

Unaudited Condensed Consolidated Interim Financial Statements  
(In US dollars)

## **HUBBAY MINERALS INC.**

For the three and six months ended June 30, 2018 and 2017

# HUBBAY MINERALS INC.

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

		Jun. 30, 2018	Dec. 31, 2017	Jan. 1, 2017
	Note		Restated (note 4)	Restated (note 4)
<b>Assets</b>				
Current assets				
Cash and cash equivalents		\$ 439,576	\$ 356,499	\$ 146,864
Trade and other receivables	6	137,385	155,522	152,567
Inventories	7	157,332	141,682	112,464
Prepaid expenses and other current assets		9,095	8,995	3,992
Other financial assets	8	6,550	2,841	3,397
Taxes receivable		3	3	17,319
		<b>749,941</b>	665,542	436,603
Receivables	6	34,655	32,459	32,648
Inventories	7	5,592	5,809	4,537
Other financial assets	8	19,111	22,461	30,848
Intangible assets - computer software		5,002	5,575	6,614
Property, plant and equipment	9	3,863,963	3,964,233	3,953,752
Deferred tax assets	16b	13,498	31,937	40,162
		<b>\$ 4,691,762</b>	\$ 4,728,016	\$ 4,505,164
<b>Liabilities</b>				
Current liabilities				
Trade and other payables		\$ 178,675	\$ 199,117	\$ 169,662
Taxes payable		10,234	10,794	4,419
Other liabilities	10	34,054	51,962	42,207
Other financial liabilities	11	7,736	26,760	13,495
Finance lease obligations	12	19,753	18,327	3,172
Long term debt	13	-	-	16,490
Deferred revenue	14	98,563	107,194	87,411
		<b>349,015</b>	414,154	336,856
Other financial liabilities	11	23,823	20,801	28,343
Finance lease obligations	12	61,472	66,246	9,760
Long term debt	13	975,816	979,575	1,215,674
Deferred revenue	14	487,410	494,736	528,835
Provisions	15	196,665	200,138	179,702
Pension obligations		11,174	22,221	28,379
Other employee benefits		104,246	108,397	89,273
Deferred tax liabilities	16b	313,957	309,403	328,263
		<b>2,523,578</b>	2,615,671	2,745,085
<b>Equity</b>				
Share capital	17b	1,777,339	1,777,409	1,588,319
Reserves		(34,646)	(26,463)	(53,633)
Retained earnings		425,491	361,399	225,393
		<b>2,168,184</b>	2,112,345	1,760,079
		<b>\$ 4,691,762</b>	\$ 4,728,016	\$ 4,505,164

Commitments (note 20)

# HUDBAY MINERALS INC.

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

		Three months ended		Six months ended	
		2018	June 30, 2017	2018	June 30, 2017
	Note		Restated (note 4)		Restated (note 4)
Cash generated from (used in) operating activities:					
Profit for the period		\$ 24,673	\$ 19,137	\$ 66,118	\$ 9,108
Tax expense	16a	25,124	15,798	56,782	30,465
Items not affecting cash:					
Depreciation and amortization	5b	83,703	77,734	164,399	140,488
Share-based payment (recovery) expense	5c	(1,883)	(201)	(3,448)	3,121
Net finance expense	5e	35,430	42,370	72,356	84,745
Change in fair value of derivatives	5e	(1,840)	(153)	(4,471)	(124)
Change in deferred revenue related to stream	14	(17,562)	(25,378)	(43,498)	(47,136)
Change in taxes receivable/payable, net	21a	(2,360)	2,115	(10,802)	(4,437)
Unrealized gain on warrants	5e	(1,105)	(5,001)	(6,662)	(3,739)
Loss (gain) on investments	5e	2,084	688	4,124	(286)
Pension and other employee benefit payments, net of accruals		(1,586)	(2,399)	(1,443)	(3,017)
Other and foreign exchange		(6,139)	3,109	(8,643)	3,913
Taxes paid		(6,904)	(3,701)	(21,384)	(8,383)
Operating cash flow before change in non-cash working capital					
		131,635	124,118	263,428	204,718
Change in non-cash working capital	21a	(34,595)	7,734	(35,024)	37,527
		97,040	131,852	228,404	242,245
Cash generated from (used in) investing activities:					
Acquisition of property, plant and equipment		(40,129)	(53,455)	(86,572)	(94,021)
Net (purchase) sale of investments		-	-	(388)	229
Release of restricted cash		-	16,945	206	16,945
Net interest received		954	276	1,605	328
		(39,175)	(36,234)	(85,149)	(76,519)
Cash generated from (used in) financing activities:					
Principal repayments	13	-	(67,123)	-	(131,245)
Interest paid on long-term debt		-	(4,415)	(37,375)	(15,821)
Financing costs		(6,324)	(4,102)	(10,554)	(10,465)
Payment of finance lease		(5,190)	(934)	(10,228)	(1,871)
Share issuance costs		-	(20)	(70)	(20)
Dividends paid	17b	-	-	(2,026)	(1,775)
		(11,514)	(76,594)	(60,253)	(161,197)
Effect of movement in exchange rates on cash and cash equivalents					
		429	1,065	75	1,279
Net increase in cash and cash equivalents		46,780	20,089	83,077	5,808
Cash and cash equivalents, beginning of period		392,796	132,583	356,499	146,864
Cash and cash equivalents, end of period		\$ 439,576	\$ 152,672	\$ 439,576	\$ 152,672

# HUDBAY MINERALS INC.

## Condensed Consolidated Interim Income Statements

(Unaudited and in thousands of US dollars, except share and per share amounts)

		Three months ended		Six months ended	
		2018	June 30, 2017	2018	June 30, 2017
	Note		Restated (note 4)		Restated (note 4)
Revenue	5a	\$ 371,288	\$ 336,033	\$ 757,944	\$ 597,799
Cost of sales					
Mine operating costs		195,275	170,398	380,552	312,855
Depreciation and amortization	5b	83,552	77,649	164,160	140,313
		278,827	248,047	544,712	453,168
Gross profit		92,461	87,986	213,232	144,631
Selling and administrative expenses		6,104	5,847	11,819	16,132
Exploration and evaluation		7,455	1,743	14,797	3,731
Other operating expense (income)	5d	210	1,889	8,059	(3,399)
Results from operating activities		78,692	78,507	178,557	128,167
Finance income	5e	(1,978)	(599)	(3,356)	(1,105)
Finance expenses	5e	37,408	42,969	75,712	85,850
Other finance (gain) loss	5e	(6,535)	1,202	(16,699)	3,849
Net finance expense		28,895	43,572	55,657	88,594
Profit before tax		49,797	34,935	122,900	39,573
Tax expense	16a	25,124	15,798	56,782	30,465
Profit for the period		\$ 24,673	\$ 19,137	\$ 66,118	\$ 9,108
Earnings per share					
Basic and diluted		\$ 0.09	\$ 0.08	\$ 0.25	\$ 0.04
Weighted average number of common shares outstanding (note 18):					
Basic and Diluted		261,271,188	237,271,188	261,271,188	237,271,188

