

HUDBAY

HERE

2012 Corporate Social Responsibility Report

ABOUT HUSBAY

Hudbay is a diversified mining company that produces copper concentrate (containing copper, gold and silver) and zinc metal. We are headquartered in Toronto, Ontario, Canada, and listed on the Toronto, New York and Lima stock exchanges under the symbol HBM.



OPERATIONS

Flin Flon, Manitoba, Canada

- 777 mine
- Flin Flon concentrator
- Zinc plant

Snow Lake, Manitoba, Canada

- Snow Lake concentrator

DEVELOPMENT

Lalor Project, Manitoba, Canada

Constancia Project, Peru

Reed Copper Project, Manitoba, Canada

EXPLORATION

Tom and Jason, Yukon, Canada

Cartagena, Colombia (office supporting early-stage exploration)

Santiago, Chile (office supporting early-stage exploration)

CARE AND MAINTENANCE

Balmat, New York, USA

- Zinc mine and concentrator

Stephenson, Michigan, USA

- Back Forty Project

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Hudbay Here is our 2012 report on corporate responsibility – on the ground, where we are.

As Hudbay grows, we make it a priority to engage with the people living near our sites.

We want them to know that we are here and we want to talk, listen and partner with them to build a successful operation and a thriving, sustainable community.

Strong community relationships are the foundation of our work in corporate social responsibility and are essential for our long-term success.

Get to Know Our People...

→ **Pam Marsden** helps facilitate dialogue between Hudbay employees and First Nations communities in Manitoba, and nurture opportunities for collaboration.
[See page 9](#)



→ **Guillermo Reyes** helped us achieve surface rights agreements with the communities near Constanca.
[See page 14](#)



→ **Freddy Slippers** has been instrumental in embedding the Positive Attitude Safety System and other safe work practices in the Flin Flon mill.
[See page 19](#)



→ **Nazly Torregroza** has helped establish a climate of trust and co-operation between Hudbay and local communities in Colombia.
[See page 24](#)



→ **Julio Roncal** is the environment manager at Constanca, spearheading our efforts to create an environmentally responsible mine.
[See page 30](#)



→ Our 2012 Corporate Social Responsibility (CSR) Report has been prepared in accordance with Global Reporting Initiative (GRI) 3.1 guidelines. This year, we have divided our report into two sections. This Narrative section contains a discussion and analysis of 2012 activities and performance. The Performance Data section contains year-over-year performance data, primarily in the form of tables. Please visit our website to download a PDF version of our 2012 Performance Data: www.hudbayminerals.com/kpd.

RESPONSIBILITY THROUGH THE MINING CYCLE

At every stage of the mining cycle, we strive to be a responsible partner and corporate citizen.

COMMUNITY ENGAGEMENT

We engage with local communities and indigenous peoples at every stage of the mining cycle, seeking to build constructive relationships and enhance the economic, social, civil and cultural well-being of people connected to our activities.



EXPLORATION

Our CSR efforts begin during grassroots exploration, typically our first introduction to a new community. We use leading-edge exploration technology and best practices to minimize our environmental impact.

EVALUATION AND PLANNING

A mine is built only if a mineral deposit is economically feasible, and community and appropriate environmental standards can be met. We conduct environmental and social impact assessments and financial feasibility studies, consult with local stakeholders and obtain all necessary permits.

MINE DEVELOPMENT

We start to put in place the operational, environmental, and health and safety standards and practices that will apply throughout the life of the mine. For jobs and contracts, preference is given to qualified local citizens and businesses.

OPERATIONS

We require our operating facilities to become certified under the ISO 14001 environmental standard and the OHSAS 18001 health and safety standard within two years of start-up, and to follow the Mining Association of Canada's Towards Sustainable Mining protocols. In the workplace and the community, we uphold high standards of honest and ethical behaviour and strive to build capacity to enable people to improve their career and economic prospects.



PRODUCTS

Our products are accompanied by material safety data sheets that provide details on product composition, toxicology, handling, storage and exposure issues. We also meet our product stewardship commitments by collaborating with governments and industry associations such as the International Zinc Association.

CLOSURE AND RECLAMATION

Responsibility continues long after we have finished mining. Closure is an orderly, safe and environmentally sound process. We restore the land through re-greening and rehabilitation programs, and help our employees and communities transition to new jobs and economic activities.

OUR PRODUCTS: COPPER CONCENTRATE AND ZINC



Copper concentrate is sold to smelters in North America and Europe. From there, several stages of melting and purifying the copper content ultimately result in 99.9% pure copper, which is the building block for many of life's essentials, including energy generation and distribution, building products, electronic equipment and anti-microbial applications.

We ship cast zinc metal produced at our Flin Flon zinc plant by rail and truck to industrial customers (primarily galvanizers) throughout North America. Most zinc is used for galvanizing to protect steel from corrosion. It is also used to protect humans in products such as sunscreen (zinc oxide), zinc lozenges and vitamins.

MESSAGE TO STAKEHOLDERS

While our headlines tell the story of a company that marked several mining milestones in 2012, an equally significant accomplishment is our progress in strengthening our community relationships. It matters to us as much as anything else.

Throughout Hudbay's history, we have recognized the importance of good community relationships. What we have learned guides us today. We understand that in order to maintain our social licence to operate and to create long-term value for our company, our shareholders and society at large, we must work in partnership with communities and governments and we must deliver a broader benefit from our presence.

In Manitoba, where Hudbay has operated for more than 85 years, we know the local communities well and they know us well. Most of our employees live and raise their families in these very communities. Their economic well-being is closely linked to our company's success. So we were especially pleased to have avoided layoffs at the closure of our end-of-life Trout Lake and Chisel North mines in Manitoba in 2012. Employees were given the choice of taking an early retirement package or being redeployed at our projects and operations. We were also able to preserve jobs at the Snow Lake concentrator with the installation of a new copper circuit to process initial Lalor ore production. Over the next few years, as the Lalor project progresses, we expect to add some 200 positions at the mine and the new concentrator.

We have well-established stakeholder dialogue and engagement processes in Manitoba. However, we recognized the need to strengthen our connections with First Nations communities near our projects and operations in order to facilitate dialogue and work together to achieve mutually beneficial goals. In 2012, Hudbay actively supported development of the Manitoba Mining Table,

meant to facilitate discussions about government resource revenue sharing with First Nations. We also hired an Aboriginal Liaison Officer, who is engaging with First Nations community members to identify ways that we can work together successfully. She is also raising our awareness of Aboriginal peoples' history and culture through workshops and conversations.

We are in the early stages of relationship building in Peru, having acquired the Constancia project two years ago. Recognizing the importance of community support, we tripled the size of the existing community relations (CR) team and began actively engaging with the communities near the project. In 2011, the CR team worked through a number of issues with these communities related to the transition in ownership and moving the project towards construction. We believe that our approach helped pave the way for us to obtain the principal beneficiation concession (construction permit) from the Peruvian government in June 2012. It also facilitated the signing of life of mine land use agreements with the adjacent communities of Chilloroya and Uchucarco for community-owned land needed to develop the Constancia mine.

The life of mine land use agreements set out Hudbay's commitments to local employment and use of local suppliers and to investments in health, education, production and social development projects, among other things. In each community, a development committee comprising Hudbay and community representatives will approve and oversee the projects being carried out.

Now that the Constancia project is in full-scale construction, as many as 1,100 community members are working at the project. We are also addressing the complex and sensitive issue of resettlement for 36 families residing on land purchased for the mine. Resettlement agreements are negotiated with each family following international standards of fairness and transparency. The agreements include replacement of houses, farmland



David Garofalo

President and Chief Executive Officer

and buildings, and other support and compensation. Our relocation program has also been shaped to support the community development plan created by the community before Constancia.

Our work is also progressing with multiple levels of government and other neighbouring communities in Peru. We were particularly pleased to have reached agreement on a three-way partnership between Hudbay, the community of Chilloroya and the district of Livitaca for the development of a sewage system in Chilloroya, which should be completed in 2013.

