



# PLAN IN ACTION

2013 ANNUAL REPORT

**HUDBAY**



## HUDBAY AT A GLANCE

Hudbay is a Canadian integrated mining company with operations, development properties and exploration activities principally focused on the discovery, production and marketing of base and precious metals. Our vision is to become a top-tier operator of long-life, low-cost mines in the Americas. Our mission is to create sustainable value through increased commodity exposure on a per share basis by growing long-life deposits, in high-quality and mining-friendly jurisdictions.



### FLIN FLON, MANITOBA

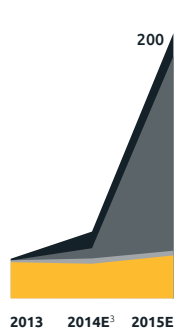
Flin Flon is our main operating platform. The 777 mine produces zinc, copper, gold and silver and has an expected mine life to 2020. We also own an ore concentrator that produces zinc and copper concentrates and a zinc plant that processes zinc concentrate into special high-grade zinc metal.

### REED MINE, MANITOBA

The 70%-owned Reed copper mine commenced initial production in September 2013 and is expected to achieve commercial production in the first half of 2014. The mine is expected to add approximately 15,000 tonnes of annual copper production over a five-year mine life. It is located 120 kilometres from Flin Flon, and ore is trucked to the Flin Flon concentrator for processing.

## Growth<sup>1</sup> in Copper, Precious Metals and Zinc Production

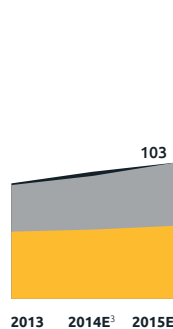
### Cu PRODUCTION (kt)



### PRECIOUS METALS PRODUCTION<sup>2</sup> (koz)



### Zn PRODUCTION (kt)



- Existing Operations<sup>4</sup>
- Lalor<sup>5</sup>
- Constancia<sup>6</sup>
- Reed<sup>7</sup>

1 Represents production growth from 2013 actual production to 2015 anticipated production levels. 2 Includes production subject to streaming transactions. Silver is converted to gold at a ratio of 50:1 for 2014 guidance. For precious metals production, silver is converted to gold using the average gold and silver realized sales prices during the period. 3 2014 estimated production levels based on midpoint of 2014 production guidance released on January 8, 2014. 4 777's anticipated production for 2015 is based on contained metal in concentrate as disclosed in "Technical Report 777 Mine, Flin Flon, Manitoba, Canada" dated October 15, 2012. 5 Lalor's anticipated production for 2015 is based on contained metal in concentrate as disclosed in "Pre-Feasibility Study Technical Report, on the Lalor Deposit" dated March 29, 2012. 6 Constancia's anticipated production for 2015 is based on contained metal in concentrate as disclosed in "The Constancia Project, National Instrument 43-101 Technical Report" filed on November 6, 2012. 7 Reed's anticipated production for 2015 is based on contained metal in concentrate as disclosed in "Pre-Feasibility Study Technical Report on the Reed Copper Deposit" dated April 2, 2012 and includes 100% of production.



WITH THREE NEW MINES COMING ON STREAM, PRODUCTION ACROSS ALL KEY METALS IS POISED FOR SIGNIFICANT GROWTH IN 2014 AND 2015.

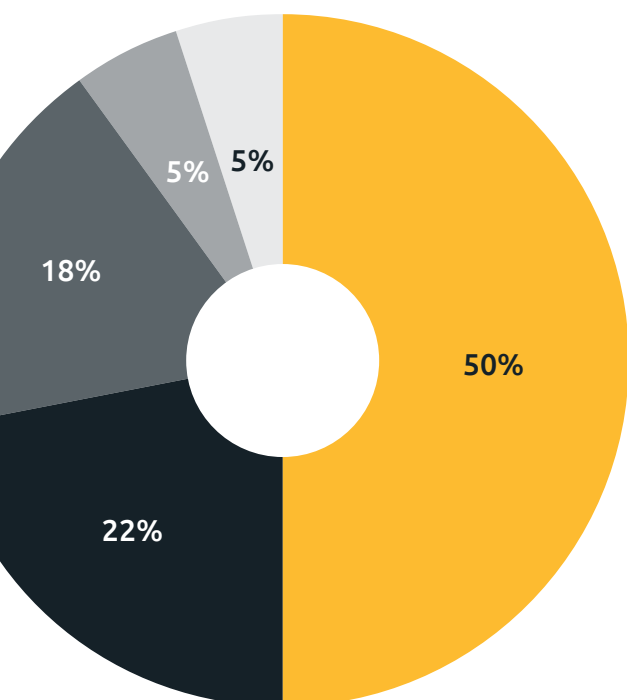
### LALOR MINE, MANITOBA

This 100%-owned zinc, gold and copper deposit is on track to become our next major underground mine. First ore was produced in 2012 through the ventilation shaft, and production from the main shaft is expected in the second half of 2014. We are refurbishing the nearby Snow Lake concentrator and doubling its capacity.

### CONSTANCIA PROJECT, PERU

This 100%-owned project is expected to be a low-cost, open pit mining operation averaging 82,000 tonnes of annual copper production over a 22-year mine life. The project, which was over 56% completed at December 31, 2013, is on track for initial production in late 2014 and commercial production in the second quarter of 2015.

# 2013 SUMMARY



## COMMODITY EXPOSURE

● Copper	50%
● Gold and silver	22%
● Zinc	18%
● Molybdenum	5%
● Lead	5%

Hudbay reserves and resources as of March 26, 2014. Measured and indicated resources are exclusive of proven and probable reserves. Commodity exposure calculated using commodity prices of US\$1,250/oz Au, US\$25.00/oz Ag, US\$1.00/lb Zn, US\$3.00/lb Cu, US\$13.50/lb Mo and US\$0.90/lb Pb.

## OPERATIONS SUMMARY

For the years ended December 31

	2013	2012
<b>Production<sup>1</sup></b>		
Copper (000 tonnes)	29.9	39.6
Zinc (000 tonnes)	86.5	80.9
Gold (000 troy ounces)	79.2	86.6
Silver (000 troy ounces)	772.5	824.0

<sup>1</sup> Includes 100% of Reed mine production.

## FINANCIAL SUMMARY

(\$ millions)

For the years ended December 31

	2013	2012
<b>Revenue</b>		
Copper	\$ 210.4	\$ 343.7
Zinc	\$ 219.1	\$ 222.6
Gold	\$ 99.5	\$ 131.8
Silver	\$ 14.4	\$ 21.0
Other	\$ 5.8	\$ 6.3
Less: Treatment and refining charges (TC/RC)	\$ (19.9)	\$ (22.7)
<b>Less: Pre-production revenue</b>	\$ (12.5)	\$ (0.1)
<b>Revenue</b>	\$ 549.2	\$ 725.4
<b>Profit (loss) before tax</b>	\$ (56.0)	\$ 48.4
<b>Total assets</b>	\$ 3,844.0	\$ 3,476.5
<b>Equity attributable to owners of the Company</b>	\$ 1,635.6	\$ 1,653.8
<b>Cash and cash equivalents</b>	\$ 631.4	\$ 1,337.1
<b>Dividend paid per share</b>	\$ 0.11	\$ 0.20

**FOR THE PAST THREE YEARS, HUSBAY  
HAS EXECUTED A CLEAR AND DISCIPLINED  
PLAN TO DRIVE GROWTH AND CREATE  
SUSTAINABLE VALUE FOR STAKEHOLDERS.  
WE ARE MEETING OUR MILESTONES AND  
SECURING OUR FUTURE AS WE GET READY  
TO DELIVER THREE NEW MINES.**

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# LETTER TO SHAREHOLDERS



PRODUCTION ACROSS ALL KEY METALS IS EXPECTED TO INCREASE WITH A FULL YEAR OF OPERATIONS AT REED AND INITIAL OUTPUT FROM THE COMPLETED PRODUCTION SHAFT AT LALOR AS WELL AS CONSTANCIA.

These are exciting times for Hudbay as the growth plan we set in motion three years ago is nearing completion. From an operating platform that includes three new mines, we expect to generate solid and consistent returns for many years to come.

In 2010, Hudbay embarked on a plan to grow the Company and create long-term value for our shareholders. Recognizing that two of our three operating mines were about to close, we laid out a five-year program that would leverage our competencies in exploration and mine development, deliver growth in key per share metrics and position the Company to sustain value through the ups and downs of metal price cycles.

We believe that the best opportunities for sustainable value creation in mining are in finding and building new mines and developing them in an environmentally and socially responsible manner. We also believe that we have particular expertise in volcanogenic massive sulphide (VMS) and porphyry deposits, in terms of both exploration and mine development. Our strategy is focused on utilizing this expertise to create long-term value for our shareholders.

