

Unaudited Condensed Consolidated Interim Financial Statements
(In US dollars)

HUBBAY MINERALS INC.

For the three months ended March 31, 2021 and 2020

HUDBAY MINERALS INC.

Condensed Consolidated Interim Balance Sheets
(Unaudited and in thousands of US dollars)

	Note	Mar. 31, 2021	Dec. 31, 2020
Assets			
Current assets			
Cash		\$ 310,564	\$ 439,135
Trade and other receivables	6	156,045	141,199
Inventories	7	182,366	143,105
Prepaid expenses and other current assets		17,267	16,717
Other financial assets	8	4,085	3,073
Taxes receivable		11,334	12,446
		681,661	755,675
Receivables	6	18,318	18,568
Inventories	7	18,717	22,006
Other financial assets	8	14,106	15,669
Intangibles and other assets	9	21,366	21,173
Property, plant and equipment	10	3,680,858	3,731,655
Deferred tax assets	17b	114,170	101,899
		\$ 4,549,196	\$ 4,666,645
Liabilities			
Current liabilities			
Trade and other payables		\$ 185,228	\$ 233,147
Taxes payable		2,651	2,701
Other liabilities	11	68,977	51,971
Other financial liabilities	12	55,272	24,713
Lease liabilities	13	30,626	33,473
Deferred revenue	15	102,626	102,782
		445,380	448,787
Other financial liabilities	12	166,344	194,378
Lease liabilities	13	24,700	30,041
Long-term debt	14	1,180,798	1,135,675
Deferred revenue	15	444,949	443,902
Provisions	16	260,802	331,799
Pension obligations		19,542	23,316
Other employee benefits		117,496	129,508
Deferred tax liabilities	17b	228,935	229,433
		2,888,946	2,966,839
Equity			
Share capital	18b	1,778,021	1,777,340
Reserves		(2,245)	(24,200)
Retained earnings		(115,526)	(53,334)
		1,660,250	1,699,806
		\$ 4,549,196	\$ 4,666,645

Commitments (note 21)

HUDBAY MINERALS INC.

Condensed Consolidated Interim Income Statements
(Unaudited and in thousands of US dollars)

		Three months ended March 31,	
	Note	2021	2020
Revenue	5a	\$ 313,624	\$ 245,105
Cost of sales			
Mine operating costs		178,430	180,657
Depreciation and amortization	5b	82,682	86,439
		261,112	267,096
Gross profit (loss)		52,512	(21,991)
Selling and administrative expenses		9,945	5,103
Exploration and evaluation expenses		7,052	5,773
Other (income) expenses	5d	(3,346)	5,492
Results from operating activities		38,861	(38,359)
Net interest expense on long term debt	5e	21,232	19,635
Accretion on streaming arrangements	5e	15,528	16,299
Change in fair value of financial instruments	5e	39,007	6,244
Other net finance costs	5e	32,686	915
		108,453	43,093
Loss before tax		(69,592)	(81,452)
Tax recovery	17a	(9,490)	(5,318)
Loss for the period		\$ (60,102)	\$ (76,134)
Loss per share			
Basic		\$ (0.23)	\$ (0.29)
Diluted		\$ (0.23)	\$ (0.29)
Weighted average number of common shares outstanding:			
Basic	19	261,321,074	261,272,151
Diluted	19	261,321,074	261,272,151

HUBBAY MINERALS INC.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited and in thousands of US dollars)

		Three months ended March 31,	
	Note	2021	2020
Cash generated from operating activities:			
Loss for the period		\$ (60,102)	\$ (76,134)
Tax recovery	17a	(9,490)	(5,318)
Items not affecting cash:			
Depreciation and amortization	5b	83,162	86,857
Share-based compensation	5c	1,786	(2,713)
Net interest expense on long term debt	5e	21,232	19,635
Accretion on streaming arrangements	5e	15,528	16,299
Change in fair value of financial instruments	5e	39,007	6,244
Other net finance costs	5e	32,686	915
Inventory (recovery) write-down	7	(723)	10,375
Amortization of deferred revenue and variable consideration	5a	(15,227)	(9,760)
Pension and other employee benefit payments, net of accruals		2,641	2,184
Decommissioning and restoration payments		(4,637)	(2,936)
Other	22a	(10,810)	(1,029)
Taxes paid		(4,397)	(2,668)
Operating cash flow before change in non-cash working capital		90,656	41,951
Change in non-cash working capital	22b	(38,859)	(32,865)
		51,797	9,086
Cash used in investing activities:			
Acquisition of property, plant and equipment		(82,950)	(51,085)
Interest received		438	1,138
		(82,512)	(49,947)
Cash generated from/(used) in financing activities:			
Issuance of senior unsecured notes, net of transaction costs	14a	591,928	—
Principal repayments	14a	(600,000)	—
Premium paid on redemption of notes	14a	(22,878)	—
Interest paid on long-term debt		(50,835)	(37,375)
Financing costs		(3,586)	(3,736)
Lease payments	13	(9,773)	(9,017)
Net proceeds from exercise of stock options		443	—
Dividends paid	18b	(2,090)	(1,804)
		(96,791)	(51,932)
Effect of movement in exchange rates on cash		(1,065)	2,644
Net decrease in cash		(128,571)	(90,149)
Cash, beginning of the period		439,135	396,146
Cash, end of the period		\$ 310,564	\$ 305,997

For supplemental information, see note 22.

HUDBAY MINERALS INC.

Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited and in thousands of US dollars)

	Three months ended March 31,	
	2021	2020
Loss for the period	\$ (60,102)	\$ (76,134)
Other comprehensive income (loss):		
Item that will be reclassified subsequently to profit or loss:		
Recognized directly in equity:		
Net gain (loss) on translation of foreign currency balances	3,461	(20,120)
	3,461	(20,120)
Items that will not be reclassified subsequently to profit or loss:		
Recognized directly in equity:		
Gold prepayment revaluation (note 20a)	(1,547)	—
Tax effect (note 17c)	416	—
Remeasurement - actuarial gain	20,549	31,496
Tax effect (note 17c)	(1,109)	(3,284)
	18,309	28,212
Other comprehensive income net of tax, for the period	21,770	8,092
Total comprehensive loss for the period	\$ (38,332)	\$ (68,042)

HUBBAY MINERALS INC.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited and in thousands of US dollars)