Throughout this report, we describe the many initiatives undertaken in 2012 to uphold our commitments to maintain the highest standards of honest and ethical behaviour, keep our employees safe, be a positive community partner, and minimize the environmental impact of our operations. Among the additional highlights, I would like to draw your attention to our safety performance, which was stellar again in 2012 (page 21), our continued implementation of training and development for every stage of an employee's career (page 23), and our advances in biodiversity conservation (page 32). At Constancia, we have made a commitment to no net loss of biodiversity as a result of our activities and have implemented a number of mitigation strategies.

The common denominator in all of our CSR activities is our people. Once again, they demonstrated their exceptional skill, passion and commitment to doing the right thing and to achieving the best possible results for our company, our investors and our communities. On behalf of the Hudbay Board of Directors and our senior management team, I thank them for their contributions.

Sincerely,

David Garofalo
President and Chief Executive Officer

2012 TARGETS AND ACHIEVEMENTS

TARGET	ACHIEVEMENT	DETAILS
HEALTH AND SAFETY		
Target zero lost time accidents	●	Lost time accident frequency of 0.3 equalled our record 2011 performance and was substantially below our three-year average of 0.5.
Reduce accident severity to zero	● ●	Made excellent progress with lost time accident severity declining from 7.5 in 2011 to 3.3 in 2012.
COMMUNITY		
Transition through the closure of the Trout Lake and Chisel North mines, and increase workforces on the Reed and Lalor projects without layoffs	● ● ●	While some employees retired, most were redeployed to new roles at the Reed, Lalor and 777 North projects. The closures did not lead to any layoffs. See pages 16 and 17 for details.
Continue our work with local communities near the Constancia project to help community members gain employment with or provide services to the project	● ● ●	See page 17 for details.
ENVIRONMENT		
Reduce total CO ₂ -equivalent (CO ₂ -e) emissions by 1% over 2011 emissions	● ● ●	Completion of the conversion to electric boilers in Flin Flon resulted in a substantial emissions reduction.
Reduce Flin Flon operations' fresh water usage by 1% from 2011 usage	● ● ●	See page 33 for details.
Continue progress on the greening program in Flin Flon	● ● ●	In 2012, the greening activities included continued funding to the community-based Green Project, and 11.5 hectares hydro-seeded.
GOVERNANCE		
Progress implementation of the Human Rights Policy, and in particular the Voluntary Principles on Security and Human Rights at Constancia	● ● ●	See page 12 for details.
ECONOMIC		
Lalor project – achieve first pre-production ore in 2012	● ● ●	We mined the first ore from the Lalor deposit through the main ventilation shaft in August. By year-end, we had hoisted 72,000 tonnes of high-grade zinc ore.
Reed project – submit Environment Act (EA) licence and initiate the underground development ramps with Hudbay crews	● ● ●	The EA licence was submitted in December and we are currently awaiting approval. Hudbay crews transitioned to Reed once the Trout Lake mine closed.
Constancia project – obtain approvals for construction	● ● ●	We obtained the necessary beneficiation concession (construction permit) from the Peruvian government in June.
Grow reserves and resources per share	● ● ●	We grew both reserves and resources per share.

● Partially Achieved ● ● Excellent Progress ● ● ● Achieved

2013 TARGETS

OPERATIONAL EXCELLENCE/LEADERSHIP

HEALTH AND SAFETY

Target zero lost time accidents

Reduce accident severity to zero

COMMUNITY

Achieve participation by local communities in our programs in Peru and in Canada to prepare unskilled community members for skilled employment with Hudbay

Achieve and record community engagement, meeting our policies as we increase our exploration activities in Colombia

ENVIRONMENT

Continue to achieve our greenhouse gas and water consumption reduction targets of 1% per year at our Manitoba operations

Establish appropriate greenhouse gas and water consumption intensity metrics and corporate targets to track our performance as our operations grow

Progress our biodiversity programs implementation in Manitoba and Peru

GOVERNANCE

Progress our corporate level Environment, Health & Safety, and Community (EHSC) management system through establishing regular Management Review meetings and establishing a written corporate standard for management systems at all locations

Begin implementation of a new corporate EHSC information system (at least software purchase and implementation of incident tracking) – to increase the speed and completeness of performance tracking

Establish a written program for implementation and progress measurement on Hudbay Human Rights Policy (expanding on 2012 Voluntary Principles implementation steps)

FINANCIAL EXCELLENCE/GROWTH

ECONOMIC

Obtain Environment Act Licence for the Lalor and Reed mines

Submit the Environment Act Licence application for the Lalor concentrator

Grow reserves and resources per share

Advance Lalor, Reed and Constancia projects according to current schedules and budgets

ABOUT THIS REPORT

The 2012 Corporate Social Responsibility Report is our ninth such report, and the fifth published in accordance with Global Reporting Initiative (GRI) 3.1 guidelines. Using these guidelines, we have prepared a B level report, as checked by PricewaterhouseCoopers LLP*.

This report covers company activities from January 1, 2012 to December 31, 2012. Our 2011 report was published in July 2012.

This report covers all operating locations and exploration activities managed by Hudbay during 2012. More information on the scope of our reporting is available in the Performance Data section, which is available online.

AUDIENCE

The intended audience for this report includes employees of Hudbay and its subsidiaries, investors, suppliers and service providers, as well as the communities, indigenous peoples, governments, regulators and non-governmental organizations neighbouring, overseeing or interested in Hudbay's operations and exploration activities.

BASIS OF REPORTING

All financial information is presented in Canadian dollars except where otherwise noted. All operating data is reported using the metric system. Some metrics are reported on both an absolute basis and an intensity basis against kilotonnes of metal processed. Safety data frequency rates are measured per 200,000 hours worked.

DEFINING REPORT CONTENT

To ensure that our CSR report addresses the topics of greatest interest to our stakeholders and to continuously improve our reporting, we undertake a comprehensive materiality review every three years. The outcomes of our last review, conducted in 2011, are reflected in aspects such as the additional local employment and procurement information presented in this report. Some of these aspects were partially reported for 2011 and will be more comprehensively reported as we adapt our information systems to fully capture this data.

Here is our assessment of the issues of highest priority to our top-three ranked stakeholder groups, and where you can find information about these topics:

HIGH-PRIORITY ISSUES	WHERE TO FIND INFORMATION
Economic performance	Page 15
Governance	Page 10
Stakeholder engagement and resettlement	Pages 25 and 36
Labour and management relations	Page 20
Closure planning	Pages 3 and 35
Employment, general	Page 20
Occupational health and safety	Page 21
Training and education	Page 23
Local market presence	Page 17
Emissions, effluents and waste	Pages 3 and 31

QUESTIONS, COMMENTS OR FEEDBACK

We invite your comments and questions about this report. Please contact **David Clarry**, Vice President, Corporate Social Responsibility, **416 362-7364**, david.clarry@hudbayminerals.com.

* We engaged PricewaterhouseCoopers LLP (PwC) to complete a set of specified procedures designed to test our assertion that our CSR report was presented in conformance with the B level reporting standard set out in the guidelines. PwC completed these procedures and submitted its test results to management, who concluded that the test results supported its assertion. The PwC tests did not represent an audit or review of the CSR report or the information contained therein.



PAM
MARSDEN

In my role as Aboriginal Liaison Officer, I'm focused on helping Hudbay build relationships with First Nations communities near our Manitoba projects and operations. In Manitoba, they are Mathias Colomb Cree Nation, Opaskwayak Cree Nation and Pimicikamak Cree Nation, and we are continuing to work with other Manitoba First Nations. In Saskatchewan, the communities we have relationships with are the Peter Ballantyne Cree Nation, namely Pelican Narrows, Sandy Bay and Deschambault Lake. We want to foster dialogue based on trust and respect, and work together with First Nations communities to achieve mutual goals.

Recognizing that we needed to go back, before we could go forward, one of my first projects after joining Hudbay was to organize Aboriginal cultural awareness workshops for company leaders. Since then, I've also worked with First Nations groups to overcome some of their misconceptions about mining. This has included inviting them to our site for mine tours and developing an educational toolkit that explains the mining process and how we work. In the coming year, I'll be visiting First Nations high schools to talk about mining as a career option. The sector represents Canada's largest private employer of Aboriginal Canadians.

The Company and neighbouring First Nations communities have much to learn from each other, and the willingness to talk and listen is a great start.