The key elements of our plan are to:

- Acquire VMS and porphyry exploration and development properties that are located in mining-friendly jurisdictions in the Americas and have exploration upside potential;
- Find and expand mineral deposits through exploration and bring them into production; and
- Optimize the value of producing assets through safe and efficient operations.

## Progress Against Plan

We have covered a lot of ground since embarking on our plan in mid-2010. Within the first few months, we made a commitment to advance the Lalor project to full production. The next year, we acquired the Constancia copper project and, shortly thereafter, increased its value through the discovery of the nearby Pampacancha deposit. We also made a go-ahead decision on the Reed mine, electing to bring this high-grade copper

OUR 2013 CORPORATE SOCIAL RESPONSIBILITY REPORT IS NOW ONLINE AT [WWW.HUDBAYMINERALS.COM/CSRREPORT](http://WWW.HUDBAYMINERALS.COM/CSRREPORT)



deposit into production. In 2012, our Board committed to developing Constancia, our largest project and one that will ultimately transform the Company. With these three new mines, and continued operation of the 777 mine, we expect to increase copper production by 570% from 2013 to 2015. Importantly, 777, Lalor and Constancia are all large, low-cost operations that should reduce our overall cost structure and generate value through the ups and downs of price cycles.

To finance our plan, we raised almost US\$1.8 billion from non-equity sources, thereby enabling our shareholders to participate fully in the Company's growth. This included US\$885 million in two precious metals stream transactions with Silver Wheaton, US\$750 million in long-term bond financing and an equipment financing facility with Caterpillar Financial to fund up to US\$130 million of Constancia's mobile fleet. All three projects are now fully funded through to completion. In early 2014, we announced an equity issue to provide additional financial flexibility to pursue opportunities to restock our growth pipeline.

## Meeting the Challenges

Our teams made excellent progress in 2013, with all projects remaining on track to reach commercial production within the next two years. However, progress did not come without challenges. At Constancia, we incurred a 15% capital cost increase largely due to additional civil earthworks spending requirements. In addition to addressing the issue at the project, we implemented spending cuts and deferrals of almost \$100 million across the Company, which included making reductions in exploration, deferring discretionary sustaining capital expenditures and lowering the semi-annual dividend to \$0.01 per share. We also deferred approximately \$325 million for the new Lalor concentrator, choosing instead to invest \$9 million to double the capacity of the Snow Lake concentrator to accommodate Lalor production until the end of 2016.

## Positioned for Growth

In 2014, we will begin to see the fruits of our labour. Production across all key metals is expected to increase with a full year of operations at Reed and initial output from the completed production shaft at Lalor as well as Constancia. In 2015, growth is expected to be even more pronounced.

As we near the end of our five-year plan, and start to tackle the next phase of Hudbay's growth, we are buoyed by our success to date. I would like to thank our Board of Directors for their guidance and support, and our shareholders for their continued confidence in Hudbay. I also want to thank our employees and contractors, who have joined together in an incredible display of talent, ingenuity and commitment to meet our goals and pursue our vision. The future of Hudbay is promising.

Sincerely,

**DAVID GAROFALO**  
PRESIDENT AND CHIEF EXECUTIVE OFFICER



Acquiring early-stage  
projects that meet our  
strategic criteria

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1





WE SEEK OUT PROPERTIES WITHIN  
A NARROW GEOGRAPHIC AND  
GEOLOGICAL RANGE WHERE  
WE CAN ADD VALUE.

- 1 MANITOBA 777, LALOR, REED
- 2 COLOMBIA EXPLORATION
- 3 PERU CONSTANCIA
- 4 CHILE EXPLORATION



WE TARGET PROPERTIES IN JURISDICTIONS THAT ARE SUPPORTIVE OF RESPONSIBLE MINE DEVELOPMENT AND OPERATION.

WITH THE EXPECTED COMPLETION OF THE LALOR AND CONSTANCIA MINES IN THE NEXT 12 MONTHS, WE'RE FOCUSED ON ADDING PROPERTIES THAT CAN UTILIZE THE TECHNICAL AND FINANCIAL CAPACITY THAT WILL BECOME AVAILABLE STARTING IN 2015.



**KEN GILLIS**  
SENIOR VICE PRESIDENT,  
CORPORATE DEVELOPMENT

## Acquisition Criteria

Acquisitions provide a compelling opportunity to accelerate growth. To ensure they create sustainable shareholder value, we adhere to strict criteria for evaluating prospective properties.

We focus geographically on mining-friendly, investment-grade countries in the Americas, and geologically on VMS and porphyry mineral deposits where we can leverage our experience in exploring and developing these types of deposits.

The property must have exploration upside potential. We believe that the markets for mining assets fully value delineated reserves and resources, but may undervalue the potential of prospective properties – giving us an opportunity to create value through exploration.

We seek out early-stage projects where we can add value by applying our technical expertise or providing financing. In our view, large, transformational acquisitions can be risky and potentially value-destructive.

Acquisitions should be accretive to Hudbay on a per share basis. Because of our focus on non-producing assets at various stages of development, we consider measures such as net asset value per share and the contained value of reserves and resources per share when evaluating accretion.





## Constancia: A Strategic Fit

Our 2011 acquisition of the advanced-stage Constancia copper project in Peru met all of our acquisition criteria. Purchased at a price of approximately 19.8 million Hudbay shares and \$117 million in cash, the large-scale porphyry deposit located in an established mining-friendly jurisdiction was just the right size and scale for Hudbay.

Not only have we brought the financial capacity and mine-building expertise needed to accelerate project development, we have also created value through exploration. Shortly after acquiring Constancia, we discovered the higher-grade Pampacancha deposit, adding 43 million tonnes with a copper equivalent grade of 0.77% to the mineral reserve base.

Following substantial completion of the detailed engineering in 2013, Hudbay's Board approved a revised capital cost estimate for the Constancia project of US\$1.7 billion. The project is on track for commercial production by mid-2015. It includes an open-pit mine and an 80,000 tonne-per-day processing plant. All key permits are in place, and the necessary infrastructure and power are expected to be available to meet the schedule. Constancia benefits from access to existing roads, rail, a deep sea port and a power substation, which will support production and the movement of copper concentrate from the site. We have secured 10-year port access and power supply agreements, as well as a 15-year tax and fiscal stability agreement with the government of Peru.

### CONSTANCIA MILESTONES\*

Late 2014	First production
Q2 2015	Commercial production

\* All timelines are estimates.

ADDED

**47 million**

TONNES OF RESERVES  
THROUGH EXPLORATION

AVERAGE ANNUAL COPPER  
PRODUCTION OF

**82,000  
tonnes**

OVER A 22-YEAR MINE LIFE



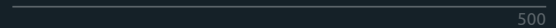
# Finding, expanding and developing mineral deposits

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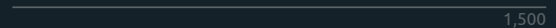




**IN THE MINING BUSINESS,  
EXPLORATION AND CONSTRUCTION  
ARE THE KEYS TO MAXIMIZING  
SHAREHOLDER VALUE.**



**Lalor exploration  
from underground  
expected to begin  
in late 2014.**







**WE HAVE A STRONG TRACK RECORD OF FINDING NEW RESOURCES NEAR OUR EXISTING OPERATIONS AND BRINGING THEM INTO PRODUCTION IN A WAY THAT CREATES VALUE FOR SHAREHOLDERS AND OUR OTHER STAKEHOLDERS.**



**ALAN HAIR**  
SENIOR VICE PRESIDENT AND  
CHIEF OPERATING OFFICER

## Exploration

Hubbay people have been exploring in northern Manitoba for more than 87 years and they have become specialists in applying innovative geophysical techniques to identify prospective targets. We are leveraging this expertise to drive our global exploration strategy.

Our primary focus at this time is on brownfield opportunities near our existing deposits, in order to leverage existing infrastructure. We have budgeted \$20.4 million for exploration in 2014, three-quarters of which will be spent in Manitoba.

Underground exploration drilling at Lalor is our top priority. We are developing an exploration drift at the 955 to 1,025-metre level, which will enable tighter-spaced drilling to upgrade known inferred resources and test the down-plunge exploration potential of the gold and copper-gold zones. We will also continue underground drilling at the 777 mine with the objective of extending the mine life beyond 2020.

The 22,516-hectare Constancia property is also promising. In 2014, we plan to continue exploration work on the porphyry and skarn mineralization potential of the property near the main deposit. Geophysical activities are underway to help define new areas of activity.





A MINE IS BUILT ONLY IF A MINERAL DEPOSIT IS ECONOMICALLY FEASIBLE, AND SOCIAL AND ENVIRONMENTAL STANDARDS CAN BE MET.

