

# Rebuilding Hudbay & Maximizing Shareholder Value

February 19, 2019



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# Introduction

# About Waterton

## About Waterton

Waterton is an investment firm that manages capital for global institutional investors, sovereign wealth funds and endowments. The firm has ~\$2 billion in assets under management and focuses solely on the metals and mining sector. Waterton has a culture of thoroughness and a disciplined approach to capital allocation, and utilizes its significant industry expertise to produce out-sized returns over the long term.

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## Waterton's Research and Perspectives on Hudbay

Hudbay trades at a significant discount to its peers. To better understand the reasons for the discount and the issues that plague Hudbay, Waterton spent millions of dollars performing exhaustive research on the Company's leadership, strategy and portfolio. This process included engaging global investment banks and law firms on multiple continents with sector and issue specific expertise, and leveraging our extensive network in the mining sector. Waterton has had comprehensive discussions with permitting experts, regulatory litigation experts, stakeholder relations specialists, tailings specialists, multiple government bodies, engineers, metallurgists and geologists. We have engaged in meaningful discussions with thought leaders regarding the corporate governance and accountability issues that have negatively impacted Hudbay, and we have also conferred with shareholders and sell-side analysts to better understand why Hudbay suffers from such a substantial valuation gap. Based on our work, we are confident that Hudbay requires new leadership, a culture of accountability, a holistic strategy and significant portfolio optimization to maximize shareholder value.

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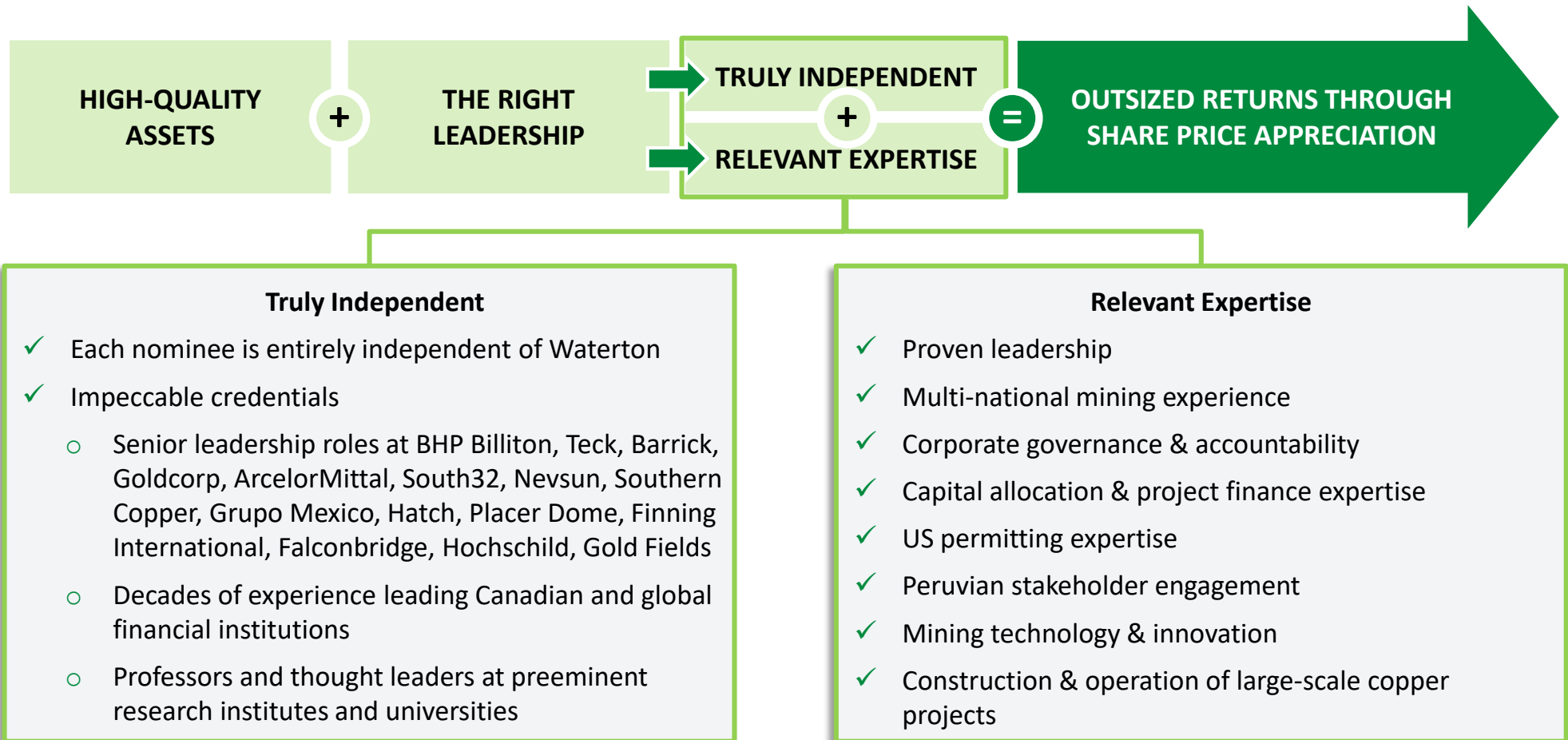
**Our commitment to Hudbay achieving its full potential and realizing its true market value is demonstrated by our substantial investment in the Company, valued at ~\$190 million<sup>1</sup>, and representing 12.0% ownership of Hudbay.**

**Hudbay requires an immediate change in leadership, a culture of accountability, a holistic corporate strategy and a value maximizing, results-oriented approach to portfolio optimization**

# What is the Purpose of Our Campaign?

## Ⓜ **Waterton's Clear Long-Term Objective: Significant Share Price Appreciation**

Given Hudbay's high-quality assets, we believe that with the right leadership team and a truly independent Board with relevant expertise, Waterton and all shareholders will realize outsized returns through significant long-term share price appreciation.



# Hudbay Snapshot

## Business Units

### Peru Business Unit ("Constancia")

- Operates the 100%-owned Constancia open pit copper mine in Peru
- Life-of-Mine ("LOM") annual production: ~208mmlbs CuEq<sup>1</sup>

### Arizona Business Unit ("Rosemont")

- Developing the ~92% owned, Feasibility-stage Rosemont open pit copper project, which continues to await for its final permits to enter construction
- Target LOM annual production: ~243mmlbs CuEq<sup>1</sup>

### Manitoba Business Unit ("Manitoba")

- Operates the 100%-owned Lalor underground copper-zinc-gold mine, 777 underground copper-zinc-gold-silver mine and associated processing infrastructure in Manitoba Unit
- LOM annual production: ~116mmlbs CuEq<sup>1</sup>

## Company Snapshot<sup>2</sup>

Headquarters	Toronto, ON
Employees	~2,200

### Financial Snapshot (\$mm)

Share Price (per share)	C\$7.93 / \$5.97
Shares Outstanding (mm)	261

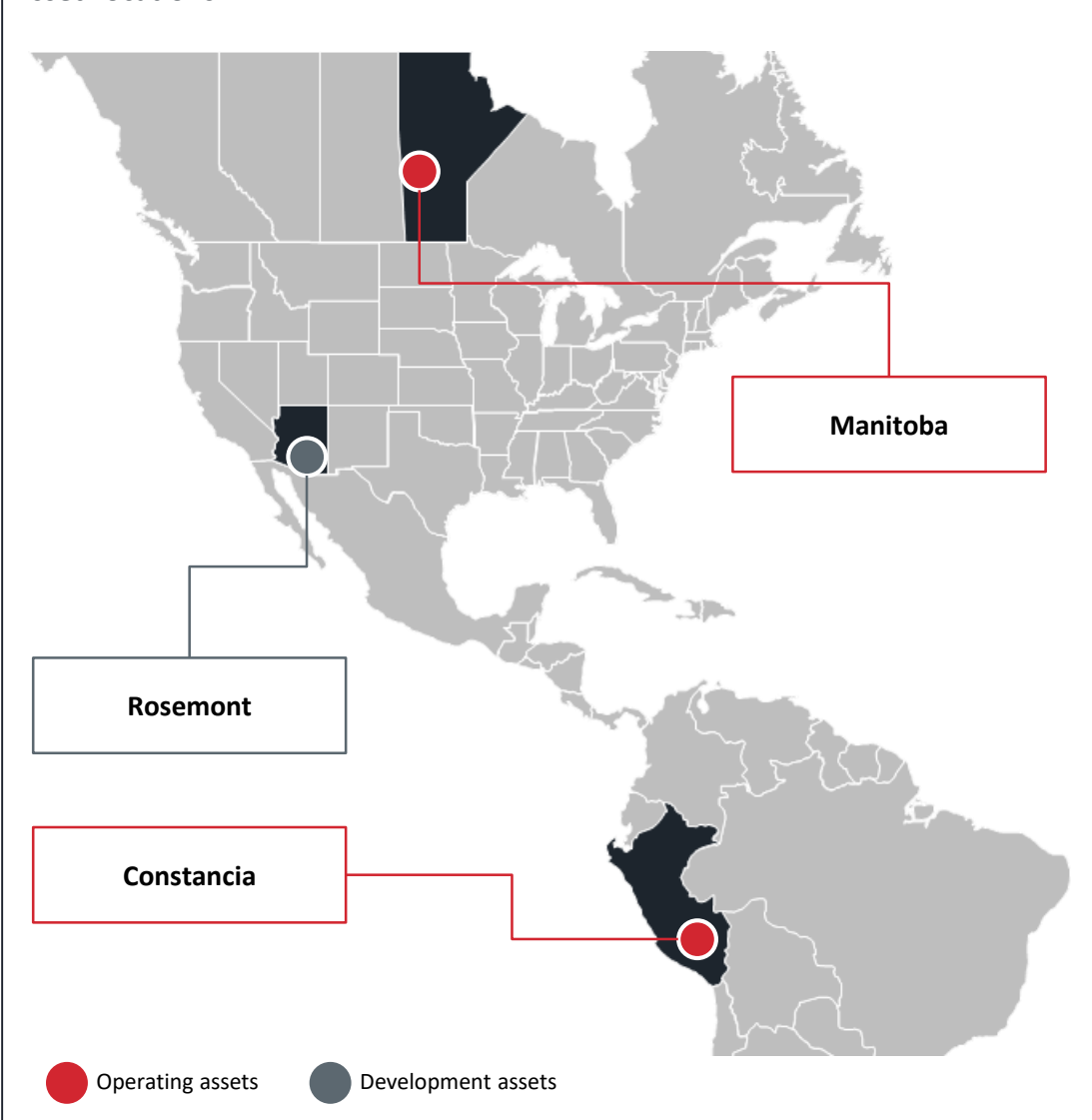
### Market Capitalization 1,560

Add: Debt <sup>3</sup>	1,187
Less: Cash & Cash Eq. <sup>4</sup>	(444)

### Enterprise Value 2,303

LTM Revenue	1,535
LTM EBITDA	691

## Asset Locations





# Fresh Perspective and Proven Expertise

We have assembled a slate of nominees (the “Nominees”) with relevant, diverse, global experience to fill the knowledge gaps on Hudbay’s Board and transform Hudbay into a world-class intermediate base metals producer



## Richard Nesbitt (Proposed Chairman)

- ✓ Over 40 years of experience leading some of Canada’s largest/most important institutions, including CIBC World Markets, CIBC Bank, TSX Group, HSBC Securities Canada and the Global Risk Institute
- ✓ Adjunct Professor at the Rotman School of Management and Visiting Professor at the London School of Economics



## Peter Kukielski (Proposed CEO)

- ✓ More than 30 years of extensive global experience within the base metals, precious metals and bulk materials sectors
- ✓ Oversaw global operations for companies such as BHP Billiton, Teck Resources, ArcelorMittal, Falconbridge and Nevsun
- ✓ Most recently the CEO at Nevsun Resources



## Mike Anglin

- ✓ Over 30 years of experience in the base and precious metals industry, with a focus on South American and US operations
- ✓ Previously COO of the Base Metals Group of BHP Billiton, responsible for BHP Billiton’s open pit copper mines in South America
- ✓ Chairman of the Board of SSR Mining



## Ernesto Balarezo

- ✓ Over 20 years of experience in the Peruvian mining sector, including as CEO of Gold Fields (Peru) and COO of Hochschild Mining, a Peruvian mining company
- ✓ Experience in the Special Compliance Unit of the Peruvian Government, reporting directly to the Prime Minister



## David Deisley

- ✓ Highly-regarded corporate mining lawyer with over 30 years of specialized permitting and stakeholder relations experience
- ✓ Previously General Counsel at Goldcorp, General Counsel at Barrick Gold at the regional and country levels in Nevada, Chile and Peru, as well as General Counsel of NOVAGOLD



## Emily Moore

- ✓ Named one of the "100 Global Inspirational Women in Mining"
- ✓ Director of Technology Development/Managing Director for Water and Innovation at Hatch
- ✓ Professor of Engineering Leadership, University of Toronto



## Daniel Muñiz Quintanilla

- ✓ Prior EVP & Board member of Southern Copper, President & CEO of Underground Mining Division of Grupo Mexico, CFO of Grupo Mexico
- ✓ Substantial experience with overseeing multiple aspects of complex copper mining operations in Peru and the United States, including managing strategic, financial and stakeholder matters



## David Smith

- ✓ Over 30 years of senior leadership experience, including as CFO of Finning International and senior executive roles at Placer Dome
- ✓ Extensive boardroom experience, including as a member of the compensation, corporate governance and special committees and as Chairman of several audit committees

The right Board with the right skill set to rebuild Hudbay

# Peter Kukielski: Our Proposed CEO with a Track Record of Success

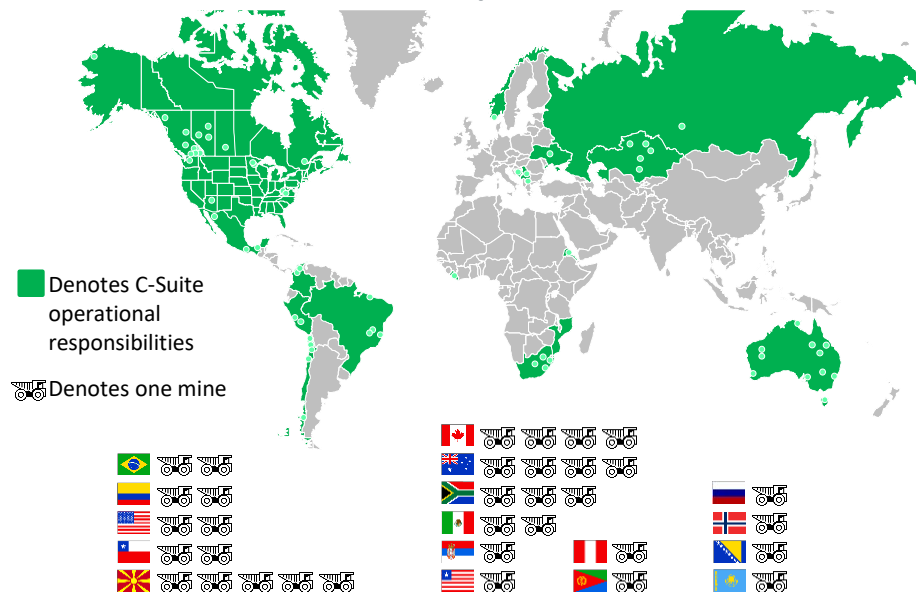


- ✓ Global experience with deep operational expertise
- ✓ Proven leader
- ✓ Well-known and respected by the mining community and the capital markets

## Broad Leadership and Operating Experience

Company	Tenure	Role	Mines/Projects	Asset Locations
	2018 – 2017	President & CEO	1 operating mine, 1 major development project	Eritrea, Serbia, Macedonia
	2017 – 2015	Non-Executive Director	13 operating mines	Australia, South Africa, Mozambique, Brazil, Colombia, US
	2013 – 2008	Chief Executive, Mining	27 operating mines, 3 major development projects	12 countries
	2008 – 2006	COO	15 operating mines, 1 refinery, 2 major development projects	Canada, Peru, Chile, US
	2006 – 2001	COO	19 operating mines, 8 development projects	Canada, US, Peru, Chile, Dominican Republic, Jamaica and Norway
	2001 – 1997	Antamina Copper Manager	World-class greenfield development project	Peru

## A Proven Leader with Global Experience



## Analyst Commentary

“Nevsun announced today that Peter Kukielski will be replacing Cliff Davis as the President and CEO effective May 12, 2017. In our view this is a **positive appointment**, bringing an **experienced** and **well-known executive** on board to help move the Timok project forward”

BMO Capital Markets – May 8, 2017

“In our view, Mr. Kukielski’s **operational and commissioning experience could greatly benefit the company** at this stage as it continues to work through technical issues at the Bisha mine and advances the development of the Timok project”

TD Securities – May 8, 2017

# Richard Nesbitt: Our Proposed Chairman and a Tenacious "Blue-Chip" Leader



- ✓ Led some of Canada's largest and most important financial institutions
- ✓ Proven track record of revamping companies' strategic direction and culture

## Leader with Blue-Chip Experience

Company		Role
	The premier organization that defines thought leadership in risk management for the financial industry globally	CEO
	Leading North American financial institution offering Personal/Business/Commercial Banking, Wealth Management and Capital Markets services	COO of CIBC Bank and Chairman and CEO of CIBC World Markets
	Integrated, multi-asset class exchange group operating the Toronto Stock Exchange	President and CEO of the TSX Group (the predecessor to the TMX Group)
	One of the largest banking groups in the world and the largest foreign-owned bank in Canada	President and CEO of HSBC Securities Canada

## Track Record of Implementing Seminal Change



### TSX GROUP AND MONTRÉAL EXCHANGE JOIN FORCES TO CREATE TMX GROUP

"This combination grows out of a **common vision for the future of the Canadian capital markets**. Customers in Canada and internationally will benefit from **increased liquidity levels, accelerated product development, a fully diversified product suite, and superior technology**," said Richard Nesbitt, Chief Executive Officer of TSX Group. Luc Bertrand, President and Chief Executive Officer of the Montréal Exchange continued, "The new group will **redefine the Canadian capital markets and strengthen its global positioning**. TMX Group will list, trade, clear and offer market data for both cash and derivatives markets across multiple asset classes."