	Share capital (note 18)	Other capital reserves	Foreign currency translation reserve	Remeasurement reserve	Retained earnings	Total equity
Balance, January 1, 2020	\$ 1,777,340	\$ 54,815	\$ (2,599)	\$ (76,466)	\$ 95,033	\$ 1,848,123
Loss	—	—	—	—	(76,134)	(76,134)
Other comprehensive (loss) income	—	—	(20,120)	28,212	—	8,092
Total comprehensive (loss) income	—	—	(20,120)	28,212	(76,134)	(68,042)
Contributions by and distributions to owners:						
Dividends (note 18b)	—	—	—	—	(1,804)	(1,804)
Total contributions by and distributions to owners	—	—	—	—	(1,804)	(1,804)
Balance, March 31, 2020	\$ 1,777,340	\$ 54,815	\$ (22,719)	\$ (48,254)	\$ 17,095	\$ 1,778,277
Loss	—	—	—	—	(68,450)	(68,450)
Other comprehensive income (loss)	—	—	24,290	(33,454)	—	(9,164)
Total comprehensive income (loss)	—	—	24,290	(33,454)	(68,450)	(77,614)
Contributions by and distributions to owners:						
Dividends (note 18b)	—	—	—	—	(1,979)	(1,979)
Stock options	—	1,122	—	—	—	1,122
Total contributions by and distributions to owners	—	1,122	—	—	(1,979)	(857)
Balance, December 31, 2020	\$ 1,777,340	\$ 55,937	\$ 1,571	\$ (81,708)	\$ (53,334)	\$ 1,699,806

HUDBAY MINERALS INC.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited and in thousands of US dollars)

	Share capital (note 18)	Other capital reserves	Foreign currency translation reserve	Remeasurement reserve	Retained earnings	Total equity
Balance, January 1, 2021	\$ 1,777,340	\$ 55,937	\$ 1,571	\$ (81,708)	\$ (53,334)	\$ 1,699,806
Loss	—	—	—	—	(60,102)	(60,102)
Other comprehensive income	—	—	3,461	18,309	—	21,770
Total comprehensive income (loss)	—	—	3,461	18,309	(60,102)	(38,332)
Contributions by and distributions to owners:						
Dividends (note 18b)	—	—	—	—	(2,090)	(2,090)
Stock options	—	423	—	—	—	423
Transfer to share capital related to stock options redeemed	238	(238)	—	—	—	—
Issuance of shares related to stock options redeemed	443	—	—	—	—	443
Total contributions by and distributions to owners	681	185	—	—	(2,090)	(1,224)
Balance, March 31, 2021	\$ 1,778,021	\$ 56,122	\$ 5,032	\$ (63,399)	\$ (115,526)	\$ 1,660,250

HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
(in thousands of US dollars, except where otherwise noted)
For the three months ended March 31, 2021 and 2020

1. Reporting entity

On January 1, 2017, Hudbay Minerals Inc. amalgamated under the *Canada Business Corporations Act* with its subsidiaries Hudson Bay Mining and Smelting Co., Limited and Hudson Bay Exploration and Development Company Limited to form Hudbay Minerals Inc. ("HMI" or the "Company"). The address of the Company's principal executive office is 25 York Street, Suite 800, Toronto, Ontario. The unaudited condensed consolidated interim financial statements ("interim financial statements") of the Company for the three months ended March 31, 2021 and 2020 represent the financial position and the financial performance of the Company and its subsidiaries (together referred to as "Hudbay").

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

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

2. Basis of preparation

(a) Statement of compliance:

These interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and do not include all of the information required for full annual financial statements by International Financial Reporting Standards ("IFRS").

These interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020 which includes information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies are presented as note 3 in the audited consolidated financial statements for the year ended December 31, 2020 and have been consistently applied in the preparation of these interim financial statements.

The Board of Directors approved these interim financial statements on May 11, 2021.

HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
(in thousands of US dollars, except where otherwise noted)
For the three months ended March 31, 2021 and 2020

(b) COVID-19 estimation uncertainty:

At the end of 2019, a novel strain of coronavirus ("COVID-19") was first reported. The COVID-19 outbreak has developed rapidly in 2020 and into 2021, with a significant number of infections around the world, including regions Hudbay operates in. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. Since then, containment measures have resulted in decreased economic activity, which has adversely affected the broader global economy.

The resulting impacts on global commerce have been and continue to be far-reaching. Since the initial outbreak there has been volatility in stock markets, commodities and foreign exchange markets, restrictions on the conduct of business in many jurisdictions and the global movement of people and some goods have become restricted.

The Company has evaluated the potential impacts arising from COVID-19 on all aspects of its business.

(c) Use of judgements and estimates:

The preparation of the interim financial statements in conformity with IFRS requires Hudbay to make judgements, estimates and assumptions, in applying accounting policies that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements, as well as reported amounts of revenue and expenses during the reporting period. Actual results may differ from these judgements, estimates and assumptions. The interim financial statements reflect the judgements and estimates outlined by Hudbay in its audited consolidated financial statements for the year ended December 31, 2020, except as noted below.

As a result of a new National Instrument 43-101 ("NI 43-101") technical report for the Constancia copper mine in Peru, effective January 1, 2021, which reflects an updated mine plan with a new grade and ore tonnage profile, Hudbay made a change in estimate in Peru for the allocation of mining cost to inventories and depreciation for certain mineral property, property plant and equipment ("PP&E") assets, to reflect the changes in grades following the new NI 43-101 to utilize contained metal in the respective calculations. Please see notes 5b, 7 and 10 for further details on the impact of this change in estimation method.

During the current period, as a result of volatile discount rates and inflation rates, management re-examined the inflation estimate used to calculate the decommissioning, restoration and similar liabilities ("DRO"). It was concluded that the implied difference between the nominal bond yield and the corresponding maturity real return bond yield provides a more accurate estimate of the effective inflation rate. As such, during the current period, the inflation rate estimate used to calculate DRO has been prospectively revised. Please see notes 5d and 16 for further details on the impact of this change in estimation method.

3. Significant accounting policies

These interim financial statements reflect the accounting policies applied by Hudbay in its audited consolidated financial statements for the year ended December 31, 2020 and comparative periods.

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Notes to Unaudited Condensed Consolidated Interim Financial Statements
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4. New standards

New standards and interpretations adopted

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

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

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

(b) Interest Rate Benchmark Reform - Phase II - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 6

These amendments require companies to determine if there is a significant change in the basis of determining contractual cash flows as a result of interest rate benchmark reform / IBOR reform. A company will be required to determine if the replacement of an existing interest rate benchmark with an alternative rate benchmark results in contractual cash flows that are significantly different for financial instruments, lease payments, insurance contracts and/or items that use hedge accounting. If IBOR reform result in a transition on an economically equivalent basis with no value transfer having occurred, the changes to the standard allow the contractual cash flow changes to be applied prospectively, similar to a change in a market rate. For Hudbay, these amendments have been in effect since January 1, 2021 and have not resulted in material changes to the interim financial statements.

During the first quarter of 2021, Hudbay has not entered into any new contracts or contract modifications that are dependent on the LIBOR rate.

HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
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5. Revenue and expenses

(a) Revenue

Hudbay's revenue by significant product types:

	Three months ended March 31,	
	2021	2020
Copper	\$ 173,686	\$ 139,178
Zinc	82,103	63,554
Gold	42,193	44,363
Silver	6,397	3,612
Molybdenum	6,970	9,164
Other	1,559	902
	312,908	260,773
Non-cash streaming arrangement items ¹		
Amortization of deferred revenue - gold	4,873	4,135
Amortization of deferred revenue - silver	8,737	8,438
Amortization of deferred revenue - variable consideration adjustments - prior periods	1,617	(2,813)
	15,227	9,760
Pricing and volume adjustments ²	(2,575)	(9,733)
	325,560	260,800
Treatment and refining charges	(11,936)	(15,695)
	\$ 313,624	\$ 245,105

¹ See note 15.