Pam Marsden
Aboriginal Liaison Officer
Hudbay Manitoba

STRATEGY AND GOVERNANCE



We believe good governance is critical to Hudbay's success and to securing the confidence and trust of our stakeholders. The principles of transparency and integrity are applied to every aspect of our management and operations.

OUR APPROACH

Hudbay's vision is to become a top-tier operator of long-life, low-cost mines in the Americas. Responsible business practices are central to our ability to reach this goal. We understand that we must demonstrate a broader benefit from our presence, work in partnership with communities and governments, and minimize the environmental impact of our operations, in order to maintain our social licence to operate and to create long-term value for our company, our shareholders and society at large.

Our approach to CSR is largely informed by the operating principles and practices developed at our northern Manitoba locations over our 85-year history. Across the Company, our sites are united in their commitment to:

- Uphold high standards of honest and ethical behaviour
- Protect the health and welfare of employees and contractors at our sites
- Be a great place to work
- Be a positive partner in the communities where we operate
- Minimize environmental harm and rehabilitate land affected by operations

Hudbay operates under the precautionary principle through the life of a mine, which includes the use of baseline environmental and social impact studies; evaluating how to avoid, mitigate or control potentially significant impacts; implementing appropriate monitoring and management systems; and addressing the need for mine closure. In all cases, provision is made for public consultation and input.

CSR MANAGEMENT

Hudbay's Board of Directors is responsible for setting and overseeing the implementation of governance and sustainability strategies. The Board is assisted by five standing committees, including the Environmental, Health, Safety and Sustainability (EHSS) Committee.

The EHSS Committee oversees management's development and implementation of environmental, health and safety policies, programs and systems. The Committee meets quarterly to review the Company's performance and how we are managing key EHSS issues. The Committee also monitors the external ISO 14001 and OHSAS 18001 verification process for Hudbay's management systems. The EHSS Committee is chaired by an independent director.

Day-to-day management of Hudbay's CSR program is the responsibility of our Vice President, Corporate Social Responsibility, along with executive management personnel at each operation.

CSR FRAMEWORK

Our CSR framework includes policies and processes to ensure that corporate social responsibility is a living part of our culture:

- **Code of Business Conduct and Ethics** – sets out rules and guidelines for ethical behaviour and reinforces our commitment to conducting our affairs to the highest standard of honesty and integrity.
- **Human Rights Policy** – articulates our commitments to human rights, and addresses topics such as business and labour practices, community participation and security measures.
- **Environment, Health and Safety Policy** – outlines the ways in which we fulfill our commitment to operate in an environmentally responsible manner while maintaining a safe and healthy workplace.

Site-specific management systems include programs, processes and procedures to meet the requirements of our corporate policies and to address site-level risks, stakeholder expectations, and local cultures and conditions. Please see *External Codes and Initiatives* at right for the various codes and initiatives that guide the implementation of our policies.

Copies of our core policies are available on our website.

EXTERNAL CODES AND INITIATIVES

Hudbay has adopted a number of voluntary codes and other external instruments that we consider particularly relevant to our business. For some, we undergo regular, third-party verification:

- ISO 14001 environmental standard
- OHSAS 18001 health and safety standard
- Towards Sustainable Mining (TSM) – an initiative of the Mining Association of Canada
- Voluntary Principles on Security and Human Rights – an operating framework that ensures respect for human rights and fundamental freedoms
- Global Reporting Initiative (GRI) – the generally accepted framework for reporting on an organization's economic, environmental and social performance
- Carbon Disclosure Project (CDP) – thousands of organizations from across the world's major economies measure and disclose their greenhouse gas emissions, water use and climate change strategies through CDP

SECURITY AND HUMAN RIGHTS

In keeping with our Human Rights Policy, we have adopted the Voluntary Principles on Security and Human Rights (Voluntary Principles). We train our security personnel (company and contractor) on all aspects of the Voluntary Principles, including the UN Code of Conduct for Law Enforcement Officials and the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials. Company security supervisors and the majority of contracted security staff are unarmed except for government-mandated armed security guards at the two explosive storage areas.

In 2012, we finalized a Constancia security plan that includes preventative measures such as demarcation (erection of fences and property markers), dissuasion (active patrolling to engage with trespassers in a non-confrontational way), detection (guard posts monitoring Hudbay property), and reaction. Where reaction is required, a protocol has been established that outlines the timeline and responsibility for the CR team, the legal team and the security superintendent. The plan includes steps for co-ordinating actions with the local Peruvian National Police detachment in the event of emergencies on company property.

During the year, we also retained an international security consultant to conduct a threat and risk assessment of the Constancia project to help us understand the security risk exposure of the project and develop appropriate mitigation strategies.

GOVERNANCE PRACTICES

Please see our 2013 Management Information Circular, available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov, for additional information on Hudbay corporate governance practices including:

- Board role, composition, independence, qualifications and evaluation
- Board committees and charters
- Executive compensation practices

HUDBAY IN GUATEMALA

From 2008 to 2011, Hudbay owned a controlling interest in Compañía Guatemalteca de Níquel (CGN), which owns the Fenix ferro-nickel project in Guatemala. During the time that Hudbay held an interest in the project through CGN, we and our subsidiaries worked to resolve issues of illegal land occupations through peaceful and constructive dialogue.

Despite our efforts and, we believe, our responsible behaviour, three claims have been filed against Hudbay in Canada which are related to our ownership of CGN. These lawsuits include serious allegations of wrongdoing against CGN security personnel in relation to illegal land occupations. Based on extensive internal investigations and eyewitness reports, Hudbay believes the allegations against Hudbay and the employees of our former subsidiary are untrue.

In early March 2013, the Ontario Superior Court heard our motion to have the cases dismissed on the grounds that there is no reasonable cause of action. The court's decision is pending. More information on this issue can be found on our website at www.hudbayminerals.com/issues.



ISSUES OF CONCERN

There are a number of avenues available to people who wish to register a concern about Hudbay's activities:

- 1 You are invited to communicate with our Board through our website at **www.hudbayminerals.com/contactus**.
- 2 To make a confidential, good-faith report to the Chair of the Hudbay Audit Committee about a perceived violation of the Company's internal and accounting controls, auditing matters or violations to the Company's Code of Business Conduct and Ethics, please call **1 877 457-7318** or visit **www.clearviewconnects.com**. Reports are handled under our Whistleblower Policy and the Chair of the Audit Committee is responsible for ensuring that they are appropriately investigated. Six incidents were reported in 2012, all of which were investigated and resolved with corrective action where necessary.
- 3 The Office of the Extractive Sector Corporate Social Responsibility (CSR) Counsellor is a resource available for constructively resolving conflict between project-affected communities and Canadian extractive sector companies outside of Canada. The CSR Counsellor can be reached by email at **csr-counsellor@international.gc.ca** or by telephone at **416 973-2064**.
- 4 Canada's National Contact Point (NCP) for the Organisation for Economic Co-operation and Development (OECD) provides a forum where multi-national enterprises, Canadian business, non-governmental organizations and labour organizations can voice their views and concerns on broad as well as specific instances. Canada's NCP can be reached by email at **ncp.pcn@international.gc.ca** or by telephone at **613 996-0245**.



**GUILLERMO
REYES**

I joined Hudbay in 2011 to lead one of the teams that manage relations with the communities in Constancia's direct and indirect areas of influence. I'm proud to say that we've come a long way in a very short period of time.

Over the course of seven months and 28 roundtable meetings, we negotiated more than 1,000 hectares of surface rights agreements with the communities of Chilloroya and Uchucarco. Without these agreements, the project could not have proceeded. Not only do the agreements give Hudbay rights to community-owned land for the life of mine, they also represent a significant investment in the development of both of these communities, and that's good for everyone involved.

We're now in the process of negotiating inter-institutional agreements with communities in our indirect area of influence. These arrangements would commit us to working together on social development projects. All in all, it's challenging but exceptionally satisfying work.

Guillermo Reyes
Community Relations Manager
Hudbay Peru

ECONOMIC RESPONSIBILITY



We are committed to producing strong investor returns and creating better futures for our employees and our communities – in the firm belief that business objectives and corporate social responsibility go hand in hand.