**TSX & Montreal Exchange Joint Press Release, Dec-10-2007**

# New Hudbay's Strategy: Creating Long-Term Shareholder Value

**CLEAR CORPORATE STRATEGY:** To build a mid-tier base metals company to deliver long-term shareholder value with a focus on the Americas

**Trusted Leadership:** Appoint an experienced leadership team that has earned the trust of the capital markets and all other stakeholders

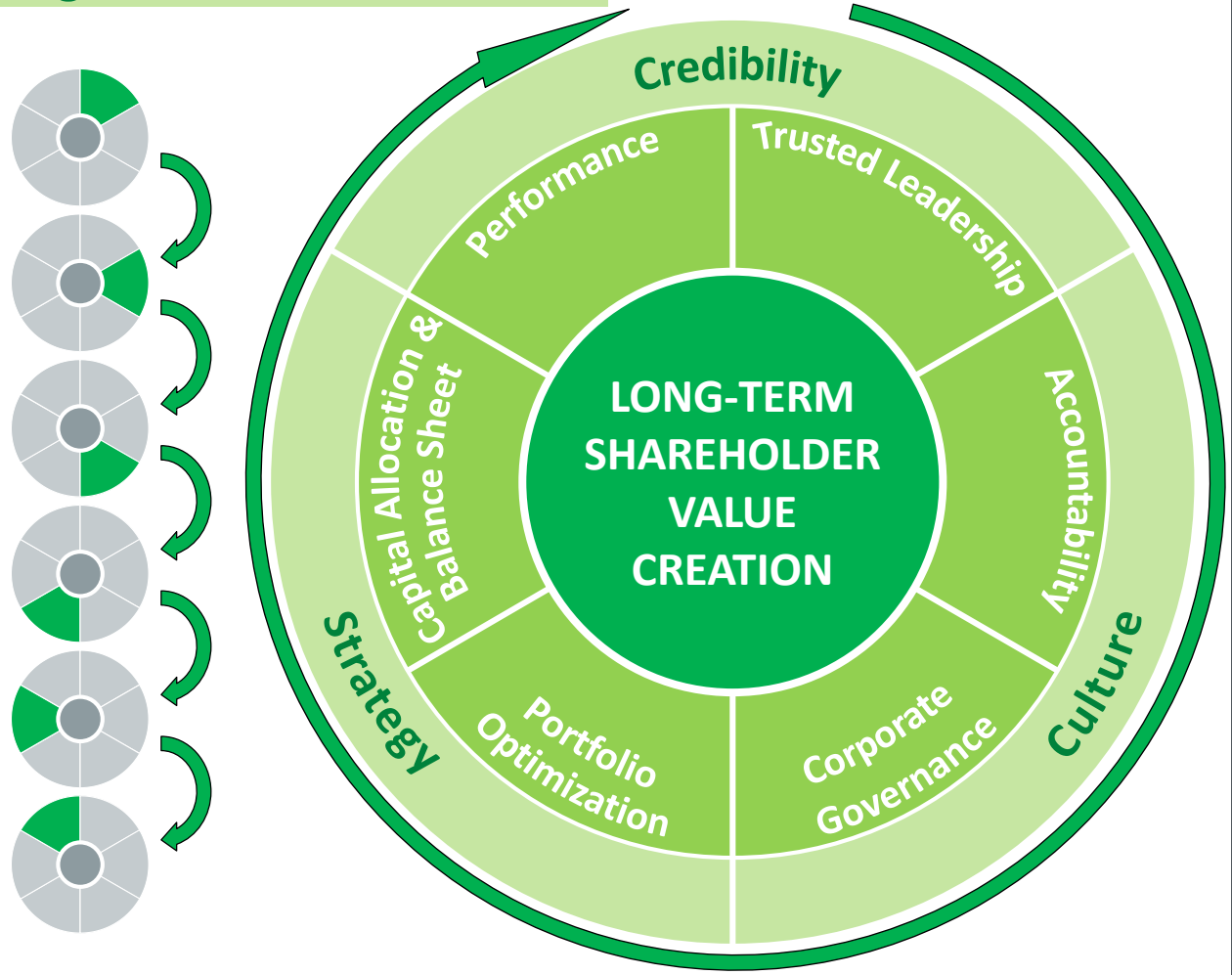
**Accountability:** Ensure management is held to account and fully aligned with shareholders

**Corporate Governance:** Implement best governance standards and practices based on a culture of transparency

**Portfolio Optimization:** Undertake a holistic portfolio review and implement an optimization plan to maximize long-term shareholder value

**Capital Allocation & Balance Sheet:** Formulate a comprehensive approach with a focus on return on invested capital

**Performance:** Deliver on transparent and value accretive performance objectives

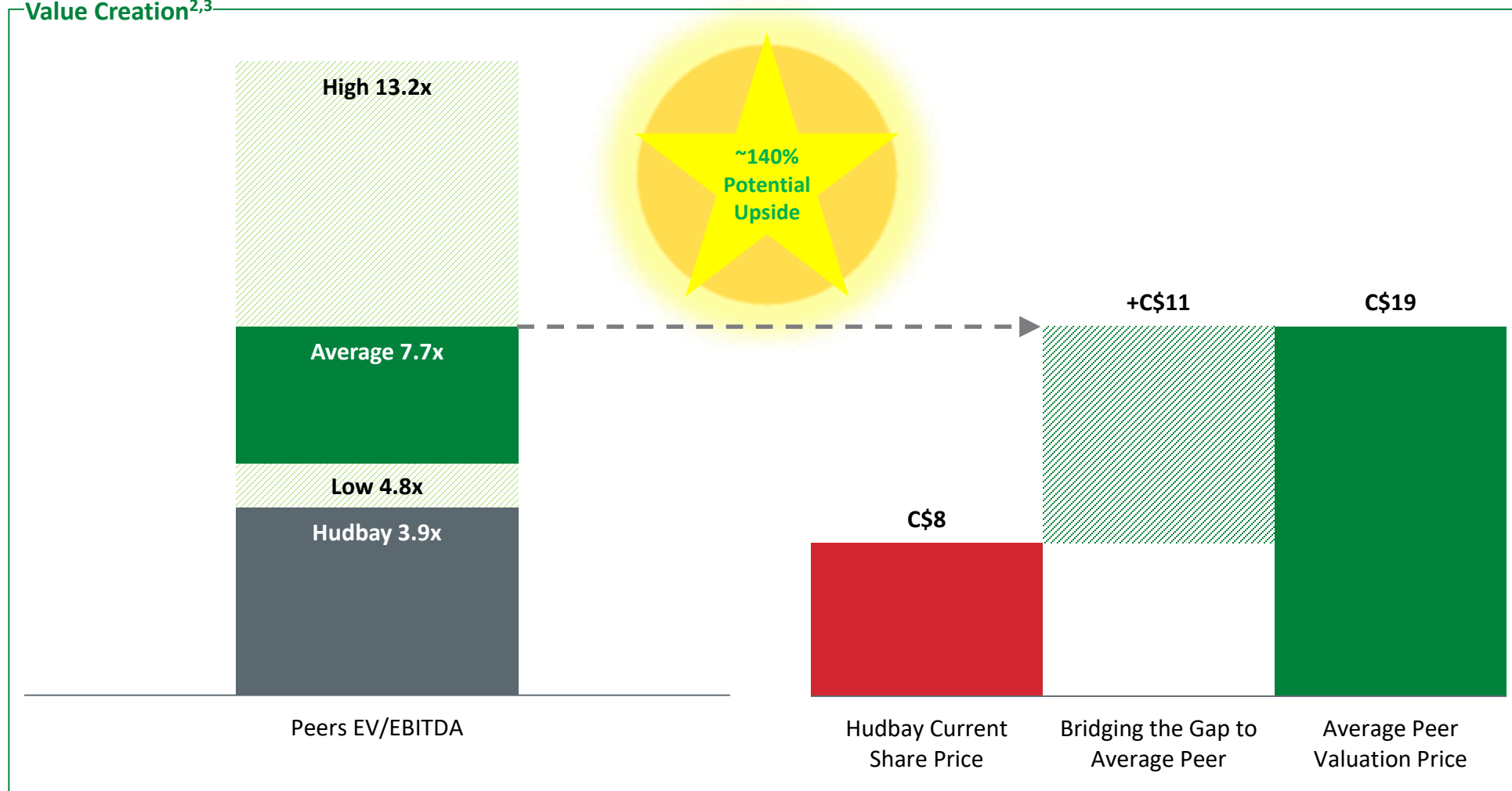




# Hudbay's Long-Term Upside Potential

With the new leadership team at the helm and a restoration of market confidence, over the long-term, Hudbay can close the valuation gap to its peers<sup>1</sup>, and shareholders have the opportunity to benefit from up to a ~140% increase in the share price

## Value Creation<sup>2,3</sup>



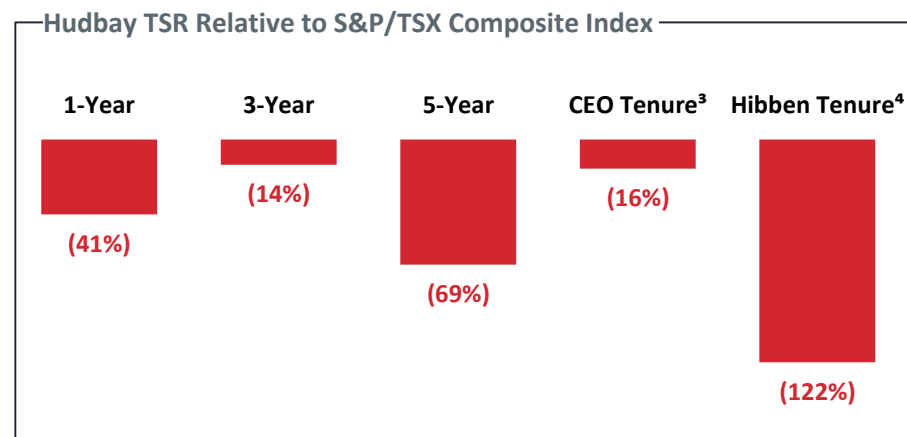
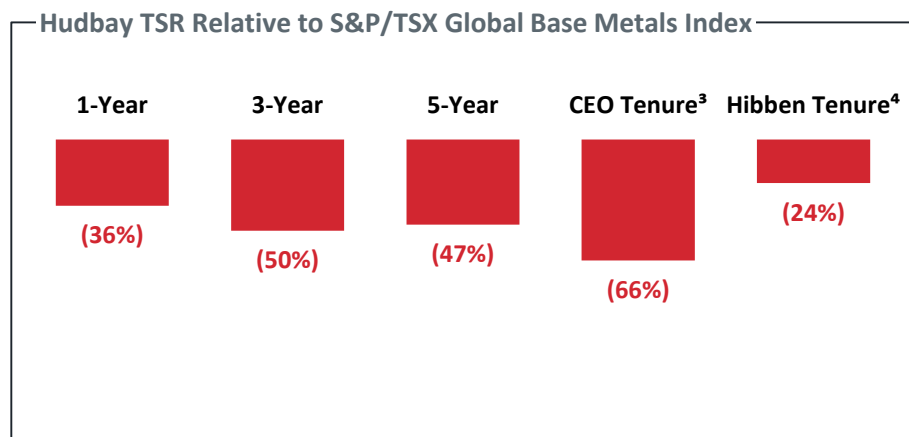
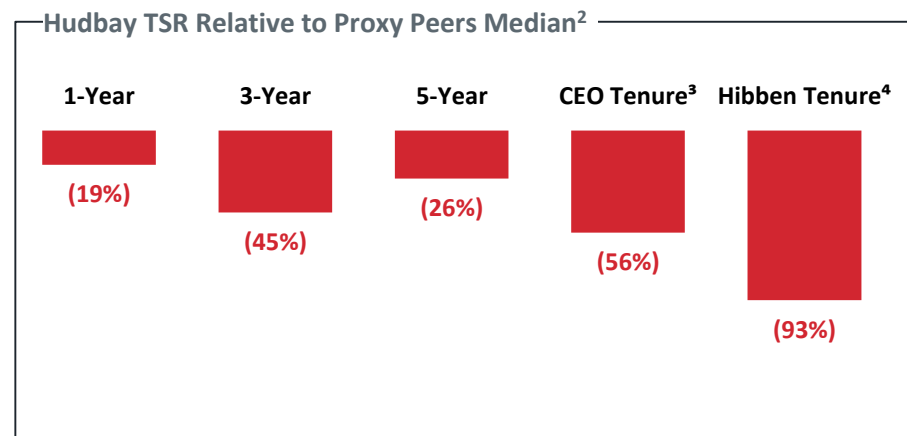
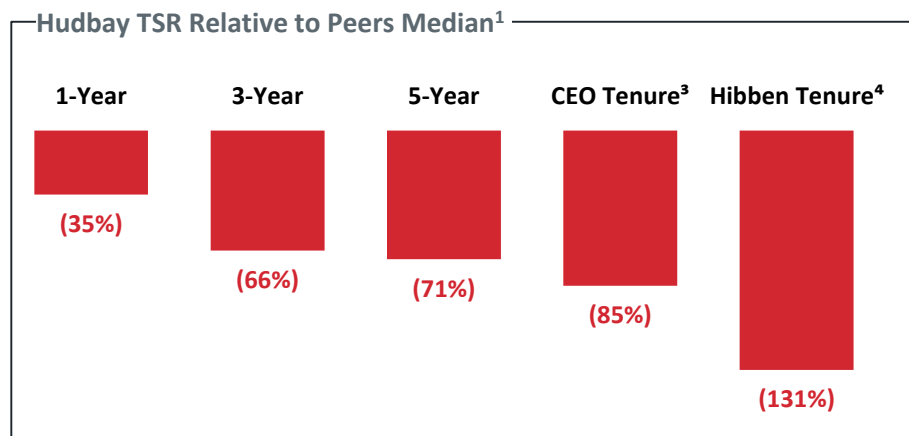


# Why a Significant Leadership Change is Necessary at Hudbay



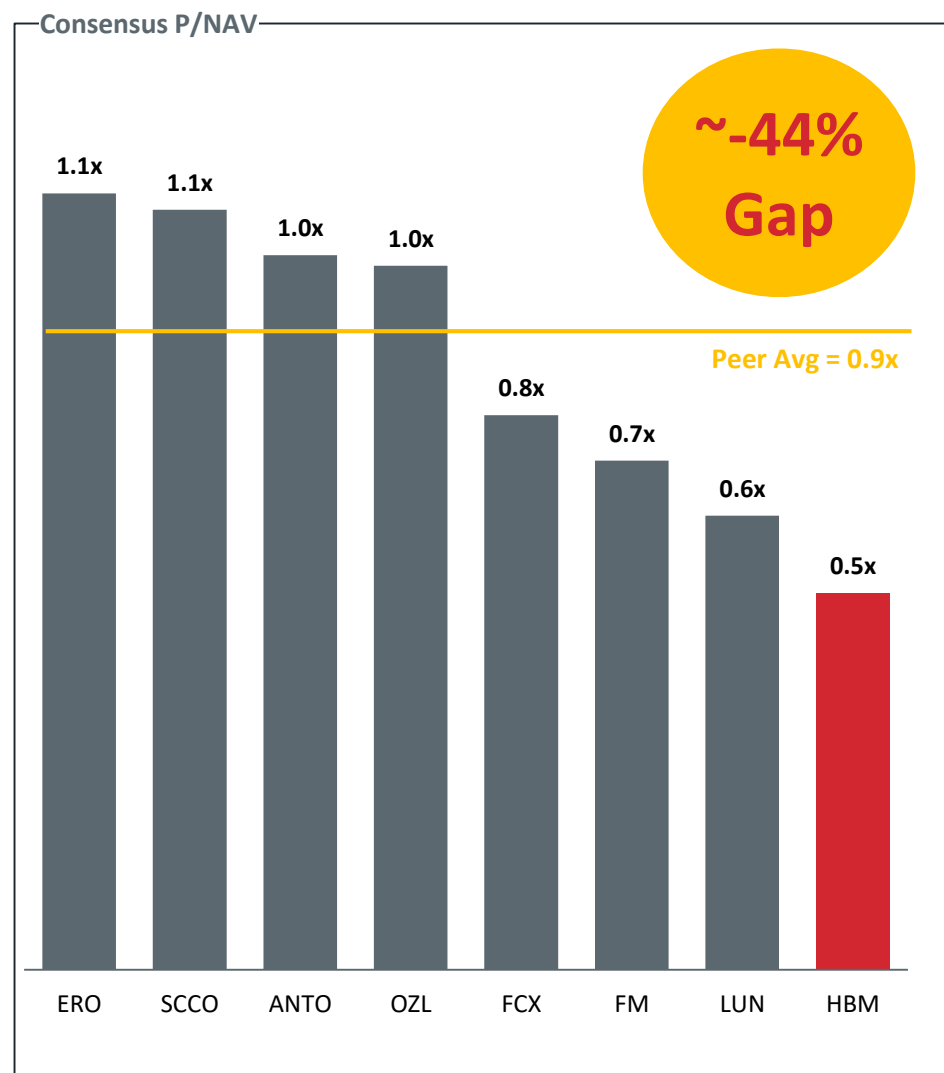
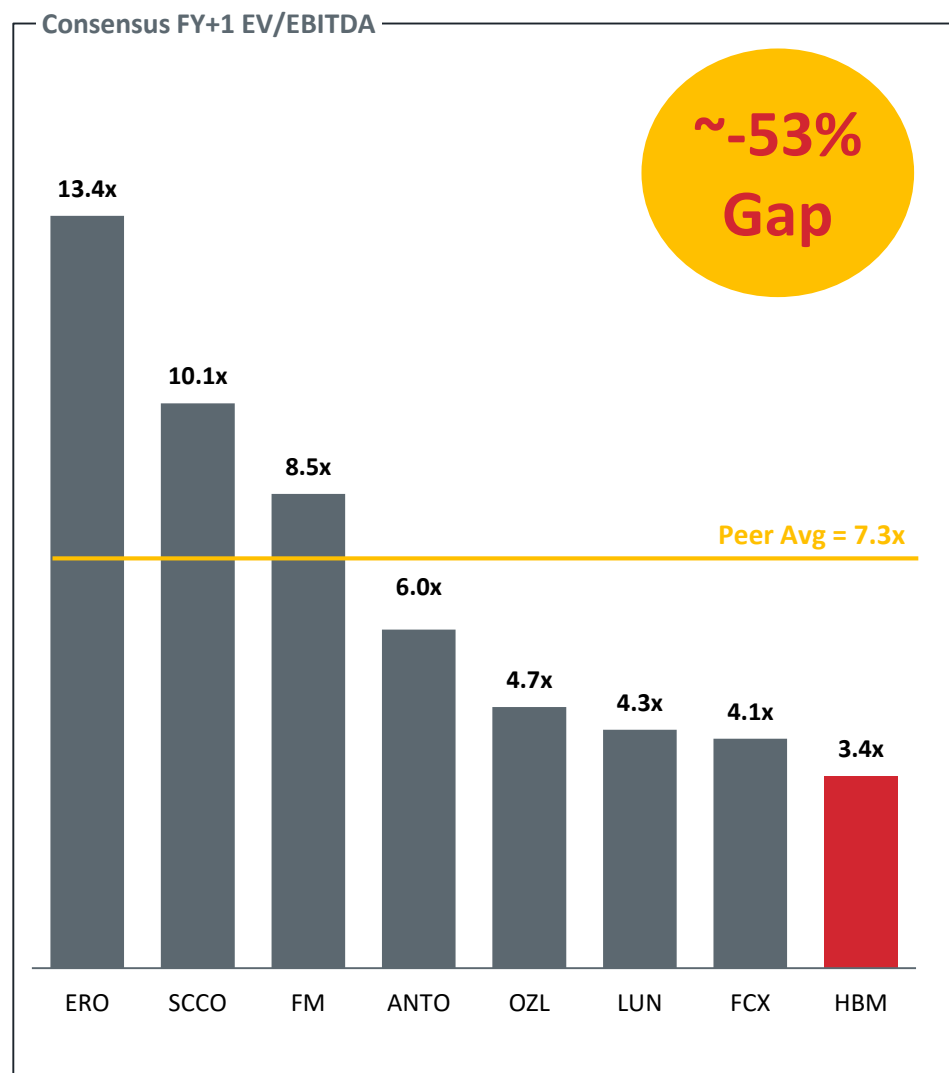
# Chronic Underperformance – Abysmal TSR

Hudbay's total shareholder return ("TSR") has materially and consistently underperformed its peers<sup>1</sup> (the "Peers"), proxy peers<sup>2</sup> (the "Proxy Peers") and market indices up to October 4, 2018, the last trading day before Waterton first issued a public letter to Hudbay's Board of Directors (the "Unaffected Date")



# Substantial Valuation Gap to Peers

As of the Unaffected Date, Hudbay's valuation was at the bottom of its Peer group on EV/EBITDA and P/NAV basis





# Broken Hudbay: How Did the Company Get Here?

*Hudbay's chronic underperformance and significant valuation discount is a direct consequence of its:*



⊗ **FLAWED  
STRATEGY**

⊗ **DAMAGED  
CREDIBILITY**

⊗ **BROKEN  
CULTURE**

# Hudbay's Deep-Rooted Problems

1

## FLAWED STRATEGY

**Myopic short-term strategy that does not translate into shareholder value in a long-term industry**

- ⊗ Lack of coherent capital allocation strategy
- ⊗ Billions spent on capital projects without creating shareholder value
- ⊗ Track record of returns well below cost of capital
- ⊗ Negative net asset value per share (“NAVPS”) growth since Alan Hair became CEO

**FLAWED STRATEGY**

2

## DAMAGED CREDIBILITY

**Consistently misguides the market and fails to deliver on stated portfolio objectives, undermining stakeholder trust**

- ⊗ Market has lost faith in leadership's ability to deliver results
- ⊗ Repeatedly failed to deliver on key Rosemont permits
- ⊗ Pampacancha surface rights still not obtained
- ⊗ Repeatedly failed to provide a strategic plan for Manitoba
- ⊗ Long history of misguiding the market on operations and earnings

**DAMAGED CREDIBILITY**

3

## BROKEN CULTURE

**An entrenched Board that fails to hold management to account has fostered a culture of gross underperformance**

- ⊗ Entrenched Board members and an underqualified CEO with terrible performance
- ⊗ Deteriorating independence has led to the Board's inability to hold management to account
- ⊗ Lack of alignment with shareholders
- ⊗ Leadership lacking global mining experience has been “learning on the job”

**BROKEN CULTURE**

**Hudbay's flawed strategy, damaged credibility and broken culture have led to a significant valuation discount**

# History of Poor Investment Decisions and Value Destruction

Cash capital expenditures (“capex”)