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

Consideration from the Company's stream agreements is considered variable (note 15). Gold and silver stream revenue can be subject to cumulative adjustments when the amount of precious metals to be delivered under the contract changes. As a result of changes in the Company's mineral reserve and resource estimate in the first quarter of 2021, the amortization rate by which deferred revenue is drawn down into income was adjusted and, as required, a current period catch up adjustment is made for all prior year stream revenues since the stream agreement inception date. This variable consideration adjustment for the three months ended March 31, 2021 resulted in an increase of revenue of \$1,617. The variable consideration adjustment for the three months ended March 31, 2020 resulted in a reversal of revenue of \$2,813.

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Notes to Unaudited Condensed Consolidated Interim Financial Statements
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(b) Depreciation and amortization

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

	Three months ended March 31,	
	2021	2020
Cost of sales	\$ 82,682	\$ 86,439
Selling and administrative expenses	480	418
	\$ 83,162	\$ 86,857

Effective January 1, 2021, following a new NI 43-101 technical report for Peru, the Company made a change in estimate in Peru for certain mineral property PP&E assets to reflect the changes in grades following the new NI 43-101 to utilize contained metal in the depreciation calculation. For the first quarter of 2021, depreciation expense is lower by \$887 compared to the result under the previous depreciation calculation. Since the change is in response to an updated life-of-mine plan it is being treated in accordance with a change in estimate and has been applied prospectively. Please see Note 10 for further details.

(c) Share-based compensation expenses

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

	Cash-settled			Stock options	Total share-based compensation expense
	RSUs	DSUs	PSUs		
Three months ended March 31, 2021					
Cost of sales	\$ 184	\$ —	\$ —	\$ —	\$ 184
Selling and administrative	673	48	428	423	1,572
Other expenses	30	—	—	—	30
	\$ 887	\$ 48	\$ 428	\$ 423	\$ 1,786
Three months ended March 31, 2020					
Cost of sales	\$ (215)	\$ —	\$ —	\$ —	\$ (215)
Selling and administrative	(879)	(1,534)	—	—	(2,413)
Other expenses	(85)	—	—	—	(85)
	\$ (1,179)	\$ (1,534)	\$ —	\$ —	\$ (2,713)

During the three months ended March 31, 2021, the Company granted 509,385 stock options (three months ended March 31, 2020 - nil). For further details on stock options, see note 19.

HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

(in thousands of US dollars, except where otherwise noted)

For the three months ended March 31, 2021 and 2020

(d) Other (income) expenses

	Three months ended March 31,	
	2021	2020
Regional costs	\$ 820	\$ 885
(Gain) loss on disposal of property, plant and equipment	(303)	2,400
Closure cost adjustment - non-producing properties	(4,499)	845
Allocation of community costs	353	728
Other	283	634
	\$ (3,346)	\$ 5,492

During the first quarter of 2021, the Company revalued its DRO using the prevailing market discount rates, as it does every quarter in the normal course. Due to rising risk-free rates during the first quarter, discount rates used in the revaluation of the DRO have increased correspondingly, resulting in a reduction in the associated liabilities. For certain closed sites with such reclamation obligations, the revaluation of the corresponding liability is recorded through the income statement, resulting in a gain of \$4,499.

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Notes to Unaudited Condensed Consolidated Interim Financial Statements
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(e) Net finance expenses

	Three months ended March 31,	
	2021	2020
Net interest expense on long-term debt		
Interest expense on long-term debt	\$ 21,232	\$ 19,635
	21,232	19,635
Accretion on streaming arrangements (note 15)		
Current year additions	14,934	15,339
Variable consideration adjustments - prior periods	594	960
	15,528	16,299
Change in fair value of financial assets and liabilities at fair value through profit or loss		
Embedded derivatives	49,754	2,871
Gold prepayment liability	(12,500)	—
Investments	1,753	3,373
	39,007	6,244
Other net finance costs		
Net foreign exchange losses (gains)	1,670	(4,846)
Accretion on community agreements measured at amortized cost	653	1,121
Unwinding of discounts on provisions	861	1,350
Withholding taxes	2,023	1,893
Premium paid on redemption of notes (note 14)	22,878	—
Write-down of unamortized transaction costs (note 14)	2,480	—
Other finance expense	2,484	2,503
Interest income	(363)	(1,106)
	32,686	915
Net finance expense	\$ 108,453	\$ 43,093

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

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6. Trade and other receivables

	Mar. 31, 2021	Dec. 31, 2020
Current		
Trade receivables	\$ 134,639	\$ 107,787
Statutory receivables	19,378	28,445
Other receivables	2,028	4,967
	156,045	141,199
Non-current		
Taxes receivable	16,671	16,941
Other receivables	1,647	1,627
	18,318	18,568
	\$ 174,363	\$ 159,767

7. Inventories

	Mar. 31, 2021	Dec. 31, 2020
Current		
Stockpile	\$ 24,952	\$ 13,906
Work in progress	8,474	6,364
Finished goods	100,628	72,923
Materials and supplies	48,312	49,912
	182,366	143,105
Non-current		
Stockpile	12,924	16,704
Materials and supplies	5,793	5,302
	18,717	22,006
	\$ 201,083	\$ 165,111

The cost of inventories recognized as an expense, including depreciation, and included in cost of sales amounted to \$237,398 for the three months ended March 31, 2021 (three months ended March 31, 2020 - \$229,193).

During the three months ended March 31, 2021, Hudbay recognized a recovery of \$723 in cost of sales related to adjustments of the carrying value of inventories to net realizable value (three months ended March 31, 2020 - a net expense of \$10,375). Adjustments to the carrying value of inventories to net realizable value were related to changes in commodity prices.

Effective January 1, 2021, following a new NI 43-101 technical report for Peru, which reflects an updated mine plan with a new grade and ore tonnage profile, the Company changed its method of estimation with respect to applying mining costs to stockpile and finished goods inventory. Prior to this change, mining costs were allocated using tonnes of ore mined. Starting January 1, 2021 Peru mining cost have been allocated to inventories using contained metal, incorporating tonnes of ore mined and expected mined grades. Since the change is in response to an updated life-of-mine plan, it is being treated in accordance with a change in estimate and will be applied prospectively. For the first quarter of 2021, as a result of the change in allocation, stockpile and finished goods inventories have declined and increased by \$2,574 and \$69, respectively.