## Lalor: Our Next Major Underground Mine

Hudbay's exploration team discovered the Lalor deposit in 2007 using an innovative adaptation of electromagnetic geophysical surveys to penetrate deep below the Flin Flon Greenstone Belt. Subsequent exploration identified separate and distinct gold and copper-gold zones in addition to the previously defined zinc zone. On the basis of these discoveries, the Hudbay team was awarded the PDAC Bill Dennis Award for exploration – and we fast-tracked development of the Lalor resource.

In 2009, we began construction of a three-kilometre ramp from our Chisel North mine to the Lalor deposit to enable early access to the zinc zone and establish an underground drilling platform. The next year, we committed to advancing Lalor to full production. By mid-2012, we had completed the ventilation shaft, enabling us to start mining and generate cash flow a mere five years after the initial Lalor discovery. The timing coincided with the closure of the Chisel North mine so as to provide a continuous source of zinc feed for our concentrator and zinc plant, as well as the necessary personnel.

Lalor is expected to become our next major underground mine, with an anticipated 15 years of high-volume, low-cost production. The mine portion of the project remains on budget and on schedule. Commissioning of the main production shaft is expected in the second half of 2014, at which time we will discontinue use of the ventilation shaft for hoisting ore. We will continue to process Lalor ore at the nearby Snow Lake concentrator until a new concentrator is completed at the mine site.

### LALOR MILESTONES\*

Mid-2014	Completion of refurbished Snow Lake concentrator
H2 2014	Commissioning of main production shaft
H2 2014	Commercial production from main production shaft

\* All timelines are estimates.

# 2nd largest

MINERAL DEPOSIT IN THE FLIN FLON GREENSTONE BELT

PROJECTED LIFE OF MINE OF

# 15+ years



**\$1.8 billion (US)**

RAISED THROUGH  
NON-EQUITY SOURCES

**28 mines**

DEVELOPED IN THE  
FLIN FLON GREENSTONE  
BELT OVER 87 YEARS

## Mine Development

Mine building is a complex process. Our experience and understanding of the best ways to address the challenges associated with designing, permitting, financing and building projects are enabling us to bring three mines into production, on schedule, while maintaining a strong liquidity position.

We have strived to manage our capital spending prudently and secure the financing needed to complete our projects while minimizing shareholder dilution. Over the past two years, we raised almost US\$1.8 billion through non-equity sources. In 2013, we took prompt action to address cost increases at Constanica, significantly de-risking the uncertainty around the remaining work to be done, making spending cuts and deferrals of almost \$100 million across the Company, and deferring construction of the new Lalor concentrator.

We are successfully navigating permitting and regulatory approvals processes. In 2013, Hudbay received the *Environment Act* licence for Reed, which allowed us to commence production at the new mine on schedule. We also received approval for an amendment to our environmental and social impact assessment at Constanica, so that this project remains on track. In March 2014, we received the *Environment Act* licence for the Lalor mine, which will enable full production via the main shaft.





## Reed: Fit for Purpose

We received the *Environment Act* licence for the Reed project in September 2013 and started initial production shortly thereafter. Reed is a small, high-grade copper deposit that benefits from its proximity to Flin Flon, enabling us to truck ore to our main complex for processing instead of building on-site facilities.

The greatest challenge was Reed’s location – within the boundary of a Manitoba provincial park. We worked with the Manitoba authorities to minimize the mine’s footprint, mitigate other potential disturbances and ensure that the operation does not affect the local caribou habitat. This included limiting tree clearing to seven of the 14 hectares our permit allowed. Even then, trees were removed selectively and the wood was given to the provincial park for use as firewood. Access roads and power and pipeline routes were curved to prevent direct sightlines from public roads to the mine. The main fan was installed underground and sound-reducing enclosures were built for generators, compressors and the ventilation heater. At the close of mining, the site will be indistinguishable from other areas in the park that have been cleared for use as picnic grounds and campsites.

Ownership	70%
Projected life of mine	5 years
Construction CAPEX (2012–2014)	\$72 million

# 15,000 tonnes

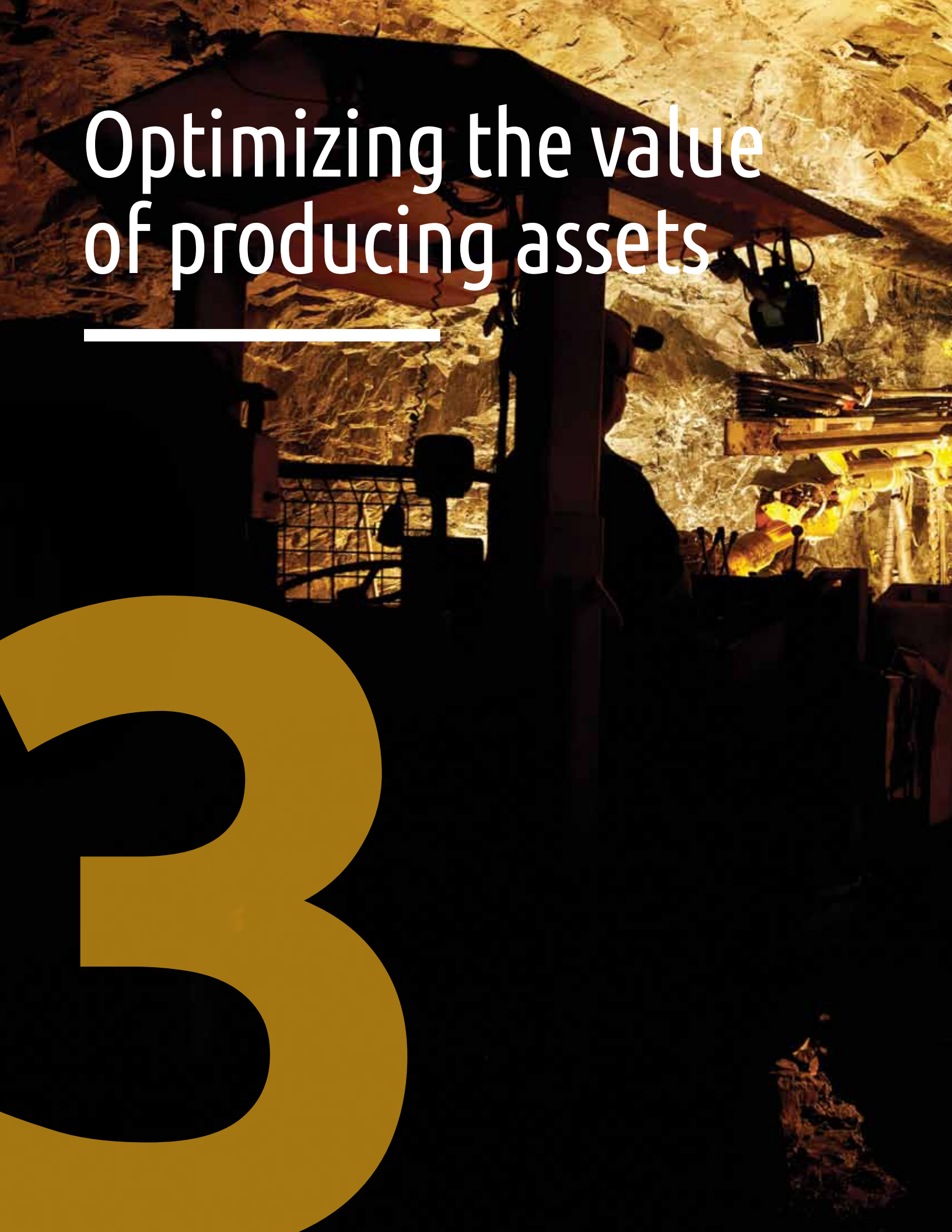
AVERAGE ANNUAL COPPER PRODUCTION OVER FIVE YEARS



# Optimizing the value of producing assets

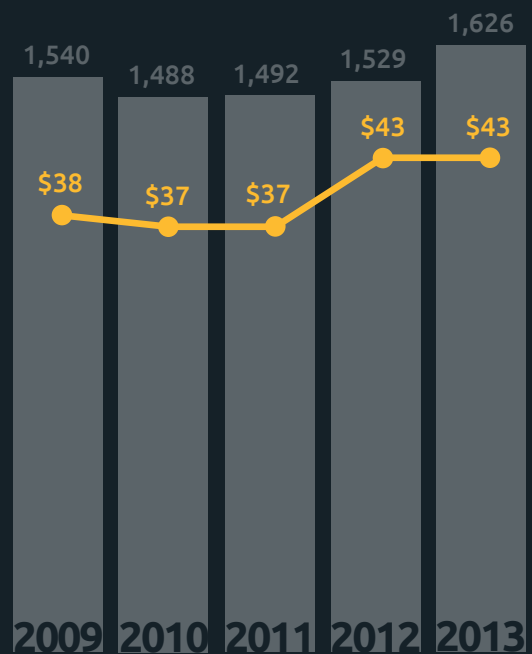
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3





**SAFETY, EFFICIENCY AND PERFORMANCE ARE THE DEFINING CHARACTERISTICS OF OUR OPERATING CULTURE.**



777 MINE PRODUCTION AND UNIT COSTS

- Ore mined (kt)
- Mining cost (C\$/tonne)





VISIT  
[WWW.HUDBAYMINERALS.COM/CSRREPORT](http://WWW.HUDBAYMINERALS.COM/CSRREPORT)  
 TO SEE OUR MOST RECENT CORPORATE  
 SOCIAL RESPONSIBILITY REPORT.