~\$4.8bn

spent on cash capex since 2010<sup>1,2</sup>

equivalent to C\$23.60/share<sup>3</sup>

Hudbay's unaffected equity value

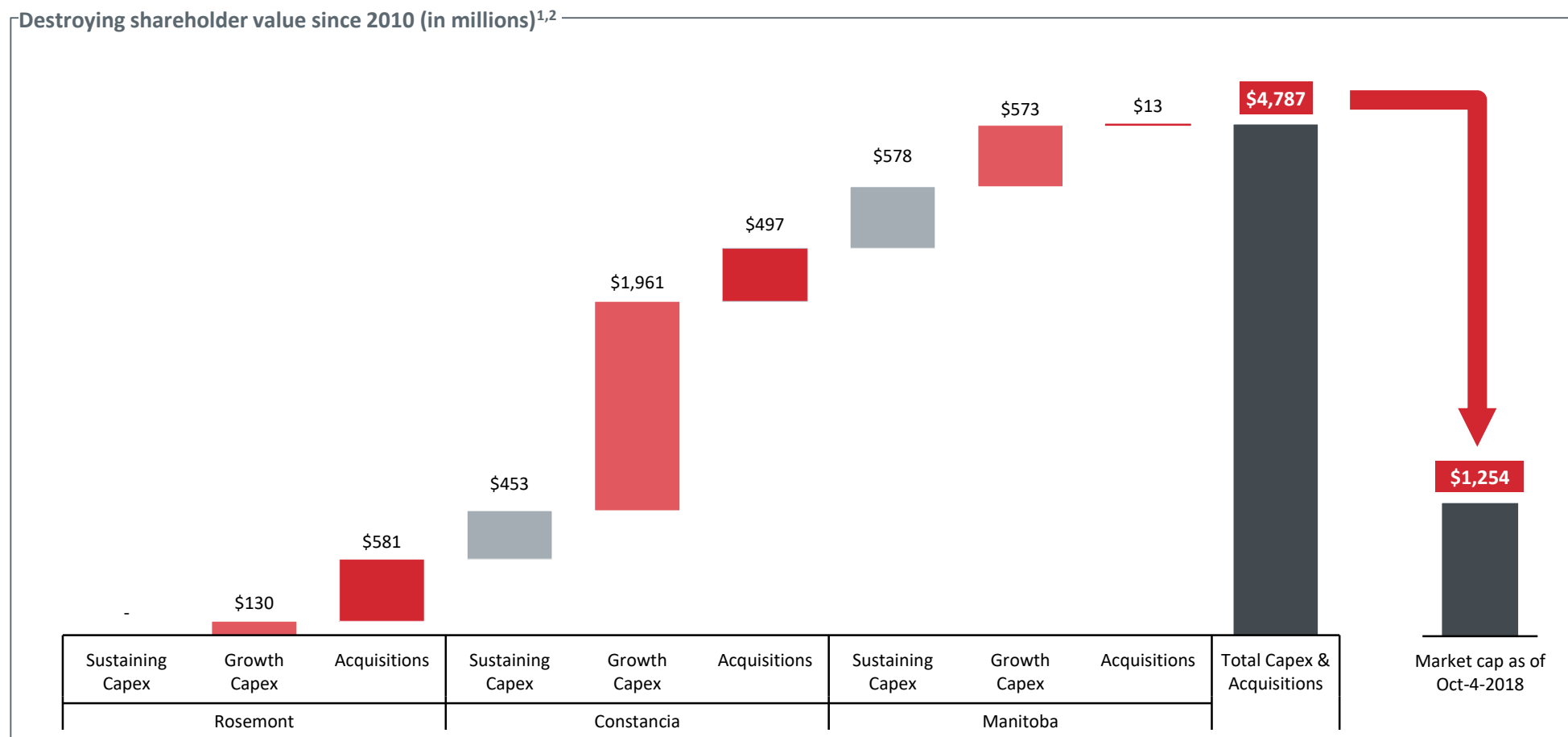
~\$1.3bn

equivalent to C\$6.18/share<sup>3</sup>

***IS THIS A GOOD INVESTMENT?***

# History of Poor Investment Decisions and Value Destruction (continued)

Since 2010, Hudbay's leadership has allocated ~\$4.8bn of capital. The Company's unaffected market capitalization is ~\$1.3bn



**Hudbay's undisciplined capital allocation strategy has translated into value destruction for its shareholders**



# Track Record of Returns Well Below Cost of Capital<sup>1</sup>

Hudbay's weighted average cost of capital ("WACC")

14.6%

Average WACC since 2010

Hudbay's return on invested capital ("ROIC")

3.4%

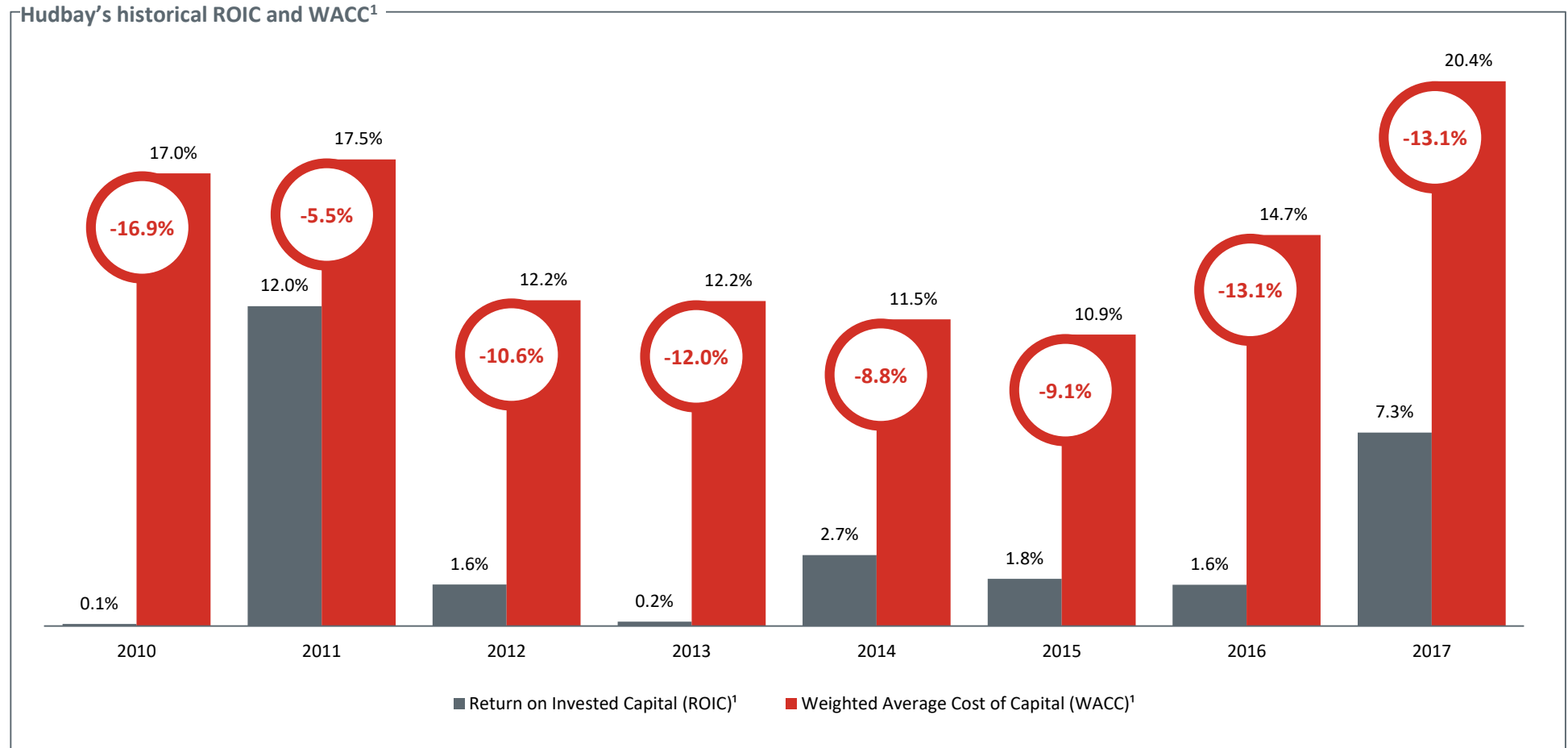
Return on invested capital since 2010

Over 11% less than Hudbay's cost of capital

***IS THIS A GOOD INVESTMENT?***

# Track Record of Returns Well Below Cost of Capital (continued)

Consistently over the last decade, WACC has been significantly greater than ROIC



**Hudbay has consistently destroyed value for its shareholders by failing to produce returns in excess of its WACC for a decade**

# Negative NAVPS Growth Since Alan Hair Appointed CEO<sup>1</sup>

Hudbay's NAVPS growth

-0.9%

Hudbay's NAVPS growth since 2016

Peers' NAVPS growth

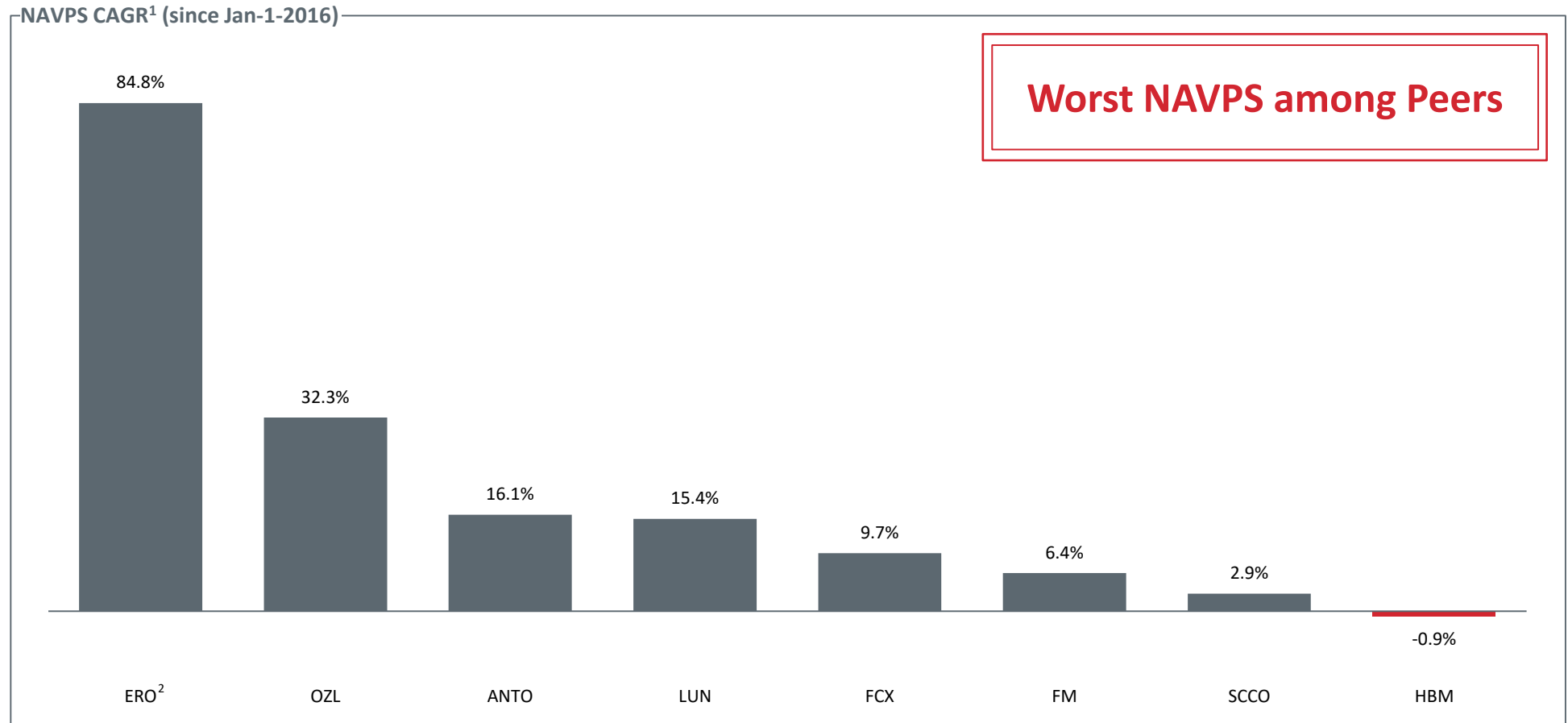
23.9%

Peers' average NAVPS growth since 2016

***IS THIS A GOOD INVESTMENT?***

# Negative NAVPS Growth Since Alan Hair Appointed CEO (continued)

Leadership's inability to meet project milestones has contributed to Hudbay's negative NAVPS growth, a metric which the Board has selected to evaluate the CEO



Hudbay is the only company among its Peers with negative NAVPS growth



# Hudbay's Deep-Rooted Problems

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FLAWED STRATEGY

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BROKEN CULTURE

**Hudbay's flawed strategy, damaged credibility and broken culture have led to a significant valuation discount**

# Hudbay's Portfolio

**1** **Manitoba**

Operates the:

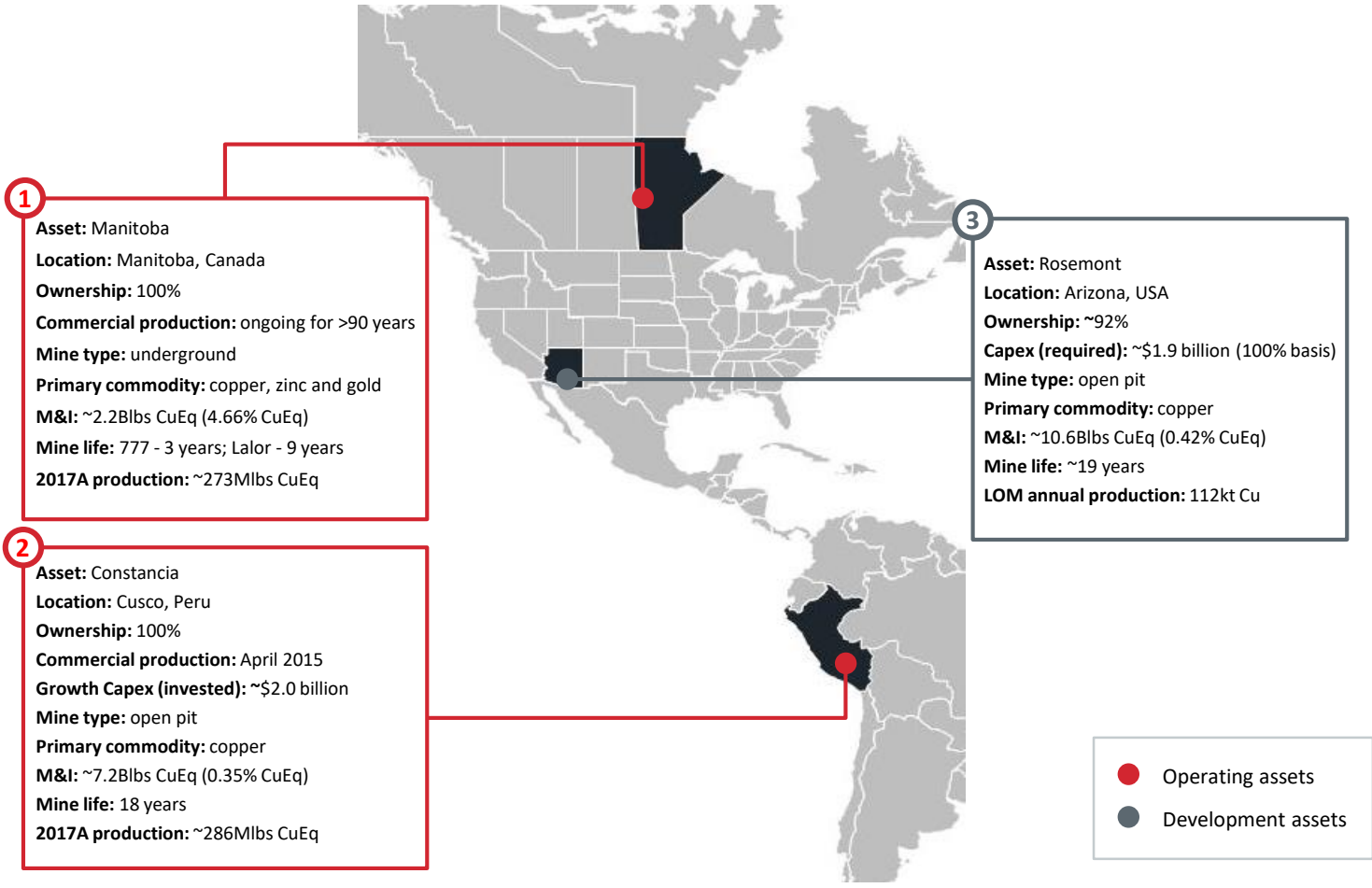
- 100% owned Lalor underground copper-zinc-gold mine;
- 777 underground copper-zinc-gold-silver mine; and
- Associated processing infrastructure

**2** **Constancia**

Operates the 100% owned Constancia open pit copper mine

**3** **Rosemont**

Developing the ~92% owned, feasibility-stage Rosemont open pit copper project



**Hudbay suffers from a significant valuation discount as a result of leadership's inability to optimize its portfolio**

# Failure to Deliver Undermines Stakeholder Confidence

Leadership has consistently misguided the market and failed to deliver on stated portfolio objectives, undermining stakeholder trust

## Constancia

### ✗ SURFACE RIGHTS FAILURE

Since 2016, Hudbay has failed to meet its stated objective of securing the surface rights to Pampacancha, a high-grade satellite deposit near Constancia. This failure has had a material adverse impact on Hudbay's cash flow, eroding stakeholder confidence

“ ... the **delays in securing the relevant Pampacancha surface rights have been a consistent overhang** on the Company ...

*Credit Suisse – Jan 14, 2019 (emphasis added)*

## Rosemont

### ✗ PERMITTING FAILURE

Leadership's lack of US permitting expertise has contributed to its repeated failure to secure permits and its inability to set realistic timelines for their issuance, eroding shareholder confidence

“ The final key 404 Water Permit from the U.S. Corps of Engineers for Rosemont remains outstanding, **nearly two years after the initial expected receipt.**

*RBC – Dec 12, 2018 (emphasis added)*

## Manitoba

### ✗ LACK OF STRATEGIC PLAN

Given Mr. Hair's long history and significant familiarity with the operations, it is unacceptable that Hudbay has failed for years to provide a long-term plan for Manitoba. Stakeholders have been left in the dark and confidence has been eroded

“ ... investors moved to the sidelines after disappointment earlier this year, following the Constancia mine plan update and **ongoing questions about the future processing plans in Northern Manitoba.**

*TD – Nov 2, 2018 (emphasis added)*

“ **HBM has turned into a show-me story.**

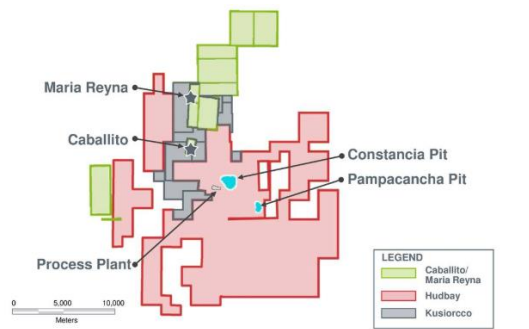
*CIBC – Aug 2, 2018*

**Hudbay's history of inadequate leadership and poor guidance and execution has eroded trust among stakeholders**

# Constancia Issues: Failure to Deliver Undermines Trust

## Pampacancha surface rights

- The 2012 Feasibility Study assumed that the Pampacancha satellite deposit would enter production in 2016
- In the Company's updated technical report released in March 2018, production at Pampacancha was deferred until Q1 2019
- The Pampacancha delay has had a material adverse impact on cash flow and has triggered a 2018 penalty payment to Wheaton Precious Metals under their streaming agreement



“ We are continuing to be patient to ensure that any agreement supports our longer term exploration plans for Constancia and **we continue to expect to be able to reach an agreement in time to begin mining at Pampacancha in 2019.** ”

*Alan Hair, CEO (emphasis added)*

“ Constancia's latest plans assume that mining at the high-grade Pampacancha satellite deposit will now begin sometime in 2019—**upwards of one year later than previously contemplated (2016 Technical Report).** ”

*Cormark Securities - Nov 6, 2018 (emphasis added)*



“**We have postponed the development of Pampacancha** given currently low copper prices.”

*Alan Hair, CEO (emphasis added)*

“ **Mining of Pampacancha is planned to begin in 2018 ...** ”

*Hudbay Press Release (emphasis added)*

“ The community has provided Hudbay with access to the land [at Pampacancha] to carry out early-works activities and **we expect to begin ore production later this year.** ”

*Alan Hair, CEO (emphasis added)*

“ As we disclosed in our updated technical report on Constancia, **we now expect mining of the Pampacancha deposit to begin in 2019.** ”

*Alan Hair, CEO (emphasis added)*



**CAN YOU TRUST A BOARD AND CEO THAT DUBIOUSLY BLAME FAILURE TO SECURE SURFACE RIGHTS ON LOW COMMODITY PRICES (Q1 2016)?**

# Rosemont Issues: Consistent Failure to Secure Permits

## Hudbay mismanagement

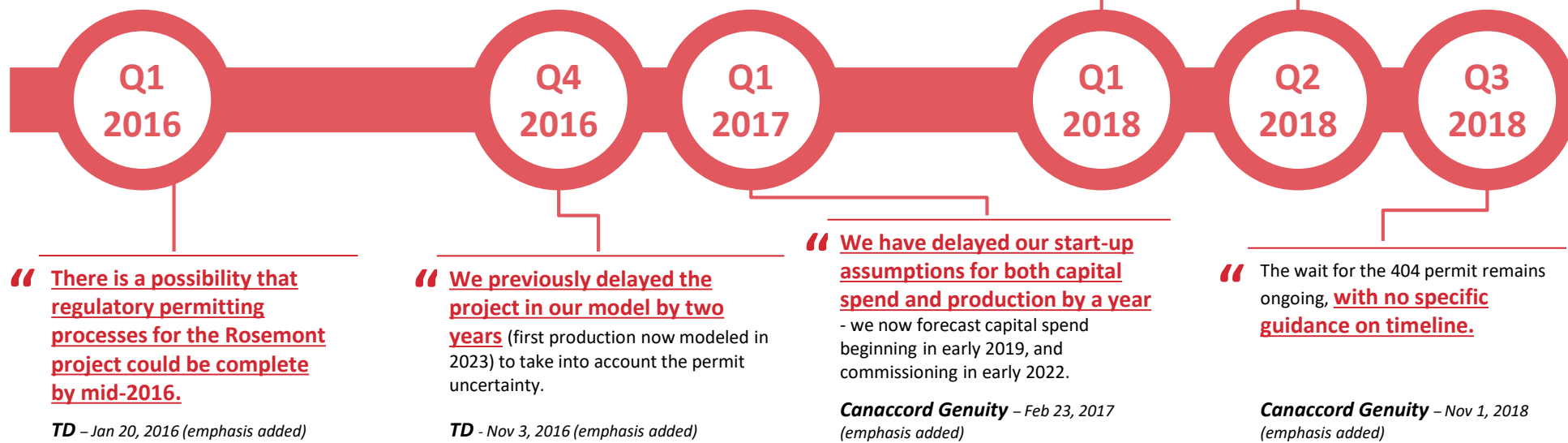
- Hudbay announces an impairment of \$114.5 million on Rosemont goodwill in 2016 due to the delay in the construction of the project, among other factors
- Hudbay completes C\$242 million bought deal financing in September 2017. While the stated use of proceeds from the financing was vague, it was widely understood by the market that the funds would be used to finance construction of Rosemont commencing in Q1 2018
- A year and a half after the bought deal financing closed, shareholders remain in the dark regarding the details of the delayed issuance of the 404 Permit<sup>1</sup> and the legal challenges to the Record of Decision (“RoD”) and Biological Opinion

“ In addition, **there have not been updates to the permitting process at Rosemont** ... the Section 404 Water Permit may take longer than originally anticipated (mid-2018).