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8. Other financial assets

	Mar. 31, 2021	Dec. 31, 2020
Current		
Derivative assets	\$ 3,748	\$ 2,736
Restricted cash	337	337
	4,085	3,073
Non-current		
Investments at fair value through profit or loss	14,106	15,669
	\$ 18,191	\$ 18,742

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

9. Intangibles and other assets

Intangibles and other assets of \$21,366 (December 31, 2020 - \$21,173) includes \$15,665 of other assets (December 31, 2020 - \$15,764) and \$5,701 of intangibles (December 31, 2020 - \$5,409).

Other assets represent the carrying value of certain future community costs. The liability remaining for these agreements is recorded in other financial liabilities at amortized cost (note 12). Amortization of the carrying amount is recorded in the condensed consolidated interim income statements within other expenses (note 5d).

Intangibles mainly represent computer software costs.

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Notes to Unaudited Condensed Consolidated Interim Financial Statements
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10. Property, plant and equipment

Mar. 31, 2021	Cost	Accumulated depreciation and amortization	Carrying amount
Exploration and evaluation assets	\$ 80,357	\$ —	\$ 80,357
Capital works in progress	1,033,492	—	1,033,492
Mining properties	2,245,215	(1,172,988)	1,072,227
Plant and equipment	2,747,904	(1,330,246)	1,417,658
Plant and equipment-ROU Assets ¹	215,991	(138,867)	77,124
	\$ 6,322,959	\$ (2,642,101)	\$ 3,680,858

Dec. 31, 2020	Cost	Accumulated depreciation and amortization	Carrying amount
Exploration and evaluation assets	\$ 79,059	\$ —	\$ 79,059
Capital works in progress	957,162	—	957,162
Mining properties	2,217,461	(1,126,274)	1,091,187
Plant and equipment	2,793,719	(1,271,581)	1,522,138
Plant and equipment - ROU Assets ¹	214,303	(132,194)	82,109
	\$ 6,261,704	\$ (2,530,049)	\$ 3,731,655

¹ Includes \$3,418 of capital works in progress - ROU assets (cost) that relate to the Arizona Business unit (December 31, 2020 - \$4,777 related to the Arizona and Manitoba Business units)

For the three months ended March 31, 2021, the increase in property, plant and equipment (cost) of \$61,255 was mainly caused by fixed asset and construction in progress asset additions of \$101,003 and effects of movements in exchange rates of \$26,441, partially offset by decreases in decommissioning and restoration assets of \$64,504 (producing assets) mostly as a result of changes in discount rates associated with remeasurement of the liabilities.

Effective January 1, 2021, following a new NI 43-101 technical report for Peru, the Company made a change in estimate in Peru for certain mineral property PP&E assets to reflect the changes in grades following the new NI-43-101 to utilize contained metal in the depreciation calculation.

The change is in response to an updated life-of-mine plan, it is being treated in accordance with a change in estimate and will be applied prospectively. For the first quarter of 2021, depreciation expense is lower by \$887 compared to the result under the previous depreciation calculation.

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11. Other liabilities

	Mar. 31, 2021	Dec. 31, 2020
Current		
Provisions (note 16)	\$ 31,875	\$ 33,675
Pension liability	13,552	13,552
Other employee benefits	3,154	3,154
Unearned revenue	20,396	1,590
	\$ 68,977	\$ 51,971

As a result of the timing of shipments in conjunction with the terms of certain sales transactions, customer payments were received prior to the completion of the revenue process and have been recorded as unearned revenue. The unearned revenue liability will be realized into sales revenue in the second quarter of 2021.

12. Other financial liabilities

	Mar. 31, 2021	Dec. 31, 2020
Current		
Derivative liabilities	\$ 16,648	\$ 15,312
Gold prepayment liability	16,395	—
Other financial liabilities at amortized cost	22,229	9,401
	55,272	24,713
Non-current		
Deferred Rosemont acquisition consideration	26,342	25,961
Gold prepayment liability	109,683	137,031
Other financial liabilities at amortized cost	30,319	31,386
	166,344	194,378
	\$ 221,616	\$ 219,091

The derivative liabilities include derivative and hedging transactions. Derivative liabilities are carried at their fair value with changes in fair value recorded to the condensed consolidated interim income statements. The fair value adjustments for hedging type derivatives are recorded in revenue. Fair value adjustments for embedded derivatives are recorded within net finance expense.

On May 7, 2020, the Company entered into an agreement and received \$115,005 in exchange for the delivery of 79,954 gold ounces starting January 2022 and ending in December 2023, which were valued at gold forward curve prices averaging \$1,682 per ounce at the time of the transaction. The agreement has been assessed as a financial liability that has been designated as fair value through profit or loss within change in fair value of financial instruments, with a component of the fair value related to the fluctuation in the Company's own credit risk being recorded to other comprehensive income. The fair value adjustment recorded in profit or loss and other comprehensive income for the three months ended March 31, 2021 totaled a net gain of \$10,953.

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Other financial liabilities at amortized cost relate to agreements with communities near the Constancia operation which allow Hudbay to extract minerals over the useful life of the Constancia operation, carry out exploration and evaluation activities in the area and provide Hudbay with community support to operate in the region. The changes in other financial liabilities at amortized cost during the three months ended March 31, 2021 primarily relates to the execution of the remaining land user agreements with certain community members, partially offset by disbursements.

The following table summarizes changes in other financial liabilities at amortized cost:

Balance, January 1, 2020	\$	24,000
Net additions		116,233
Disbursements		(98,375)
Accretion		3,641
Effects of changes in foreign exchange		(4,712)
Balance, December 31, 2020	\$	40,787
Net additions		18,757
Disbursements		(6,121)
Accretion		653
Effects of changes in foreign exchange		(1,528)
Balance, March 31, 2021	\$	52,548

13. Lease Liability

Balance, January 1, 2020	\$	81,947
Additional capitalized leases		17,759
Lease payments		(35,980)
Accretion and other movements		(212)
Balance, December 31, 2020	\$	63,514
Additional capitalized leases		1,321
Lease payments		(9,773)
Accretion and other movements		264
Balance, March 31, 2021	\$	55,326

	Mar. 31, 2021	Dec. 31, 2020
Current	\$ 30,626	\$ 33,473
Non-current	24,700	30,041
	\$ 55,326	\$ 63,514

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Hudbay has entered into leases for its Peru, Manitoba and Arizona business units which expire between 2021 and 2043. The interest rates on leases which were capitalized have interest rates between 1.95% to 5.44%, per annum. The range of interest rates utilized for discounting varies depending mostly on the Hudbay entity acting as lessee and duration of the lease. For certain leases, Hudbay has the option to purchase the equipment and vehicles leased at the end of the terms of the leases. Hudbay's obligations under these leases are secured by the lessor's title to the leased assets. The present value of applicable lease payments has been recognized as a ROU asset, which was included as a non-cash addition to property, plant and equipment, and a corresponding amount as a lease liability.