# HUDBAY MINERALS INC.

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

	Three months ended		Six months ended	
	2018	June 30, 2017 Restated (note 4)	2018	June 30, 2017 Restated (note 4)
Profit for the period	\$ 24,673	\$ 19,137	\$ 66,118	\$ 9,108
Other comprehensive (loss) income:				
Item that will be reclassified subsequently to profit or loss:				
Recognized directly in equity:				
Net exchange (loss) gain on translation of foreign currency balances	(5,915)	8,529	(13,940)	10,521
	(5,915)	8,529	(13,940)	10,521
Items that will not be reclassified subsequently to profit or loss:				
Recognized directly in equity:				
Remeasurement - actuarial gain (loss)	6,330	(1,349)	8,347	(3,298)
Tax effect	(2,225)	(613)	(2,590)	(795)
	4,105	(1,962)	5,757	(4,093)
Transferred to income statement:				
Wind up of subsidiaries	-	-	-	3,021
	-	-	-	3,021
Other comprehensive (loss) income net of tax, for the period	(1,810)	6,567	(8,183)	9,449
Total comprehensive income for the period	\$ 22,863	\$ 25,704	\$ 57,935	\$ 18,557

# HUDBAY MINERALS INC.

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

	Share capital (note 17)	Other capital reserves	Foreign currency translation reserve (Restated, note 4)	Remeasurement reserve	Retained earnings (Restated, note 4)	Total equity (Restated, note 4)
Balance, January 1, 2017	\$ 1,588,319	\$ 28,837	\$ (12,164)	\$ (70,306)	\$ 225,393	\$ 1,760,079
Profit	-	-	-	-	9,108	9,108
Other comprehensive income (loss)	-	-	13,542	(4,093)	-	9,449
Total comprehensive income (loss)	-	-	13,542	(4,093)	9,108	18,557
Contributions by and distributions to owners:						
Share issue costs, net of tax	(20)	-	-	-	-	(20)
Dividends (note 17b)	-	-	-	-	(1,775)	(1,775)
Total contributions by and distributions to owners	(20)	-	-	-	(1,775)	(1,795)
Balance, June 30, 2017	\$ 1,588,299	\$ 28,837	\$ 1,378	\$ (74,399)	\$ 232,726	\$ 1,776,841
Profit	-	-	-	-	130,584	130,584
Other comprehensive income (loss)	-	-	11,174	6,547	-	17,721
Total comprehensive income (loss)	-	-	11,174	6,547	130,584	148,305
Contributions by and distributions to owners:						
Equity issuance (note 17b)	195,295	-	-	-	-	195,295
Share issue costs, net of tax	(6,185)	-	-	-	-	(6,185)
Dividends	-	-	-	-	(1,911)	(1,911)
Total contributions by and distributions to owners	189,110	-	-	-	(1,911)	187,199
Balance, December 31, 2017	\$ 1,777,409	\$ 28,837	\$ 12,552	\$ (67,852)	\$ 361,399	\$ 2,112,345

# HUDBAY MINERALS INC.

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

	Share capital (note 17)	Other capital reserves	Foreign currency translation reserve	Remeasurement reserve	Retained earnings	Total equity
Balance, January 1, 2018	\$ 1,777,409	\$ 28,837	\$ 12,552	\$ (67,852)	\$ 361,399	2,112,345
Profit	-	-	-	-	66,118	66,118
Other comprehensive (loss) income	-	-	(13,940)	5,757	-	(8,183)
Total comprehensive (loss) income	-	-	(13,940)	5,757	66,118	57,935
Contributions by and distributions to owners:						
Share issue costs, net of tax (note 17b)	(70)	-	-	-	-	(70)
Dividends (note 17b)	-	-	-	-	(2,026)	(2,026)
Total contributions by and distributions to owners	(70)	-	-	-	(2,026)	(2,096)
<b>Balance, June 30, 2018</b>	<b>\$ 1,777,339</b>	<b>\$ 28,837</b>	<b>\$ (1,388)</b>	<b>\$ (62,095)</b>	<b>\$ 425,491</b>	<b>2,168,184</b>

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements  
(in thousands of US dollars, except where otherwise noted)  
For the three and six months ended June 30, 2018 and 2017

---

## 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 and six months ended June 30, 2018 and 2017 represent the financial position and the financial performance of the Company and its subsidiaries (together referred to as the "Group" or "Hudbay" and individually as "Group entities").

Wholly owned subsidiaries as at June 30, 2018, include HudBay Marketing & Sales Inc. ("HMS"), HudBay Peru Inc., HudBay Peru S.A.C. ("Hudbay Peru"), HudBay (BVI) Inc., Hudbay Arizona Inc. and Rosemont Copper Company ("Rosemont").

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

Management does not consider the impact of seasonality on operations to be significant on the interim financial statements.

## 2. Basis of preparation

### (a) Statement of compliance:

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

These interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017 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, 2017, and have been consistently applied in the preparation of these interim financial statements.

As a result of the application of IFRS 9, *Financial Instruments* ("IFRS 9") and IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), the Group has amended the relevant accounting policies. Refer to the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2018 for full disclosure.

The Board of Directors approved these interim financial statements on July 31, 2018.



# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements  
(in thousands of US dollars, except where otherwise noted)  
For the three and six months ended June 30, 2018 and 2017

---

## **(b) Functional and presentation currency:**

The Group's interim financial statements are presented in US dollars, which is the Company's and all material subsidiaries' functional currency, except the Company's Manitoba Business Unit, which has a functional currency of Canadian dollars. All values are rounded to the nearest thousand (\$000) except where otherwise indicated.

## **(c) Use of judgement:**

The preparation of the interim financial statements in conformity with IFRS requires the Group to make judgements, apart from those involving estimations, 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.

The interim financial statements reflect the judgements outlined by the Group in its audited consolidated financial statements for the year ended December 31, 2017.

## **(d) Use of estimates and assumptions:**

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

The interim financial statements reflect the estimates outlined by the Group in its audited consolidated financial statements for the year ended December 31, 2017.

## **3. Significant accounting policies**

These interim financial statements reflect the accounting policies applied by the Group in its audited consolidated financial statements for the year ended December 31, 2017 and comparative periods.

As a result of the application of IFRS 9, Financial Instruments ("IFRS 9") and IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), the Group has amended the relevant accounting policies. For full disclosure of these policies, refer to the disclosure documented in Hudbay's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2018.