*CIBC – Jan 21, 2018 (emphasis added)*

“ **We delayed Rosemont's construction and commercial production by six months** to Q1/19 and Q3/21, respectively, to allow for potential delays in permitting.

*CIBC – Apr 1, 2018 (emphasis added)*

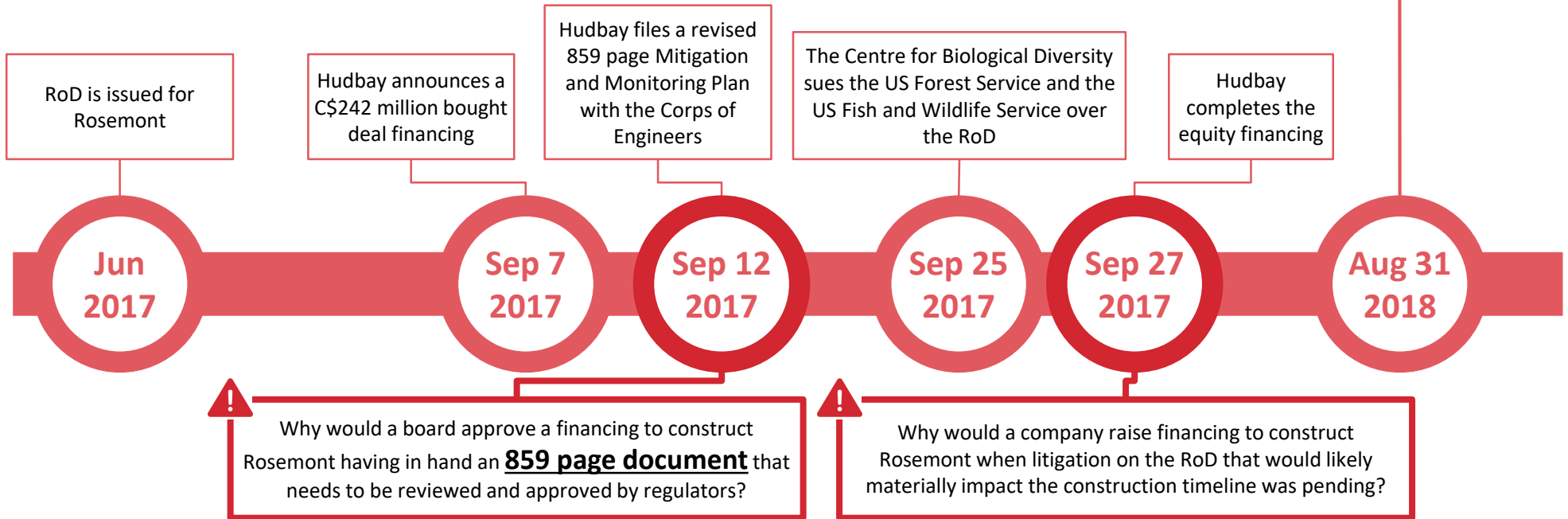


# Rosemont Issues: Lack of Expertise Has Led to Poor Decisions

When launching the 2017 equity financing, the Board and management must have assumed:

- X The RoD would *not be appealed* (**INCORRECT**)
- X The pending 404 Permit from the US Corps of Engineers *would be granted in late 2017 following the Company's submission in September 2017 of an 859 page* Mitigation and Monitoring Plan to support the 404 Permit (**INCORRECT**)
- X That Rosemont *could be constructed* in early 2018 (**INCORRECT**)

Alan Hair conceded in a meeting on August 31, 2018 that the permitting assumptions were a **"major miscalculation"** and a **"sore spot for investors"**



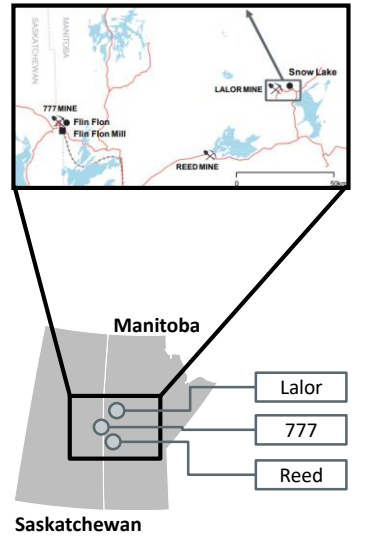
**CAN YOU TRUST A BOARD AND CEO THAT CONSISTENTLY DEMONSTRATE POOR JUDGEMENT IN THEIR DECISION MAKING AND DO NOT UNDERSTAND RUDIMENTARY PERMITTING/LITIGATION ISSUES AND TIMELINES?**



# Manitoba Issues: Lack of Strategic Vision

## Leadership has proven to be incapable of guiding the market

- "In May 2015 we acquired the New Britannia mill, which is located in Snow Lake, Manitoba and has the potential to increase our capacity to process Lalor ore" – Company filings
- Given Mr. Hair's long history and significant familiarity with the operations, it is unacceptable that Hudbay has failed for years to provide a long-term plan for Manitoba
- Hudbay has missed throughput guidance for the past several years at Lalor, and is currently only operating at ~60% of design capacity
- Hudbay has failed to achieve target throughput and meet cost guidance



“ I was hoping we could get a little **more colour about what's going on operationally in Manitoba.** ”

*Scotiabank (emphasis added)*



“ We're going through the budget process for 2019. **We'll give guidance once we've done that.** ”

*David Bryson, CFO (emphasis added)*



“ ... In May 2015 we acquired the New Britannia mill, which is located in Snow Lake, Manitoba and **has the potential to increase our capacity to process Lalor ore.** ”

*Company filings (emphasis added)*

“ Feasibility work is ongoing for the Lalor gold zone and copper-gold zone targeting an additional 1,500 tonnes per day through the New Britannia mill to **fully utilize Lalor's 6,000 tonnes per day shaft capacity.** ”

*Company filings (emphasis added)*

“ Manitoba combined mine, mill and G&A unit operating costs are **expected to be within guidance range for 2017.** ”

*Alan Hair, CEO (emphasis added)*

“ Combined unit **operating costs in Manitoba exceeded the guidance range** for 2017. ”

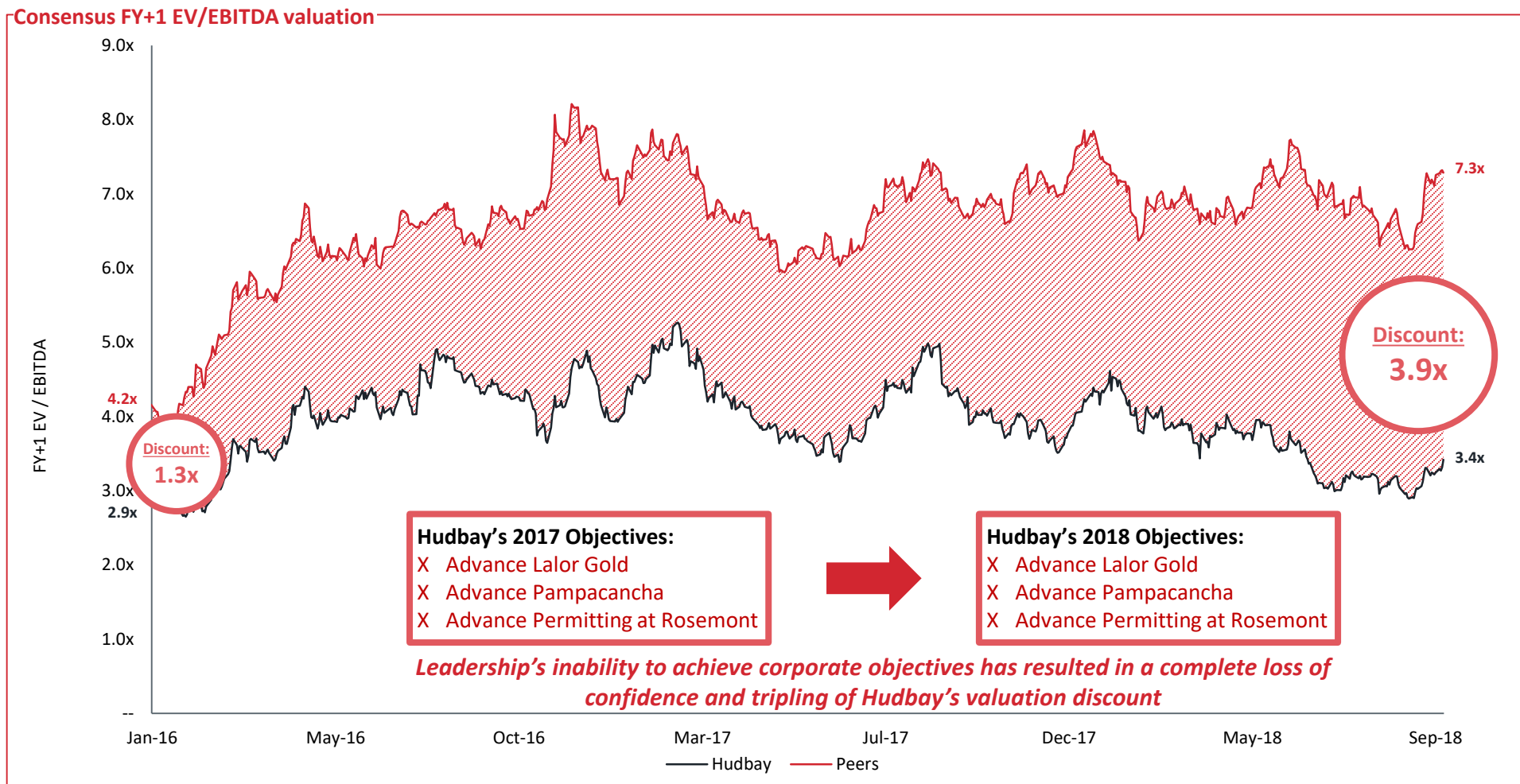
*Alan Hair, CEO (emphasis added)*

“ **Lalor Gold Zone still an enigma.** HudBay continues to conduct trade-off studies to assess mining and processing options for the Gold Zone. ”

*TD (emphasis added)*

# Valuation Gap Has Tripled Under Mr. Hair's CEO Tenure

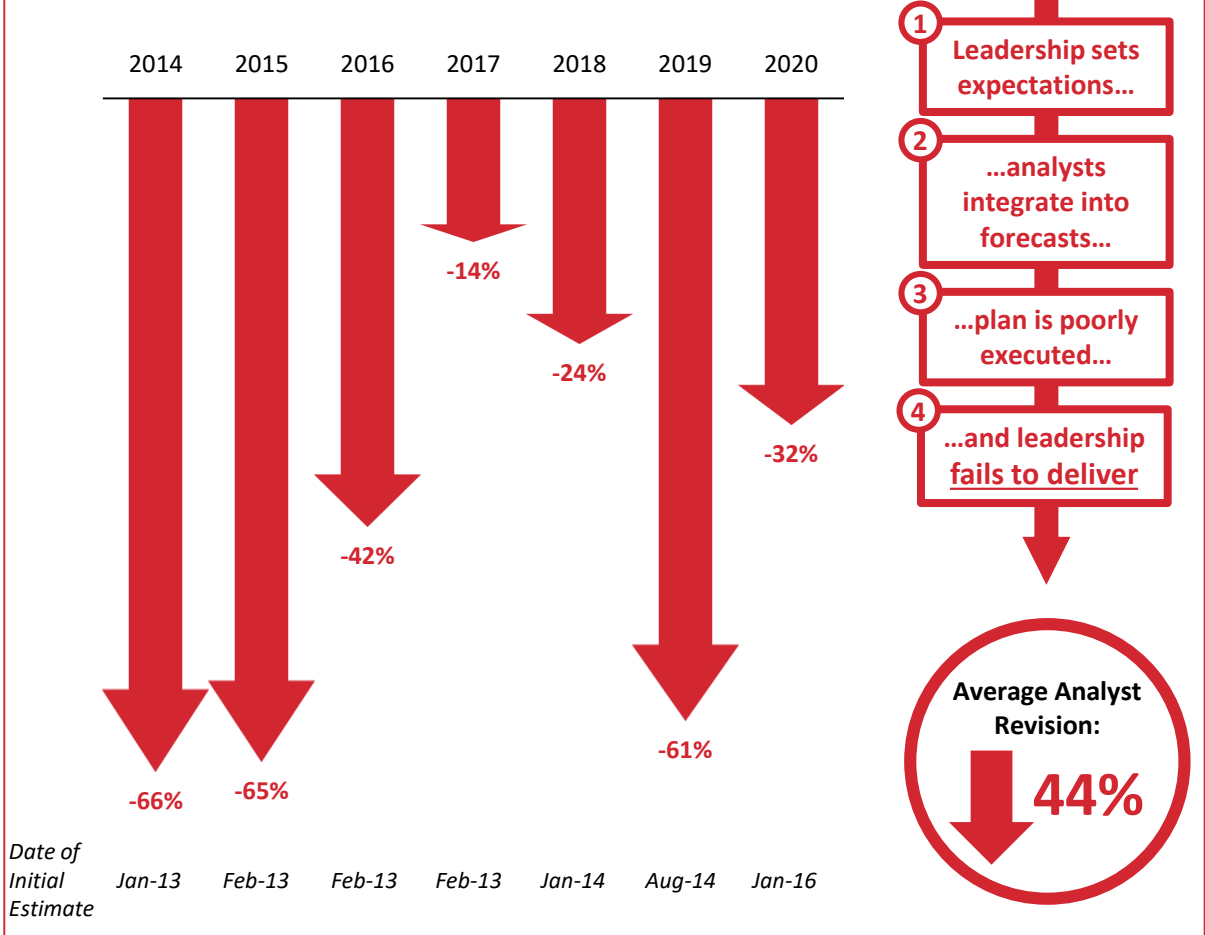
Hudbay trades at a material discount to all of its Peers and the Company's valuation discount has significantly increased under the tenure of Alan Hair



# Long History of Missing Consensus

Hudbay has suffered from consistent downward revisions to EBITDA estimates

Revisions to Consensus EBITDA Estimates Since Initial Estimate



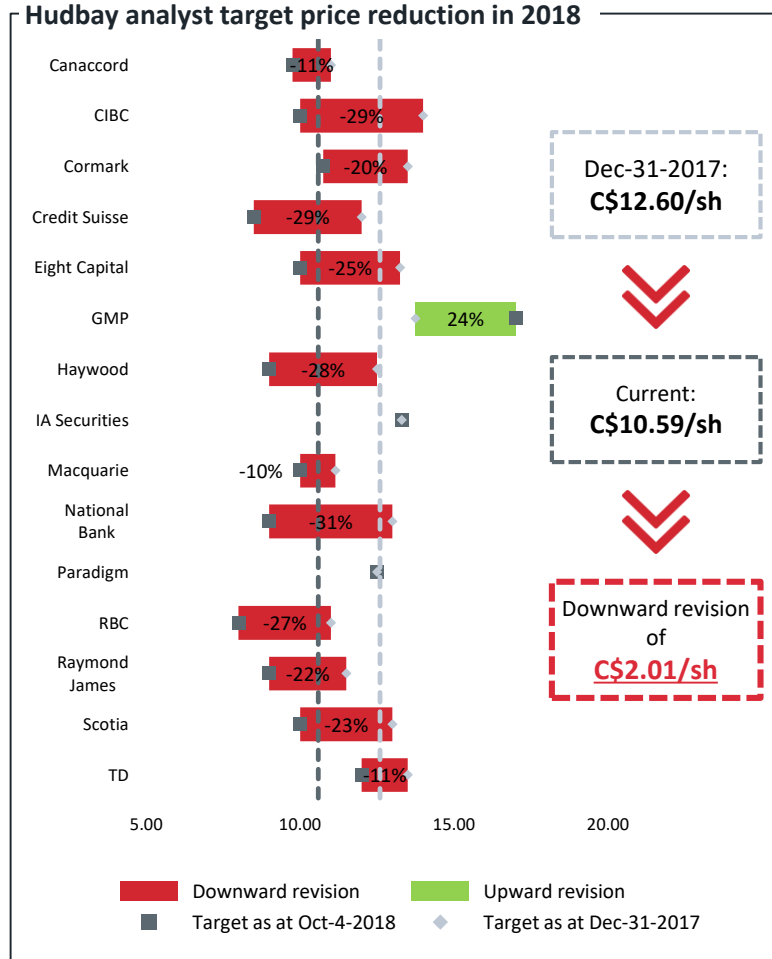
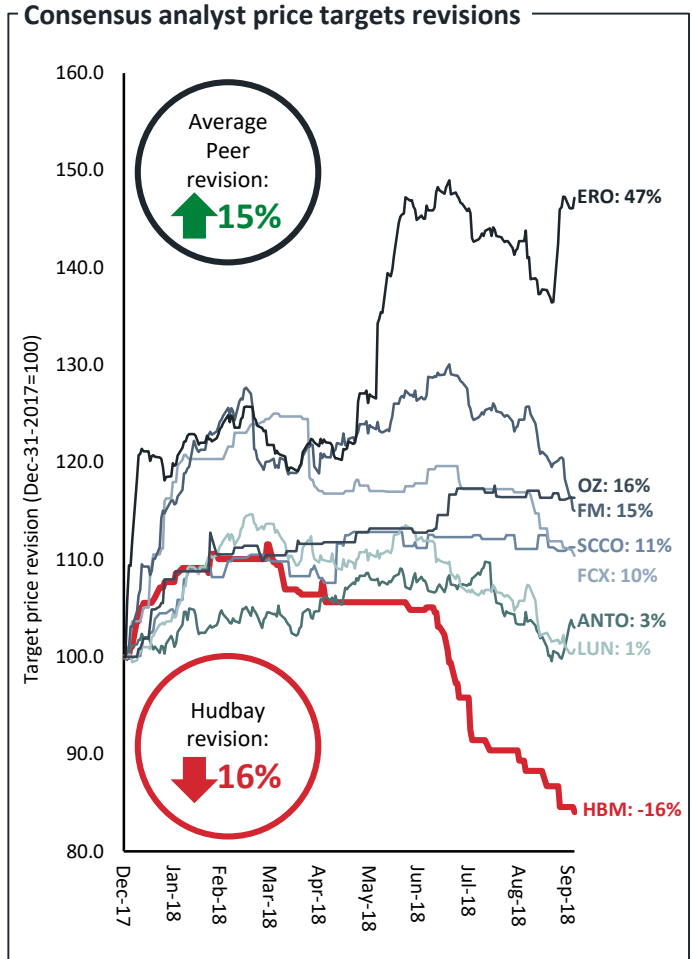
2018 Downward Revisions by Analysts

- “ Main revisions to our model included ... **increased Manitoba combined mining / milling costs** ... **lowered Lalor H2/18E and H1/19E throughput** ... **increased our H2/18E cash cost assumption** for Manitoba's zinc plant closer to the top of the guidance range  
*CIBC – Aug 2, 2018 (emphasis added)*
- “ Given **HBM's disappointing recent operating performance**, particularly in Manitoba, **we have materially reduced our production and cost outlook**.  
*Scotiabank – Aug 1, 2018 (emphasis added)*
- “ With the increase to our operating cost assumptions, **our 2018 and 2019 EBITDA estimates have declined by 8% and 6% respectively**, while our NAV has declined by C\$0.20/sh, to C\$8.92/sh.  
*Canaccord Genuity – Aug 1, 2018 (emphasis added)*
- “ Our **lower target price** reflects **adjustments to our operating cost forecasts and our revised Lalor Gold model**  
*TD – May 4, 2018 (emphasis added)*

**Hudbay has consistently overpromised and under-delivered**

# Leadership's Failures Have Led to Significant Analyst Downgrades

With consistent underperformance, analysts have downgraded their target prices



**Negative commentary from analysts**

- “ We have lowered our price target to C\$11 from C\$13 following a **disappointing start to 2018 with higher costs in Manitoba and slippage on both the Rosemont & Pampacancha projects.**  
*RBC - Aug 13, 2018 (emphasis added)*
- “ Lower our 12-to-18 month price target ... due to execution concerns at HBM's Manitoba and Peru operations (high costs), and uncertainty on Rosemont's permitting process. **HBM has turned into a show-me story.**  
*CIBC - Aug 2, 2018 (emphasis added)*
- Scotiabank lowered its target price from C\$13.00/sh to C\$11.50/sh:  
“ The **excruciatingly slow pace of the administrative due process has been a painful overhang on the shares.**  
*Scotiabank - Jun 25, 2018 (emphasis added)*