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

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

	Three months ended March 31,	
	2021	2020
Short-term leases	\$ 8,539	\$ 12,697
Low value leases	93	80
Variable leases	8,083	10,531
Total	\$ 16,715	\$ 23,308

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

14. Long-term debt

Long-term debt is comprised of the following:

	Mar. 31, 2021	Dec. 31, 2020
Senior unsecured notes (a)	\$ 1,184,146	\$ 1,139,695
Less: Unamortized transaction costs - revolving credit facilities (b)	(3,348)	(4,020)
	\$ 1,180,798	\$ 1,135,675

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(a) Senior unsecured notes

Balance, January 1, 2020	\$	991,558
Addition to Principal, net of \$8,176 transaction costs		591,824
Principal repayments		(400,000)
Change in fair value of embedded derivative (prepayment option)		(47,169)
Write-down of unamortized transaction costs		2,315
Accretion of transaction costs and premiums		1,167
Balance, December 31, 2020	\$	1,139,695
Addition to Principal, net of \$8,072 transaction costs		591,928
Principal repayments		(600,000)
Write-down of fair value of embedded derivative (prepayment option)		49,754
Write-down of unamortized transaction costs		2,480
Accretion of transaction costs and premiums		289
Balance, March 31, 2021	\$	1,184,146

On March 8, 2021, Husbay completed an offering of \$600,000 aggregate principal amount of 4.50% senior unsecured notes due April 2026 (the "2026 Notes").

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

The unamortized transaction costs of \$2,480 were expensed upon extinguishment of the 2025 Notes. The early redemption of these notes resulted in a charge of \$22,878, which was recorded on the condensed consolidated interim income statements (note 5e).

The early redemption of the 2025 Notes reflected the exercise of a prepayment option previously valued at \$49,754. As such, the prepayment option has been expensed in the condensed consolidated interim income statements (note 5e).

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

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

In 2020, the unamortized transaction costs of \$2,315 were expensed upon extinguishment of the 2023 Notes. The early redemption of these notes resulted in a charge of \$7,252, which was recorded on the condensed consolidated interim income statements.

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

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

(b) Unamortized transaction costs - revolving credit facilities

Balance, January 1, 2020	\$	6,303
Accretion of transaction costs		(3,062)
Write-down of unamortized transaction costs		(1,502)
Transaction costs		2,281
Balance, December 31, 2020	\$	4,020
Accretion of transaction costs		(691)
Transaction costs		19
Balance, March 31, 2021 ¹	\$	3,348

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

On August 31, 2020, Hudbay completed a restructuring of its two senior secured credit facilities. The total available credit was reduced from \$550,000 to \$400,000 and various financial covenants have been amended.

The unamortized transaction costs of \$1,502 were expensed upon restructuring of the credit facilities.

As at March 31, 2021, the Peru business unit had \$11,470 in letters of credit issued under the Peru revolving credit facility to support its reclamation obligations and the Manitoba business unit had \$94,637 in letters of credit issued under the Canada revolving credit facility to support its reclamation and pension obligations. As at March 31, 2021, there were no cash advances under the credit facilities.

Surety bonds

The Arizona business unit had \$8,591 in surety bonds issued to support future reclamation and closure obligations. No cash collateral is required to be posted under these surety bonds.

Other letters of credit

The Peru business unit had \$85,000 in letters of credit issued with various Peruvian financial institutions. No cash collateral is required to be posted under these letters of credit.

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15. Deferred revenue

On August 8, 2012 and November 4, 2013, Hudbay entered into precious metals stream transactions with Wheaton Precious Metals ("Wheaton") whereby Hudbay has received aggregate deposit payments of \$455,100 against delivery of (i) 100% of payable gold and silver from the 777 mine until the end of 2016, and delivery of 50% of payable gold and 100% of payable silver for the remainder of the 777 mine life; and aggregate deposit payments of \$429,900 against the delivery of (ii) 100% of payable silver and 50% of payable gold from the Constancia mine.

In addition to the aggregate deposit payments of \$885,000, as gold and silver is delivered under the stream agreements, Hudbay receives cash payments equal to the lesser of (i) the market price and (ii) \$400 per ounce (for gold) and \$5.90 per ounce (for silver), subject to 1% annual escalation after three years, from the inception of the agreement.

Hudbay recorded the deposits received as deferred revenue and recognizes amounts in revenue as gold and silver are delivered under the stream agreements. Hudbay determines the amortization of deferred revenue to the condensed consolidated interim income statements on a per unit basis using the estimated total number of gold and silver ounces expected to be delivered under the stream agreements over the life of the 777 and Constancia life-of-mine plans. During the third quarter of 2020, Hudbay revised its estimate of remaining mineralization for the 777 deposit and as such adjusted the drawdown rates for the remainder of the year. For the three months ended March 31, 2021 the drawdown rates for the 777 stream agreement for gold and silver were CA\$1,578 and CA\$30.38 per ounce, respectively (year ended December 31, 2020 - \$1,173 and \$22.43 per ounce, respectively). For the three months ended March 31, 2021 the drawdown rates for the Constancia stream agreement for gold and silver were \$990 and \$21.86 per ounce, respectively (year ended December 31, 2020 - \$976 and \$21.52 per ounce, respectively). Hudbay estimates the current portion of deferred revenue based on deliveries anticipated over the next twelve months.

Hudbay has determined that precious metals stream contracts are subject to variable consideration and contain a significant financing component. As such, the Company recognizes a financing charge at each reporting period and will gross up the deferred revenue balance to recognize the significant financing element that is part of these contracts. Hudbay's streaming arrangements are secured against the mining properties and other business unit assets associated with the applicable stream.

Hudbay expects that the remaining performance obligations for the 777 and Constancia streams will be settled by the expiry of their respective stream agreements, which is no earlier than 2052.

As part of the streaming agreement for the 777 mine, Hudbay must repay, with precious metals credits, the legal deposit provided by August 1, 2052, the expiry date of the agreement. If the legal deposit is not fully repaid with precious metals credits from 777 production by the expiry date, a cash payment for the remaining amount will be due at the expiry date of the agreement. Given the mineral reserve and resources of the 777 mine and the current mine plan, there is a possibility that an amount of the legal deposit may not be repaid by means of 777 mine's precious metals credits over its expected remaining mine life. As at March 31, 2021, this prepayment amount does not meet the definition of a financial liability. Hudbay incorporates the possibility of repayment as part of its assessment of variable consideration in recognizing the amount of deferred revenue to recognize in income.

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The following table summarizes changes in deferred revenue:

Balance, January 1, 2020	\$	563,756
Amortization of deferred revenue		
Liability drawdown		(67,263)
Variable consideration adjustments - prior periods		(6,668)
Accretion on streaming arrangements		
Current year additions		60,362
Variable consideration adjustments - prior periods		(3,692)
Effects of changes in foreign exchange		189
Balance, December 31, 2020	\$	546,684
Amortization of deferred revenue		
Liability drawdown		(13,610)
Variable consideration adjustments - prior periods		(1,617)
Accretion on streaming arrangements (note 5e)		
Current year-to-date additions		14,934
Variable consideration adjustments - prior periods		594
Effects of changes in foreign exchange		590
Balance, March 31, 2021	\$	547,575

Consideration from the Company's stream agreement is considered variable. Gold and silver stream revenue can be subject to cumulative adjustments when the number of ounces to be delivered under the contract changes. As a result of changes in the Company's mineral reserve and resource estimate in the first quarter of 2021, the amortization rate by which deferred revenue is drawn down into income was adjusted and, as required, a current period catch up adjustment is made for all prior period stream revenues since the stream agreement inception date. This variable consideration adjustment resulted in an increase in revenue of \$1,617 and an increase of finance expense of \$594 for the three months ended March 31, 2021 (December 31, 2020 - increase in revenue of \$6,668 and reversal of finance expense of \$3,692).