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements  
(in thousands of US dollars, except where otherwise noted)  
For the three and six months ended June 30, 2018 and 2017

---

## 4. New standards

### New standards and interpretations adopted

#### **(a) IFRS 9, *Financial Instruments* (“IFRS 9”) and IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”)**

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

#### **(b) IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration* (“IFRIC 22”)**

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

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2018 and 2017

## (c) New standards adopted - Impact summary

### Condensed Consolidated Interim Balance Sheet

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

<sup>1</sup> Refer to note 16(b) for further information

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

### Condensed Consolidated Interim Income Statement

	Three months ended June 30, 2017			
	As reported	IFRS 9	IFRS 15	Restated
Revenue	\$ 324,898	\$ -	\$ 11,135	\$ 336,033
Depreciation and amortization	76,521	-	1,128	77,649
Finance expenses	26,422	-	16,547	42,969
Other finance loss	864	338	-	1,202
Profit before tax	41,813	(338)	(6,540)	34,935
Tax expense	16,227	-	(429)	15,798
Profit for the period	25,586	(338)	(6,111)	19,137
Other comprehensive income for the period	5,922	338	307	6,567
Earnings per share - Basic and diluted	0.11	-	(0.03)	0.08

	Six months ended June 30, 2017			
	As reported	IFRS 9	IFRS 15	Restated
Revenue	\$ 578,055	\$ -	\$ 19,744	\$ 597,799
Depreciation and amortization	138,071	-	2,242	140,313
Finance expenses	52,828	-	33,022	85,850
Other finance loss	4,435	(586)	-	3,849
Profit before tax	54,507	586	(15,520)	39,573
Tax expense	31,226	-	(761)	30,465
Profit for the period	23,281	586	(14,759)	9,108
Other comprehensive income for the period	9,607	(586)	428	9,449
Earnings per share - Basic and diluted	0.10	-	(0.06)	0.04

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2018 and 2017

## Condensed Consolidated Interim Statement of Cash Flow

Three months ended June 30, 2017

	As reported	IFRS 9	IFRS 15	Restated
Profit for the period	\$ 25,586	\$ (338)	\$ (6,111)	\$ 19,137
Tax expense	16,227	-	(429)	15,798
Depreciation and amortization	76,606	-	1,128	77,734
Net finance expense	25,823	-	16,547	42,370
Change in deferred revenue related to stream	(14,243)	-	(11,135)	(25,378)
Loss on investments at FVTPL	-	688	-	688
Loss on available-for-sale investments	308	(308)	-	-
Other and foreign exchange	3,151	(42)	-	3,109

Six months ended June 30, 2017

	As reported	IFRS 9	IFRS 15	Restated
Profit for the period	\$ 23,281	\$ 586	\$ (14,759)	\$ 9,108
Tax expense	31,226	-	(761)	30,465
Depreciation and amortization	138,246	-	2,242	140,488
Net finance expense	51,723	-	33,022	84,745
Change in deferred revenue related to stream	(27,392)	-	(19,744)	(47,136)
Gain on investments at FVTPL	-	(286)	-	(286)
Loss on available-for-sale investments	226	(226)	-	-
Other and foreign exchange	3,987	(74)	-	3,913

New standards and interpretations not yet adopted

### (d) IFRS 16, Leases (“IFRS 16”)

In January 2016, the IASB issued this standard which is effective for periods beginning on or after January 1, 2019, which replaces the current guidance in IAS 17, *Leases* (“IAS 17”), and is to be applied either retrospectively or a modified retrospective approach. Early adoption is permitted, but only in conjunction with IFRS 15, *Revenue from Contracts with Customers*. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflective of future lease payments and a “right-of-use asset” for virtually all lease contracts, which will cause, with limited exceptions, most leases to be recorded ‘on balance sheet’. The Group is progressing in its assessment of the impact of IFRS 16 on its consolidated financial statements.

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2018 and 2017

## 5. Revenue and expenses

### (a) Revenue

The Group's revenue by significant product types:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
		(Restated)		(Restated)
Copper	\$ 242,767	\$ 224,188	\$ 499,638	\$ 382,091
Zinc	93,323	81,820	184,246	159,129
Gold	41,583	33,312	78,190	68,836
Silver	19,046	20,170	41,222	37,158
Other metals	1,451	6,154	5,670	7,265
	398,170	365,644	808,966	654,479
Adjustments from initial estimate <sup>1</sup>	(4,554)	(3,509)	(4,591)	(11,789)
	393,616	362,135	804,375	642,690
Treatment and refining charges	(22,328)	(26,102)	(46,431)	(44,891)
	\$ 371,288	\$ 336,033	\$ 757,944	\$ 597,799

<sup>1</sup> Adjustments from initial estimate represent mark-to-market adjustments on provisionally priced sales, realized and unrealized changes to fair value for non-hedge derivative contracts and adjustments to originally invoiced weights and assays.

### (b) Depreciation and amortization

Depreciation of property, plant and equipment and amortization of intangible assets are reflected in the condensed consolidated interim income statements as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
		(Restated)		(Restated)
Cost of sales	\$ 83,552	\$ 77,649	\$ 164,160	\$ 140,313
Selling and administrative expenses	151	85	239	175
	\$ 83,703	\$ 77,734	\$ 164,399	\$ 140,488

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2018 and 2017

## (c) Share-based payment (recoveries) expenses

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

	Cash-settled		Total share-based payment expense
	RSUs	DSUs	
<b>Three months ended June 30, 2018</b>			
Cost of sales	\$ (86)	\$ -	\$ (86)
Selling and administrative	(837)	(856)	(1,693)
Other operating	(104)	-	(104)
	\$ (1,027)	\$ (856)	\$ (1,883)
<b>Six months ended June 30, 2018</b>			
Cost of sales	\$ (69)	\$ -	\$ (69)
Selling and administrative	(1,423)	(1,825)	(3,248)
Other operating	(131)	-	(131)
	\$ (1,623)	\$ (1,825)	\$ (3,448)
<b>Three months ended June 30, 2017</b>			
Cost of sales	\$ 161	\$ -	\$ 161
Selling and administrative	(172)	(514)	(686)
Other operating	324	-	324
	\$ 313	\$ (514)	\$ (201)
<b>Six months ended June 30, 2017</b>			
Cost of sales	\$ 599	\$ -	\$ 599
Selling and administrative	1,722	223	1,945
Other operating	577	-	577
	\$ 2,898	\$ 223	\$ 3,121

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2018 and 2017

## (d) Other operating income and expenses

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Regional costs	\$ 1,152	\$ 1,501	\$ 1,913	\$ 2,736
Constancia insurance recovery	-	-	-	(8,707)
Pampacancha delivery obligation	-	-	7,218	-
Other (income) expense	(942)	388	(1,072)	2,572
	\$ 210	\$ 1,889	\$ 8,059	\$ (3,399)

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

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

## (e) Finance income and expenses

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
		(Restated)		(Restated)
<b>Finance income</b>	\$ (1,978)	\$ (599)	\$ (3,356)	\$ (1,105)
<b>Finance expense</b>				
Interest expense on long-term debt	19,196	22,215	38,714	45,134
Accretion on financial liabilities at amortized cost	313	325	627	653
Accretion on deferred revenue	16,137	16,547	32,319	33,022
Unwinding of discounts on provisions	1,157	997	2,276	2,006
Withholding taxes	2,364	2,366	4,701	4,806
Other finance expense	1,534	3,808	3,659	6,798
	40,701	46,258	82,296	92,419
Interest capitalized	(3,293)	(3,289)	(6,584)	(6,569)
	37,408	42,969	75,712	85,850
<b>Other finance (gains) losses</b>				
Net foreign exchange (gains) losses	(5,674)	5,668	(9,690)	7,998
Change in fair value of financial assets and liabilities at fair value through profit or loss:				
Hudbay warrants	(1,105)	(5,001)	(6,662)	(3,739)
Embedded derivatives	(1,840)	(153)	(4,471)	(124)
Investments	2,084	688	4,124	(286)
	(6,535)	1,202	(16,699)	3,849
<b>Net finance expense</b>	\$ 28,895	\$ 43,572	\$ 55,657	\$ 88,594

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

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements  
(in thousands of US dollars, except where otherwise noted)  
For the three and six months ended June 30, 2018 and 2017