**Analysts have lowered Hudbay's target price by ~16% since December 2017, while the average Peer target price has increased by ~15%**

# Hudbay's Deep-Rooted Problems

1

## FLAWED STRATEGY

Myopic short-term strategy that does not translate into shareholder value in a long-term industry

- ⊗ Lack of coherent capital allocation strategy
- ⊗ Billions spent on capital projects without creating shareholder value
- ⊗ Track record of returns well below cost of capital
- ⊗ Negative NAVPS growth since Alan Hair became CEO

FLAWED STRATEGY

2

## DAMAGED CREDIBILITY

Consistently misguides the market and fails to deliver on stated portfolio objectives, undermining stakeholder trust

- ⊗ Market has lost faith in leadership's ability to deliver results
- ⊗ Repeatedly failed to deliver on key Rosemont permits
- ⊗ Pampacancha surface rights still not obtained
- ⊗ Repeatedly failed to provide a strategic plan for Manitoba
- ⊗ Long history of misguiding the market on operations and earnings

DAMAGED CREDIBILITY

3

## BROKEN CULTURE

An entrenched Board that fails to hold management to account has fostered a culture of gross underperformance

- ⊗ Entrenched Board members and an underqualified CEO with terrible performance
- ⊗ Deteriorating independence has led to the Board's inability to hold management to account
- ⊗ Lack of alignment with shareholders
- ⊗ Leadership lacking global mining experience has been "learning on the job"

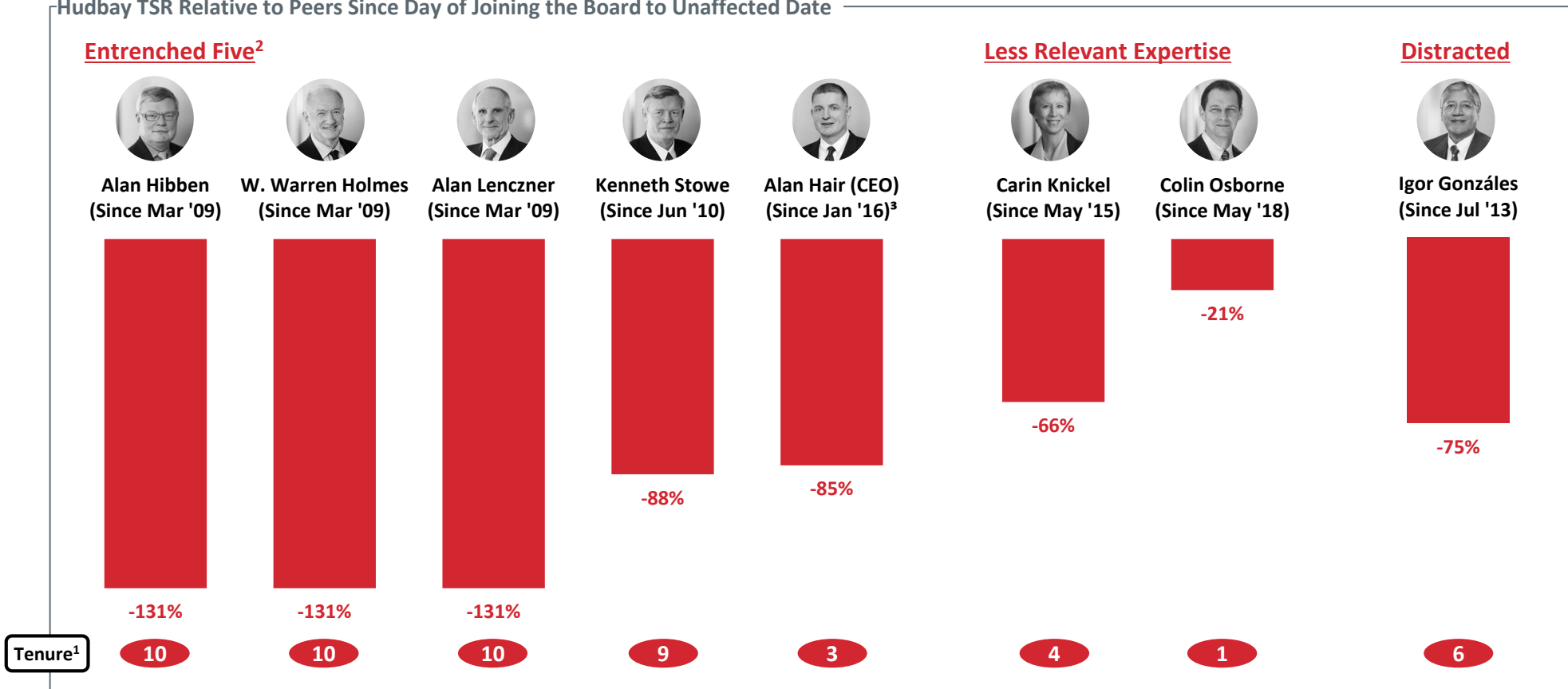
BROKEN CULTURE

**Hudbay's flawed strategy, damaged credibility and broken culture have led to a significant valuation discount**

# Board's Failure to Create Long-term Value for Shareholders

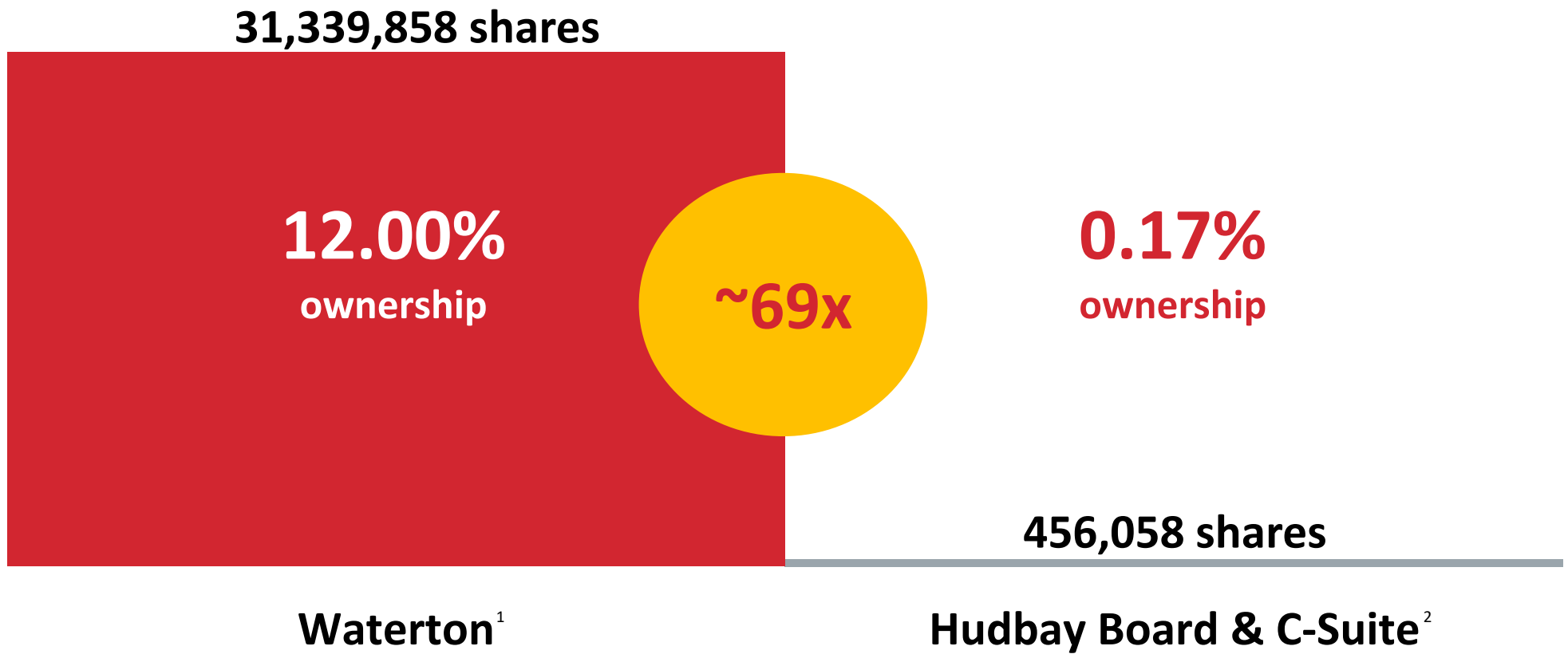
Hudbay has suffered prolonged periods of underperformance during the tenure of this Board

Hudbay TSR Relative to Peers Since Day of Joining the Board to Unaffected Date



**This Board has a consistent track record of underperformance**

# Token "Skin in the Game"

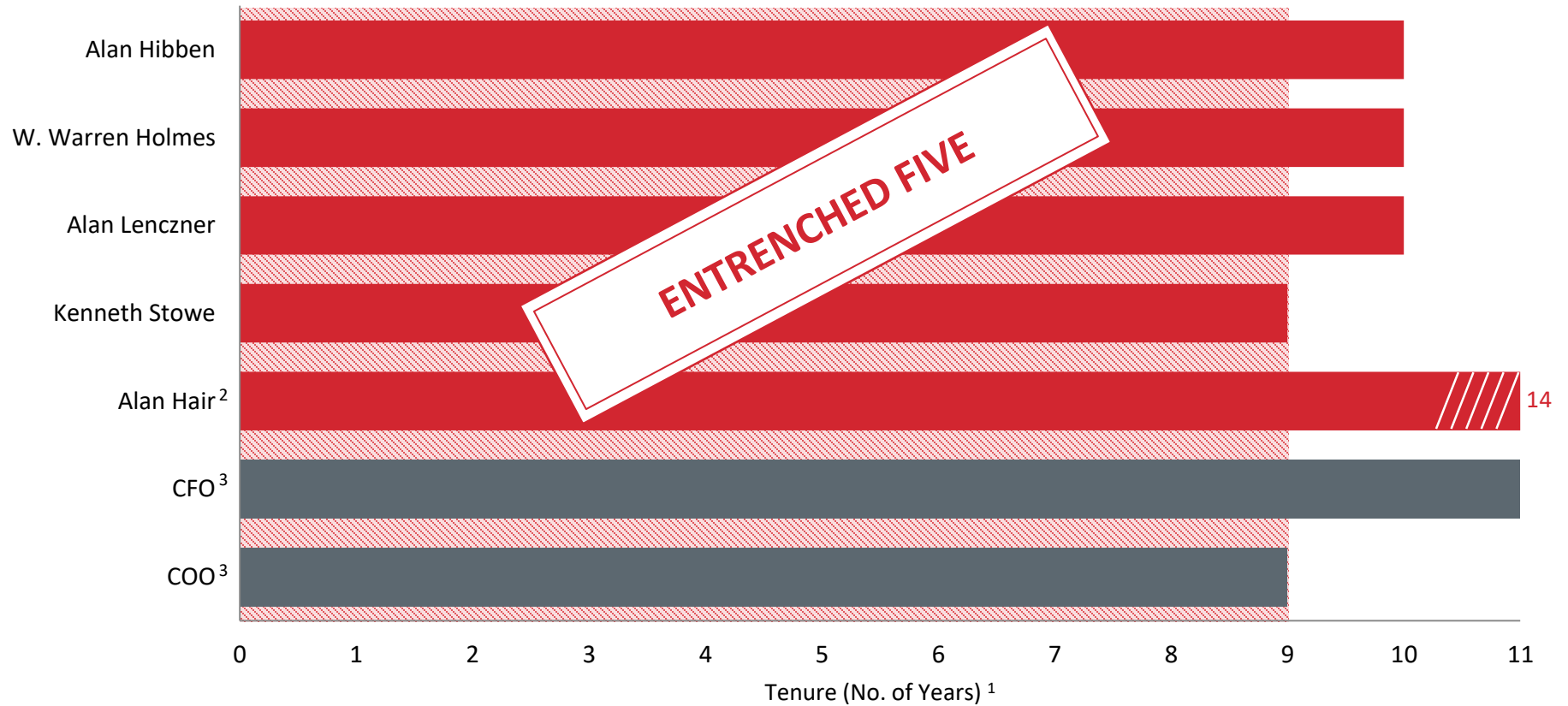


**Board and management clearly do not have aligned interests with shareholders**



# Erosion of Independence?

The Entrenched Five and the entire C-Suite have all worked together at Hudbay for at least nine years



The long overlapping tenure of the Board and senior management, the Company's significant underperformance and the unwillingness of the Board to hold management to account raises questions of independence

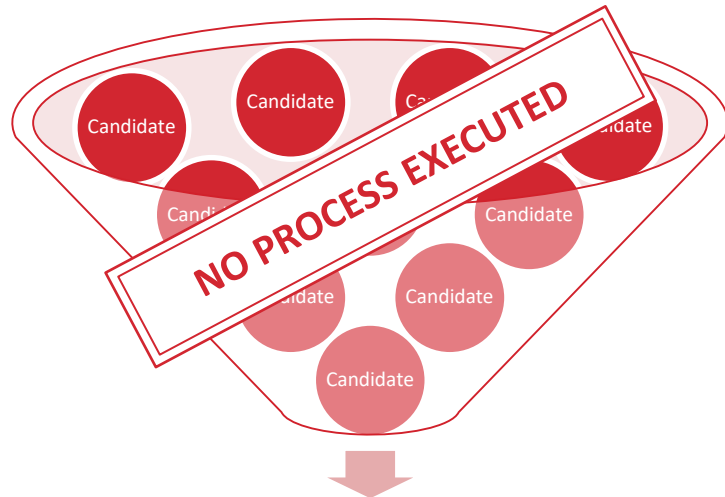
Source: Company filings

1. Projected tenure by 2019 annual general meeting
2. Indicates tenure since Alan Hair was appointed to senior management as of the date the Company became public, although, Alan Hair was VP of the predecessor private company
3. Gray bars indicate tenures since the current CFO and COO were appointed to senior management

# Erosion of Independence? CEO Selection

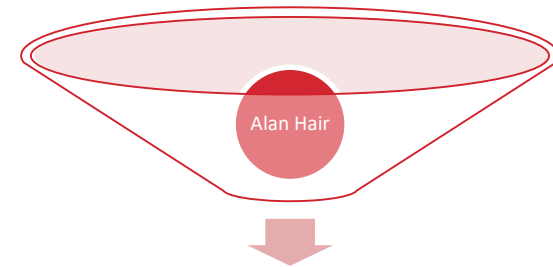
"The robust nature of our succession planning process was demonstrated in December 2015 when David Garofalo announced his resignation as our CEO. The Board **immediately**, and in accordance with its succession plan, appointed Alan Hair as our new CEO."

*Company filings – Apr-14-2016  
(emphasis added)*



**Robust Process to Find a Qualified CEO**

Rather than appointing an interim CEO while running a meaningful and robust process to appoint a permanent CEO, the Board hastily appointed an internal candidate that clearly did not have the necessary experience or skill set to be the CEO of a global mining company



**No Process Results in  
Inappropriate CEO Appointment**

- X No prior CEO experience
- X Lacking competent capital markets experience
- X Narrowly focused on operations
- X Vast majority of career spent operating underground mines in the province of Manitoba
- X Limited professional experience outside of Hudbay

**The Board's appointment of a CEO lacking the skill set necessary to lead a global mining company raises questions of oversight and independence**

# Erosion of Independence?

## Management Rewarded for Poor Execution

### 2016 Performance

- ⊗ *Poor TSR Relative to Peers*
- ⊗ *Missed Operating Cash Flow Target*
- ⊗ *Negative NAVPS Growth*
- ⊗ *Failed to Meet Project-Specific Milestones*

### 2017 Performance

- ⊗ *Unnecessary and Untimely Equity Financing*
- ⊗ *Missed Operating Cash Flow Target*
- ⊗ *Exceeded Cost Guidance at Both Operating Assets*
- ⊗ *Failed to Meet Project-Specific Milestones*

But the Board assigned management a performance score of...



\* Management was initially assigned a score of 114/100, which was subsequently revised to 140/100 at the "Board's discretion" despite glaring shortcomings and missteps

**The Board fails to hold management accountable for poor execution and rewards them with compensation they have not earned**

# Erosion of Independence?

## Management Rewarded for Poor Execution (continued)

Hudbay's 2016/2017 Corporate Scorecards (which serve as the basis for the CEO's short and long-term incentive compensation)

*The Hudbay Scorecard given by the incumbent Board was **114/100 in 2016, arbitrarily revised to 140/100:***

Score given by Hudbay's incumbent Board	
<b>Operational</b>	
<b>69/50</b>	X Faced <b>two distinct closures from protests</b> at Constanca in 2016
<b>Growth Expectations</b>	
<b>23/20</b>	X Management <b>failed to obtain the 404 Permit</b>
	X Management <b>failed to provide a strategic plan for Manitoba</b>
	X Management <b>failed to acquire surface rights for Pampacancha</b>
<b>Financial</b>	
<b>22/30</b>	X Management <b>failed to meet its operating cash flow target</b>
	X Received <b>0/100 on both share price performance and NAVPS growth</b>
<p><i>Despite acknowledging management's poor financial performance, the Board arbitrarily revised the scorecard to <b>140/100, rewarding management for destroying shareholder value</b> relative to its Peers</i></p>	

*The Hudbay Scorecard given by the incumbent Board was **104/100 in 2017:***

Score given by Hudbay's incumbent Board	
<b>Operational</b>	
<b>45/40</b>	X Unit operating costs <b>exceeded guidance</b> at both Constanca and Manitoba in 2017
	X Received a score of 120/100 for stakeholder relations <b>despite failure to negotiate surface rights agreements</b>
<b>Growth Expectations</b>	
<b>32/30</b>	X Management <b>failed to obtain the 404 Permit</b>
	X Management <b>failed to provide a strategic plan for Manitoba</b>
	X Constanca's growth remains hindered from <b>incomplete negotiations for Pampacancha's surface rights</b>
<b>Financial</b>	
<b>27/30</b>	X Management <b>failed to meet its operating cash flow target</b>
	X \$200mm (C\$242mm) equity raise in September 2017 initially meant to finance the construction of Rosemont unnecessarily <b>diluted existing shareholders</b>

# The Abysmal Track Record of Hudbay's Current Leadership<sup>1</sup>

## FLAWED STRATEGY

- × Since 2010, the Board has **allocated ~\$4.8bn of capital**; the Company's **market capitalization is ~\$1.3bn**
- × Over the past decade, Hudbay's **average WACC is 14.6%**, while its **average ROIC is merely 3.4%**
- × During CEO tenure, **NAVPS has decreased 0.9%** while the **Peers' average NAVPS has increased 23.9%**
- × Hudbay's poor track record of capital allocation has **destroyed value for shareholders**

## DAMAGED CREDIBILITY

- × Hudbay has **consistently failed to deliver** on its stated objectives
- × The **valuation gap at Hudbay has increased by ~200%** since Mr. Hair's appointment as CEO
- × In 2018 analysts **revised Hudbay's target price down 16%** while the **Peers' target prices were on average revised up 15%**
- × Analysts have **revised FY2014-2020 EBITDA estimates down 44%** from original estimates

## BROKEN CULTURE

- × The collective ownership between the Board and the C-Suite is a **token 0.17%**
- × The Entrenched Five and the entire C-Suite have **worked together for 9 years**; the Company has **significantly underperformed** during that time
- × In 2016, Hudbay's **TSRs and NAVPS growth were negative**, but management **received a 140/100 score**
- × In 2017, management **did not deliver** on its key objectives, but **received a 104/100 score**

### ! CHRONIC UNDERPERFORMANCE

**-131% TSR**

*Relative to Peers since March 2009*

### ! VALUATION DISCOUNT

**53% DISCOUNT**

*EV/EBITDA Discount Relative to Peers*

**Has resulted in:**

# Hudbay's Failure to Negotiate with Waterton

- 1 Given Hudbay's chronic underperformance and valuation discount, Waterton approached the Company about the clear and obvious need for Board refreshment
- 2 Waterton had multiple discussions with the Board, and specifically Chairman Hibben, about the parameters of a Board refreshment
- 3 Having acknowledged the need for refreshment, Hudbay requested that Waterton submit a proposal to the Board outlining its proposed terms and conditions
- 4 In good faith, Waterton submitted multiple term sheet drafts to Hudbay, taking into consideration the feedback from Chairman Hibben
- 5 Despite Waterton's efforts, Hudbay failed to meaningfully engage in negotiations, and did not deliver even one responsive draft term sheet to Waterton
- 6 **As a result of the foregoing, and to mitigate further value destruction, Waterton has been left with no choice but to ask its fellow shareholders to democratically effect change**

**We are now asking our fellow shareholders to elect an independent Board with impeccable credentials and relevant skills and a proposed CEO with global mining experience and track record of success to redefine the new Hudbay ("New Hudbay") with a clear corporate strategy and a focus on creating long-term shareholder value**



# New Hudbay: Driving Long-Term Value for Shareholders



# Fresh Perspective and Proven Expertise

## LONG-TERM SOLUTION:

**ASSEMBLE A NEW BOARD WITH RELEVANT, DIVERSE, GLOBAL EXPERIENCE TO FILL THE KNOWLEDGE GAPS ON HUSBAY'S BOARD AND TRANSFORM HUSBAY INTO A WORLD-CLASS INTERMEDIATE BASE METALS PRODUCER**