IN MANITOBA, OUR HIGH-QUALITY ASSETS, STABLE WORKFORCE, LOW ENERGY COSTS AND ROBUST SYSTEMS AND PROCESSES MAKE THE 777 MINE ONE OF THE LOWEST CASH COST PRODUCERS IN THE INDUSTRY.



**BRAD LANTZ**  
 VICE PRESIDENT, MANITOBA  
 BUSINESS UNIT

## Operational Efficiency

Hudbay's Manitoba operations have provided reliable, low-cost production for many decades. Our unwavering commitment to safety and efficiency, and our ongoing investments in our mines, facilities, equipment and people help us realize the full value of these assets.

Over the years, workplace accidents and incidents have been on a downward trend and we remain committed to our goal of eliminating workplace injuries. We are now introducing initiatives to take safety performance to an even higher level.

We continue to extend the life of operations and spend dollars wisely in areas that support strategic objectives. In 2012, we drove a ramp from surface to our 777 mine, which enabled us to expand the production rate by about 8% and gain other operating efficiencies. Despite the inflationary pressures that have plagued our industry, the operating cost per tonne of ore produced at 777 has remained relatively consistent over the past several years. And we remain focused on continued efficiencies to ensure we maintain our low-cost profile.

In 2013, we decided to invest \$9 million at the Snow Lake concentrator to double its capacity and accommodate production from the Lalor mine until 2016. This decision enables us to extend the life of an existing concentrator and defer construction of the new Lalor concentrator, and approximately \$325 million of capital expenditures, until we need it.





#### CIPO FINANCIAL BENEFIT TIMELINE



From August 2013, when we started formally tracking closed CIPO projects, to the end of the year, the financial benefits attributable to CIPO projects totaled more than \$1 million.



## Flin Flon: CIPO Drives Process Improvements

At the Flin Flon operations, we launched the Hubbay Continuous Improvement Process Optimization (CIPO) initiative to get everyone involved in efforts to improve safety, efficiency and value. In 2013, the financial benefit from formally closed CIPO projects totaled more than \$1 million. Our CIPO target this year is \$5 million.

Employees are encouraged to submit ideas about how improvements could be made in different areas. High-potential ideas are then formalized into a project with a specific mandate, team, action plan and performance measures. A dedicated newsletter provides project updates and highlights achievements.

Ventilation on demand (VOD) was a CIPO project that saves at least \$178,000 a year and lowers energy consumption. A team of employees at the 777 mine recognized an opportunity to reduce costs by turning underground fans on or off based on need, rather than having them operate around the clock. Their solution involved a time-based control system in which fans automatically shut off after a certain period of time and must be manually restarted once someone is working in that area of the mine.

At the end of 2013, there were 53 active projects, 82 completed projects and 92 projects in the CIPO pipeline.

# 0.4

LOST TIME ACCIDENT  
FREQUENCY ACROSS THE  
COMPANY IN 2013

# 53

CONTINUOUS IMPROVEMENT  
PROJECTS UNDERWAY



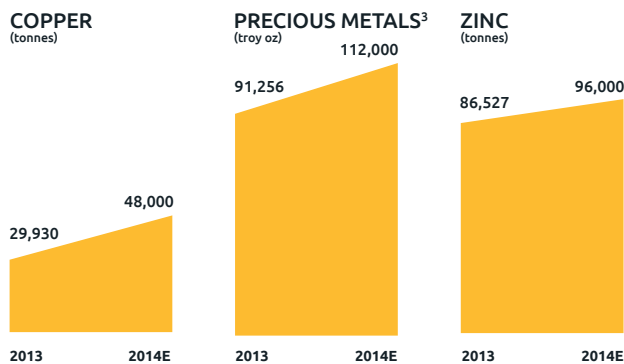
# 570%

PROJECTED INCREASE IN  
COPPER PRODUCTION  
FROM 2013 TO 2015

## Production Guidance

Hudbay's copper, precious metals and zinc production over the past two years reflects the permanent closure of two operating mines (Trout Lake and Chisel North) and the gradual ramp-up of production at our new mines. Looking ahead, 2014 will be the first year in which production across all key metals is expected to increase, with a full year of operations at Reed and initial output from the completed production shaft at Lalor as well as the Constancia project. Next year's growth is expected to be even greater.

## Contained Metal in Concentrate Production<sup>1,2</sup>



<sup>1</sup> Includes 100% of Reed mine production. <sup>2</sup> 2014 estimated production levels based on midpoint of 2014 production guidance released on January 8, 2014. <sup>3</sup> Precious metals production includes gold and silver production and does not include the impact of the precious metals streams. For precious metals production, silver is converted to gold using the average gold and silver realized sales prices during the period. For precious metals guidance, silver is converted to gold at a ratio of 50:1.





## Community Relations

We understand that acting responsibly and maintaining good community relations are essential for Hudbay's long-term success. We collaborate with communities near our operations to advance social and economic development and achieve common goals.

In Manitoba, Hudbay has joined with several organizations to promote jobs for northern people. There is a need for skilled people at our operations and we would prefer to hire locally. To help meet the need, we donated funding and land to the Northern Manitoba Mining Academy, and our employees helped develop curriculum for several courses. Ten Hudbay employees, including three recently hired Opaskwayak Cree Nation band members, graduated from the Mining Academy's new *Introduction to Mining* course in 2013 and subsequently began working at our mines. We are also participating in the newly created Mining Advisory Council, which draws together First Nations leadership, industry representatives and the Government of Manitoba with the goal of ensuring First Nations communities benefit from the development of new mines.

In Peru, Hudbay was presented a Sustainable Development Award for the progress made in the rural communities near Constanca through multi-sectorial committees for development (CMD). The CMDs were created under our life of mine agreements with the communities and are made up of Hudbay and community representatives. The top priorities are health, education, infrastructure and agricultural development. Through the work of the CMDs, hundreds of people now have access to quality health care and electricity, a new sewage system was installed in the town of Chilloroya, community and computer centres were built, and school facilities and teacher training have been upgraded.

PAID

**\$8.5 million**

TO MUNICIPALITIES THROUGH  
TAXES AND GRANTS-IN-LIEU  
OF TAXES IN 2013

HIRED

**1,304  
people**

FROM NEIGHBOURING  
COMMUNITIES TO WORK  
AT CONSTANCIA DURING  
PEAK CONSTRUCTION





## MANAGEMENT TEAM

### 1 DAVID A. GAROFALO

PRESIDENT AND CHIEF EXECUTIVE OFFICER

David Garofalo joined Hudbay as President and Chief Executive Officer and Director in July 2010.

David's role is to establish and execute Hudbay's vision and strategy, working with Hudbay's Board of Directors and senior management. He leads delivery of long-term value and achievement of critical short-term performance goals, and shapes Hudbay's organizational culture. He is also responsible for motivating and mentoring a high-performance management team. David is Chair of Hudbay's Executive Committee, the senior management group through which every strategic decision at the Company is advanced.

Before joining Hudbay, David served as Senior Vice President, Finance and Chief Financial Officer with Agnico-Eagle Mines Limited (1998–2010). Earlier in his career, he served as Treasurer and held various finance roles with Inmet Mining Corporation (1990–1998).

David was named Canada's CFO of the Year by Financial Executives International Canada (2009) and Top Gun CFO by Brendan Wood International (2009 and 2010) and was recognized by *IR Magazine* with awards for Best Investor Relations by a CFO (2009 and 2010) and Best Investor Relations by a CEO (2011). He was also *The Northern Miner's* Mining Person of the Year for 2012.

A graduate of the University of Toronto (B.Comm.), David is a Chartered Accountant and a Certified Director of the Institute of Corporate Directors (ICD.D). He also serves on the board of directors of Mackenzie Health Foundation (formerly York Central Hospital Foundation).

### 2 DAVID S. BRYSON

SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

As CFO, David plays a leading role in securing funding for Hudbay's growth and in managing Hudbay's financial reporting and disclosure practices. He is one of four members of Hudbay's Executive Committee. He also oversees the Company's information technology, marketing and communications functions.