OUR APPROACH

Hudbay's mission is to create sustainable value through increased commodity exposure on a per share basis, in high-quality, long-life deposits with exploration potential in mining-friendly jurisdictions.

We believe that our broader commitment to sustainability needs to be anchored by strong economic performance. To realize this:

- We pursue growth by finding new deposits and bringing them into production, and by acquiring exploration and development properties that meet our strategic criteria.
- We optimize the value of our producing assets through safe and efficient operations.
- We maintain a strong balance sheet.

Our business success gives us the means to hire and invest in people, pay competitive wages and benefits, generate business opportunities for local entrepreneurs, and provide financial support and expertise for community programs and infrastructure development.

CORPORATE PERFORMANCE

Hudbay is positioned to create significant value for our shareholders. We have a strong balance sheet, a proven operating base, three projects in development and considerable exploration upside.

Our 2012 financial results reflected strong operating performance. The Manitoba operations achieved their production targets for the sixth consecutive year and cost targets for the third straight year.

STATUS OF THE BACK FORTY PROJECT

Exploration and development is never a certain process. After significant work on the Back Forty project in Michigan, we concluded that the project was not enough of a fit with our strategic objectives to warrant continued investment by Hudbay. We are working with our joint venture partner to find a buyer for Hudbay's interest in the project.

ECONOMIC CONTRIBUTIONS

In 2012, Hudbay contributed:

- 1,516 permanent jobs, 3,359 contractor full-time equivalent jobs and 39 summer student jobs
- \$201.5 million in wages and benefits
- \$7.5 million to municipalities through taxes and grants-in-lieu of taxes
- \$60.2 million in income, mining, capital and use taxes to federal and provincial governments
- \$24.3 million in payments to local communities for land use (including lump sum life of mine land acquisition payments)
- \$8.3 million for new housing, and infrastructure related to resettlements
- \$1.3 million cash contribution for community investment
- \$0.6 million for charitable donations

Significant progress was made on our growth projects:

- In Manitoba, the Lalor mine, which is poised to become our next major underground mine, produced its first ore in August and now generates cash flow even though the main production shaft will not be completed until 2014. We began construction of the high-grade Reed copper mine and are on schedule for first production in 2013. We also completed the 777 North mine expansion, which increases mine production by approximately 10% annually and supplies additional feed to the Flin Flon concentrator and zinc plant. Collectively, these three projects represent nearly \$900 million in growth investments and set the stage for continued reliable, low-cost production from our Manitoba operations for decades to come.
- In Peru, we made a US\$1.5 billion commitment to the construction of the Constancia project. The mine promises to be a low-cost, competitive copper producer, averaging 90,000 tonnes of annual copper production over its 16-year mine life. The Constancia site is a hub of activity and we are very proud of our team's accomplishments since acquiring the project in 2011. Progress in key areas allowed us to accelerate the development schedule, so that we are now anticipating full production in 2015 rather than 2016. We have an active agenda for 2013 and plan to spend approximately US\$961 million constructing the tailings management and milling facilities, haul roads, water diversion infrastructure, and more. Mine stripping is expected to begin late in the year.

CREATING JOBS

The more people we can hire from the communities near our operations, the better it is for Hudbay and for those communities.

We were very pleased to have avoided layoffs at the closure of the end-of-life Trout Lake and Chisel North mines in Manitoba in 2012. Employees were given the choice of taking an early retirement package or being redeployed at the Reed and Lalor projects. We were also able to preserve jobs at the Snow Lake concentrator with the installation of a new copper circuit to maximize recoveries from initial Lalor ore production. As the Lalor project progresses, we expect to add some 200 new positions at the mine and the new concentrator.

There are approximately 1,100 people from Uchucarco, Chilloroya and nearby districts working at Constancia during construction. Within the life of mine land acquisition agreements with Uchucarco and Chilloroya, we have committed to hiring a specific number of local people during construction. To meet these commitments, we conducted a census of potential workers and their skills, so that when a need arises, the project team can access a database of qualified people. We are also starting technical skills training programs to enable local community members to qualify for more skilled jobs as we transition to operation.

LOCAL BUYING

We make best efforts to purchase goods and services from qualified, cost-competitive vendors and contractors within the local region or country. While much of our equipment requires the scale, advanced technologies and support capabilities of large international suppliers, there are generally opportunities for local businesses in areas such as construction, maintenance, transportation and catering.

We have initiated a program to help local businesses qualify for opportunities at Constancia and elsewhere in Peru. To date, we have assisted close to 100 small businesses in becoming fully registered. In addition to helping them do the necessary paperwork, we work with these companies to formalize health and safety and equipment maintenance procedures to meet the standards required by prospective customers. We also assist them with business development and pricing strategies that enable them to compete successfully against larger suppliers.

The efforts are paying off. For example, one of these local companies is now supplying up to 1,200 boxed lunches a day to the Constancia project. In addition to meeting our quality and service standards, the company was able to set a price that is competitive with that of a national supplier, while employing local workers and making a healthy profit.

ANNUAL REPORT

For more information about Hudbay's 2012 financial and operational performance, please see our 2012 Annual Report, available on our website.



THE LEGACY LIVES ON

On June 29, 2012, Hudbay crews journeyed to the depths of our Trout Lake mine for the final time. Opened in 1981, with a then-projected mine life of five years, Trout Lake ultimately produced 24.16 million tonnes of ore over more than 30 years of operation.

Chisel North was an underground zinc mine, three kilometres from Lalor, which operated from 2001 to 2009 and from 2010 to 2012. Its operations permanently ceased in September. Remarkably, zinc grades were 12% higher in 2012 than in the same period in 2011 because of excellent recoveries from the pillars mined. It is a tribute to our Chisel North team to have delivered superior results despite challenging end-of-mine conditions.

The legacies of Trout Lake and Chisel North will live on in our new endeavours. While some employees chose to retire, many others were redeployed to new roles at the Reed, Lalor and 777 North projects. The closures did not lead to any layoffs.

The reclamation process for the Trout Lake mine will begin in 2013, with removal of some buildings and installation of temporary caps on mine openings, and will continue for three to four years.



NORTHERN MANITOBA MINING ACADEMY OPENS ITS DOORS

In Manitoba, in Canada, and around the world, one of the single biggest challenges facing the mining industry is a shortage of skilled people trained for the mining sector. In response to the need, the Northern Manitoba Mining Academy in Flin Flon trains people in the North for high-quality mining jobs and enables current workers to upgrade their skills. The Academy includes a sophisticated geological laboratory, classrooms and a high-tech electronic simulator that mimics underground equipment. Hudbay donated \$200,000, approximately half an acre of land, and many employee volunteer hours to the Academy, which officially opened in September 2012.

INFRASTRUCTURE DEVELOPMENT

We also share the benefits of our operations with various levels of government through direct taxes and grants-in-lieu of taxes, and we often assist with municipal projects that require special funding.

In the Flin Flon/Creighton region, 2012 was the fifth and final year of the Hudbay 80th Anniversary Project, a \$1 million capital pool established to benefit community initiatives. Major projects benefiting from the fund in 2012 included:

- Flin Flon School Division Queen's Park (\$39,000)
- Flin Flon & District Chamber of Commerce Pioneer Park project (\$35,000)
- City of Flin Flon Kingsway BMX Park (\$19,500)
- Channing Recreation Association Beach Project (\$15,000)

In addition to our previously announced \$2 million commitment to the Town of Snow Lake to help fund the municipality's portion of a new waste water treatment plant, we agreed to provide an \$800,000 loan to the project in 2012.

Our community development support in Peru is focused on the areas of greatest need – extreme poverty, malnutrition, lack of basic services and inadequate fresh water supply. Working with the neighbouring communities and multiple levels of government, we have made significant progress on two large infrastructure projects:

- We are contributing to a unique three-way partnership on the development of a sewage system, which will be completed in 2013. The three partners are:
 - 1 the community of Chilloroya, which first identified the need and is using funds from the social investment budget included in its life of mine agreement with Hudbay;
 - 2 the district of Livitaca; and
 - 3 Hudbay, which facilitated the partnership process and is contributing 1 million Peruvian Soles (the equivalent of C\$378,788).
- In January 2013, we signed another three-way agreement, which will see Hudbay fund a pre-investment study for a large hospital in the province of Chumbivilcas. This agreement is a partnership between the region of Cusco, the province of Chumbivilcas and Hudbay.