**Richard Nesbitt (Proposed Chairman)**

✓ Hubday requires oversight by a strong, steadfast and tenacious leader who has decades of corporate experience and a clear vision in order to change the Company's culture of complacent underperformance



**Peter Kukielski (Proposed CEO)**

✓ Hubday now has the rare opportunity to recruit a CEO with a proven and successful track record. Mr. Kukielski not only has the operational experience to lead Hubday, but just as importantly, he has decades of experience in developing holistic business strategies for companies with multinational mining portfolios



**Mike Anglin**

✓ Given its operations at Constanca and a pending construction decision at Rosemont, the Board requires someone who has comprehensive open pit copper mining expertise and extensive experience with constructing and operating large-scale open pit copper mines in the Americas



**Ernesto Balarezo**

✓ Hubday's Board requires engaged Peruvian representation, and a Board member with extensive open pit mining experience in Peru, together with a deep social and political network to help resolve the stakeholder issues at Constanca and specifically at Pampacancha



**David Deisley**

✓ Hubday's Board lacks meaningful experience in US permitting/regulatory matters and South American stakeholder/community engagement, two areas of expertise that are indispensable for unlocking value at Rosemont and Constanca



**Emily Moore**

✓ The Board requires someone that has extensive water and tailings management expertise given the scope of the dry stack tailings initiative at Rosemont and also requires a mining and technology expert who has extensive experience with evaluating and implementing innovative mining and technology solutions



**Daniel Muñoz Quintanilla**

✓ The Board requires someone with extensive experience overseeing complex copper mines in Peru and the US and with a proven track record of managing stakeholder, financing and capital allocation matters at such projects, and Mr. Muñoz is uniquely positioned to provide this expertise given his proven leadership at Southern Copper and Grupo Mexico across the Americas



**David Smith**

✓ Hubday's Board requires someone that can raise the bar at Hubday on corporate governance, accountability and strategic matters and given Mr. Smith's vast experience as Chairman/member of committees including audit, compensation, corporate governance and special committees in the mining sector he will certainly provide this leadership

## Proven Expertise



**PROVEN LEADERSHIP**



**MULTI-NATIONAL MINING EXPERIENCE**



**CORPORATE GOVERNANCE & ACCOUNTABILITY**



**CAPITAL ALLOCATION & PROJECT FINANCE EXPERTISE**



**US PERMITTING EXPERTISE**



**PERUVIAN STAKEHOLDER ENGAGEMENT**



**MINING TECHNOLOGY & INNOVATION**



**CONSTRUCTION & OPERATION OF LARGE-SCALE COPPER PROJECTS**

**The right Board with the right skill set to rebuild Hubday**

# An Upgrade in Leadership

## Proposed CEO Replacement



### Peter Kukielski ▲

- ✓ Leadership roles at blue-chip companies including Teck Resources, ArcelorMittal and South32
- ✓ Proven track record of creating and crystallizing market value for investors
- ✓ Overseen dozens of complex operating and development stage mines in more than 15 jurisdictions
- ✓ 93% TSR during his tenure as President and CEO of Nevsun

## Proposed Chairman Replacement



### Richard Nesbitt ▲

- ✓ Significant executive experience at some of Canada's largest and most important financial institutions
- ✓ Former Chairman and CEO of CIBC World Markets and COO of CIBC Bank
- ✓ Former President and Chief Executive Officer of the TSX Group (the predecessor to the TMX Group)
- ✓ Positive TSR during his public company executive positions



### Alan Hair ▼

- ✗ No prior CEO experience
- ✗ Lacking competent capital markets experience
- ✗ Narrowly focused on operations
- ✗ Vast majority of career spent operating underground mines in Manitoba
- ✗ Limited professional experience outside of Hudbay
- ✗ Negative TSR since appointment to C-Suite at Hudbay



### Alan Hibben ▼

- ✗ On Hudbay's Board for nearly ten years, during which time the Company has significantly underperformed
- ✗ No outside public company executive experience
- ✗ Lack of international experience required by Hudbay's global assets and operations
- ✗ Negative TSR during his outside public company directorships

# New Hudbay's Strategy: Creating Long-Term Shareholder Value

**CLEAR CORPORATE STRATEGY:** To build a mid-tier base metals company to deliver long-term shareholder value with a focus on the Americas

**Trusted Leadership:** Appoint an experienced leadership team that has earned the trust of the capital markets and all other stakeholders

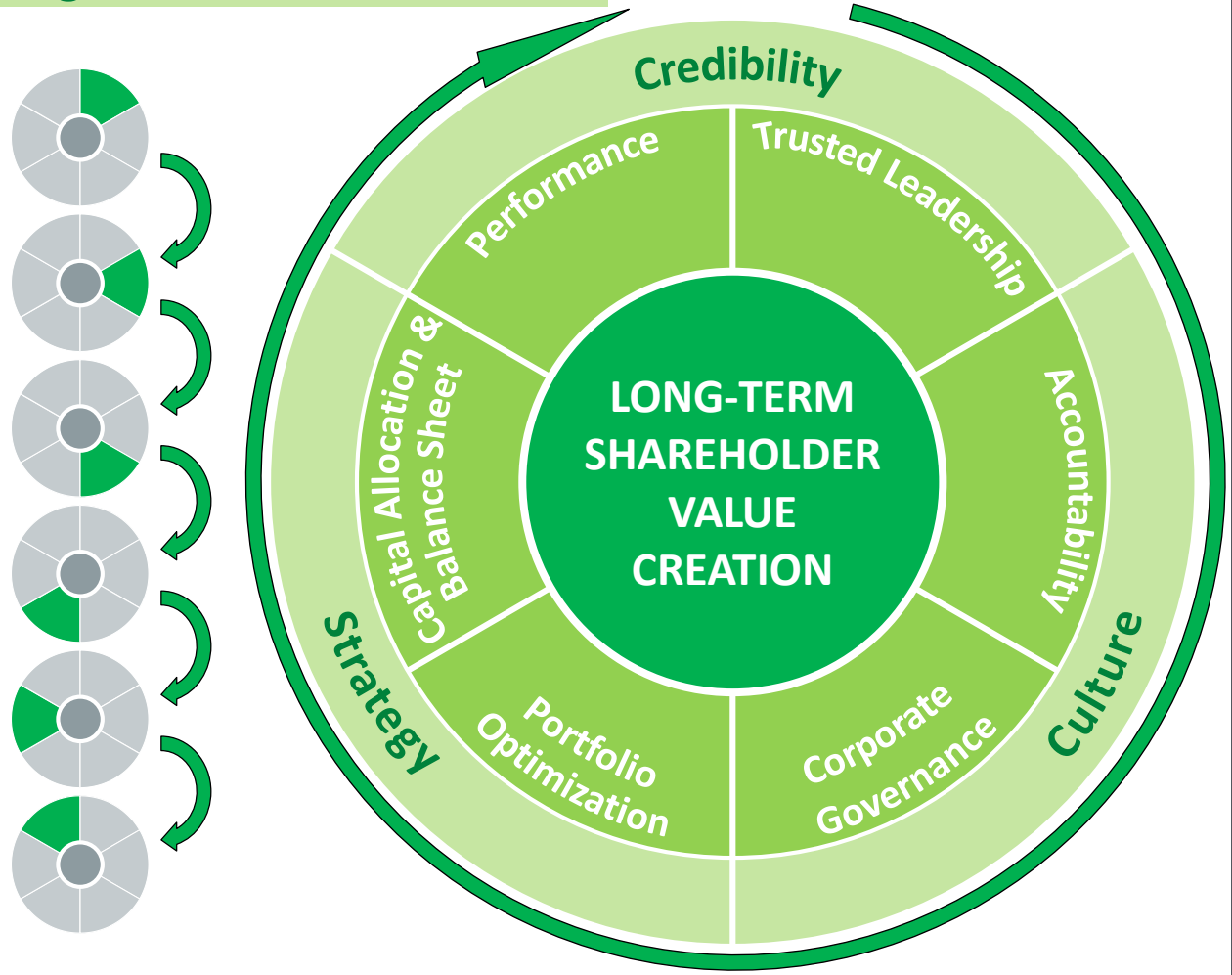
**Accountability:** Ensure management is held to account and fully aligned with shareholders

**Corporate Governance:** Implement best governance standards and practices based on a culture of transparency

**Portfolio Optimization:** Undertake a holistic portfolio review and implement an optimization plan to maximize long-term shareholder value

**Capital Allocation & Balance Sheet:** Formulate a comprehensive approach with a focus on return on invested capital

**Performance:** Deliver on transparent and value accretive performance objectives







# Peter Kukielski: Our Proposed CEO with a Track Record of Success

Trusted Leadership

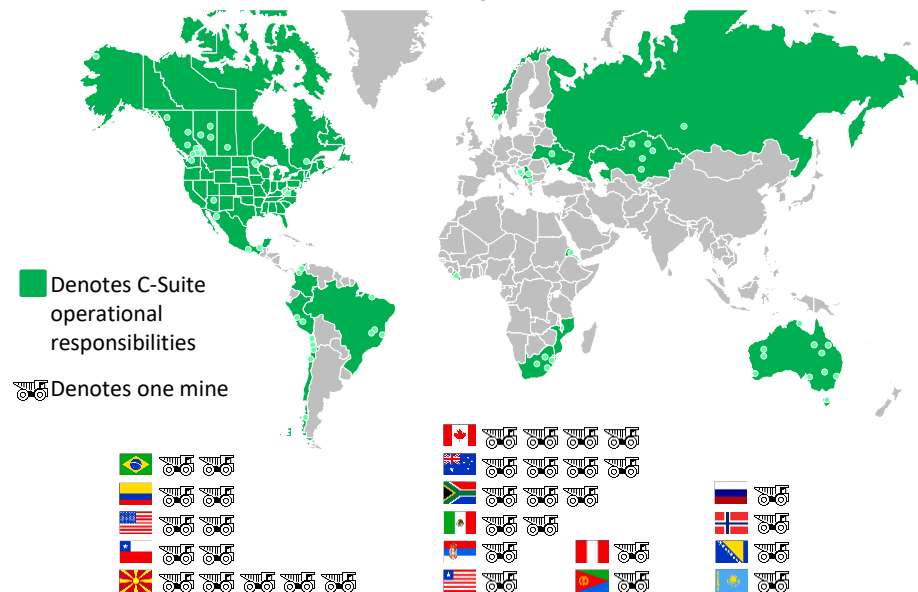


- ✓ Global experience with deep operational expertise
- ✓ Proven leader
- ✓ Well-known and respected by the mining community and the capital markets

## Broad Leadership and Operating Experience

Company	Tenure	Role	Mines/Projects	Asset Locations
	2018 – 2017	President & CEO	1 operating mine; 1 major development project	Eritrea, Serbia, Macedonia
	2017 – 2015	Non-Executive Director	13 operating mines	Australia, South Africa, Mozambique, Brazil, Colombia, US
	2013 – 2008	Chief Executive, Mining	27 operating mines; 3 major development projects	12 countries
	2008 – 2006	COO	15 operating mines, 1 refinery, 2 major development projects	Canada, Peru, Chile, US
	2006 – 2001	COO	19 operating mines, 8 development projects	Canada, US, Peru, Chile, Dominican Republic, Jamaica and Norway
	2001 – 1997	Antamina Copper Manager	World-class greenfield development project	Peru

## A Proven Leader with Global Experience



## Analyst Commentary

“Nevsun announced today that Peter Kukielski will be replacing Cliff Davis as the President and CEO effective May 12, 2017. In our view this is a **positive appointment**, bringing an **experienced** and **well-known executive** on board to help move the Timok project forward”  
 BMO Capital Markets – May 8, 2017


“In our view, Mr. Kukielski’s **operational and commissioning experience could greatly benefit the company** at this stage as it continues to work through technical issues at the Bisha mine and advances the development of the Timok project”  
 TD Securities – May 8, 2017



# Peter Kukielski

Proven experience defining, communicating and executing on a holistic business strategy across multiple mining projects and jurisdictions



-  **Leadership**
-  **Operational Expertise**
-  **Shareholder Engagement**
-  **Strategic Thinking**

## Biography

- More than 30 years of extensive global experience within the base metals, precious metals and bulk materials sectors, having overseen operations across the globe for companies such as BHP Billiton, ArcelorMittal, Teck Resources, Falconbridge and Nevsun
- Most recently held the CEO role at Nevsun Resources
  - During his tenure, Total Shareholder Return for Nevsun investors was 93%
- Chief Executive Officer of Anemka Resources, a private company backed by Warburg Pincus formed to invest in global mining assets
- Chief Executive, Mining for ArcelorMittal, responsible for 27 operating mines and three major development mines, distributed across 12 countries
- Chief Operating Officer of Teck Resources, responsible for the company’s base metals, gold and coal mines
- Falconbridge (originally Noranda), serving in a variety of senior roles, including Chief Operating Officer and overseeing 19 operations and 8 development projects in Canada, USA, Peru, Chile, Dominican Republic, Jamaica and Norway
- BHP Billiton, serving as Engineering and Commissioning Manager on the Antamina Project, a world-class greenfield development project in Peru

“ Mining is a long-term industry. We’re going to make decisions with a long-term perspective and with a focus on maximizing value for our stakeholders, keeping our people safe and being contributing members of our communities. ”

- Peter Kukielski

# Peter Kukielski: A Highly-Regarded Leader In Mining

Trusted Leadership



“ Peter has shown the strong leadership and expertise... He successfully managed our mining business during one of the most challenging periods for the steel industry in recent history.

Through his work we have been able to strengthen the foundations for ArcelorMittal to become a truly integrated global steel production and mining business.



Lakshmi N. Mittal *(emphasis added)*  
Chairman and CEO of ArcelorMittal







# Our Plan of Action

With guidance from the proposed new Board, proposed CEO Peter Kukielski and the management team will undertake a comprehensive review and implement a strategic plan for Hudbay

## Short-Term Plan

### Accountability

- Immediately set a culture focusing on accountability

### Capital Allocation

- Instill capital allocation strategy that focuses on ROIC

### Portfolio Optimization

#### Stakeholder Engagement at Constanca

- Develop a robust stakeholder engagement strategy at Constanca

#### Holistic Rosemont Strategy

- Establish a risk-adjusted strategy at Rosemont that accounts for litigation, capital costs, financing gaps, partnerships, operational risk and capital allocation

#### Fulsome Review of Manitoba

- Assess Manitoba to identify opportunities to maximize value for shareholders and all stakeholders

### Performance

- Consistently deliver on performance guidance

## Long-Term Plan

### Productivity-Oriented Culture

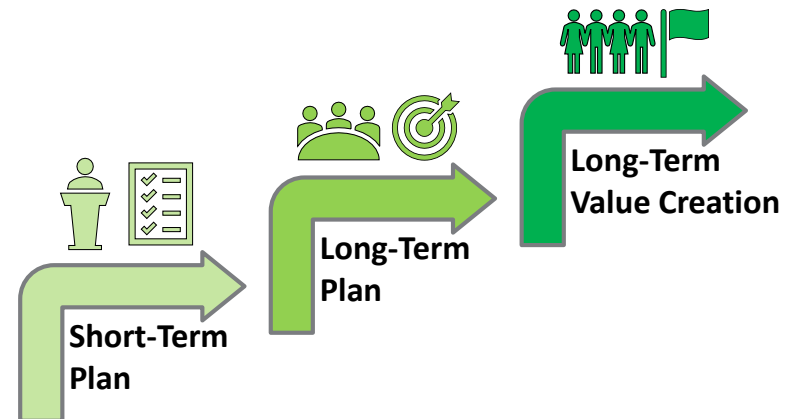
- Foster a culture that promotes workplace productivity and accountability and rewards the Company's hard-working and effective employees

### Growth Opportunities

- Evaluate growth opportunities at the appropriate times

### Mining Technology and Innovation

- Promote the implementation of cutting-edge mining technology and innovation into the Company's operations to improve productivity



**New Hudbay will define a strategic vision that focuses on creating long-term shareholder value**





## LONG-TERM SOLUTION:

NEW HUSBAY WILL IMPLEMENT MEANINGFUL CRITERIA TO EFFECTIVELY EVALUATE MANAGEMENT PERFORMANCE THAT IS CONSISTENT WITH THE COMPANY'S CORPORATE STRATEGY OF MAXIMIZING SHAREHOLDER RETURNS

### Hudbay's Current Performance Evaluation:



#### Overlapping Performance Metric:

Hudbay is still using antiquated criteria for evaluating management; the same corporate scorecard is used to determine the outcome of both the short-term incentive plan ("STIP") and long-term incentive plan ("LTIP")



#### Insufficient Market Disclosure:

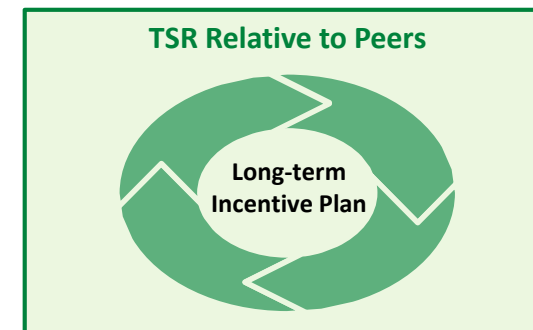
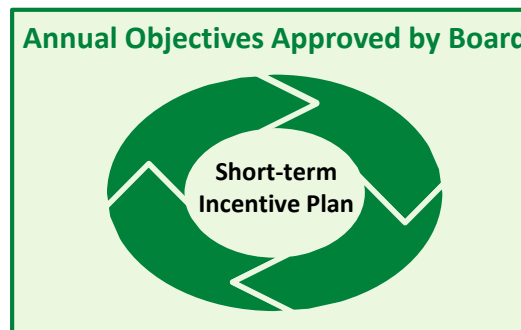
The board arbitrarily revises the final score and there is no clear indication how it is calculated in relation to performance metrics versus discretionary measures used



#### Lack of TSR Integration:

Compensation determination is not sufficiently focused on returns, resulting in a lack of shareholder alignment

### New Hudbay's Performance Evaluation:



#### Distinct Performance Metrics:

The Nominees will use best-in-class practices to bifurcate assessment criteria into short-term and long-term factors. The STIP will be focused on a tighter set of annual objectives approved by the Board, while a material proportion of the LTIP will be based on TSR relative to Peers



#### Transparent Market Disclosure:

The Board will establish clear objectives and will be transparent regarding how management is assessed. **The goal posts will not arbitrarily move after the fact**



#### TSR Integration:

TSRs will be the key driver for the LTIP. Awarding share units based on the Company's TSR relative to its Peers will align the interests of management and New Hudbay's shareholders

New Hudbay's core values: Accountability, Integrity, Respect and Transparency

# Richard Nesbitt: Our Proposed Chairman and a Tenacious "Blue-Chip" Leader



- ✓ Led some of Canada's largest and most important financial institutions
- ✓ Proven track record of revamping companies' strategic direction and culture

## Leader with Blue-Chip Experience

Company		Role
	The premier organization that defines thought leadership in risk management for the financial industry globally	CEO
	Leading North American financial institution offering Personal/Business/Commercial Banking, Wealth Management and Capital Markets services	COO of CIBC Bank and Chairman and CEO of CIBC World Markets
	Integrated, multi-asset class exchange group operating the Toronto Stock Exchange	President and CEO of the TSX Group (the predecessor to the TMX Group)
	One of the largest banking groups in the world and the largest foreign-owned bank in Canada	President and CEO of HSBC Securities Canada

## Track Record of Implementing Seminal Change



### TSX GROUP AND MONTRÉAL EXCHANGE JOIN FORCES TO CREATE TMX GROUP

"This combination grows out of a **common vision for the future of the Canadian capital markets**. Customers in Canada and internationally will benefit from **increased liquidity levels, accelerated product development, a fully diversified product suite, and superior technology**," said Richard Nesbitt, Chief Executive Officer of TSX Group. Luc Bertrand, President and Chief Executive Officer of the Montréal Exchange continued, "The new group will **redefine the Canadian capital markets and strengthen its global positioning**. TMX Group will list, trade, clear and offer market data for both cash and derivatives markets across multiple asset classes."