David brings more than 20 years of financial experience to Hudbay, including progressively senior leadership roles in the mining and energy infrastructure sectors. Prior to joining Hudbay in 2008, he was Vice-President and then CFO with Skye Resources Inc. and, previously, was Treasurer of Terasen Inc.

David holds a Bachelor of Commerce (Finance) from the University of British Columbia and is a Chartered Financial Analyst.

### 3 ALAN T. C. HAIR

SENIOR VICE PRESIDENT AND CHIEF OPERATING OFFICER

As COO, Alan Hair is the senior leader of the international operating teams delivering Hudbay's production and growth commitments.

Alan is responsible for every aspect of the Company's operations, business development, technical services, exploration and corporate social responsibility. He is also one of four members of Hudbay's Executive Committee. Alan joined Hudbay in 1996, holding leadership roles in operations or business development throughout, and was appointed Senior Vice President and Chief Operating Officer in June 2012.

He holds an Honours Bachelor of Science degree in Mineral Engineering from the University of Leeds, England.

### 4 BRAD W. LANTZ

VICE PRESIDENT, MANITOBA BUSINESS UNIT

The senior-most leader of the regional management team in Manitoba, Brad brings the experience of more than 30 years in mining. He was appointed Vice President of the Manitoba Business Unit in September 2011.

During his career, Brad has held roles in underground operations, geology and management. He joined Hudbay in 1987 and was manager of the 777 mine when he was promoted to Vice President, Mining in 2007.

Brad now provides strategic and operational leadership for all aspects of Hudbay's activities in Manitoba. He is accountable for managing capital and human resources and ensuring compliance with regional, corporate and global policies and procedures and is responsible for ensuring a high-performance culture that is capable of responding and adapting to growth and change.

Brad graduated from the University of Waterloo with a Bachelor of Science in Earth Sciences.

### 5 KEN GILLIS

SENIOR VICE PRESIDENT, CORPORATE DEVELOPMENT

Ken leads the corporate development team that assesses the suitability of assets to support Hudbay's growth strategy, as either potential acquisitions or prospects where the Company can add value by taking an investment position. Ken is also one of four members of Hudbay's Executive Committee.

He joined Hudbay in August 2010, bringing a 20-year history of corporate development and related activities in mining, both with mining companies and with financial and investment firms. Prior to assuming his role at Hudbay, he served as Executive Director of Macquarie Canada's North American Mining Investment Banking practice.

Ken holds a Master of Applied Science in Mineral Exploration, an MBA from McGill University, and a degree in Geological Science (B.Sc.) from Saint Francis Xavier University.



## 6 CASHEL MEAGHER

VICE PRESIDENT, SOUTH AMERICA BUSINESS UNIT

Cashel Meagher is leader of the South America Business Unit, responsible for Hubday's strategic and operational performance in the region.

At Constanca, Cashel ensures Hubday maintains technical and sustainable operating standards during construction of the project, and that these practices continue through to operation. Regionally, he is also responsible for executive oversight of human and capital resources and ensuring corporate standards are met in environmental management, health and safety performance, and community relations.

Cashel has an extensive background in precious metal and base metal exploration, resource and reserve estimation, engineering studies, and open pit and underground operations. Prior to joining Hubday, he held management positions with Vale Inco in exploration, technical services, business analysis and mine operations.

Cashel holds a Joint Advanced Major in Geology and Chemistry from Saint Francis Xavier University and is a Professional Geoscientist registered with the Association of Professional Geoscientists of Ontario.

## 7 PATRICK DONNELLY

VICE PRESIDENT, LEGAL AND CORPORATE SECRETARY

As Vice President, Legal and Corporate Secretary, Patrick provides leadership, oversight and direction on all legal matters involving Hubday and its operations. He also serves as Hubday's Corporate Secretary, with responsibilities relating to the Board of Directors and its committees, including the identification and implementation of corporate governance best practices.

Patrick joined Hubday in 2008 and was appointed to his current role in 2011. Prior to joining Hubday, he practised corporate and securities law at Osler, Hoskin & Harcourt LLP. Patrick holds a law degree from the University of Victoria and a Bachelor of Arts from the University of Western Ontario.

## 8 PATRICK MERRIN

VICE PRESIDENT, BUSINESS DEVELOPMENT AND TECHNICAL SERVICES

Pat oversees technical and operational processes related to Hubday's operations and growth initiatives including the validation of acquisition opportunities within North America. In this capacity he is responsible for managing internal and external project review, due diligence processes, project and operational governance, reporting and risk management. All engineering and geological standards and reporting responsibilities also fall within his mandate.

Pat developed a strong operating background over the course of his career in Canada and internationally, taking on a variety of progressively senior roles at Hubday and at mining and metals companies including Xstrata Nickel, Lucas Milhaupt and Adex Mining.

Pat holds a Master of Business Administration (MBA) from the University of Toronto and a Bachelor of Engineering (Chemical) degree from McGill University. He has been a member of Professional Engineers of Ontario since 1997.

## 9 DAVID CLARRY

VICE PRESIDENT, CORPORATE SOCIAL RESPONSIBILITY

For a mining company, the measure of success is performance as well as production. As Vice President, Corporate Social Responsibility, David's mandate is to develop, implement and monitor, and account for corporate standards for health, safety, the environment and community relations.

Prior to joining Hubday in 2011, David was principal at his own firm, Innnotain Inc., providing sustainability and responsibility consulting services to the mining and energy industries. He also spent 18 years in a series of roles with the international engineering and consulting firm Hatch Ltd., serving lastly as Director, Climate Change Initiatives.

David holds Bachelor of Science and Master of Science degrees in Engineering from Queen's University and an MBA from INSEAD, and is a licensed Professional Engineer in the Province of Ontario.

## 10 MARY-LYNN OKE

VICE PRESIDENT, FINANCE

As Vice President, Finance and Chief Financial Officer, Manitoba Business Unit, Mary-Lynn is responsible for accounting and financial reporting functions for the corporate office and the Manitoba Business Unit, including financial analysis, budgeting, planning, tax and payroll.

Prior to joining Hubday in 2007, Mary-Lynn was a senior manager in the Transaction Tax Practice of Ernst & Young LLP, where she developed more than 10 years of Canadian income tax experience, including tax planning for public companies in the resource sector.

She holds an Honours Bachelor of Arts in Business Administration from the University of Western Ontario and is a Chartered Accountant.

## 11 HERNAN SOZA

VICE PRESIDENT, EXPLORATION

Hernan Soza joined Hubday in late 2011. As Vice President, Exploration, he is responsible for leading and managing Hubday's geologists and geophysical functions, providing direction and leadership to ensure efficient and effective field development and exploration, as well as the accurate evaluation of potential new growth areas, in line with Hubday's business objectives.

Hernan has more than 40 years of mining and mineral exploration experience spanning South and Central America. Prior to joining Hubday, he worked to advance world-class deposits for Codelco, Saint Joe's Minerals, Exxon Minerals, Anaconda Minerals and Placer Dome.

He graduated as a geologist from the Universidad de Chile in 1968. Hernan currently serves as the Chilean representative on the Committee for Mineral Reserves International Reporting Standards (CRIRSCO).

# CORPORATE GOVERNANCE

WE BELIEVE THAT GOOD GOVERNANCE IS CRITICAL TO HUSBAY'S SUCCESS AS A PUBLICLY TRADED COMPANY AND TO SECURING THE CONFIDENCE AND TRUST OF OUR MANY STAKEHOLDERS. OUR CORPORATE GOVERNANCE PRACTICES PROMOTE ETHICAL BEHAVIOUR AND HIGH PERFORMANCE STANDARDS THROUGHOUT THE ORGANIZATION.

The primary mandate of Hudbay's Board of Directors is to oversee the business of the Company and provide guidance to management so as to assist in meeting corporate objectives and maximizing shareholder value. The Board discharges its responsibilities directly and through five committees – the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee, the Environmental, Health, Safety and Sustainability Committee and the Technical Committee.

We have adopted a Code of Business Conduct and Ethics that sets out basic principles for directors, officers and employees on the conduct and ethical decision-making integral to their work. In conjunction with the Code, a toll-free whistleblower hotline allows for anonymous reporting of suspected violations. More information is posted on our website.



**G. WESLEY VOORHEIS**  
CHAIRMAN; CORPORATE GOVERNANCE AND NOMINATING COMMITTEE (CHAIR)

Mr. Voorheis is Chairman of Hudbay. He is also Managing Director of VC & Co. Incorporated and a partner of Voorheis & Co. LLP, which act as strategic advisors to institutional and other shareholders. Prior to the establishment of Voorheis & Co. LLP in 1995, he was a partner in a major Toronto law firm.



**DAVID A. GAROFALO**  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

David Garofalo joined Hudbay as President and Chief Executive Officer and Director in July 2010.