Please see page 26 for more information about our community development initiatives in Peru.



FREDDY SLIPPERS

Safety has long been a priority for me, particularly since a family member was seriously injured in a workplace accident, at another company in South Africa. I've worked for Hudbay for almost five years, and am currently the maintenance supervisor at the Flin Flon mill.

I was a safety representative when my department sent me to the PASS Masters course. PASS, which stands for Positive Attitude Safety System, is based on having regular facilitated discussions to increase each person's involvement in recognizing and managing workplace risks. From the course, I came to realize that if we combined PASS with all of the other safety processes we have in place at Hudbay, we could have an exceptionally safe and productive work environment.

For me, the key to success is knowing PASS and the Company's systems from A to Z, and being a good and consistent role model of safe behaviour.

Freddy Slippers
Maintenance Supervisor
Hudbay Manitoba

OUR PEOPLE



Hudbay is committed to performance excellence. To achieve our goals, we set out to attract and retain talented people and we provide them with the work environment and resources they need to succeed.

OUR APPROACH

We strive to build a culture that is responsible, proud, skilful and dynamic – where employees are accountable to one another, stand confidently behind their collective and individual abilities and accomplishments, and are ready and willing to take initiative and pursue new opportunities.

Employees are treated with respect and dignity, in accordance with our Code of Business Conduct and Ethics, which also makes it clear that Hudbay is an equal opportunity employer and does not discriminate on the basis of race, colour, religion, sex, national origin, age, sexual orientation or disability. We have policies in place to ensure fair employment, including equal treatment in hiring, promotion, training, compensation, termination and corrective action.

Safety is a core value, and we ensure that employees have the necessary knowledge, skills, equipment and support to perform their jobs safely.

We also have a long tradition of developing and equipping people to rise through the ranks of the organization through formal training and on-the-job experience. Our expansion has opened up new opportunities for international assignments, participation on larger teams and alternate career paths.

We recently launched a number of talent management programs that enable us to better develop and connect employees; measure, monitor and improve performance; communicate the Company's values, mission, strategy and competencies; and track statistics related to fair and equitable provision of opportunities for career growth.

OUR WORKFORCE

Total Workforce

(permanent employees as of December 31 of each year)

	2012	2011	2010
Corporate Offices – Toronto and Winnipeg	72	56	37
Flin Flon, MB	1,116	1,179	1,212
Snow Lake, MB	158	104	102
Gouverneur, NY	8	9	10
Stephenson/White Pine, MI	2	8	17
Chile	14	n/ap	n/ap
Colombia	15	n/ap	n/ap
Peru	131	74	n/ap
Total	1,516	1,430 ¹	1,492 ¹

¹ Totals in prior years may include locations previously owned by Hudbay but not listed in table.

SAFETY EXCELLENCE

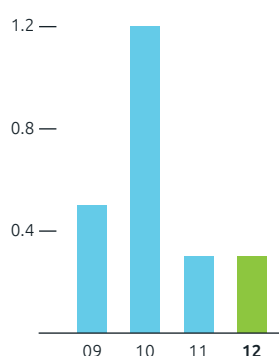
While we are proud of our safety performance, our goal remains a zero-harm workplace and we continually strive to eliminate workplace injuries. In 2012, we equalled our record lost time accident (LTA) frequency of the previous year and bettered the accident severity result. LTA frequency across the Company was 0.3 per 200,000 hours worked, the same as in 2011, while the severity was reduced to 3.3 from 7.6. Importantly, this included both Hudbay employees and the hundreds of contractors working at our sites.

We were especially pleased with these results given the amount of transition and activity in our organization:

- The Trout Lake and Chisel North sites were mined safely to the end.
- Many new people were hired in Manitoba and many others transitioned to the Lalor and Reed development projects, which called for extra safety training and vigilance in their new work environment.
- Constancia achieved an LTA frequency of 0.2, despite the phenomenal growth of the construction workforce and the large number of contractors on-site.

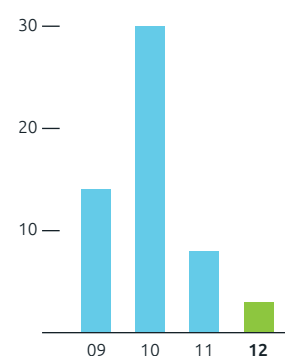
LOST TIME ACCIDENT FREQUENCY

(per 200,000 hours worked)



LOST TIME ACCIDENT SEVERITY

(number of days lost per 200,000 hours worked)



* Safety statistics do not include Chile and Colombia. They will be included in reporting for 2013.

In Manitoba, PASS has proven to be highly effective and PASS discussions are taking place regularly at all levels of the organization, including senior management, who hold meetings twice a week. PASS is based on facilitated discussions to increase each person's involvement in recognizing and managing workplace risks.

We have several active joint health and safety committees in our Manitoba Business Unit. Committee chairs meet once a month to discuss general safety issues and they set up working groups to address specific workplace hazards. In 2013, all joint health and safety committees will be required to establish annual objectives and detailed action plans.

At Constancia, more than 550 people participated in a defensive driving program. We also worked with our contractor-partner to clarify requirements for employees operating vehicles and to create standards for an internal driver's licence. In order to earn an internal licence, an employee must successfully complete the defensive driving program and take a practical test.



EMBRACING DIVERSITY

We view diversity as a source of pride and strength. Hudbay's expansion in Manitoba and South America opens up new opportunities to integrate people with different backgrounds and perspectives and to build our cultural depth.

12.8% of our workforce identify themselves as Aboriginals. In 2012, we held two Aboriginal cultural awareness workshops in Flin Flon for Hudbay leaders who interact with First Nations communities. The objective was to train our people on culturally appropriate communications. Topics such as discriminatory terminology, historical perspectives, First Nations governance structures and traditional teachings were covered through discussion, videos and interactive exercises. Each day ended with a sharing circle.

Thirty-eight people participated in 2012 and, because of the success of the workshops, we will continue this activity in 2013.

Workforce Diversity

(as of December 31 of each year, shown as percentages of global workforce)

	2012	2011	2010
Women	15.2%	12.2%	12.0%
Aboriginal ¹	10.8%	10.5%	11.9%
Disabled	6.0%	7.2%	7.4%
Visible minorities ¹	5.7%	5.1%	6.7%

¹ Data identifying Aboriginal and visible minorities is collected only in Canada and the United States.

FITNESS FOR A CAUSE

At the Flin Flon complex, the Wellness Committee knows how to get people moving. The Committee organizes an annual fitness challenge that awards points to teams for accomplishments such as losing body mass, spending time in the gym or quitting smoking. At the end of the three-month program, the team with the highest point total is given \$1,000 to present to the local food bank.

EMPLOYEE ENGAGEMENT

As our people are the drivers of our performance, we want them to understand that corporate responsibility is just as important to our long-term success as every other aspect of the mining cycle. To build employee engagement, we have been holding Discovery Zone workshops over the past two years, which introduce our people to all facets of our company. Twelve sessions were conducted in 2012. Going forward, we plan to implement a directed and measurable employee communications program in which corporate responsibility will play a prominent part. The program will be developed by a multi-function working group, including representatives from our Corporate Social Responsibility, Human Resources, and Health and Safety departments.

NOVEMBER DEATH AT FLIN FLON SITE

Sadly, in November 2012, one of our contractors' employees took his life at the 777 mine. While not a work-related fatality, it was felt deeply by many employees and responders to the emergency call, and we provided support through critical stress debriefing sessions for those affected. Open discussion and confidential support are components of suicide prevention. Hudbay has an Employee Assistance Program and encourages our people to learn about it and how to use it in managing the challenges and stresses of everyday life.

MANITOBA MINE RESCUE COMPETITION

It was an honour for our Flin Flon team to win the annual Manitoba Mine Rescue Competition in 2012, especially given that the province is reputed to have some of the best trained mine rescue people in the world. Hudbay teams have won provincial titles in 2012, 2010, 2007 and 2006 and taken second place four times since 2002. Year after year, the performance of Hudbay's entrants in the Manitoba Mine Rescue Competition demonstrates the skills developed in our safety culture and the top-notch capacity to respond in case of emergency.