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

## 6. Trade and other receivables

	Jun. 30, 2018	Dec. 31, 2017	Jan. 1, 2017
<b>Current</b>			
Trade receivables	\$ 130,096	\$ 119,055	\$ 85,386
Fair value movements on provisionally priced receivables	(5,019)	17,427	12,538
Statutory receivables	9,337	13,961	43,808
Receivable from joint venture partners	1,152	2,808	-
Other receivables	1,819	2,271	10,835
	<b>137,385</b>	<b>155,522</b>	<b>152,567</b>
<b>Non-current</b>			
Taxes receivable	14,695	14,394	12,424
Receivable from joint venture partners	18,387	16,414	18,681
Other receivables	1,573	1,651	1,543
	<b>34,655</b>	<b>32,459</b>	<b>32,648</b>
	<b>\$ 172,040</b>	<b>\$ 187,981</b>	<b>\$ 185,215</b>

As at June 30, 2018, \$8,900 (December 31, 2017 and January 1, 2017 - \$10,905 and \$42,273, respectively) of the current statutory receivables relates to refundable sales taxes in Peru that Hudbay Peru has paid on capital expenditures and operating expenses.

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

## 7. Inventories

	Jun. 30, 2018	Dec. 31, 2017	Jan. 1, 2017
<b>Current</b>			
Stockpile	\$ 19,241	\$ 13,468	\$ 9,368
Work in progress	21,973	14,552	9,100
Finished goods	74,619	71,906	54,583
Materials and supplies	41,499	41,756	39,413
	<b>157,332</b>	<b>141,682</b>	<b>112,464</b>
<b>Non-current</b>			
Materials and supplies	5,592	5,809	4,537
	<b>\$ 162,924</b>	<b>\$ 147,491</b>	<b>\$ 117,001</b>

The cost of inventories recognized as an expense, including depreciation, and included in cost of sales amounted to \$249,801 and \$481,092 for the three and six months ended June 30, 2018 (three and six months ended June 30, 2017 - \$217,530 and \$398,113, respectively).



# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2018 and 2017

## 8. Other financial assets

	Jun. 30, 2018	Dec. 31, 2017	Jan. 1, 2017
<b>Current</b>			
Derivative assets	\$ 6,550	\$ 2,841	\$ 3,397
<b>Non-current</b>			
Investments at fair value through profit or loss	19,111	22,255	13,700
Restricted cash	-	206	17,148
	<b>19,111</b>	<b>22,461</b>	<b>30,848</b>
	<b>\$ 25,661</b>	<b>\$ 25,302</b>	<b>\$ 34,245</b>

Investments at fair value through profit or loss consist of securities in Canadian metals and mining companies, all of which are publicly traded.

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2018 and 2017

## 9. Property, plant and equipment

<b>Jun. 30, 2018</b>	<b>Cost</b>	<b>Accumulated depreciation and amortization</b>	<b>Carrying amount</b>
Exploration and evaluation assets	\$ 21,533	\$ -	\$ 21,533
Capital works in progress	917,625	-	917,625
Mining properties	1,975,943	(735,127)	1,240,816
Plant and equipment	2,573,598	(889,609)	1,683,989
	<b>\$ 5,488,699</b>	<b>\$ (1,624,736)</b>	<b>\$ 3,863,963</b>

<b>Dec. 31, 2017 (Restated)</b>	<b>Cost</b>	<b>Accumulated depreciation and amortization</b>	<b>Carrying amount</b>
Exploration and evaluation assets	\$ 23,010	\$ -	\$ 23,010
Capital works in progress	933,531	-	933,531
Mining properties	1,975,061	(683,183)	1,291,878
Plant and equipment	2,536,019	(820,205)	1,715,814
	<b>\$ 5,467,621</b>	<b>\$ (1,503,388)</b>	<b>\$ 3,964,233</b>

<b>Jan. 1, 2017 (Restated)</b>	<b>Cost</b>	<b>Accumulated depreciation and amortization</b>	<b>Carrying amount</b>
Exploration and evaluation assets	\$ 15,015	\$ -	\$ 15,015
Capital works in progress	844,759	-	844,759
Mining properties	1,852,705	(529,242)	1,323,463
Plant and equipment	2,385,995	(615,480)	1,770,515
	<b>\$ 5,098,474</b>	<b>\$ (1,144,722)</b>	<b>\$ 3,953,752</b>

## 10. Other liabilities

	<b>Jun. 30, 2018</b>	<b>Dec. 31, 2017</b>	<b>Jan. 1, 2017</b>
<b>Current</b>			
Provisions (note 15)	\$ 15,858	\$ 27,370	\$ 14,367
Pension liability	13,664	19,401	24,635
Other employee benefits	2,734	2,756	2,356
Unearned revenue	1,798	2,435	849
	<b>\$ 34,054</b>	<b>\$ 51,962</b>	<b>\$ 42,207</b>

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2018 and 2017

## 11. Other financial liabilities

	Jun. 30, 2018	Dec. 31, 2017	Jan. 1, 2017
<b>Current</b>			
Derivative liabilities	\$ 1,321	\$ 16,140	\$ 10,682
Warrants at fair value through profit and loss	85	6,961	-
Contingent consideration - gold price option	-	732	-
Other financial liabilities at amortized cost	2,860	2,630	2,813
Embedded derivatives	3,470	297	-
	<b>7,736</b>	<b>26,760</b>	<b>13,495</b>
<b>Non-current</b>			
Contingent consideration - gold price option	-	-	570
Warrants at fair value through profit and loss	-	-	7,588
Other financial liabilities at amortized cost	19,837	19,938	20,185
Embedded derivatives	3,986	863	-
	<b>23,823</b>	<b>20,801</b>	<b>28,343</b>
	<b>\$ 31,559</b>	<b>\$ 47,561</b>	<b>\$ 41,838</b>

Other financial liabilities at amortized cost relate to agreements with communities near the Constancia operation which allow Hudbay to extract minerals over the useful life of the Constancia operation, carry out exploration and evaluation activities in the area and provide Hudbay with community support to operate in the region.

The derivative liabilities include derivative and hedging transactions as well as warrants issued as consideration for the acquisition of Augusta Resource Corporation. Derivative liabilities are carried at their fair value with changes in fair value recorded to the consolidated income statements. The fair value adjustments for hedging type derivatives are recorded in revenue. Fair value adjustments for contract derivatives, warrants and the gold option derivatives are recorded in other finance (gain) loss. The fair value of derivative and hedging transactions are determined based on internal valuation models and the fair value of warrants issued are determined based on the quoted market prices for the listed warrants. A total of 22,391,490 warrants were issued which entitled the holders to acquire a common share of the Company at a price of C\$15.00 per share on, but not prior to, July 20, 2018. The Company, may, at its option, upon written notice to the warrant holders, settle the exercise of warrants for the in-the-money value, in cash, shares, or a combination thereof.

The purchase price of the acquisition of New Britannia Mine and Mill contained an option (European) that pays the seller \$5,000 if the price of gold was equal to or above \$1,400/oz on May 4, 2018. The option represented a financial liability and was recorded at fair value at the acquisition date of New Britannia and was remeasured at each reporting date with the change in the fair value being recognized as unrealized gains or losses in finance income and expense.