During the year ended December 31, 2020 the Company recognized an adjustment to gold and silver revenue and finance costs due to a net increase in the Company's mineral reserve and resources estimates coupled with a change to the 777 mine plan.

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

	Mar. 31, 2021	Dec. 31, 2020
Current	\$ 102,626	\$ 102,782
Non-current	444,949	443,902
	\$ 547,575	\$ 546,684

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16. Provisions

Reflected in the condensed consolidated interim balance sheets as follows:

Mar. 31, 2021	Decommissioning, restoration and similar liabilities	Deferred share units	Restricted share units	Performance share units	Other	Total
Current (note 11)	\$ 21,577	\$ 6,786	\$ 3,512	\$ —	\$ —	\$ 31,875
Non-current	251,671	—	2,919	2,482	3,730	260,802
	\$ 273,248	\$ 6,786	\$ 6,431	\$ 2,482	\$ 3,730	\$ 292,677

Dec. 31, 2020	Decommissioning, restoration and similar liabilities	Deferred share units	Restricted share units	Performance share units	Other	Total
Current (note 11)	\$ 20,308	\$ 8,719	\$ 4,648	\$ —	\$ —	\$ 33,675
Non-current	322,824	—	5,801	2,030	1,144	331,799
	\$ 343,132	\$ 8,719	\$ 10,449	\$ 2,030	\$ 1,144	\$ 365,474

The following table summarizes changes in decommissioning, restoration and similar liabilities:

Balance, December 31, 2020	\$ 343,132
Net additional provisions made	(2,930)
Disbursements	(4,637)
Effect of change in estimate to inflation rates¹	(12,295)
Unwinding of discounts (note 5e)	861
Effect of change in nominal discount rate	(53,850)
Effect of foreign exchange	2,967
Balance, March 31, 2021	\$ 273,248

¹ Represents changes in estimates of inflation rates applied to expected undiscounted cash flows.

DRO are remeasured at each reporting date to reflect changes in discount rates, exchange rates, and timing and extent of cash outflows which can significantly affect the liabilities. The amount of this provision has been recorded based on estimates and assumptions that management believes are reasonable; however, actual decommissioning and restoration costs may differ from expectations.

During the current period, as a result of volatile discount rates and inflation rates, management re-examined the inflation estimate used to calculate the DRO liability. It was concluded that the implied difference between the nominal bond yield and the corresponding maturity real return bond yield provides a more accurate estimate of the effective inflation rate. As such, during the current period, the inflation rate estimate used to calculate DRO has been prospectively revised.

The effect of the change in estimate has resulted in a net decrease to the DRO liability of \$12,295.

As at March 31, 2021, decommissioning, restoration and similar liabilities have been discounted to their present value at nominal rates ranging from 0.08% to 2.41% per annum (December 31, 2020: 0.12% to 1.65%), using pre-tax risk-free interest rates that reflect the estimated maturity of each specific liability.

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17. Income and mining taxes

(a) Tax recoveries:

The tax expense (recoveries) is applicable as follows:

	Three months ended March 31,	
	2021	2020
Current:		
Income taxes	\$ 967	\$ 13
Mining taxes (recoveries)	4,244	(17)
Adjustments in respect of prior years	—	(349)
	5,211	(353)
Deferred:		
Income tax recoveries - origination, revaluation and/or reversal of temporary differences	(26,492)	(4,190)
Mining tax expense (recoveries) - origination, revaluation and/or reversal of temporary difference	11,699	(1,161)
Adjustments in respect of prior years	92	386
	(14,701)	(4,965)
	\$ (9,490)	\$ (5,318)

Adjustments in respect of prior years refers to amounts changing due to the filing of tax returns and assessments from government authorities.

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

	Mar. 31, 2021	Dec. 31, 2020
Deferred income tax asset	\$ 114,573	\$ 94,070
Deferred mining tax asset	(403)	7,829
	114,170	101,899
Deferred income tax liability	(216,525)	(220,568)
Deferred mining tax liability	(12,410)	(8,865)
	(228,935)	(229,433)
Net deferred tax liability balance, end of period	\$ (114,765)	\$ (127,534)

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(c) Changes in deferred tax assets and liabilities:

	Three months ended Mar. 31, 2021	Year ended Dec. 31, 2020
Net deferred tax liability balance, beginning of year	\$ (127,534)	\$ (167,882)
Deferred tax recovery	14,701	43,236
OCI transactions	(693)	(759)
Foreign currency translation on the deferred tax liability	(1,239)	(2,129)
Net deferred tax liability balance, end of period	\$ (114,765)	\$ (127,534)

18. Share capital

(a) Preference shares:

Authorized: Unlimited preference shares without par value.

Issued and fully paid: Nil.

(b) Common shares:

Authorized: Unlimited common shares without par value.

Issued and fully paid:

	Three months ended March 31, 2021		Year ended Dec. 31, 2020	
	Common shares	Amount	Common shares	Amount
Balance, beginning of year	261,272,151	\$ 1,777,340	261,272,151	\$ 1,777,340
Exercise of options	148,076	680,620	—	—
Balance, end of period	261,420,227	\$ 1,778,021	261,272,151	\$ 1,777,340

During the three months ended March 31, 2021, the Company paid \$2,090 in dividends on March 26, 2021 to shareholders of record as of March 9, 2021. During the three months ended March 31, 2020, the Company paid \$1,804 in dividends on March 27, 2020 to shareholders of record as of March 10, 2020.

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19. Earnings per share

	Three months ended	
	Mar. 31, 2021	Mar. 31, 2020
Basic and diluted weighted average common shares outstanding	261,321,074	261,272,151

The determination of the diluted weighted-average number of common shares excludes the impact of 509,385 weighted-average stock options outstanding that were anti-dilutive for the three months ended March 31, 2021 (March 31, 2020 - nil).

For periods where Hudbay records a loss, Hudbay calculates diluted loss per share using the basic weighted average number of shares. If the diluted weighted average number of shares were used, the result would be a reduction in the loss, which would be anti-dilutive. For the three months ended March 31, 2021 and 2020, Hudbay calculated diluted loss per share using 261,321,074 and 261,272,151 common shares, respectively.