HEALTH AND SAFETY AUDITS

Hudbay requires that the management systems at our operating facilities be certified under the OHSAS 18001 health and safety standard within two years of start-up. Once certified, the operations are subject to external surveillance audits twice a year and internal audits several times a year, in order to confirm that the management systems continue to comply with the requirements of the audit standard and that we are indeed following the management systems. Audit reports are submitted to the teams audited and to the site management team for review and follow-up.

TRAINING AND DEVELOPMENT

We tailor training and development to each stage of a person's career. Our corporate senior management team has embarked on a comprehensive 360° feedback process to help to continuously improve their leadership competencies. They will use the feedback to hone their 2013 individual leadership development objectives.

Our new supervisory leadership development program was successfully launched and delivered to 164 people in Manitoba. The program is dedicated to the ongoing developing and honing of people skills and business acumen among our frontline supervisors.

In Manitoba, we also focused on upgrading the underground mining skills of our employees, many of whom enter our workforce as labourers and then follow a career path of labourer to truck driver to scooptram operator to underground mining. We take a buddy approach to this kind of training, in which a senior employee works side by side with the "student", to teach and correct. We have also started using the simulator at the Northern Manitoba Mining Academy to fine-tune the skills of our operators. We expect to use the Academy classrooms and simulator more frequently in 2013 as part of a formal training process for new employees.

To prepare the local population for jobs at Constancia, we have introduced a variety of training programs in Peru. In 2012, 30 students graduated from a program aimed at developing basic technical skills. In 2013, we will start a four-month program to train licensed operators on the use of new equipment such as excavators and dump trucks.



**NAZLY
TORREGROZA**

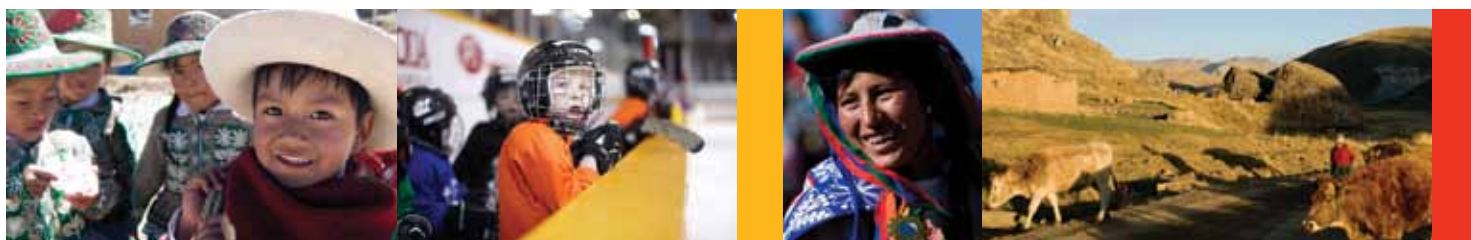
I joined Hudbay in early 2012 after having spent more than 30 years training and counselling vulnerable people in Colombia – mainly elders, children, households led by women, and people who have been displaced by violence. My role at Hudbay is to begin to build relationships with communities in the areas where the Company is doing grassroots exploration. We want to establish a climate of trust and co-operation and maintain direct contact with local families.

My work involves informal discussions with residents, formal meetings, visits to homes, participatory workshops and community lunches. Sometimes the focus is on introducing people to Hudbay and the type of work we are planning. At other times, I conduct workshops on healthy family living, conflict resolution, communication and other life skills, to foster dialogue and help people live together peacefully. I also identify informal leaders in the community and gather socioeconomic data to help us better understand the people around our operations and how we can best help them improve their quality of life.

We're laying the groundwork for constructive relationships, and the community feedback to date has been highly favourable.

Nazly Torregroza
Psychosocial Specialist
Hudbay Colombia

LOCAL COMMUNITIES



We strive to build constructive community relationships and enhance the economic, social, civil and cultural well-being of individuals and regions connected to our activities.

OUR APPROACH

Hudbay's operations bring opportunities and issues of concern to the people living near our projects and mine sites. We set out to build close and productive relationships with communities near our projects and operations, to understand and address their concerns, and to contribute to quality of life.

Our Human Rights Policy commits us to respect the culture, customs and history of the countries and immediate regions in which we operate. We study, communicate and consult in advance with resident stakeholders in affected areas regarding the anticipated impact of our activities before we engage in large-scale investments or business developments. We seek dialogue aimed at a practical common effort to promote respect for human rights consistent with the role of our business.

Hudbay also recognizes the sensitivities involved in addressing issues related to the cultural heritage of indigenous communities. We seek to ensure that these matters are handled respectfully, with representatives from the indigenous communities who have a lawful claim to the lands on which we are engaged in exploration or extraction activities.

We tailor our community relations strategies and programs to local needs and conditions. In Manitoba, where we have operated for more than 85 years, we are an integral part of the local community and engage in a wide variety of formal and informal activities with local residents and area communities. Our communication processes include community meetings, open houses, site tours, school presentations and participation in community-organized events.

In Peru, we are continuing to build the relationships established when we acquired Constanica. Our 26-member CR team has developed targeted strategies for engaging specific segments of the population.

COMMUNITY RELATIONS IN PERU

The new mining model set forth by the government of Peru calls for high standards of social inclusion in mining projects. To ensure that we meet expectations and address the needs of our various constituents, we are implementing targeted strategies for key stakeholder groups.

Direct Area of Influence

The two communities within our direct area of influence are Uchucarco and Chilloroya, both of whom signed life of mine land use agreements with us in 2012 in exchange for portions of their community-owned land. The agreements set out Hudbay's commitments to local employment and use of local suppliers and to investments in health, education, production and social development projects, among other things. Development committees comprising Hudbay and community representatives approve and oversee the projects being carried out within the context of the agreements.

Indirect Area of Influence

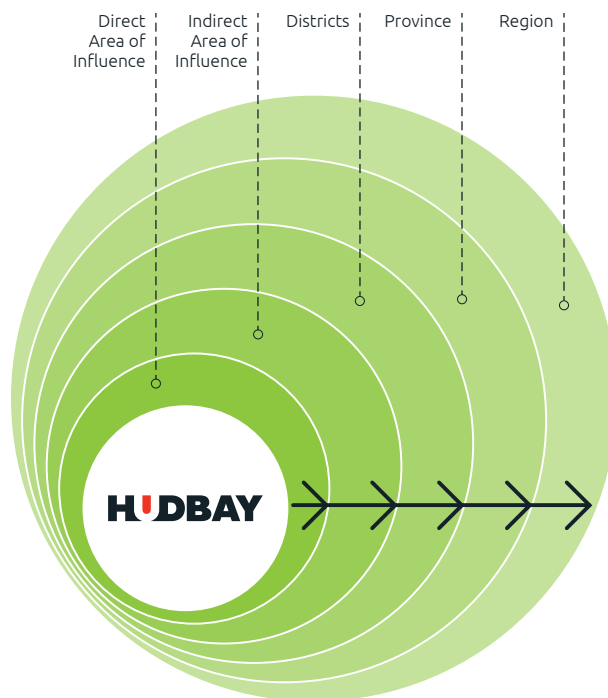
Our Environmental and Social Impact Assessment identified seven communities in our indirect area of influence. We did not acquire land from these communities, but they are neighbours and we want to engage them in our work. We are in the process of negotiating agreements with each of these communities in which we would commit to working together on social development projects within a specified budget provided by Hudbay. As of year-end 2012, we had signed agreements with two of the seven communities.

Districts, Province, Region

We engage with different levels of district, provincial and regional governments. Our institutional relations team is responsible for cultivating relationships with these groups and aligning interests to help catalyze development in the region. Significant change is already emerging. The three-way partnership on the Chilloroya sewage system was a direct result of the work of our team (see page 18 for details). The establishment of social development tables in the districts is another positive outcome of their work (see *Social Development Tables* on page 29).