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2018 and 2017

## 12. Finance lease obligations

	Jun. 30, 2018	Dec. 31, 2017	Jan. 1, 2017
Total minimum lease payments	\$ 85,959	\$ 89,750	\$ 13,720
Effect of discounting	(4,734)	(5,177)	(788)
Present value of minimum lease payments	81,225	84,573	12,932
Less: current portion	(19,753)	(18,327)	(3,172)
	<b>61,472</b>	<b>66,246</b>	<b>9,760</b>
Minimum payments under finance leases			
Less than 12 months	21,607	20,186	3,508
13 - 36 months	41,162	40,253	6,667
37 - 60 months	23,190	29,311	3,545
	<b>\$ 85,959</b>	<b>\$ 89,750</b>	<b>\$ 13,720</b>

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

## 13. Long-term debt

Long-term debt is comprised of the following:

	Jun. 30, 2018	Dec. 31, 2017	Jan. 1, 2017
Senior unsecured notes (a)	\$ 985,195	\$ 987,903	\$ 986,574
Equipment finance facility (b)	-	-	50,267
Senior secured revolving credit facility (c)	-	-	202,075
Less: Unamortized transaction costs - revolving credit facilities (d)	(9,379)	(8,328)	(6,752)
	<b>975,816</b>	<b>979,575</b>	<b>1,232,164</b>
Less: current portion	-	-	(16,490)
	<b>\$ 975,816</b>	<b>\$ 979,575</b>	<b>\$ 1,215,674</b>

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2018 and 2017

## (a) Senior unsecured notes

Balance, January 1, 2017	\$	986,574
Addition to Principal, net of transaction costs		(133)
Change in fair value of embedded derivative (prepayment option)		450
Accretion of transaction costs and premiums		1,012
Balance, December 31, 2017	\$	987,903
<b>Change in fair value of embedded derivative (prepayment option)</b>		<b>(3,241)</b>
<b>Accretion of transaction costs and premiums</b>		<b>533</b>
<b>Balance, June 30, 2018</b>	<b>\$</b>	<b>985,195</b>

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

## (b) Equipment finance facility

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

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

## (c) Senior secured revolving credit facilities

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

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

The South American business unit has \$77,567 in letters of credit issued under the Peru facility to support its reclamation obligations. The Manitoba business unit has \$52,795 in letters of credit issued under the Canada facility to support its reclamation and pension obligations. Given that these letters of credit are issued under the senior credit facilities, no cash collateral is required to be posted.

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements  
(in thousands of US dollars, except where otherwise noted)  
For the three and six months ended June 30, 2018 and 2017

## (d) Unamortized transaction costs - revolving credit facilities

Balance, January 1, 2017	\$	6,752
Accretion of transaction costs		(3,291)
New transaction costs		4,867
Balance, December 31, 2017	\$	8,328
<b>Accretion of transaction costs</b>		<b>(805)</b>
<b>New transaction costs</b>		<b>1,856</b>
<b>Balance, June 30, 2018</b>	<b>\$</b>	<b>9,379</b>

## 14. Deferred revenue

On August 8, 2012 and November 4, 2013, the Group entered into precious metals stream transactions with Wheaton whereby the Group has received aggregate deposit payments of \$885,000 against delivery of (i) 100% of payable gold and silver from the 777 mine until the end of 2016, and delivery of 50% of payable gold and 100% of payable silver for the remainder of the 777 mine life; and (ii) 100% of payable silver and 50% of payable gold from the Constancia mine.

In addition to the deposit payments, as gold and silver is delivered to Wheaton, the Group receives cash payments equal to the lesser of (i) the market price and (ii) \$400 per ounce (for gold) and \$5.90 per ounce (for silver), subject to 1% annual escalation after three years.

The Group recorded the deposits received as deferred revenue and recognizes amounts in revenue as gold and silver are delivered to Wheaton. The Group determines the amortization of deferred revenue to the consolidated income statements on a per unit basis using the estimated total number of gold and silver ounces expected to be delivered to Wheaton over the life of the 777 and Constancia operations. The Group estimates the current portion of deferred revenue based on deliveries anticipated over the next twelve months.

In February 2010, Augusta Resource Corporation entered into a precious metals stream transaction with Wheaton whereby the Group will receive deposit payments of \$230,000 against delivery of 100% of the payable silver and gold from the Rosemont project. The deposit will be payable upon the satisfaction of certain conditions precedent, including the receipt of permits for the Rosemont project and the commencement of construction. In addition to the deposit payments, as gold and silver is delivered to Wheaton, the Group receives cash payments equal to the lesser of (i) the market price and (ii) \$450 per ounce (for gold) and \$3.90 per ounce (for silver), subject to 1% annual escalation after three years. To date, no such deposit has been received under the terms of this contract.

With the implementation of IFRS 15 as of January 1, 2018, the Group has determined that precious metals stream contracts are subject to variable consideration and contain a significant financing component. As such, the Company now recognizes a financing charge at each reporting period and will gross up the deferred revenue balance to recognize the significant financing element that is part of these contracts. Furthermore, the Company now amortizes the deferred revenue balance using a higher base, by including the portion of mineral resources expected to be converted into mineral reserves over the life of the mine. Previously, deferred revenue was amortized over only proven and probable reserves.

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

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2018 and 2017

The following table summarizes changes in deferred revenue:

Balance, January 1, 2017 (Restated)	\$	616,246
Recognition of revenue		(88,744)
Accretion		66,414
Effects of changes in foreign exchange		8,014
Balance, December 31, 2017 (Restated)	\$	601,930
<b>Recognition of revenue</b>		<b>(43,498)</b>
<b>Accretion</b>		<b>32,319</b>
<b>Effects of changes in foreign exchange</b>		<b>(4,778)</b>
<b>Balance, June 30, 2018</b>	<b>\$</b>	<b>585,973</b>

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

	Jun. 30, 2018	Dec. 31, 2017 (Restated)	Jan. 1, 2017 (Restated)
Current	\$ 98,563	\$ 107,194	\$ 87,411
Non-current	487,410	494,736	528,835
	<b>\$ 585,973</b>	<b>\$ 601,930</b>	<b>\$ 616,246</b>

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2018 and 2017

## 15. Provisions

Reflected in the condensed consolidated interim balance sheets as follows:

	Decommis- sioning, restoration and similar liabilities	Deferred share units	Restricted share units	Other	Total
<b>Jun. 30, 2018</b>					
Current (note 10)	\$ 2,388	\$ 4,488	\$ 8,590	\$ 392	\$ 15,858
Non-current	193,958	-	2,635	72	196,665
	<b>\$ 196,346</b>	<b>\$ 4,488</b>	<b>\$ 11,225</b>	<b>\$ 464</b>	<b>\$ 212,523</b>

	Decommis- sioning, restoration and similar liabilities	Deferred share units	Restricted share units	Other	Total
<b>Dec. 31, 2017</b>					
Current (note 10)	\$ 2,344	\$ 6,623	\$ 17,119	\$ 1,284	\$ 27,370
Non-current	197,697	-	2,290	151	200,138
	<b>\$ 200,041</b>	<b>\$ 6,623</b>	<b>\$ 19,409</b>	<b>\$ 1,435</b>	<b>\$ 227,508</b>