Mr. Garofalo's role is to establish and execute Hudbay's vision and strategy, working with Hudbay's Board of Directors and senior management. He leads delivery of long-term value and achievement of critical short-term performance goals, and shapes Hudbay's organizational culture. He is also responsible for motivating and mentoring a high-performance management team. Mr. Garofalo is Chair of Hudbay's Executive Committee, the senior management group through which every strategic decision at the Company is advanced.

A graduate of the University of Toronto (B.Comm.), Mr. Garofalo is a Chartered Accountant and a Certified Director of the Institute of Corporate Directors (IC.D.). He also serves on the board of directors of Mackenzie Health Foundation (formerly York Central Hospital Foundation).



**IGOR GONZALES**  
TECHNICAL COMMITTEE, COMPENSATION COMMITTEE

Mr. Gonzales is from Cusco, Peru, and has more than 30 years of experience in the mining industry. He was with Barrick Gold Corporation from 1998 to 2013, most recently as Executive Vice President and Chief Operating Officer. Between 1980 and 1996, Mr. Gonzales served in various roles with Southern Peru Copper Corporation. Mr. Gonzales has a Bachelor of Science degree in Chemical Engineering from the University of San Antonio Abad in Cusco, Peru, and was a Fulbright Scholar at the New Mexico Institute of Mining and Technology, where he earned a Master of Science degree in Extractive Metallurgy.



**TOM A. GOODMAN**  
ENVIRONMENTAL, HEALTH, SAFETY AND SUSTAINABILITY COMMITTEE (CHAIR), TECHNICAL COMMITTEE

Mr. Goodman worked for Hudbay for over 34 years in a wide variety of operational, technical and management positions, including as Senior Vice President and Chief Operating Officer, until his retirement in June 2012. Mr. Goodman is a graduate in Chemical and Metallurgical Technology from the British Columbia Institute of Technology. Mr. Goodman is the chairman of the Mining Association of Manitoba.



**ALAN R. HIBBEN**

CORPORATE GOVERNANCE AND NOMINATING COMMITTEE, COMPENSATION COMMITTEE

Mr. Hibben has held several senior positions with RBC Capital Markets, including his current role as Managing Director, which he assumed on his return to RBC in March 2011. He was head of strategy and development at RBC Financial Group from January 2005 to June 2007 and a principal with Shakerhill Partners Ltd. from July 2007 to January 2009. From January 2009 to February 2011 he was a partner with Blair Franklin Capital Partners Inc., a financial advisory firm. Mr. Hibben received his Bachelor of Commerce degree from the University of Toronto. He is qualified as a Canadian Chartered Accountant and also holds the CFA designation. He is a Certified Director of the Institute of Corporate Directors (ICD.D).

**JOHN L. KNOWLES**

AUDIT COMMITTEE, CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

Mr. Knowles is President and CEO of Wildcat Exploration Ltd., a mining exploration company, prior to which he was Executive Vice President and Chief Financial Officer of Aur Resources Inc. from 2005 to 2006. He was Chief Financial Officer of HBMS from 1996 to 2005 and, following its acquisition by Hudbay, he was Vice President and Chief Financial Officer of Hudbay until 2005. Mr. Knowles has over 25 years of experience in senior roles with Canadian and international resource companies. He is a Chartered Accountant and holds a Bachelor of Commerce degree from Queen's University.

**W. WARREN HOLMES**

COMPENSATION COMMITTEE (CHAIR), ENVIRONMENTAL, HEALTH, SAFETY AND SUSTAINABILITY COMMITTEE, TECHNICAL COMMITTEE

Mr. Holmes was Hudbay's Executive Vice Chairman from November 2009 to July 2010 and its Interim Chief Executive Officer from January 2010 to July 2010. He has over 40 years of mining industry experience, most notably with Noranda Inc. (1964 to 1986) where he was Vice President and General Manager of Pamour Porcupine Mines Limited, and with Falconbridge Limited (1986 to 2002), where he was Senior Vice-President of Canadian Mining Operations. Since his retirement from Falconbridge, Mr. Holmes has served as a corporate director. Mr. Holmes has been President of the Canadian Institute of Mining & Metallurgy, is a Professional Engineer and holds an engineering degree from Queen's University and an MBA from the University of Western Ontario.

**ALAN J. LENCZNER**

AUDIT COMMITTEE, CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

Mr. Lenczner has been a commercial litigator for over 40 years. He is Founding Partner and now Counsel at Lenczner Slaght Royce Smith Griffin LLP, a litigation-focused law firm. He is also a Commissioner of the Ontario Securities Commission. Mr. Lenczner has a B.A. (Hons.) and an M.A. He graduated from the University of Toronto with an LL.B. (Hons. Standing) in 1967 and was admitted to the Ontario Bar in 1969. He was appointed Queen's Counsel in 1982.

**SARAH B. KAVANAGH**

AUDIT COMMITTEE (CHAIR), ENVIRONMENTAL, HEALTH, SAFETY AND SUSTAINABILITY COMMITTEE

Ms. Kavanagh has been serving as a Commissioner at the Ontario Securities Commission since 2011. She is also a Trustee of WPT Industrial REIT and a Director and Chair of the Audit Committee at American Stock Transfer and Canadian Stock Transfer. Between 1999 and 2010, Ms. Kavanagh served in a number of senior investment banking roles at Scotia Capital Inc. She has also held senior financial positions in the corporate sector. Ms. Kavanagh graduated from Harvard Business School with a Master's in Business Administration and received a Bachelor of Arts degree in Economics from Williams College in Williamstown, Massachusetts. Ms. Kavanagh completed the Directors Education Program at the Institute of Corporate Directors in 2011.

**KENNETH G. STOWE**

TECHNICAL COMMITTEE (CHAIR), ENVIRONMENTAL, HEALTH, SAFETY AND SUSTAINABILITY COMMITTEE

Mr. Stowe was Chief Executive Officer of Northgate Minerals Corporation from 2001 until his retirement in 2011. He spent the first 21 years of his career with Noranda Inc. in various operational, research and development, and corporate roles. He has also held senior positions at Diamond Fields Resources Inc. and Westmin Resources Limited. Mr. Stowe is a mining engineer with a Bachelor of Science and Master of Science from Queen's University. In 2006 he was the recipient of the Canadian Mineral Processor of the Year award.

If shareholders approve a special resolution to approve an increase of the number of Hudbay's directors at Hudbay's annual and special meeting of shareholders, the Board intends to appoint Michael T. Waites as an additional director following the meeting.

**MICHAEL T. WAITES**

Mr. Waites is the former President and Chief Executive Officer of Finning International Inc. He retired from Finning in June 2013 after serving as President and Chief Executive Officer for five years. Prior to that, Mr. Waites was Executive Vice President and Chief Financial Officer of Finning. He has also held senior positions with Canadian Pacific Railway and Chevron Canada Resources. Mr. Waites holds a Bachelor of Arts (Honours) in Economics from the University of Calgary, a Master of Business Administration from Saint Mary's College of California, and a Master of Arts, Graduate Studies in Economics from the University of Calgary. He has also completed the Executive Program at the University of Michigan Business School.

# KEY FINANCIAL AND PRODUCTION RESULTS

<b>Financial condition</b> (\$000s)			<b>Dec. 31, 2013</b>	<b>Dec. 31, 2012</b>
Cash and cash equivalents			\$ 631,427	\$ 1,337,088
Working capital			583,124	1,182,047
Total assets			3,843,986	3,476,497
Equity <sup>1</sup>			1,635,611	1,653,771

<b>Financial performance</b> (\$000s except per share and cash cost amounts)	<b>Three Months Ended</b>		<b>Year Ended</b>	
	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2012</b>	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2012</b>
Revenue	\$ 136,082	\$ 180,994	\$ 516,801	\$ 702,550
(Loss) profit before tax	(33,693)	24,509	(56,004)	48,381
Basic and diluted (loss) earnings per share <sup>1</sup>	(0.32)	0.05	(0.59)	(0.12)
Profit (loss) for the period	(61,481)	8,143	(109,276)	(23,463)
Operating cash flow before stream deposit and change in non-cash working capital	762	6,002	9,849	142,957
<b>Operating cash flow per share<sup>2</sup></b>	–	0.03	0.06	0.83
Cash cost, after byproduct credits (per pound) <sup>2</sup>	\$ 2.16	\$ 1.99	\$ 1.91	\$ 1.11
<b>Production (contained metal in concentrate)<sup>3</sup></b>				
Copper (tonnes)	7,334	8,162	29,930	39,587
Zinc (tonnes)	19,910	18,370	86,527	80,865
Gold (troy oz)	18,098	20,909	79,183	86,553
Silver (troy oz)	169,216	198,407	772,524	823,970
<b>Metal sold</b>				
Payable metal in concentrate				
Copper (tonnes)	7,591	10,683	28,703	43,464
Gold (troy oz)	19,940	27,102	79,016	84,835
Silver (troy oz)	203,272	292,409	729,106	768,804
Refined zinc (tonnes)	25,743	30,387	103,894	103,437

<sup>1</sup> Attributable to owners of the Company.