CANADIAN FIRST NATIONS ENGAGEMENT

In preparation for the submission of Environment Act licence applications for the Lalor mine and concentrator and the Reed mine, we met with local First Nations communities to present our plans, answer questions and address



OUR STAKEHOLDERS

During our most recent materiality review (conducted in 2011), we identified the Company's top stakeholder groups company-wide as the financial community, employees/unions, local communities and indigenous groups. This assessment was based on the nature and clarity of linkages between the Company and these groups. Other stakeholders with whom we regularly interact include governments, customers, suppliers, small-scale miners and trade associations.

We believe the CSR issues of greatest interest to our stakeholders in 2012 were jobs (the impact on jobs with the closure of two Manitoba mines, future employment opportunities in Manitoba, and job opportunities and payroll issues in Peru) as well as community development and resettlement issues at Constancia. Each of these topics is addressed in this CSR report.

concerns. We also funded environmental and traditional use studies on behalf of the Mathias Colomb Cree Nation to provide an independent assessment of the impact of our proposed operations. As part of the Province of Manitoba's review of our applications, they will consult directly with First Nations communities.

In January and March of 2013, the Mathias Colomb Cree Nation (MCCN) staged two separate blockades that impeded access to our Lalor site for between three and five hours. After the two blockades, we sought and were granted an injunction to prevent further blockades at these locations. We felt we had a responsibility to seek this injunction as any actions that prohibit access to our sites and operations present an unsustainable safety risk to our employees, contractors and others. Notwithstanding the court process, we remain committed to continued consultation and co-operation with the MCCN to share environmental information and discuss employment, business and training opportunities. We also support the proposal for a provincial Mining Table in Manitoba that will draw together First Nations, government and the mining industry with the objective of addressing concerns raised by First Nations.

CONSTANCIA RESETTLEMENT

Resettlement is a sensitive undertaking. When it became clear that the development of Constancia would involve the displacement of 36 families from Chilloroya, we established a resettlement process that adheres to international standards for fairness and transparency, and committed to equal or better housing as well as improvements such as better access to water and roads. To maintain social networks, we also encouraged group resettlement.

We are in the process of agreeing on resettlement plans with each of the families who reside on land purchased for the mine. The resettlements include replacement of houses, farmland and buildings, and other support and compensation. Agreements are negotiated with each family to ensure that their specific needs are met. We have delivered new homes to 13 families, and the remaining 23 families are expected to relocate in 2013.

Approximately 250 hectares of land required by Constancia is communal land owned by the community of Uchucarco. While no one lives on this land, some people had built stone walls for livestock fencing on the property. In this case, we have agreed to give the community access to a similar-sized

piece of land within walking distance of the current property. We are also compensating people for their work in building the stone walls at an established rate per metre of wall.

EDUCATIONAL SUPPORT

Hudbay has a proud legacy of aiding and encouraging high-achieving students. In Manitoba, we grant three new scholarships each year to graduating high school students. The scholarships provide a set amount towards the students' university education for each year until they graduate, assuming they maintain a good academic record. A total of \$30,000 is awarded annually.

In Peru, we are collaborating with the Universidad Nacional de San Antonio Abad del Cusco and the Universidad Nacional San Agustin de Arequipa to provide educational and training support to students pursuing careers in mining.

In mid-2012, we introduced the Hudbay One Future Scholarship Program for children of Hudbay employees. The program provides up to \$800 per year for each child studying at an accredited university or college. In the fall semester alone, 92 scholarships of \$400 each were granted to students in Canada (Manitoba and Ontario), Chile and Colombia. A similar program is being developed for employees in Peru.

CORPORATE DONATIONS AND COMMUNITY INVESTMENT

Hudbay has a strong record of social investment in the areas near our operations. In 2012, we donated \$633,000 to various charities and initiatives. In addition, we provided funds to invest in infrastructure and development programs in our host communities. These community investments totaled over \$432,000 for communities in the Flin Flon/Snow Lake area and \$756,000 for initiatives near the Constancia project. In addition, we spent \$8.3 million on housing and infrastructure related to resettlement activities in Peru.



MANITOBA RESOURCE RANGERS

Once again in 2012, Hudbay donated \$10,000 in addition to employee volunteer time to the Manitoba Resource Rangers, a live-in employment and training experience for Aboriginal and northern youth aged 16 to 21. Through training sessions and hands-on work, the program familiarized the teens with northern Manitoba's mining sector. This program is also partnered with Manitoba Keewatinowi Okimakanak (MKO).

LEER PARA CRECER

This past summer, we brought the Leer para Crecer (Read to Grow) summer school program for elementary school children to Chilloroya and Uchucarco. Participating teachers underwent training at the Constancia site and then went out to deliver programs in reading, math, art and sports to more than 250 students at select schools. Given the success, we plan to expand the program to other neighbouring communities in 2013.

TAKING CARE OF OUR NEIGHBOURS

With no hospital nearby, the communities of Uchucarco and Chilloroya have limited access to medical care. We were happy to comply with a request from the health authorities of the local districts to fund five medical clinics in 2012. With our support, teams of health professionals set up tents in the communities and attended to residents' medical and dental needs over a two-week period. The response from the communities was overwhelmingly positive. Nearly 4,500 community members participated in these clinics. We are also working with the communities and the region to expand access to the Peruvian health care system.

We funded five waste management campaigns in which a waste management company was brought in to clean up streets, ditches and waterways in the communities and to train community workers on environmentally responsible practices.

SMALL-SCALE MINING

Both Uchucarco and Chilloroya have significant levels of informal, small-scale mining on community land. Among the issues associated with this type of mining is the lack of attention given to worker health and safety and to environmental protection. The Peruvian government recently introduced legislation to curb the activity.

The Uchucarco small-scale mining takes place around an abandoned mine that is not part of Hudbay's mineral rights. As a result of the new legislation and good working conditions at Constancia, many people are opting instead to work at our project and the small-scale mining activity is diminishing.

The Chilloroya activity occurs in the Pampacancha area near Constancia and is subject to a five-year agreement that allows mining by a community enterprise on the condition that it is restricted to Pampacancha and is brought into legal compliance. We have also helped the enterprise upgrade and formalize its environmental, health and safety practices. However, in this situation as well, more and more people are attracted to work at Hudbay and activity is diminishing there.

Some of our early-stage exploration sites in Colombia and Chile also have artisanal mining activities in their vicinity. As we progress exploration at these sites, we will be evaluating the risks and appropriate mitigation steps.

FLIN FLON/CREIGHTON HUMAN HEALTH RISK ASSESSMENT UPDATE

At the completion of the human health risk assessment carried out in 2008 and 2009 (reported in our 2010 CSR Report), we undertook to carry out a follow-up blood lead study in 2012. This follow-up study was carried out in the fall of 2012, in consultation with the Technical Advisory Committee and the Community Advisory Committee established for the earlier study. The results of this further study will be reported in 2013.

COMMUNITY CONCERNS

At Flin Flon, community members are invited to call our telephone hotline if they have a complaint or concern about the Company's operations. We have a detailed complaint procedure to ensure that concerns are appropriately handled. Five complaints were registered in 2012, all of which were addressed to the satisfaction of the community members. Complaints were related to odours, the impact

of Lalor-related projects on local snowmobile trails, and a safety concern over equipment donated to a museum.

In Peru, we registered 104 grievances from local community members through our grievance procedure, relating primarily to local labour issues: timeliness of payments, delivery of payment receipts and others. Many of the issues were a result of the improper completion of timesheets and were quickly resolved.

SOCIAL DEVELOPMENT TABLES

In Peru, we introduced an innovative concept called social development tables to facilitate collaboration between local, district, regional and national levels of government and to amplify the social impact of our presence.

The development tables bring together the key players in a district to develop concrete solutions to issues such as extreme poverty, malnutrition, water quality and access to health services. By partnering with the various government ministries and coming up with solutions together, we are able to integrate their social programs and benefits with Hudbay's funding and support to make a significant impact.

To date, social development tables have been established in the districts of Velille and Chamaca. We also expect to sign an agreement for a social development table with the provincial municipality of Chumbivilcas. The initiative has been extremely well received by the local communities.



**JULIO
RONCAL**

It's my job to ensure that the Constancia project meets its commitments with regard to environmental protection and complies with all applicable standards and regulations.