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20. Financial instruments

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

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

	Mar. 31, 2021		Dec. 31, 2020	
	FV	CV	FV	CV
Financial assets at amortized cost				
Cash and cash equivalents ¹	\$ 310,564	\$ 310,564	\$ 439,135	\$ 439,135
Restricted cash ¹	337	337	337	337
Fair value through profit or loss				
Trade and other receivables ^{1, 2, 3}	138,314	138,314	114,381	114,381
Non-hedge derivative assets ⁴	3,748	3,748	2,736	2,736
Investments ⁵	14,106	14,106	15,669	15,669
Total financial assets	467,069	467,069	572,258	572,258
Financial liabilities at amortized cost				
Trade and other payables ^{1, 2}	165,709	165,709	209,413	209,413
Deferred Rosemont acquisition consideration ⁸	26,342	26,342	25,961	25,961
Other financial liabilities ⁶	49,658	52,548	41,912	40,787
Senior unsecured notes ⁷	1,257,528	1,184,146	1,277,124	1,139,695
Fair value through profit or loss				
Gold prepayment liability ⁹	126,078	126,078	137,031	137,031
Non-hedge derivative liabilities ⁴	16,648	16,648	15,312	15,312
Total financial liabilities	1,641,963	1,571,471	1,706,753	1,568,199
Net financial liability	\$ (1,174,894)	\$ (1,104,402)	\$ (1,134,495)	\$ (995,941)

¹ Cash and cash equivalents, restricted cash, trade and other receivables and trade and other payables are recorded at carrying value, which approximates fair value due to their short-term nature and generally negligible credit losses.

² Excludes tax and other statutory amounts.

³ Trade and other receivables contain receivables including provisionally priced receivables classified as FVTPL and various other items at amortized cost. The fair value of provisionally priced receivables is determined using forward metals prices which is a level 2 valuation method.

⁴ Derivatives are carried at their fair value, which is determined based on internal valuation models that reflect observable forward market commodity prices, currency exchange rates, and discount factors based on market US dollar interest rates adjusted for credit risk.

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

⁶ These financial liabilities relate to agreements with communities near the Constancia project in Peru (note 12). Fair values have been determined using a discounted cash flow analysis based on expected cash flows and a credit adjusted discount rate.

⁷ Fair value of the senior unsecured notes (note 14) has been determined using the quoted market price at the period end. Fair value incorporates the fair value of the prepayment option embedded derivative. The carrying value of this embedded derivative is at FVTPL (2021: nil; 2020: \$49,754) and has been determined using a binomial tree/lattice approach based on the Hull-White single factor interest rate term structure model.

⁸ Discounted value based on a risk adjusted discount rate.

⁹ The gold prepayment liability (note 12) is designated as fair value through profit or loss under the fair value option. Gains and losses related to the Company's own credit risk have been recorded at fair value through other comprehensive income. The fair value adjustment recorded in other comprehensive income for the three months ended March 31, 2021 was a loss of \$1,547 (year ended December 31, 2020 was a loss of \$1,885).

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Fair value hierarchy

The table below provides an analysis by valuation method of financial instruments that are measured at fair value subsequent to recognition. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value, as follows:

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

March 31, 2021	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at FVTPL:				
Non-hedge derivatives	\$ —	\$ 3,748	\$ —	\$ 3,748
Investments	14,106	—	—	14,106
	\$ 14,106	\$ 3,748	\$ —	\$ 17,854
Financial liabilities measured at fair value				
Financial liabilities at FVTPL:				
Non-hedge derivatives	\$ —	\$ 16,648	\$ —	\$ 16,648
Gold prepayment liability ¹	—	126,078	—	126,078
Financial liabilities at amortized cost:				
Other financial liabilities	—	—	49,658	49,658
Senior unsecured notes	1,257,528	—	—	1,257,528
	\$ 1,257,528	\$ 142,726	\$ 49,658	\$ 1,449,912

December 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at FVTPL:				
Non-hedge derivatives	\$ —	\$ 2,736	\$ —	\$ 2,736
Investments	15,669	—	—	15,669
	\$ 15,669	\$ 2,736	\$ —	\$ 18,405
Financial liabilities measured at fair value				
Financial liabilities at FVTPL:				
Non-hedge derivatives	\$ —	\$ 15,312	\$ —	\$ 15,312
Gold prepayment liability ¹	—	137,031	—	137,031
Financial liabilities at amortized cost:				
Other financial liabilities	—	—	41,912	41,912
Senior unsecured notes	1,277,124	—	—	1,277,124
	\$ 1,277,124	\$ 152,343	\$ 41,912	\$ 1,471,379

¹The gold prepayment liability (note 12) is designated as fair value through profit or loss under the fair value option. Gains and losses related to the Company's own credit risk have been recorded at fair value through other comprehensive income. The fair value adjustment recorded in other comprehensive income for the three months ended March 31, 2021 and for the year ended December 31, 2020 was a loss of \$1,547 and a loss of \$1,885, respectively.

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The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the three months ended March 31, 2021 and year ended December 31, 2020, Hudbay did not make any such transfers.

(b) Derivatives and hedging:

Copper fixed for floating swaps

Hudbay enters into copper fixed for floating swaps in order to manage the risk associated with provisional pricing terms in copper concentrate sales agreements. As at March 31, 2021, Hudbay had 52.9 million pounds of net copper swaps outstanding at an effective average price of \$3.73/lb and settling across April to July 2021. As at December 31, 2020, Hudbay had 43.4 million pounds of net copper swaps outstanding at an effective average price of \$3.22/lb and settling across January to April 2021. The aggregate fair value of the transactions at March 31, 2021 was a liability of \$13,371 (December 31, 2020 - a liability position of \$13,198).

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

Non-hedge derivative zinc contracts

Hudbay enters into future dated fixed price sales contracts with zinc customers and, to ensure that the Company continues to receive a floating or unhedged realized zinc price, Hudbay enters into forward zinc purchase contracts that effectively offset the fixed price sales contracts. At March 31, 2021, Hudbay held contracts for forward zinc purchased of 3.1 million pounds (December 31, 2020 - 3.5 million pounds) that related to forward customer sales of zinc. Prices range from \$1.01/lb to \$1.27/lb (December 31, 2020 - \$0.87/lb to \$1.30/lb) and settlement dates extend to December 2021. The aggregate fair value of the transactions at March 31, 2021 was an net asset position of \$471 (December 31, 2020 - a net asset position of \$622).

(c) Provisionally priced receivables

Changes in fair value of provisionally priced receivables

Hudbay records changes in fair value of provisionally priced receivables related to provisional pricing in concentrate purchase, concentrate sale and certain other sale contracts. Under the terms of these contracts, prices are subject to final adjustment at the end of a future period after title transfers based on quoted market prices during the quotation period specified in the contract. The period between provisional pricing and final pricing is typically up to three months.

Changes in fair value of provisionally priced receivables are presented in trade and other receivables when they relate to sales contracts and in trade and other payables when they relate to purchase contracts. At each reporting date, provisionally priced metals are marked-to-market based on the forward market price for the quotation period stipulated in the contract, with changes in fair value recognized in revenue for sales contracts and in inventory or cost of sales for purchase concentrate contracts. Cash flows related to changes in fair value of provisionally priced receivables are classified in operating activities.

