100
J 2020 Mineral Resource (C+G)	210,000	3,100	11,000	21,000	268,100
K (J-I) = Gain/(Loss)	(180,000)	(2,500)	(8,900)	(18,200)	(245,000)

Note:

- Totals may not add up due to number rounding.

Mining Operations

The 777 mine is a multi-lens orebody with shaft access down to the 1,508 metre level. The mine consists of an internal ramp that provides access to each mining level. Mobile tired diesel equipment is utilized. Load haul dump (“LHD”) units vary from 8 to 10 cubic yard. Trucks are 40 to 50 ton units feeding an ore pass system or direct to rock-breakers which feed an underground crusher and ore is skipped to surface via the shaft.

Long-hole open stope is the mining method used at the 777 mine. Mine sequencing involves primary, secondary, chevron and longitudinal retreat stopes that are either paste or unconsolidated loose waste rock backfilled. Long-hole stopes are mined at 15 to 17 metre vertical sill to sill intervals. Stope strike lengths are generally 16 metres with widths of 3 to 100 metres, with an average of approximately 20 metres. The ore is undercut at the top and bottom of the block, providing access for drilling and mucking. Drilling is done by top hammer long-hole drills with holes varying in length between 10 metres and 20 metres long and a hole diameter of 3 inches. Mucking is accomplished by remote LHD units and then loaded to haul trucks. Ore at the 777 mine is loaded by LHDs to underground haul trucks, which dump to a series of ore passes that feed three chutes on 1,412 metre level. Haul trucks are loaded from the chutes and haul the ore directly to the main ore pass system on 1,412 metre level. The ore is temporarily stored in a 1,725 tonne coarse ore bin that feeds the crusher. From the crusher it is conveyed to a 1,600 tonne fine ore bin, where it is conveyed to a loading pocket at the 1,508 metre level and placed into two 15 tonne skips and hoisted to surface. The ore on surface is hauled by 53 to 63 tonne haulage trucks directly to the Flin Flon

concentrator or is dumped on a stockpile close to the concentrator.

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

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

Exploration and Development

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

SCHEDULE C: AUDIT COMMITTEE CHARTER

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

PURPOSE

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

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

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

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

The Audit Committee is not responsible for:

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

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

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

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

REPORTS

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

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

COMPOSITION

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

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

- accept (directly or indirectly) any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries¹ (other than remuneration for acting in his or her capacity as a director or committee member) or be an "affiliated person"² of the Company or any of its subsidiaries, or
- concurrently serve on the audit committee of more than three other public companies without the prior approval of the Audit Committee, the Corporate Governance and Nominating Committee and the Board of Directors and their determination that such simultaneous service would not impair the ability of the member to effectively serve on the Audit Committee (which determination shall be disclosed in the Company's annual management information circular).

A majority of the members of the Audit committee shall be "resident Canadians", as contemplated by the *Canada Business Corporations Act*.

Notes:

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

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

RESPONSIBILITIES

INDEPENDENT AUDITOR

The Audit Committee shall:

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

INTERNAL AUDIT FUNCTION

The Audit Committee shall:

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

THE AUDIT PROCESS, FINANCIAL STATEMENTS AND RELATED DISCLOSURE

The Audit Committee shall:

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

response to that letter or communication, and

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

Risks

The Audit Committee shall:

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

Compliance

The Audit Committee shall:

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

Delegation

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

INDEPENDENT ADVICE

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