	Decommis- sioning, restoration and similar liabilities	Deferred share units	Restricted share units	Other	Total
<b>Jan. 1, 2017</b>					
Current (note 10)	\$ 1,054	\$ 3,933	\$ 8,451	\$ 929	\$ 14,367
Non-current	176,242	-	2,601	859	179,702
	<b>\$ 177,296</b>	<b>\$ 3,933</b>	<b>\$ 11,052</b>	<b>\$ 1,788</b>	<b>\$ 194,069</b>



# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements  
(in thousands of US dollars, except where otherwise noted)  
For the three and six months ended June 30, 2018 and 2017

## 16. Income and mining taxes

### (a) Tax expense:

The tax expense is applicable as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017 (Restated)	2018	2017 (Restated)
<b>Current:</b>				
Income tax expense	\$ 1,755	\$ (3,601)	\$ 16,769	\$ 3,428
Mining tax expense	7,767	5,187	14,710	9,732
Adjustments in respect of prior years	(258)	-	707	(340)
	<b>9,264</b>	<b>1,586</b>	<b>32,186</b>	<b>12,820</b>
<b>Deferred:</b>				
Income tax - origination and reversal of temporary difference	15,659	13,172	24,878	16,170
Mining tax - origination and reversal of temporary difference	321	172	22	873
Adjustments in respect of prior years	(120)	868	(304)	602
	<b>15,860</b>	<b>14,212</b>	<b>24,596</b>	<b>17,645</b>
	<b>\$ 25,124</b>	<b>\$ 15,798</b>	<b>\$ 56,782</b>	<b>\$ 30,465</b>

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

	Jun. 30, 2018	Dec. 31, 2017 (Restated)	Jan. 1, 2017 (Restated)
Deferred income tax asset	\$ 13,498	\$ 31,937	\$ 40,162
Deferred income tax liability	(296,777)	(291,665)	(310,772)
Deferred mining tax liability	(17,180)	(17,738)	(17,491)
	<b>(313,957)</b>	<b>(309,403)</b>	<b>(328,263)</b>
<b>Net deferred tax liability balance, end of period</b>	<b>\$ (300,459)</b>	<b>\$ (277,466)</b>	<b>\$ (288,101)</b>

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

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements  
(in thousands of US dollars, except where otherwise noted)  
For the three and six months ended June 30, 2018 and 2017

## (c) Changes in deferred tax assets and liabilities:

	Six months ended Jun. 30, 2018	Year ended Dec. 31, 2017 (Restated)
Net deferred tax liability balance, beginning of year	\$ (277,466)	\$ (288,101)
Deferred tax (expense) recovery	(24,596)	16,542
OCI transactions	(2,590)	(3,845)
Items charged directly to equity	-	2,238
Foreign currency translation on the deferred tax liability	4,193	(4,300)
<b>Net deferred tax liability balance, end of period</b>	<b>\$ (300,459)</b>	<b>\$ (277,466)</b>

## 17. Share capital

### (a) Preference shares:

Authorized: Unlimited preference shares without par value

### (b) Common shares:

Authorized: Unlimited common shares without par value

Issued and fully paid:

	Six months ended Jun. 30, 2018		Year ended Dec. 31, 2017	
	Common shares	Amount	Common shares	Amount
Balance, beginning of year	261,271,188	\$ 1,777,409	237,271,188	\$ 1,588,319
Equity issuance	-	-	24,000,000	195,295
Share issue costs, net of tax	-	(70)	-	(6,205)
<b>Balance, end of period</b>	<b>261,271,188</b>	<b>\$ 1,777,339</b>	<b>261,271,188</b>	<b>\$ 1,777,409</b>

During the six months ended June 30, 2018, the Company paid \$2,026 in dividends on March 29, 2018 to shareholders of record as of March 9, 2018. During the six months ended June 30, 2017, the Company paid \$1,775 in dividends on March 31, 2017 to shareholders of record as of March 10, 2017.

## 18. Earnings per share

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
<b>Basic and diluted weighted average common shares outstanding</b>	<b>261,271,188</b>	237,271,188	<b>261,271,188</b>	237,271,188

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2018 and 2017

## 19. Financial instruments

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

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

	Jun. 30, 2018		Dec. 31, 2017 (Restated)		Jan. 1, 2017 (Restated)	
Recurring measurements	FV	CV	FV	CV	FV	CV
Loans and receivables						
Cash and cash equivalents <sup>1</sup>	\$ 439,576	\$ 439,576	\$ 356,499	\$ 356,499	\$ 146,864	\$ 146,864
Restricted cash <sup>1</sup>	-	-	206	206	17,148	17,148
Trade and other receivables <sup>1, 2</sup>	153,027	153,027	142,199	142,199	116,445	116,445
Fair value through profit or loss						
FV movements on provisionally priced receivables <sup>3</sup>						
	(5,019)	(5,019)	17,427	17,427	12,538	12,538
Non-hedge derivative assets <sup>3</sup>	6,550	6,550	2,841	2,841	3,397	3,397
Prepayment option - embedded derivatives <sup>7</sup>						
	7,221	7,221	3,980	3,980	4,430	4,430
Investments at FVTPL <sup>4</sup>	19,111	19,111	22,255	22,255	13,700	13,700
<b>Total financial assets</b>	<b>620,466</b>	<b>620,466</b>	<b>545,407</b>	<b>545,407</b>	<b>314,522</b>	<b>314,522</b>
Financial liabilities at amortized cost						
Trade and other payables <sup>1, 2</sup>	169,560	169,560	192,448	192,448	163,027	163,027
Finance leases	81,225	81,225	84,573	84,573	12,932	12,932
Other financial liabilities <sup>5</sup>	19,621	22,697	19,625	22,568	17,231	22,998
Senior unsecured notes <sup>6</sup>	1,045,190	992,416	1,082,740	991,883	1,040,178	991,004
Equipment finance facility <sup>8</sup>	-	-	-	-	50,267	50,267
Senior secured revolving credit facilities <sup>8</sup>	-	-	-	-	202,075	202,075
Unamortized transaction costs <sup>8</sup>	(9,379)	(9,379)	(8,328)	(8,328)	(6,752)	(6,752)
Fair value through profit or loss						
Embedded derivatives <sup>3</sup>	7,456	7,456	1,533	1,533	86	86
Warrant liabilities <sup>3</sup>	85	85	6,961	6,961	7,588	7,588
Option liabilities <sup>3</sup>	-	-	732	732	570	570
Non-hedge derivative liabilities <sup>1,3</sup>	1,321	1,321	16,140	16,140	10,682	10,682
<b>Total financial liabilities</b>	<b>1,315,079</b>	<b>1,265,381</b>	<b>1,396,424</b>	<b>1,308,510</b>	<b>1,497,884</b>	<b>1,454,477</b>
<b>Net financial liability</b>	<b>\$ (694,613)</b>	<b>\$ (644,915)</b>	<b>\$ (851,017)</b>	<b>\$ (763,103)</b>	<b>\$ (1,183,362)</b>	<b>\$ (1,139,955)</b>

<sup>1</sup> 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.

<sup>2</sup> Excludes embedded provisional pricing derivatives, as well as tax and other statutory amounts.