**TSX & Montreal Exchange Joint Press Release, Dec-10-2007**



# Richard Nesbitt

**Strong, steadfast and tenacious leader who has decades of senior corporate experience and a clear vision to improve the Company's culture and implement a Company-wide focus on accountability and corporate governance**



✓ **Corporate Governance**

✓ **Shareholder Engagement**

✓ **Corporate Strategy Implementation**

✓ **Stakeholder Relations**

## Biography

- Led some of Canada's largest and most important financial institutions and has executed some of the country's leading corporate transactions
- President and Chief Executive Officer of the **TSX Group** (the predecessor to the **TMX Group**)
- Chairman and Chief Executive Officer of **CIBC World Markets** and the Chief Operating Officer of **CIBC Bank**
- President and Chief Executive Officer of **HSBC Securities Canada**
- President and Chief Executive Officer of the **Global Risk Institute**
- Adjunct Professor at the **Rotman School of Management**, University of Toronto
- Visiting Professor at the **London School of Economics**
- Visionary Award from Women in Capital Markets for his work throughout his career to sponsor gender diverse management teams

“ *Accountability is the backbone of any good business and our Board plans to set a culture of accountability at New Hudbay. In my experience, people who perform well actually prefer to be accountable—let's empower those people at our Company.* ”

- Richard Nesbitt



# Long-Term Vision for Hudbay's Assets

**LONG-TERM SOLUTION:**  
 NEW HUBBAY WILL TAKE A LONG-TERM AND HOLISTIC APPROACH TO THE COMPANY'S ASSETS, WITH A VIEW OF MAXIMIZING SHAREHOLDER VALUE

*High-Quality Portfolio*

*Current management's and Board's short-term myopic focus*

*New Hudbay's more holistic strategy focused on long-term shareholder value*



**CONSTANCIA**

Secure Pampacancha surface rights

- ✓ Implement proven strategies to rebuild the broken trust between Hudbay and all of its stakeholders
- ✓ Secure Pampacancha surface rights

**ROSEMONT**

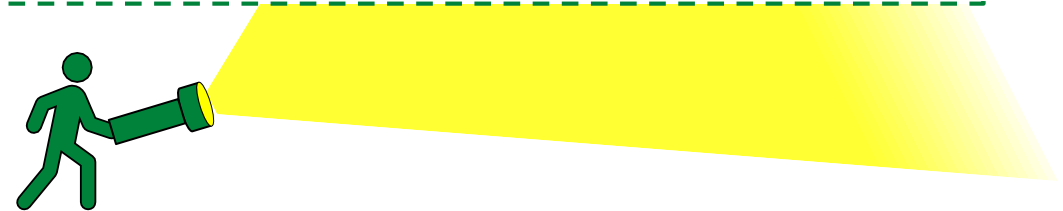
Obtain the 404 Permit and begin construction

- ✓ Formulate a risk-adjusted holistic strategy:
  - Update capital costs
  - Obtain the 404 Permit
  - Establish a litigation strategy
  - Meaningfully assess operational risk with a focus on dry-stack tailings
  - Effectively evaluate capital allocation, financing strategies and partnerships

**MANITOBA**

Develop mine plan for Lalor

- ✓ Consistent with its corporate strategy to optimize its portfolio, New Hudbay will assess Manitoba to identify opportunities to maximize value for its shareholders and all stakeholders
- ✓ Develop mine plan for Lalor





# Stakeholder Plan at Constanca

**LONG-TERM SOLUTION:  
NEW HUBBAY WILL IMPLEMENT PROVEN STRATEGIES TO REBUILD THE BROKEN TRUST BETWEEN HUBBAY AND ALL OF ITS STAKEHOLDERS AT CONSTANCIA**

## ON-THE-GROUND DILIGENCE CONDUCTED

Local experts were engaged to conduct **extensive on-the-ground due diligence** in the Districts of Chamaca, Livitaca and Velille and the communities that lie within the Area of Direct Influence of the Constanca and Pampacancha deposits (including Chilloroya and Uchucarcco). This is what was discovered:

**As a direct result of wrongdoings in the past (on which there is vast public disclosure), Hubbay has empowered a select few individuals in the community who have employed negotiation tactics that do not take into consideration the interest of the broader community**

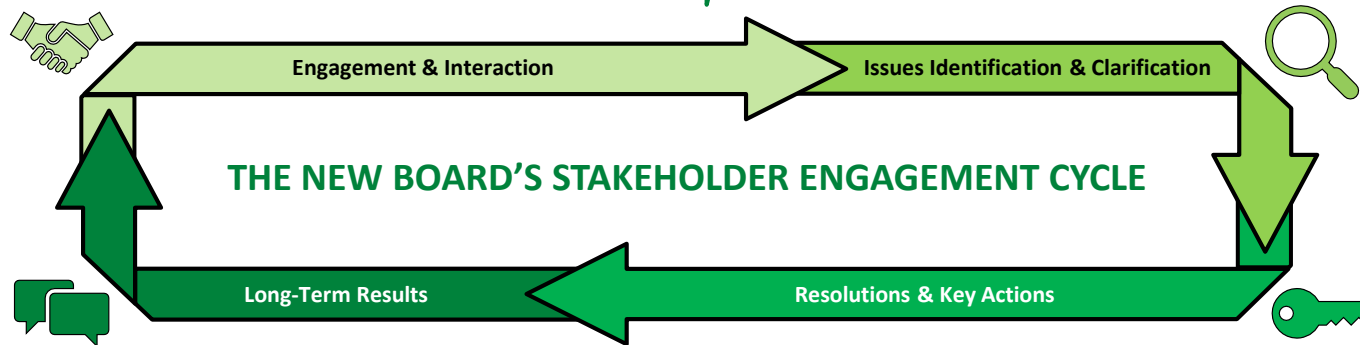
- This has resulted in an **inability for Hubbay to effectively manage and advance value creation initiatives** that require broad stakeholder support

*Proven strategies are required to rebuild the broken trust between Hubbay and all of its stakeholders at Constanca and Pampacancha*

## STRATEGY GOING FORWARD

The new Board will task management to oversee the development and implementation of a proven stakeholder engagement strategy that:

- **Takes into consideration the interests and concerns** of *all* relevant stakeholders;
- **Recognizes and empowers community leaders that want positive development** and progress for *all* members of the neighboring communities;
- **Is based on a consistent and clear message** to be socialized with the Company's stakeholders—new rules of engagement;
- Will utilize techniques and **approaches that have been developed and applied in the past and proven to be effective** in managing similar issues at other mines in Peru; and
- **Will be appropriately socialized at all levels** of government to secure political buy-in with all relevant parties



**New Hubbay's stakeholder strategy and execution plan will aim to create a sustainable and symbiotic relationship between the Company and the communities**



**Extensive open pit mining experience in Peru, along with a deep political and social network to help resolve the stakeholder issues at Constanca**



 **Stakeholder Engagement**

 **Peruvian Expertise**

 **Operational Expertise**

## Biography

- Peruvian national and resident with an invaluable local network, and decades of mine operating and stakeholder experience in Peru
- Vice President of Operations of Hochschild Mining (reporting directly to the CEO)
  - Responsible for the oversight of five active mining operations with more than 10,000 employees in Peru, Mexico and Argentina
- Chief Executive Officer of Gold Fields, Peru, responsible for the Cerro Corona mining unit
- Special Compliance Unit of the Peruvian Government, responsible for monitoring the advancement of certain special projects under the direct report and supervision of the Peruvian Prime Minister
- Independent Director of the largest Peruvian construction company, Graña y Montero

“ *It is very important to make sure prosperity for the local communities remains sustainable after the conclusion of the operation. Getting the communities appropriately involved with the operation ensures this.* ”

- Ernesto Balarezo



# Daniel Muñoz Quintanilla

Uniquely positioned to leverage his vast South American senior executive expertise from Southern Copper in stakeholder engagement, capital allocation and financing strategies



**Stakeholder Engagement**



**Peruvian/South American Expertise**



**Capital Allocation Strategy**



**Financing Strategy**

## Biography

- Managing Director and Executive Vice President of Americas Mining, the holding company of the Mining Division of Grupo Mexico, which has operations in Peru, Mexico, US and Spain
  - Member of Board of Directors and Executive Vice President of Southern Copper, a subsidiary of Americas Mining
  - Led several successful M&A, joint venture and other similar transactions leading to the acquisition and integration of several world-class assets into Grupo Mexico
- Executive President & Chief Executive Officer of Industrial Minera Mexico, the Underground Mining Division of Grupo Mexico
- Chief Financial Officer of Grupo Mexico, during which time he successfully raised more than \$6 billion for the company through a variety of securities, including bonds, structured bonds and project finance



*I have overseen some of the largest mines in Peru at which we successfully dealt with very complicated stakeholder matters. The stakeholder issues at Constancia are complicated, but not novel. By leveraging my experience, I can provide our management team with some meaningful thought leadership on these matters.*



- Daniel Muñoz Quintanilla



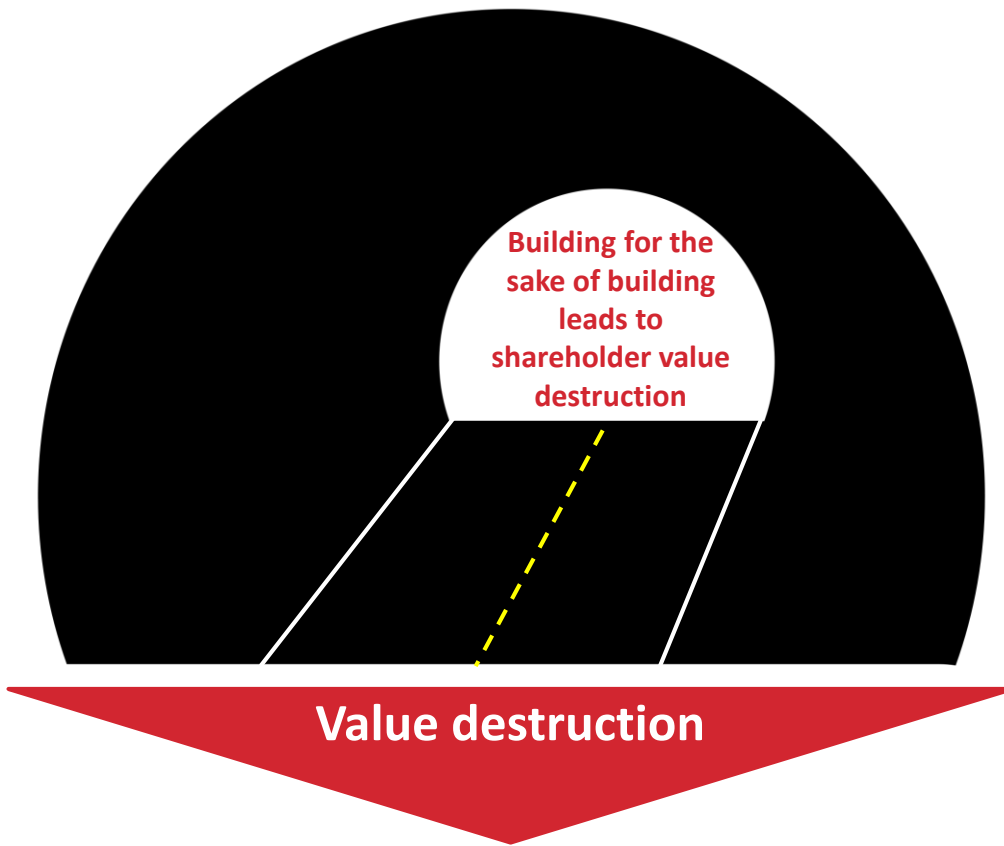


# Rosemont: Multi-Disciplinary Review

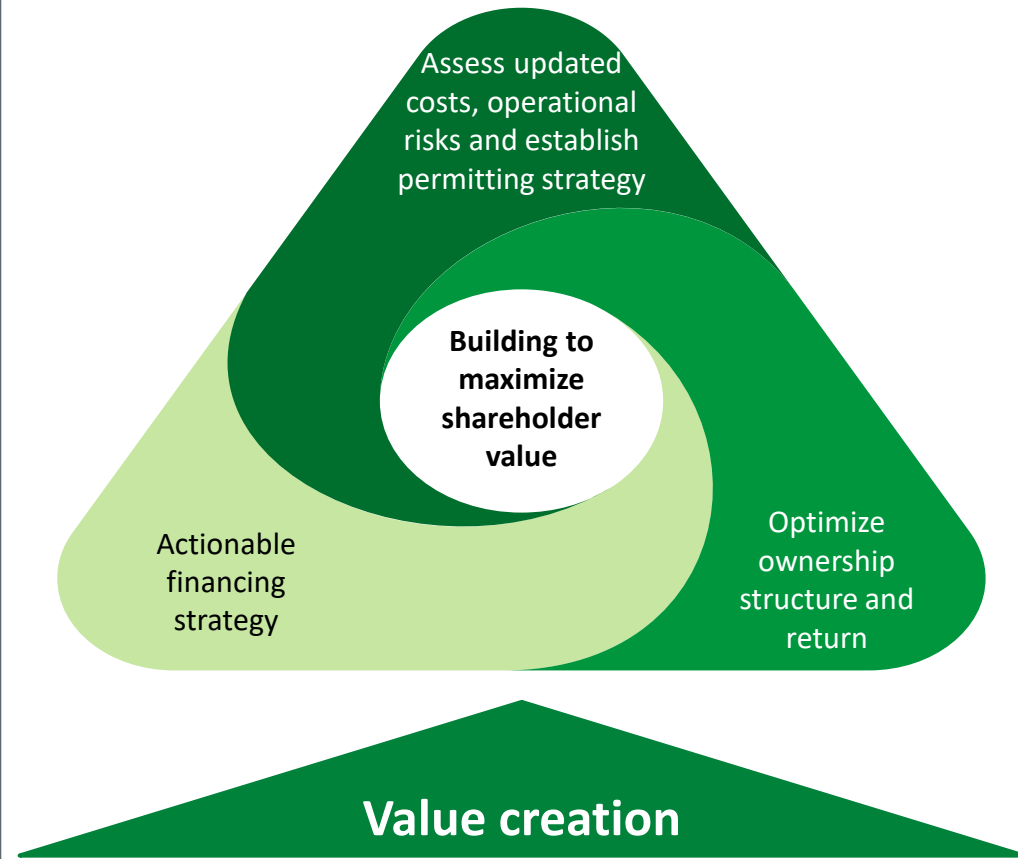
## LONG-TERM SOLUTION:

NEW HUBBAY WILL LOOK BEYOND THE CURRENT “TUNNEL-VISION” APPROACH AT ROSEMONT AND COMPLETE A COMPREHENSIVE AND MULTI-DISCIPLINARY ANALYSIS TO ENSURE THAT THE BEST CAPITAL ALLOCATION DECISIONS ARE MADE FOR THE PROJECT

Guiding towards a construction decision without a meaningful capital allocation strategy and incomplete operational and financial plan is value destructive



Build Rosemont only with accurate information and an actionable financing and partnership plan, all in accordance with an adopted capital allocation strategy





# Rosemont: Litigation and Permitting Strategy

**LONG-TERM SOLUTION:  
NEW HUSBAY WILL IMPLEMENT AN EFFECTIVE PERMITTING AND LITIGATION STRATEGY  
AND A TRANSPARENT SHAREHOLDER COMMUNICATION PLAN TO REGAIN THE TRUST OF THE MARKET**

New Husbay's Strategy

**1 Mr. Deisley will fill the existing knowledge gap on the Board relating to US permitting and litigation matters**

Mr. Deisley has:

- Developed, implemented and overseen proven strategies for securing major federal and state permits for large complex mining projects in the US, most recently at Donlin Gold
- Extensive experience with NEPA and 404 permits, amongst other matters

Mr. Deisley will provide the Board with important context on permitting and litigation matters so that the Board can:

- Make more informed decisions relating to permitting and litigation at Rosemont
- Make better decisions across other disciplines and avoid the clear strategic missteps that the incumbent Board has made in the past (e.g., 2017 equity financing)

**2 A permitting and litigation strategy focused on efficiency**

Management will implement a cogent permitting and litigation strategy that:

- Considers opportunities to supplement the Administrative Record for the 404 Permit to add efficiencies to legal proceedings
- Mandates close coordination with regulatory agencies' defense attorneys to ensure maximum effectiveness in defending existing and pending permit appeals
- Revamps Husbay's political strategy to ensure that the Company avails itself of the full suite of regulatory efficiencies offered by the current US administration

**3 Implement a market communication plan focused on transparency**

Supported by the Board, management will develop a shareholder communication plan for Rosemont that:

- Demonstrates a clear understanding of the facts relating to the permitting of the project and related litigation
- Provides accurate and realistic disclosure on permitting and litigation matters which will result in increased shareholder and market confidence





# David Deisley

**Extensive experience in US permitting and regulatory matters and South American stakeholder and community engagement, two areas of expertise that are critical for unlocking value at Rosemont and Constanca**



-  **US Permitting Expertise**
-  **Stakeholder Relations**
-  **Legal Expertise**
-  **South American Expertise**

## Biography

- Highly-regarded corporate mining lawyer and permitting professional with over 30 years of specialized experience on corporate matters within the mining sector, US permitting matters and South American permitting and stakeholder relations
- Recently retired as General Counsel of NOVAGOLD
  - Led the permitting of the company’s flagship project in Western Alaska (Donlin Gold), which secured a joint federal Record of Decision from the Corps of Engineers and the Bureau of Land Management and a 404 Permit
- Executive Vice President, Corporate Affairs and General Counsel at Goldcorp with responsibility for Goldcorp’s community engagement with indigenous communities in Canada and Latin America
- General Counsel at Barrick Gold at the regional and country levels responsible for permitting and community and stakeholder relations in Nevada, Chile and Peru

“ I have decades of experience with permitting, regulatory and litigation matters in the United States and have successfully permitted some very complicated projects. Given the opportunity, I would bring my core expertise to the Hudbay Boardroom so that the Board’s decisions can have the appropriate context on these critical matters that have a significant impact on Hudbay’s stakeholders. ”

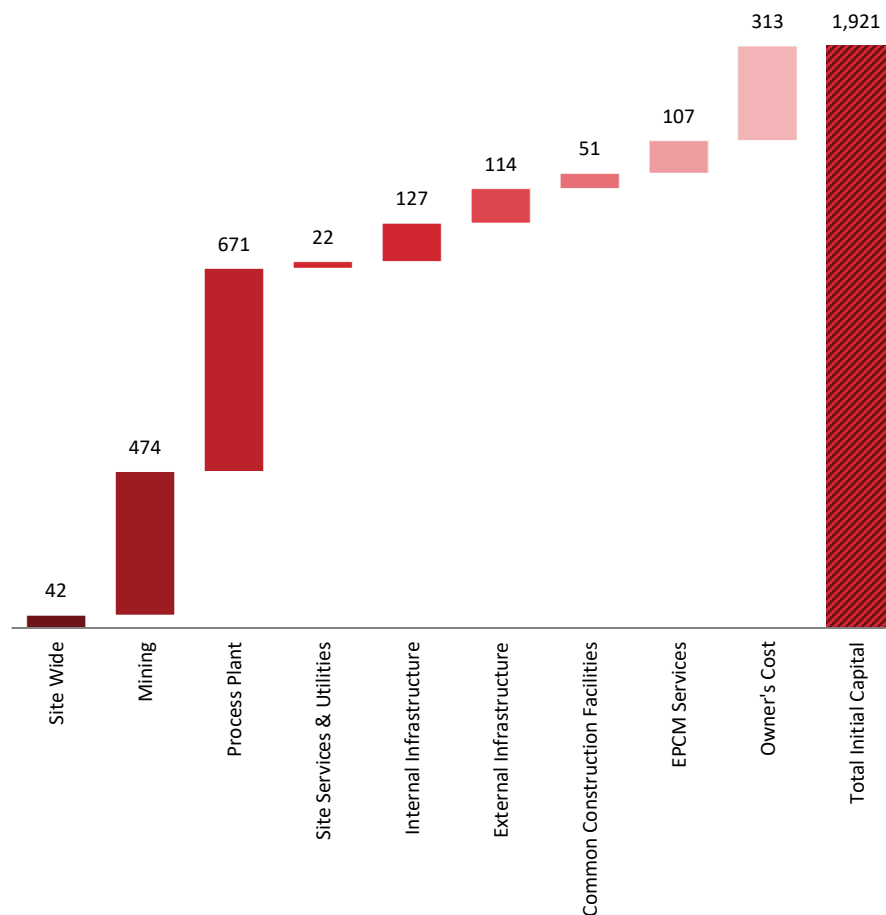
- David Deisley



# Rosemont: Capex and Construction

## LONG-TERM SOLUTION: NEW HUBBAY WILL EVALUATE AND UPDATE CAPEX AND OUTLINE A CLEAR DEVELOPMENT STRATEGY FOR ROSEMONT

Rosemont Initial Capital Cost (\$mm)



### Board will task management to undertake a best-in-class review of the capital costs at Rosemont

- ✓ Commission a study to update capital estimates
  - Complete a detailed review of the current capital estimates, which were last generated ~2 years ago, taking into account:
    - Inflation adjustments
    - Updated cost estimates
    - Commodity price assumptions
    - Long-lead items
    - Risk assessment
- ✓ Complete a detailed review of the current project execution strategy
  - EPCM contracts
  - Advanced engineering
  - Lump-sum contracts for certainty
  - Mining optimization and equipment selection
  - Operability
- ✓ Outline a clear project execution strategy based on updated capital and cost numbers

# Rosemont: Dry-Stack Tailings Mitigation Strategy



## LONG-TERM SOLUTION:

AT THE SCALE THAT HUBBAY IS PROPOSING, THE DRY-STACK TAILINGS PRESENT UNIQUE COMPLEXITIES AT ROSEMONT THAT WERE NOT PRESENT AT CONSTANCIA—NEW HUBBAY WILL HAVE THE EXPERTISE TO ADDRESS THESE ISSUES EFFECTIVELY

Hudbay's messaging to the market that the construction of Rosemont will be similar to the construction of Constancia is a gross oversimplification – these projects are *vastly different*

### Constancia – Conventional Tailings Management



### Rosemont – Dry-Stack Tailings



- While more environmentally friendly, the Rosemont project requires 20 filter presses, each consisting of over 100 filter plates, through which tails need to pass before they can be stacked
- The skill set of current Hudbay, which constructed a conventional tailings facility at Constancia, is not necessarily transferrable to Rosemont

### Develop a Meaningful Dry-Stack Risk Mitigation Strategy

- Leverage and rely on New Hudbay's network of highly-specialized professionals with experience in dry-stack operations for support at Rosemont
- Establish early ownership of the dry-stack tailings risk
- Ensure procurement and construction at Rosemont are conducted in a manner that appropriately allocates risk among Hudbay and its construction partners
- Identify and develop strategies to risk manage the major threats that could cause operational downtime at Rosemont and generate appropriate redundancies



**Extensive experience in mining tech, tailings management and water technology with necessary leadership experience to drive a culture that promotes innovative thinking**



-  **Water and Tailings Management**
-  **Mining Technology**
-  **Innovation Strategy**

## Biography

- Extensive experience with tailings management, water issues and mining technology
- Rhodes Scholar and PhD in Physical Chemistry from Oxford University
- Director of Technology Development/Managing Director for Water and Innovation at Hatch
  - Led the development and deployment of new technology projects in the areas of mining, metallurgy, power, water, among others
  - Oversaw the tailings groups in North and South America during the development of projects focused on the effective use of water
- Principal Engineer and Manager of the Composite Materials Engineering Group at Xerox Research, where she spent over 10 years and co-invented 21 patents
- Professor of Engineering Leadership and Director, Troost Institute, University of Toronto
- Professor at the Institute for Studies in Transdisciplinary Engineering Education and Practice, University of Toronto
- Named one of the “100 Global Inspirational Women in Mining”

“ Tailings management is a critical issue for all mining companies and I will bring my years of experience with tailings management to New Hudbay’s Board. In the long-term, I will work with management to develop an appropriate mining technology strategy that is driven by productivity.