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

Metal in concentrate	Unit	Sales awaiting final pricing		Average YTD price (\$/unit)	
		Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2021	Dec. 31, 2020
Copper	<i>pounds (in thousands)</i>	56,319	47,901	3.99	3.52
Gold	oz	15,736	18,106	1,714	1,894
Silver	oz	88,463	123,380	24.53	26.35

The aggregate changes in fair value of provisionally priced receivables within the copper and zinc concentrate sales contracts at March 31, 2021, was an asset position of \$18,511 (December 31, 2020 – an asset position of \$21,295).

(d) Embedded derivatives

Prepayment option embedded derivative

The senior unsecured notes (note 14) contain prepayment options, which represent embedded derivatives that may require bifurcation from the host contract. When the prepayment options require bifurcation, they are measured at fair value, with changes in the fair value being recognized as change in fair value of financial instruments (note 5e). Neither the 2026 Notes nor the 2029 Notes contain prepayment options that require bifurcation from the host contract. The fair value of the embedded derivative at March 31, 2021 was nil (December 31, 2020 - \$49,754).

(e) Other financial liabilities

Gold prepayment liability

The gold prepayment liability (note 12) requires settlement by physical delivery of gold ounces or equivalent gold credits. The fair value of the embedded derivative at March 31, 2021 was a liability of \$126,078 (December 31, 2020 – \$137,031).

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21. Commitments and contingencies

Capital commitments

As at March 31, 2021, Hudbay had outstanding capital commitments in Canada of approximately \$52,045 of which \$49,827 can be terminated, approximately \$42,370 in Peru, all of which can be terminated, and approximately \$179,619 in Arizona, primarily related to the Rosemont project, of which approximately \$89,274 can be terminated by Hudbay.

22. Supplementary cash flow information

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

	Three months ended March 31,	
	2021	2020
(Gain) loss on disposal of property, plant & equipment (note 5d)	\$ (303)	\$ 2,400
Closure cost adjustment - non-producing properties (note 5d)	(4,499)	845
Share based compensation paid	(6,626)	(2,981)
Pampacancha delivery obligation paid	—	(2,201)
Other	618	908
	\$ (10,810)	\$ (1,029)

(b) Change in non-cash working capital:

	Three months ended March 31,	
	2021	2020
Change in:		
Trade and other receivables	\$ (14,950)	\$ 13,086
Other financial assets/liabilities	190	(22,858)
Inventories	(21,489)	(7,284)
Prepaid expenses	(396)	962
Trade and other payables	(20,798)	(16,835)
Provisions and other liabilities	18,584	64
	\$ (38,859)	\$ (32,865)

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(c) Non-cash transactions:

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

- Remeasurement of Hudbay's decommissioning and restoration liabilities for the three months ended March 31, 2021 led to a net decrease in related property, plant and equipment assets of \$64,504 (three months ended March 31, 2020 - an increase of \$41,759) mostly related to changes in discount rates associated with remeasurement of the liabilities.
- Property, plant and equipment included \$1,321 (three months ended March 31, 2020 - \$2,421) of capital additions related to the recognition of ROU assets and \$18,757 of capital additions related to agreements with communities (three months ended March 31, 2020 - \$83,214).

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23. Segmented information

Corporate and other activities include the Company's exploration activities in Chile, Canada and the State of Nevada. These exploration entities are not individually significant, as they do not meet the minimum quantitative thresholds for standalone segment disclosure. Corporate and other activities are not considered a segment and are included as a reconciliation to total consolidated results.

Three months ended March 31, 2021					
	Manitoba	Peru	Arizona	Corporate and other activities	Total
Revenue from external customers	\$ 177,956	\$ 135,668	\$ —	\$ —	\$ 313,624
Cost of sales					
Mine operating costs	100,577	77,853	—	—	178,430
Depreciation and amortization	42,247	40,435	—	—	82,682
Gross profit	35,132	17,380	—	—	52,512
Selling and administrative expenses	—	—	—	9,945	9,945
Exploration and evaluation	2,058	871	4,383	(260)	7,052
Other (income) expense	(4,651)	1,077	54	174	(3,346)
Results from operating activities	\$ 37,725	\$ 15,432	\$ (4,437)	\$ (9,859)	\$ 38,861
Net interest expense on long term debt					21,232
Accretion on streaming arrangements					15,528
Change in fair value of financial instruments					39,007
Other net finance costs					32,686
Loss before tax					(69,592)
Tax recovery					(9,490)
Loss for the period					<u>\$ (60,102)</u>

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Three months ended March 31, 2020					
	Manitoba	Peru	Arizona	Corporate and other activities	Total
Revenue from external customers	\$ 123,833	\$ 121,272	\$ —	\$ —	\$ 245,105
Cost of sales					
Mine operating costs	93,844	86,813	—	—	180,657
Depreciation and amortization	39,197	47,242	—	—	86,439
Gross loss	(9,208)	(12,783)	—	—	(21,991)
Selling and administrative expenses	—	—	—	5,103	5,103
Exploration and evaluation	3,846	1,744	—	183	5,773
Other expenses	3,378	1,464	110	540	5,492
Results from operating activities	\$ (16,432)	\$ (15,991)	\$ (110)	\$ (5,826)	\$ (38,359)
Net interest expense on long term debt					19,635
Accretion on streaming arrangements					16,299
Change in fair value of financial instruments					6,244
Other net finance costs					915
Loss before tax					(81,452)
Tax recovery					(5,318)
Loss for the period					\$ (76,134)

March 31, 2021					
	Manitoba	Peru	Arizona	Corporate and other activities	Total
Total assets	\$ 777,043	\$ 2,581,550	\$ 723,808	\$ 466,795	\$ 4,549,196
Total liabilities	492,339	972,941	76,255	1,347,411	2,888,946
Property, plant and equipment ¹	667,737	2,268,041	713,765	31,315	3,680,858

¹ Included in Corporate and other activities are \$27.5 million of property, plant and equipment that is located in Nevada.

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

¹ Included in Corporate and other activities are \$27.5 million of property, plant and equipment that is located in Nevada.

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24. Events after the reporting period

On May 10, 2021, an amendment to the Constancia streaming agreement was signed with Wheaton. The amendment eliminates the requirement to deliver 8,020 ounces of gold to Wheaton for not mining four million tonnes of ore from the Pampacancha deposit by June 30, 2021. In consideration for the elimination of this delivery obligation, Hudbay has agreed to increase the fixed gold recoveries that apply to Constancia ore production from 55% to 70% until December 31, 2025, which matches the fixed rate of recovery that applies to Pampacancha production. In addition, if Hudbay mines and processes four million tonnes of ore from the Pampacancha deposit by December 31, 2021, Wheaton will make an additional deposit payment of \$4,000. Management is evaluating the potential accounting implications of the amended streaming agreement in the second quarter of 2021.