<sup>3</sup> Derivatives and embedded provisional pricing derivatives are carried at their fair value, which is determined based on internal valuation models that reflect observable forward market commodity prices, currency exchange rates, and discount factors based on market US dollar interest rates adjusted for credit risk. For the warrant and option liabilities, fair value is determined based on quoted market closing price or the Black-Scholes model.

<sup>4</sup> All investments are carried at their fair value, which is determined using quoted market bid prices in active markets for listed shares and determined using valuation models for shares of private companies.

<sup>5</sup> These financial liabilities relate to agreements with communities near the Constancia project in Peru (note 11). Fair values have been determined using a discounted cash flow analysis based on expected cash flows and a credit adjusted discount rate.

<sup>6</sup> Fair value of the senior unsecured notes (note 13) has been determined using the quoted market price at the period end.

<sup>7</sup> Fair value of the prepayment option embedded derivative related to the long-term debt (note 13) has been determined using a binomial tree/lattice approach based on the Hull-White single factor interest rate term structure model.

<sup>8</sup> The carrying value of the facilities approximates the fair value as the facilities are based on floating interest rates.

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2018 and 2017

## 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.

<b>June 30, 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets measured at fair value</b>				
Financial assets at FVTPL:				
Movement of provisionally priced receivables	\$ -	\$ (5,019)	\$ -	\$ (5,019)
Non-hedge derivatives	-	6,550	-	6,550
Investments at FVTPL	19,111	-	-	19,111
Prepayment option embedded derivative	-	7,221	-	7,221
	\$ 19,111	\$ 8,752	\$ -	\$ 27,863
<b>Financial liabilities measured at fair value</b>				
Financial liabilities at FVTPL:				
Embedded derivatives	\$ -	\$ 7,456	\$ -	\$ 7,456
Non-hedge derivatives	-	1,321	-	1,321
Warrant liabilities	85	-	-	85
	\$ 85	\$ 8,777	\$ -	\$ 8,862
<b>December 31, 2017 (Restated)</b>				
<b>Financial assets measured at fair value</b>				
Financial assets at FVTPL:				
Movement of provisionally priced receivables	\$ -	\$ 17,427	\$ -	\$ 17,427
Non-hedge derivatives	-	2,841	-	2,841
Investments at FVTPL	21,973	282	-	22,255
Prepayment option embedded derivative	-	3,980	-	3,980
	\$ 21,973	\$ 24,530	\$ -	\$ 46,503
<b>Financial liabilities measured at fair value</b>				
Financial liabilities at FVTPL:				
Embedded derivatives	\$ -	\$ 1,533	\$ -	\$ 1,533
Non-hedge derivatives	-	16,140	-	16,140
Option liability	-	732	-	732
Warrant liabilities	6,961	-	-	6,961
	\$ 6,961	\$ 18,405	\$ -	\$ 25,366

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2018 and 2017

January 1, 2017 (Restated)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at FVTPL:				
Movement of provisionally priced receivables	\$ -	\$ 12,538	\$ -	\$ 12,538
Non-hedge derivatives	-	3,397	-	3,397
Investments at FVTPL	12,018	192	1,490	13,700
Prepayment option embedded derivative	-	4,430	-	4,430
	\$ 12,018	\$ 20,557	\$ 1,490	\$ 34,065
Financial liabilities measured at fair value				
Financial assets at FVTPL:				
Embedded derivatives	\$ -	\$ 86	\$ -	\$ 86
Non-hedge derivatives	-	10,682	-	10,682
Option liability	-	570	-	570
Warrant liability	7,588	-	-	7,588
	\$ 7,588	\$ 11,338	\$ -	\$ 18,926

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

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the six months ended June 30, 2018, the Group did not make any transfers.

## (b) Derivatives and hedging:

### Copper fixed for floating swaps

Hudbay enters into copper fixed for floating swaps in order to manage the risk associated with provisional pricing terms in copper concentrate sales agreements. As at June 30, 2018, the Group had 25,000 tonnes of net copper swaps outstanding at an effective average price of \$3.13/lb and settling across July 2018 to October 2018. At December 31, 2017, the Group had 34,500 tonnes of net copper swaps outstanding at an average fixed receivable price \$3.10/lb, which settled across January 2018 to April 2018. The aggregate fair value of the transactions at June 30, 2018 was an asset position of \$6,535 (December 31, 2017 and January 1, 2017 a liability position of \$13,786 and \$8,657, respectively).

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements  
(in thousands of US dollars, except where otherwise noted)  
For the three and six months ended June 30, 2018 and 2017

---

## Non-hedge derivative gold and silver contracts

From time to time, the Group enters into gold and silver forward sales contracts to hedge the commodity price risk associated with the future settlement of provisionally priced deliveries. At June 30, 2018 and December 31, 2017, the Group held no gold or silver forward sales contracts.

## Non-hedge derivative zinc contracts

Hudbay enters into fixed price sales contracts with zinc customers and, to ensure that the Group continues to receive a floating or unhedged realized zinc price, Hudbay enters into forward zinc purchase contracts that effectively offset the fixed price sales contracts. At June 30, 2018, the Group held contracts for forward zinc purchased of 5,426 tonnes (December 31, 2017 – 2,808 tonnes) that related to forward customer sales of zinc. Prices range from \$2,878 to \$3,411 per tonne (December 31, 2017 – \$2,534 to \$3,292) and settlement dates extend to June 2019. The aggregate fair value of the transactions at June 30, 2018 was a net liability position of \$1,306 (December 31, 2017 and January 1, 2017 – a net asset position of \$487 and \$1,372 respectively).

## **(c) Embedded derivatives**

### Changes in fair value of provisionally priced receivables

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

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

As at June 30, 2018, the Group's net position consisted of contracts awaiting final pricing for sales of 26,828 tonnes of copper (December 31, 2017 – 38,027 tonnes). As of June 30, 2018, there are also 602 tonnes of zinc (December 31, 2017 – 6,412 tonnes) awaiting final pricing. In addition, at June 30, 2018, the Group's net position consisted of contracts awaiting final pricing for sales of 17,350 ounces of gold and 134,178 ounces of silver (December 31, 2017 – 24,553 ounces of gold and 172,886 ounces of silver).

As at June 30, 2018, the Group's provisionally priced copper, zinc, gold and silver sales subject to final settlement were recorded at average prices of \$2.99/lb (December 31, 2017 – \$3.29/lb), \$1.31/oz (December 31, 2017 – \$1.51/oz), \$1,253/oz (December 31, 2017 – \$1,309/oz) and \$16.13/oz (December 31, 2017 – \$17.10/oz), respectively.

The aggregate changes in fair value of provisionally priced receivables within the copper and zinc concentrate sales contracts at June 30, 2018, was a liability position of \$5,019 (December 31, 2017 and January 1, 2017 – an asset position of \$17,427 and \$12,538 respectively). The aggregate fair value of other embedded derivatives at June 30, 2018, was a liability position of \$362 (December 31, 2017 and January 1, 2017 – a liability position of \$1,533 and \$86, respectively).