- Emily Moore



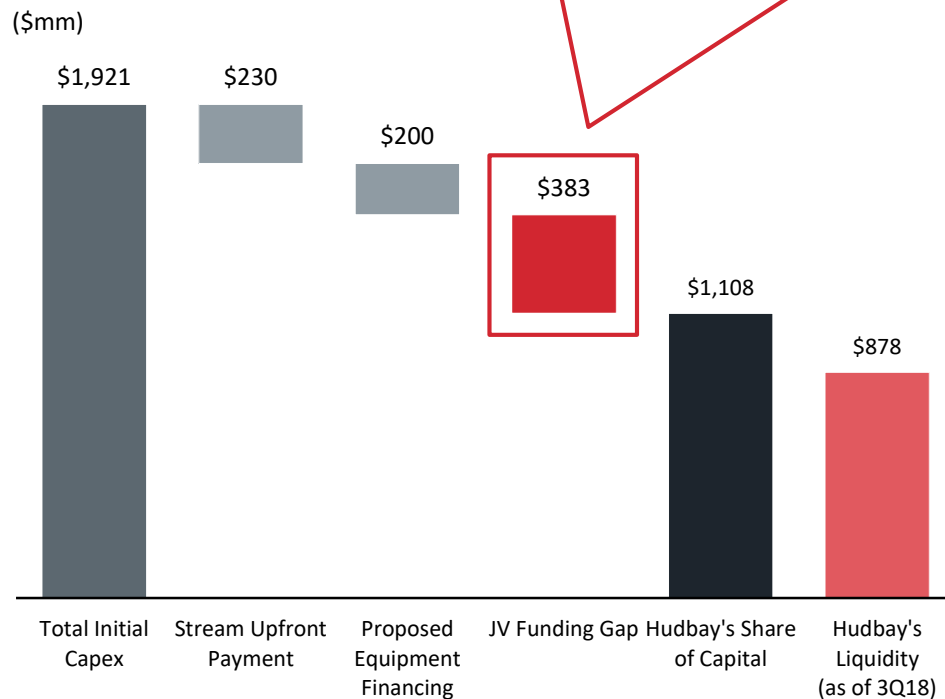


# Addressing the Funding Shortfall

**LONG-TERM SOLUTION:  
NEW HUSBAY WILL ADDRESS THE PUBLICLY-ACKNOWLEDGED FUNDING GAP AT ROSEMONT  
BY EVALUATING OPTIMAL FINANCING AND PARTNERSHIP ALTERNATIVES FOR THE ASSET**

Hudbay continues to guide shareholders that it expects significant Rosemont capital to come from its joint venture partner, **even though it has stated publicly that it expects United Copper & Moly LLC ("UCM") not to complete the earn-in or fund its share of capital.**

*"Our expectations are the Koreans [UCM] will exit."*  
**Alan Hair – January 17, 2019**



## Necessary Experience

- ✓ The Nominees have:
  - Extensive recent experience assessing financing and partnership alternatives for project development
  - Familiarity with the universe of joint venture partners, lenders, strategic investors, advisors and other stakeholders that would play a key role in a holistic financing strategy for Rosemont

## Suggested Approach

- ✓ Initiate a strategic process to assess financing and partnering alternatives for Rosemont
- ✓ Establish and foster relationships with existing financial partners
- ✓ **Identify the optimal risk-adjusted project financing alternative to fund Rosemont, in accordance with a defined capital allocation strategy**





**Extensive boardroom experience overseeing capital allocation and financing strategies, with a long history of corporate governance and cross-functional Board committee memberships**



 **Corporate Governance**

 **Corporate Strategy Implementation**

 **Capital Allocation Strategy**

 **Financing Strategy**

## Biography

- Executive Vice President and Chief Financial Officer of Finning International, a major equipment supplier to the mining industry with significant operations in Canada and South America
- 16 years in various senior executive roles at Placer Dome with extensive experience in North and South America
  - Involved in the acquisition, development, financing and operations of base/precious metal mines
- Corporate Director at Pretium Resources
  - Chair of the Audit Committee and member of the Compensation Committee
- Corporate Director at Nevsun
  - Chair of the Audit Committee, member of the Corporate Governance Committee and oversaw the strategic review leading to the C\$1.8 billion take over offer from Zijin Mining
- Corporate Director at Dominion Diamond
  - Chair of the Audit Committee, member of the Compensation Committee and member of the Special Committee that led \$1.2 billion sale to Washington Companies

“ For any project, having an effective financing and partnering strategy is key. Given the recent strategic processes that Peter has led in the sector, I am confident he has the know-how and, importantly, the network to devise an actionable financing strategy for Rosemont. I will bring my vast experience on these issues to the Boardroom as well to ensure that we are asking all of the right questions.

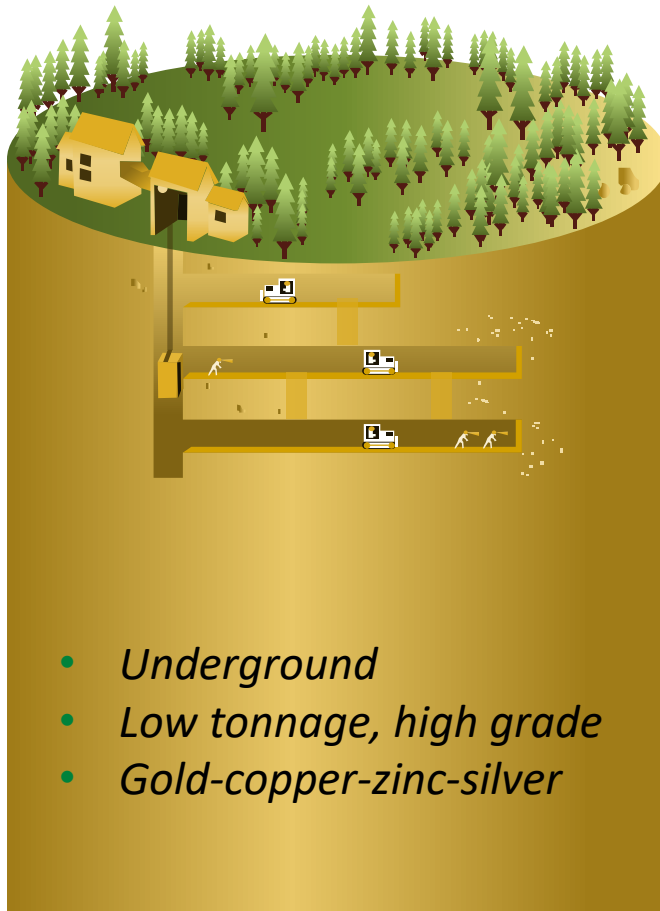
- David Smith ”



# Holistic Review for Manitoba

**LONG-TERM SOLUTION:  
NEW HUSBAY WILL UNDERTAKE A FULSOME REVIEW OF MANITOBA  
TO ASSESS HOW TO MAXIMIZE LONG-TERM SHAREHOLDER VALUE**

## MANITOBA



- *Underground*
- *Low tonnage, high grade*
- *Gold-copper-zinc-silver*

## OBJECTIVE EVALUATION



### FRESH PERSPECTIVE

- Consistent with its corporate strategy to optimize its portfolio, New Hudbay will assess Manitoba to identify opportunities to maximize value for its shareholders



### STAKEHOLDER ENGAGEMENT

- Fully engage with federal, provincial and local governments, employees, unions, indigenous groups, neighboring communities, key service providers etc. to better understand how best to create value for all stakeholders



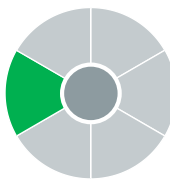
### MINE PLAN

- Optimize and complete the mine plan update for the Lalor mine



### PROVEN TRACK RECORD

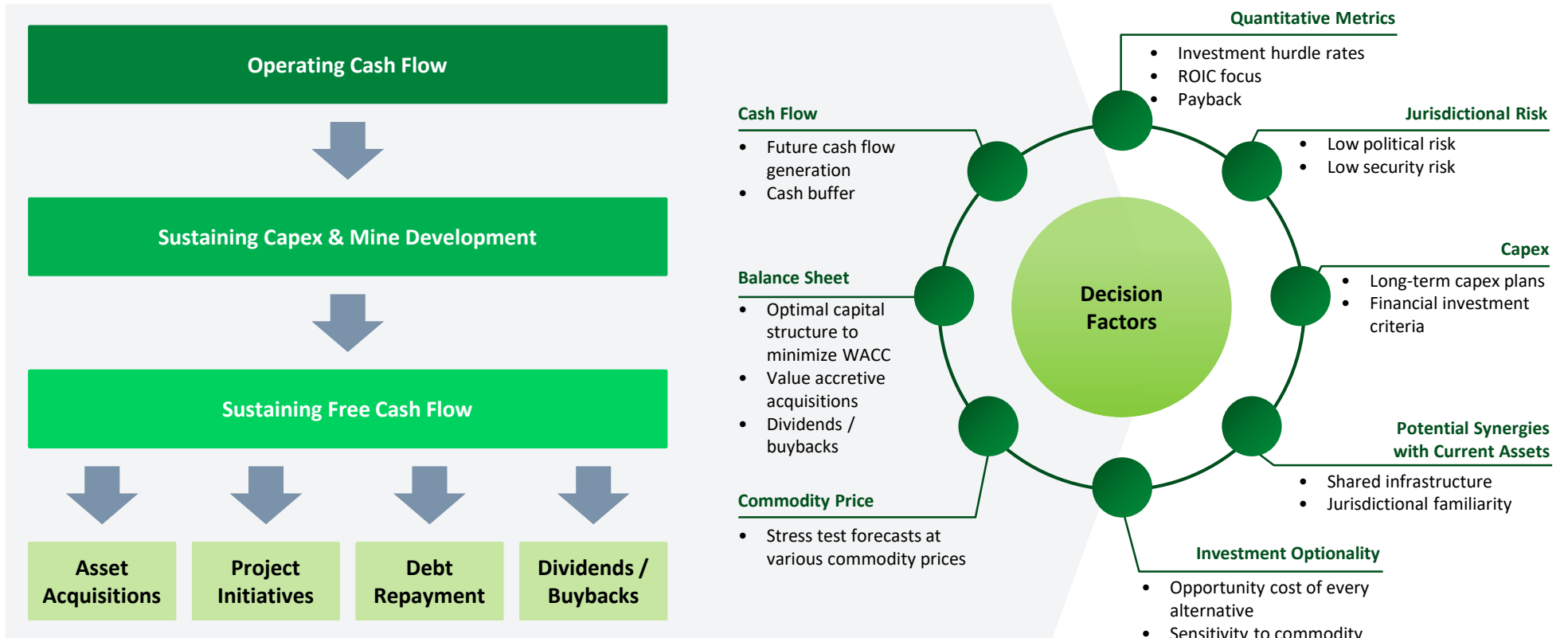
- The Nominees have a proven track record of successfully managing complex portfolios and optimizing assets to maximize long-term value for shareholders



# Capital Allocation Strategy

## LONG-TERM SOLUTION:

NEW HUBDAY WILL IMPLEMENT A CLEAR CAPITAL ALLOCATION STRATEGY THAT INCLUDES INVESTMENT HURDLE RATES AS A KEY DECISION FACTOR WHICH WILL FOCUS ON MAXIMIZING LONG-TERM SHAREHOLDER VALUE



Capital will only be thoughtfully allocated based on a defined strategy, and only if certain ROIC metrics are met



# Performance Values

## LONG-TERM SOLUTION:

**NEW HUBBAY WILL ESTABLISH PERFORMANCE OBJECTIVES WITH A FOCUS ON APPROPRIATELY GUIDING THE MARKET AND DELIVERING ON THOSE OBJECTIVES TO CREATE VALUE FOR ALL SHAREHOLDERS**

### Performance Strategy

#### 1 Health, safety, environment and community

Identify and manage significant risks to:

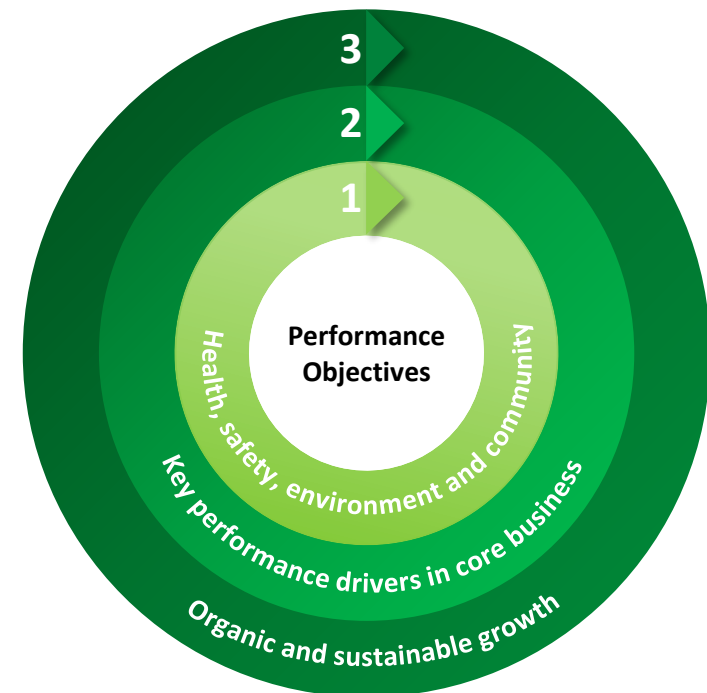
- Reduce fatalities
- Improve safety and health results
- Reduce environmental incidents
- Improve community relations

#### 2 Key performance drivers in core business

- Initiatives to improve efficiencies, increase recoveries, reduce costs and advance the progress of projects
- Delivery on production and cash cost guidance
- Optimize performance of existing assets
- Adopt strategic initiatives to address stakeholder engagement challenges that are hindering organic growth

#### 3 Organic and sustainable growth

- Execute on project development initiatives
- Successfully advance exploration activities
- Develop a long-term organic growth pipeline





**Comprehensive open pit copper mining expertise and extensive experience with constructing and operating large-scale open pit copper mines in the Americas**



 **Operational Expertise**

 **Project Construction**

 **Peruvian/South American Expertise**

 **Corporate Governance**

## Biography

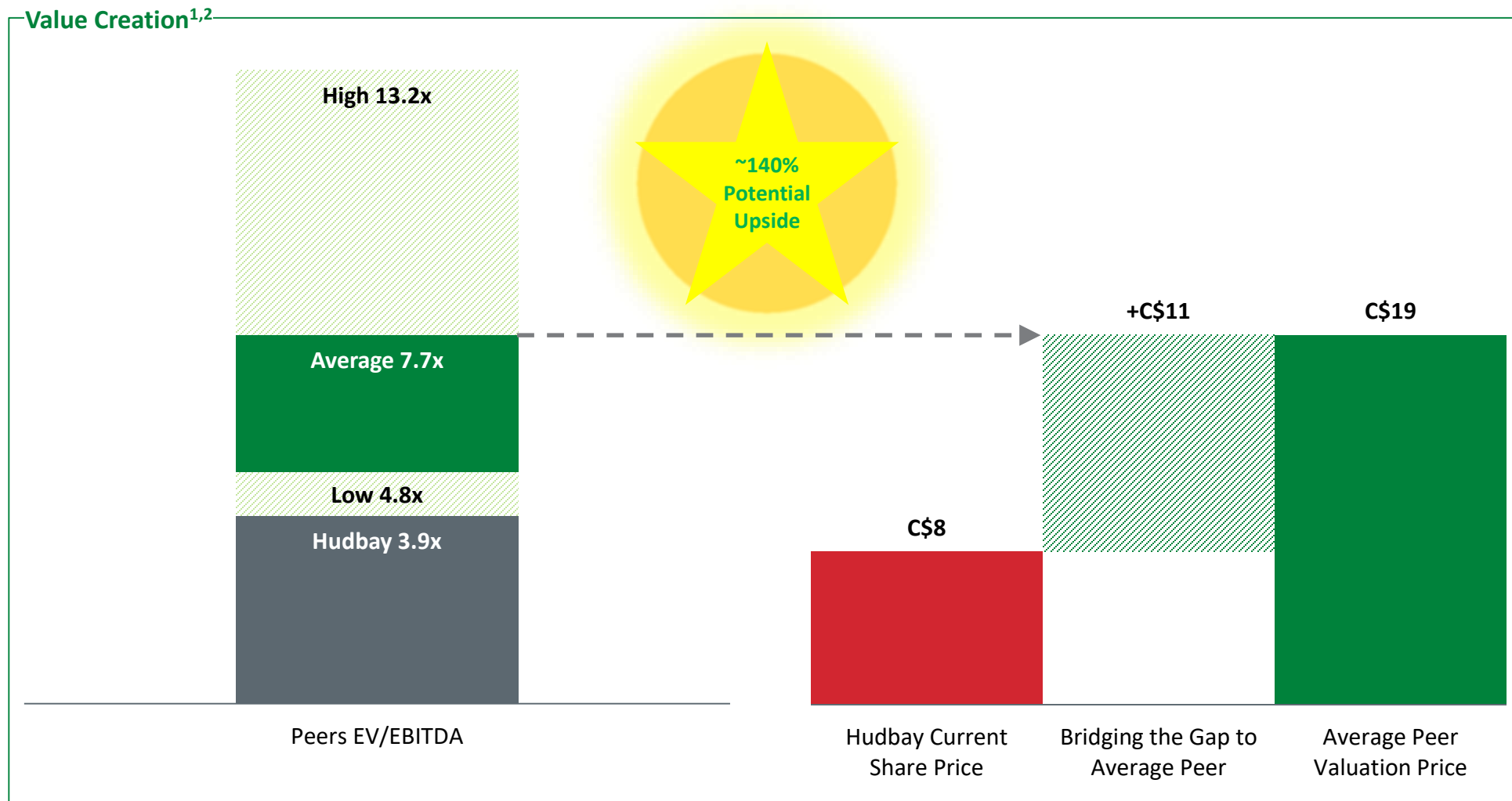
- Over 30 years of experience in the base and precious metals industry, with a focus on South American and US operations and, importantly, mine construction
- Chief Operating Officer of the Base Metals Group of BHP Billiton based in Santiago
  - Responsible for operations, business development and HSEC (health, safety, environmental and compliance), technical support, governance and business improvement within BHP Billiton’s Base Metals Business Group
  - Responsible for the majority of BHP Billiton’s large-scale open pit copper mines in South America
  - Extensive experience in South American government and community relations
- Chair of the Board at SSR Mining, including current and prior roles on the Corporate Governance & Nominating Committee, the Safety and Sustainability Committee and the Compensation Committee

“ Without good performance, you really don’t have much. I will challenge our management team to set appropriate guidance and then, critically, deliver on that guidance. All the while, we need to keep our people safe and secure. ”

- Mike Anglin

# Hudbay's Long-Term Upside Potential

With the new leadership team at the helm and a restoration of market confidence, over the long-term, Hudbay can close the valuation gap to its Peers, and shareholders have the opportunity to benefit from up to a ~140% increase in the share price





## Next Steps





# Fundamental Change Required to Maximize Value for Shareholders

*Start by voting for Waterton's Nominees at the upcoming 2019 Annual General Meeting*





[www.NewHudbay.com](http://www.NewHudbay.com)

## Contact Information

### Investor Contact

#### **Kingsdale Advisors**

Toll-Free (within North America): 1-888-518-1563

Call Collect (outside North America): 1-416-867-2272

E-mail: [contactus@kingsdaleadvisors.com](mailto:contactus@kingsdaleadvisors.com)

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