<sup>2</sup> Operating cash flow per share and cash cost, after byproduct credits per pound of copper sold are non-IFRS financial performance measures with no standardized definition under IFRS. For further information and a detailed reconciliation, please see page 53 of Hudbay's MD&A for the year ended December 31, 2013.

<sup>3</sup> Metal reported in concentrate is prior to refining losses or deductions associated with smelter contract terms.

## CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

The following financial statements do not represent a complete set of consolidated financial statements of the Company, but have been prepared to reflect accounting principles generally accepted under International Financial Reporting Standards. Additional financial information relating to the Company, including the Company's audited consolidated financial statements and management's discussion and analysis of results of operations and financial condition, can be found on SEDAR at [www.sedar.com](http://www.sedar.com); on the United States Securities and Exchange Commission website at [www.sec.gov](http://www.sec.gov); or on Hudbay's website at [www.hudbayminerals.com](http://www.hudbayminerals.com).



# CONSOLIDATED BALANCE SHEETS

<i>(in thousands of Canadian dollars)</i>	Dec. 31, 2013	Dec. 31, 2012 Restated	Jan. 1, 2012 Restated
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 631,427	\$ 1,337,088	\$ 899,077
Trade and other receivables	168,298	52,876	40,309
Inventories	52,201	58,409	77,150
Prepaid expenses and other current assets	28,917	23,970	13,964
Other financial assets	807	2,442	3,112
Taxes receivable	37,644	52,952	4,352
Assets held for sale	5,864	–	–
	<b>925,158</b>	1,527,737	1,037,964
Receivables	57,376	43,149	5,212
Inventories	7,888	5,852	5,721
Prepaid expenses	574	1,232	1,227
Other financial assets	71,182	73,135	102,193
Intangible assets – computer software	13,573	12,893	11,872
Property, plant and equipment	2,665,075	1,732,173	1,207,168
Goodwill	71,373	66,763	68,246
Deferred tax assets	31,787	13,563	12,828
	<b>\$ 3,843,986</b>	\$ 3,476,497	\$ 2,452,431
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	\$ 218,898	\$ 206,490	\$ 163,187
Taxes payable	33	5,098	17,413
Other liabilities	41,139	44,828	40,014
Other financial liabilities	16,348	18,363	1,159
Deferred revenue	65,616	70,911	–
	<b>342,034</b>	345,690	221,773
Other financial liabilities	23,039	23,128	–
Long-term debt	779,331	479,540	–
Deferred revenue	464,135	391,367	–
Provisions	146,062	159,030	147,304
Pension obligations	25,931	68,960	32,790
Other employee benefits	142,114	140,531	121,106
Deferred tax liabilities	293,633	214,791	175,080
	<b>2,216,279</b>	1,823,037	698,053
<b>Equity</b>			
Share capital	1,021,088	1,020,458	1,020,126
Reserves	49,557	(51,936)	(8,384)
Retained earnings	564,966	685,249	740,441
Equity attributable to owners of the Company	<b>1,635,611</b>	1,653,771	1,752,183
Non-controlling interests	(7,904)	(311)	2,195
	<b>1,627,707</b>	1,653,460	1,754,378
	<b>\$ 3,843,986</b>	\$ 3,476,497	\$ 2,452,431

# CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in thousands of Canadian dollars)</i>	Year Ended December 31	
	2013	2012
Cash generated from (used in) operating activities:		
Loss for the year	\$ (109,276)	\$ (23,463)
Tax expense	53,272	71,844
Items not affecting cash:		
Depreciation and amortization	77,509	76,604
Share-based payment expense	4,851	5,769
Net finance income	5,427	8,641
Change in fair value of derivatives	9,061	(2,604)
Change in deferred revenue related to stream	(69,088)	(29,322)
Change in taxes receivable/payable, net	(16,602)	44,277
Items reclassified from other comprehensive income	-	(2,050)
Impairment and mark-to-market losses	16,403	45,649
Impairment on exploration and evaluation assets	15,356	-
Foreign exchange and other	18,435	10,275
Taxes recovered (paid)	4,501	(62,663)
Operating cash flows before stream deposit and change in non-cash working capital	9,849	142,957
Precious metals stream deposit	131,475	491,600
Change in non-cash working capital	2,795	(90,705)
	<b>144,119</b>	<b>543,852</b>
Cash generated from (used in) investing activities:		
Interest received	10,920	5,728
Acquisition of property, plant and equipment	(901,985)	(508,467)
Acquisition of intangible assets	(3,011)	(2,004)
Acquisition of investments	(7,155)	(3,802)
Deposit of restricted cash	(20,897)	-
Peruvian sales tax paid on capital expenditures	(130,885)	(37,108)
	<b>(1,053,013)</b>	<b>(545,653)</b>
Cash generated from (used in) financing activities:		
Long-term debt borrowing net of transaction costs	261,427	471,796
Interest paid	(58,499)	-
Proceeds from exercise of stock options	449	227
Financing costs	(1,005)	(8,676)
Dividends paid	(18,924)	(34,392)
	<b>183,448</b>	<b>428,955</b>
Effect of movement in exchange rates on cash and cash equivalents	19,785	10,857
Net (decrease) increase in cash and cash equivalents	<b>(705,661)</b>	438,011
Cash and cash equivalents, beginning of year	<b>1,337,088</b>	899,077
Cash and cash equivalents, end of year	<b>\$ 631,427</b>	<b>\$ 1,337,088</b>



# CONSOLIDATED INCOME STATEMENTS

<i>(in thousands of Canadian dollars, except share and per share amounts)</i>	Year Ended December 31	
	2013	2012
Revenue	\$ 516,801	\$ 702,550
Cost of sales		
Mine operating costs	360,085	432,866
Depreciation and amortization	76,714	75,801
	<b>436,799</b>	508,667
Gross profit	80,002	193,883
Selling and administrative expenses	39,956	39,573
Exploration and evaluation	23,286	43,572
Other operating income	(913)	(2,316)
Other operating expenses	9,197	11,332
Asset impairment loss	15,356	–
Results from operating activities	<b>(6,880)</b>	101,722
Finance income	(3,494)	(6,217)
Finance expenses	8,921	14,858
Other finance losses	43,697	44,700
Net finance expense	49,124	53,341
(Loss) profit before tax	<b>(56,004)</b>	48,381
Tax expense	53,272	71,844
Loss for the year	<b>\$ (109,276)</b>	\$ (23,463)
Attributable to:		
Owners of the Company	\$ (101,359)	\$ (20,800)
Non-controlling interests	(7,917)	(2,663)
Loss for the year	<b>\$ (109,276)</b>	\$ (23,463)
(Loss) earnings per share attributable to owners of the Company:		
Basic and diluted:	<b>\$ (0.59)</b>	\$ (0.12)
Weighted average number of common shares outstanding:		
Basic	172,048,434	171,960,783
Diluted	172,048,434	171,960,783

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

<i>(in thousands of Canadian dollars)</i>	Year Ended December 31	
	2013	2012 Restated
Loss for the year	\$ (109,276)	\$ (23,463)
Other comprehensive income (loss):		
Items that may be reclassified subsequently to profit or loss		
Recognized directly in equity:		
Net exchange gain (loss) on translation of foreign operations	87,669	(10,886)
Effective portion of change in fair value of cash flow hedges	–	(442)
Change in fair value of available-for-sale financial investments	(30,254)	(29,852)
Tax effect	–	145
	<b>57,415</b>	<b>(41,035)</b>
Items that will not be reclassified subsequently to profit or loss		
Recognized directly in equity:		
Remeasurement – actuarial income (loss)	36,158	(52,689)
Tax effect	(7,792)	10,954
	<b>28,366</b>	<b>(41,735)</b>
Transferred to income statements:		
Change in fair value of cash flow hedges	–	(2,050)
On impairment of available-for-sale financial assets	16,291	40,181
Sale of investments	(67)	8
Tax effect	–	529
	<b>16,224</b>	<b>38,668</b>
Other comprehensive income (loss), net of tax, for the year	<b>102,005</b>	<b>(44,102)</b>
Total comprehensive loss for the year	<b>\$ (7,271)</b>	<b>\$ (67,565)</b>
Attributable to:		
Owners of the Company	\$ 322	\$ (64,798)
Non-controlling interests	(7,593)	(2,767)
Total comprehensive loss for the year	<b>\$ (7,271)</b>	<b>\$ (67,565)</b>

## Qualified Persons

The technical and scientific information in this annual report related to the Constanca project has been approved by Cashel Meagher, P. Geo., Hudbay's Vice President, South America Business Unit. The technical and scientific information related to all other sites and projects contained in this annual report has been approved by Robert Carter, P. Eng., Hudbay's Director, Technical Services. Messrs. Meagher and Carter are qualified persons pursuant to National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

## Forward-Looking Information

This annual report contains "forward-looking statements" and "forward-looking information" (collectively, "forward-looking information") within the meaning of applicable Canadian and United States securities legislation. All information contained in this annual report, other than statements of current and historical fact, is forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "budget", "guidance", "scheduled", "estimates", "forecasts", "strategy", "target", "intends", "objective", "goal", "understands", "anticipates" and "believes" (and variations of these or similar words) and statements that certain actions, events or results "may", "could", "would", "should", "might" "occur" or "be achieved" or "will be taken" (and variations of these or similar expressions). All of the forward-looking information in this annual report is qualified by this cautionary note.