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements  
(in thousands of US dollars, except where otherwise noted)  
For the three and six months ended June 30, 2018 and 2017

---

## Prepayment option embedded derivative

The senior unsecured notes (note 13) contain prepayment options, which represent embedded derivatives that require bifurcation from the host contract. The prepayment options are measured at fair value, with changes in the fair value being recognized as unrealized gains or losses in finance income and expense (note 5e). The fair value of the embedded derivative at June 30, 2018 was an asset of \$7,221 (December 31, 2017 and January 1, 2017 - an asset of \$3,980 and \$4,430, respectively).

## Pampacancha delivery obligation

The Group has recognized an obligation to deliver additional precious metal credits to Wheaton as a result of the Group's expectation that mining at the Pampacancha deposit will not begin until 2019. The fair value of the embedded derivative at June 30, 2018 was a liability of \$7,094 (December 31, 2017 – nil).

## **(d) Warrants and option liabilities**

A total of 22,391,490 warrants were issued as a result of the acquisition of Augusta Resource Corporation which entitled the holders to acquire a common share of the Company at a price of C\$15.00 per share on, but not prior to, July 20, 2018. The Company, may, at its option, upon written notice to the warrant holders, settle the exercise of warrants for the in-the-money value, in cash, shares, or a combination thereof.

## **20. Capital commitments**

As at June 30, 2018, the Group had outstanding capital commitments in Canada of approximately \$8,130 primarily related to committed long-lead orders for the paste plant and Stall concentrator, of which approximately \$580 cannot be terminated by the Group, approximately \$90,831 in Peru primarily related to sustaining capital costs, all of which can be terminated by the Group and approximately \$157,914 in Arizona, primarily related to its Rosemont project, of which approximately \$74,729 cannot be terminated by the Group.

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2018 and 2017

## 21. Supplementary cash flow information

### (a) Change in non-cash working capital:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Change in:				
Trade and other receivables	\$ (20,328)	\$ 8,456	\$ 5,959	\$ 61,631
Other financial assets/liabilities	3,231	1,940	(18,526)	(3,852)
Inventories	222	4,361	(12,726)	(11,056)
Prepaid expenses	(1,987)	(2,027)	(390)	(1,662)
Trade and other payables	(17,712)	11,497	(20,973)	(11,216)
Change in taxes payable/receivable, net	2,360	(2,115)	10,802	4,437
Provisions and other liabilities	(381)	(14,378)	830	(755)
	\$ (34,595)	\$ 7,734	\$ (35,024)	\$ 37,527

### (b) Non-cash transactions:

During the six months ended June 30, 2018, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statements of cash flows:

- Remeasurements of the Group's decommissioning and restoration liabilities for the six months ended June 30, 2018 led to a net increase in related property, plant and equipment assets of \$802 (six months ended June 30, 2017 - \$12,989) mainly as a result of increased open pit mining activity and the resulting higher disturbance mostly offset by higher discount rates.
- Property, plant and equipment included \$5,756 of net additions related to capital additions under finance lease (June 30, 2017 - \$6,318).



# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2018 and 2017

## 22. Segmented information

Corporate and other activities include the Group's exploration activities in Greenfield projects worldwide. The exploration entities are not individually significant, as they do not meet the minimum quantitative thresholds. Corporate activities are not considered a segment and are included as a reconciliation to total consolidated results.

<b>Three months ended June 30, 2018</b>					
	<b>Manitoba</b>	<b>Peru</b>	<b>Arizona</b>	<b>Corporate and other activities</b>	<b>Total</b>
Revenue from external customers	\$ 193,816	\$ 177,472	\$ -	\$ -	\$ 371,288
Cost of sales					
Mine operating costs	109,650	85,625	-	-	195,275
Depreciation and amortization	31,989	51,563	-	-	83,552
Gross profit	52,177	40,284	-	-	92,461
Selling and administrative expenses	-	-	-	6,104	6,104
Exploration and evaluation	3,070	959	-	3,426	7,455
Other operating (income) and expenses	(227)	937	179	(679)	210
Results from operating activities	\$ 49,334	\$ 38,388	\$ (179)	\$ (8,851)	\$ 78,692
Finance income					(1,978)
Finance expenses					37,408
Other finance gain					(6,535)
Profit before tax					49,797
Tax expense					25,124
Profit for the period					<u>\$ 24,673</u>

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2018 and 2017

Three months ended June 30, 2017 (Restated)					
	Manitoba	Peru	Arizona	Corporate and other activities	Total
Revenue from external customers	\$ 168,129	\$ 167,904	\$ -	\$ -	\$ 336,033
Cost of sales					
Mine operating costs	94,931	75,467	-	-	170,398
Depreciation and amortization	31,385	46,264	-	-	77,649
Gross profit	41,813	46,173	-	-	87,986
Selling and administrative expenses	-	-	-	5,847	5,847
Exploration and evaluation	875	273	-	595	1,743
Other operating (income) and expenses	(625)	2,366	213	(65)	1,889
Results from operating activities	\$ 41,563	\$ 43,534	\$ (213)	\$ (6,377)	\$ 78,507
Finance income					(599)
Finance expenses					42,969
Other finance losses					1,202
Profit before tax					34,935
Tax expense					15,798
Profit for the period					\$ 19,137

Six months ended June 30, 2018					
	Manitoba	Peru	Arizona	Corporate and other activities	Total
Revenue from external customers	\$ 359,490	\$ 398,454	\$ -	\$ -	\$ 757,944
Cost of sales					
Mine operating costs	208,180	172,372	-	-	380,552
Depreciation and amortization	58,901	105,259	-	-	164,160
Gross profit	92,409	120,823	-	-	213,232
Selling and administrative expenses	-	-	-	11,819	11,819
Exploration and evaluation	6,996	2,090	-	5,711	14,797
Other operating (income) and expenses	(445)	8,848	294	(638)	8,059
Results from operating activities	\$ 85,858	\$ 109,885	\$ (294)	\$ (16,892)	\$ 178,557
Finance income					(3,356)
Finance expenses					75,712
Other finance gain					(16,699)
Profit before tax					122,900
Tax expense					56,782
Profit for the period					\$ 66,118

# HUDBAY MINERALS INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

For the three and six months ended June 30, 2018 and 2017

Six months ended June 30, 2017 (Restated)					
	Manitoba	Peru	Arizona	Corporate and other activities	Total
Revenue from external customers	\$ 325,837	\$ 271,962	\$ -	\$ -	\$ 597,799
Cost of sales					
Mine operating costs	185,933	126,922	-	-	312,855
Depreciation and amortization	62,552	77,761	-	-	140,313
Gross profit	77,352	67,279	-	-	144,631
Selling and administrative expenses	-	-	-	16,132	16,132
Exploration and evaluation	1,872	577	-	1,282	3,731
Other operating expense (income)	489	(4,382)	407	87	(3,399)
Results from operating activities	\$ 74,991	\$ 71,084	\$ (407)	\$ (17,501)	\$ 128,167
Finance income					(1,105)
Finance expenses					85,850
Other finance losses					3,849
Profit before tax					39,573
Tax expense					30,465
Profit for the period					\$ 9,108

June 30, 2018					
	Manitoba	Peru	Arizona	Corporate and other activities	Total
Total assets	\$ 712,620	\$ 2,732,776	\$ 879,875	\$ 366,491	\$ 4,691,762
Total liabilities	468,245	904,341	113,299	1,037,693	2,523,578
Property, plant and equipment	590,454	2,416,843	853,484	3,182	3,863,963

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

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