Forward-looking information includes, but is not limited to, statements with respect to Hudbay's objectives, strategies, intentions, expectations and guidance and future financial and operating performance and prospects, Hudbay's expectation as to the use of proceeds from the recently completed equity offering, production at Hudbay's 777, Lalor and Reed mines and initial production from the Constanca project, continued processing at Hudbay's Flin Flon concentrator, Snow Lake concentrator and Flin Flon zinc plant, Hudbay's ability to complete the development of its Lalor, Constanca and Reed projects and the anticipated scope and cost of any development plans for these projects, anticipated timing of Hudbay's projects and events that may affect Hudbay's projects, including the anticipated issue of required licences, our expectation that Hudbay will receive the remaining deposit amounts under our amended precious metals stream transaction with Silver Wheaton Corp. and additional funding under Hudbay's equipment financing transaction with Caterpillar Financial Services Corporation, expectations with respect to additional credit facilities, the anticipated effect of external factors on revenue, such as commodity prices, anticipated exploration and development expenditures and activities and the possible success of such activities, estimation of mineral reserves and resources, mine life projections, timing and amount of estimated future production, reclamation costs, economic outlook, government regulation of mining operations, and business and acquisition strategies.

Forward-looking information is not, and cannot be, a guarantee of future results or events. Forward-looking information is based on, among other things, opinions, assumptions, estimates and analyses that, while considered reasonable by us at the date the forward-looking information is provided, inherently are subject to significant risks, uncertainties, contingencies and other factors that may cause actual results and events to be materially different from those expressed or implied by the forward-looking information. The material factors or assumptions that Hudbay identified and were applied by the Company in drawing conclusions or making forecasts or projections set out in the forward-looking information include, but are not limited to:

- the success of mining, processing, exploration and development activities;
- the accuracy of geological, mining and metallurgical estimates;
- the costs of production;
- the supply and demand for metals Hudbay produces;
- no significant and continuing adverse changes in financial markets, including commodity prices and foreign exchange rates;
- the supply and availability of concentrate for Hudbay's processing facilities;
- the supply and availability of reagents for Hudbay's concentrators;
- the availability of third-party processing facilities for Hudbay's concentrate;
- the supply and availability of all forms of energy and fuels at reasonable prices;
- the availability of transportation services at reasonable prices;
- no significant unanticipated operational or technical difficulties;
- the execution of Hudbay's business and growth strategies, including the success of Hudbay's strategic investments and initiatives;
- the availability of financing for Hudbay's exploration and development projects and activities;
- the ability to complete project targets on time and on budget and other events that may affect Hudbay's ability to develop its projects;
- the timing and receipt of various regulatory and governmental approvals;
- the availability of personnel for Hudbay's exploration, development and operational projects and ongoing employee relations;
- Hudbay's ability to secure required land rights to complete its Constanca project;
- maintaining good relations with the communities in which Hudbay operates, including the communities surrounding the Constanca project and First Nations communities surrounding the Lalor and Reed projects;
- no significant unanticipated challenges with stakeholders at Hudbay's various projects;
- no significant unanticipated events or changes relating to regulatory, environmental, health and safety matters;
- no contests over title to Hudbay's properties, including as a result of rights or claimed rights of Aboriginal peoples;
- the timing and possible outcome of pending litigation and no significant unanticipated litigation;
- certain tax matters, including, but not limited to, current tax laws and regulations and the refund of certain value added taxes from the Canadian and Peruvian governments; and
- no significant and continuing adverse changes in general economic conditions or conditions in the financial markets.

The risks, uncertainties, contingencies and other factors that may cause actual results to differ materially from those expressed or implied by the forward-looking information may include, but are not limited to, the failure to obtain the required approvals or clearances from government authorities on a timely basis, risks generally associated with the mining industry, such as economic factors (including future commodity prices, currency fluctuations, energy prices and general cost escalation), uncertainties related to the development and operation of Hudbay's projects (including the impact on project cost and schedule of construction delays and unforeseen risks and other factors beyond Hudbay's control), depletion of Hudbay's reserves, risks related to political or social unrest or change and those in respect of Aboriginal and community relations, rights and title claims, operational risks and hazards, including unanticipated environmental, industrial and geological events and developments and the inability to insure against all risks, failure of plant, equipment, processes, transportation and other infrastructure to operate as anticipated, compliance with government and environmental regulations, including permitting requirements and anti-bribery legislation, dependence on key personnel and employee relations, volatile financial markets that may affect Hudbay's ability to obtain financing on acceptable terms, uncertainties related to the geology, continuity, grade and estimates of mineral reserves and resources and the potential for variations in grade and recovery rates, uncertain costs of reclamation activities, Hudbay's ability to comply with Hudbay's pension and other post-retirement obligations, Hudbay's ability to abide by the covenants in Hudbay's debt instruments or other material contracts, tax refunds, hedging transactions, as well as the risks discussed under the heading "Risk Factors" in Hudbay's Management's Discussion and Analysis for the fourth quarter of 2013.

Should one or more risk, uncertainty, contingency or other factor materialize or should any factor or assumption prove incorrect, actual results could vary materially from those expressed or implied in the forward-looking information. Accordingly, you should not place undue reliance on forward-looking information. Hudbay does not assume any obligation to update or revise any forward-looking information after the date of this annual report or to explain any material difference between subsequent actual events and any forward-looking information, except as required by applicable law.

## Note to United States Investors

This annual report has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ materially from the requirements of United States securities laws applicable to US issuers.

Information concerning our mineral properties has been prepared in accordance with the requirements of Canadian securities laws, which differ in material respects from the requirements of the Securities and Exchange Commission (the "SEC") set forth in Industry Guide 7. Under the SEC's Industry Guide 7, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time of the reserve determination, and the SEC does not recognize the reporting of mineral deposits which do not meet the SEC Industry Guide 7 definition of "Reserve". In accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") of the Canadian Securities Administrators, the terms "mineral reserve", "proven mineral reserve", "probable mineral reserve", "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Definition Standards for Mineral Resources and Mineral Reserves adopted by the CIM Council on December 11, 2005. While the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are recognized and required by NI 43-101, the SEC does not recognize them. You are cautioned that, except for that portion of mineral resources classified as mineral reserves, mineral resources do not have demonstrated economic value. Inferred mineral resources have a high degree of uncertainty as to their existence and as to whether they can be economically or legally mined. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Therefore, you are cautioned not to assume that all or any part of an inferred mineral resource exists, that it can be economically or legally mined, or that it will ever be upgraded to a higher category. Likewise, you are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be upgraded into mineral reserves. You should consider closely the disclosure on the mining industry technical terms in Schedule A "Glossary of Mining Terms" of our Annual Information Form for the fiscal year ended December 31, 2013, available on SEDAR at [www.sedar.com](http://www.sedar.com) and incorporated by reference as Exhibit 99.1 in our Form 40-F filed on EDGAR on March 31, 2014 (File No. 001-34244).



# CORPORATE AND SHAREHOLDERS' INFORMATION

## Hudbay

25 York Street  
Suite 800  
Toronto, Ontario  
M5J 2V5  
Telephone: 416 362-8181  
Facsimile: 416 362-7844

## Listing

Toronto Stock Exchange  
New York Stock Exchange  
BVL (Lima Stock Exchange)  
Trading Symbol: HBM

## Investor Relations

Candace Brûlé  
Director, Investor Relations  
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## Media Inquiries

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## Transfer Agent

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Toronto, Ontario  
M5H 4H1  
Telephone: 416 361-0930  
Toll Free: 1 866 393-4891  
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## Auditors

Deloitte LLP  
181 Bay Street  
Suite 1400  
Toronto, Ontario  
M5J 2V1

## Annual and Special Meeting of Shareholders

May 8, 2014, 10 a.m. ET  
Toronto, Ontario