One of our key areas of focus is water management. Large volumes of water are needed for mining operations. At the same time, fresh water is absolutely essential to the health and sustainability of the nearby communities and ecosystem. It's our responsibility to ensure that we do everything we can to manage this valuable resource wisely. We have a first-rate team in place and I really enjoy working with them to create an environmentally responsible mine.

Julio Roncal
Environment Manager
Hudbay Peru

ENVIRONMENTAL STEWARDSHIP



By the very nature of our business, we draw on the natural environment to deliver value and achieve success. But natural resources must be more than a business imperative – their use imposes moral and legal obligations that we take very seriously.

OUR APPROACH

Hudbay is subject to extensive regulation by federal, state, provincial and local authorities over a variety of environmental matters, including: air and water quality; protection and enhancement of the environment; use, storage and disposal of hazardous materials; and reclamation and restoration of mining properties.

Our environmental management program is directed at environmental protection and compliance. The program consists of an environmental policy, codes of practice, regular audits, the integration of environmental procedures into operation procedures, employee training, and

emergency prevention and response procedures. We have a dedicated team charged with managing environmental activities and compliance with all applicable environmental standards and regulations.

Our strategies include:

- Setting continuously improving environmental targets and measuring performance against them.
- Maintaining ISO 14001 environmental management systems certification at all production operations.
- Drawing on the Towards Sustainable Mining protocols and third-party verification process.
- Proactively rehabilitating land after cessation of operations so as to accelerate natural reclamation.
- Supporting community projects to minimize the aesthetic impact of our activities.



BIODIVERSITY

None of our operations are near areas designated to have high biodiversity importance. Our Reed mine project is within the boundary of a Manitoba provincial park, and we have worked with the Manitoba authorities to minimize the footprint of the mine (which will have no mill or tailings facility) and to mitigate other potential disturbances and ensure that the operation does not affect the local caribou habitat. At all locations we are making significant advances in biodiversity conservation.

In Manitoba, we worked towards specific biodiversity targets in 2012 focused on maintaining the water quality and fish habitat of water bodies that receive operational discharges, mitigating impacts on local caribou populations and minimizing terrain disturbance. Among the actions taken, we conducted quarterly effluent characterization analyses, limited high-risk activities during the critical caribou calving period, and took measures at the Lalor and Reed development projects to minimize our footprint and reuse existing infrastructure.

At Constancia, we are committed to ensuring that there is no net loss of biodiversity as a result of our activities. We have developed a biodiversity action plan (BAP) in keeping with international standards for protecting and conserving biodiversity and promoting the sustainable use and management of natural resources through conservation-oriented practices and development.



TOWARDS SUSTAINABLE MINING

As a member of the Mining Association of Canada (MAC), Hudbay is committed to achieving the performance objectives set out in Towards Sustainable Mining (TSM). This is a codified system establishing benchmarks for best performance and continuous improvement in the areas of tailings management, energy use and greenhouse gas (GHG) emissions management, Aboriginal and community outreach, crisis management planning, biodiversity conservation management, and safety and health. We conduct internal audits annually to verify our ongoing conformance and are externally verified by MAC-trained assessors every three years. The next audit will be performed on our 2012 results. Please see the Performance Data section of this report on our website for our latest results.

The BAP comprises a series of mitigation strategies for addressing project and non-project related threats to biodiversity in the region. Strategies include:

- Managing and monitoring four plant species of cultural value. In 2012, we transplanted plants from the project footprint to off-site conservation areas.
- Rescuing and relocating threatened species of reptiles and aquatic frogs to conservation areas and closely monitoring their behaviour in their new environment.
- Monitoring black widow spider activity and conducting community meetings to educate people on what to do if bitten.
- Implementing a pest management plan, which includes assessing the presence and abundance of fleas, cockroaches, mosquitoes and other insects that may be introduced by the project, and developing appropriate prevention and control strategies.
- Implementing a wetlands conservation plan.

ENVIRONMENTAL STUDIES

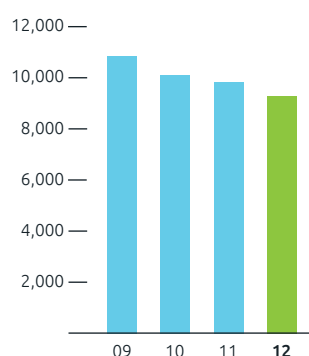
Applications for Environment Act licences for the Lalor and Reed projects were submitted to the Province of Manitoba in 2012, and the application for the Lalor concentrator is expected to be submitted in the first half of 2013. Environment Act licences are required before concentrator construction and full mine production can begin.

In developing the applications, we conducted extensive environmental baseline studies of the project areas and met with neighbouring communities (see *Canadian First Nations Engagement* on page 26). The baseline studies gathered data on wildlife, plants, and air and water quality in the project areas. Using this information, we assess the impact of the project on the environment and incorporate mitigation measures and commitments into each stage of the mine plan. All of these details are included in our Environment Act licence submissions.

Before approval is granted, the Province invites public comment, circulates the submission for review by a technical advisory panel and other government departments, satisfies its legal obligation to consult with First Nations communities and forwards questions to the applicant company.

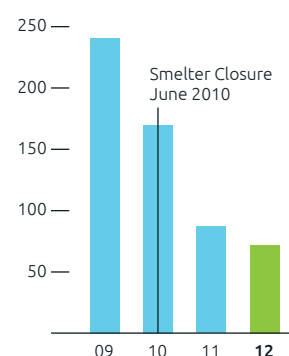
FLIN FLON TOTAL WATER CONSUMPTION

(m³)



TOTAL GREENHOUSE GAS EMISSIONS

(kilotonnes of CO₂-equivalent)



PROTECTING WATER RESOURCES

We are committed to reducing our reliance on fresh water and minimizing impacts on the quality of local water sources.

Water quality and supply is a concern of stakeholders near our Constancia project, and we are consulting extensively to ensure that their needs are addressed in the design of the operations. We have also established a joint environmental monitoring committee composed of community members, government authorities and company representatives, which will be charged with monitoring Hudbay's impacts at the project. We will provide committee members with the necessary technical training and support. As part of their mandate, they will monitor and record surface water quality and flows and groundwater quality and levels on a monthly basis.

Although our water intake does not significantly impact any water sources, the Flin Flon operations have worked towards a goal of reducing fresh water usage by 1% per year for several years. We achieved our goal again in 2012, with a 7% reduction, driven primarily by the closure of our Trout Lake mine and various initiatives to increase the efficiency of our water use in the Flin Flon operations.

None of the effluents discharged from Hudbay operations have a significant impact on the receiving streams or water bodies in which they are discharged. Stringent regulatory requirements must be met at the point of effluent discharge, and we had no material non-conformances in 2012.



WASTE MANAGEMENT

All Hudbay operations have waste management plans to reduce, reuse, recycle and responsibly dispose of the waste they generate.

We adhere to the Mining Association of Canada's (MAC's) TSM protocols for managing tailings. Tailings are piped into secure engineered impoundments, known as tailings dams. MAC guidelines address best practices for the location, design, construction, operation and closure of tailings facilities so that all structures are stable and comply with industry and government standards, and that solids and water are properly managed.

Waste rock from our mines is managed on-site according to environmental regulations and industry standards. Where possible, it is reused as fill in underground operations, tailings facilities and site rehabilitation.

ENERGY USE AND GREENHOUSE GAS EMISSIONS

In 2012, we achieved our goal of a 1% reduction in greenhouse gas (GHG) emissions. This was achieved through the completion of the transition to electric boilers, eliminating previous use of heavy fuel oil, and the closure of our Trout Lake mine.

GREEN MINING

Flin Flon is becoming a much greener community thanks to projects like the Hudbay-sponsored Green Project, which is accelerating the restoration of forests around Flin Flon and Creighton, and ongoing remediation work on and around the Hudbay site. Since 2000, we have worked with the community to treat soil and revegetate more than 50 hectares of land. In 2012, we applauded three Flin Flon high school students who, as winners of an essay-writing contest, were selected to attend a green mining workshop at McMaster University in Ontario. Later they visited our tailings impoundment system during a tour with five other classmates and a teacher.

FLIN FLON AIR EMISSIONS

Our most significant emissions to air are dust and particulates containing heavy metals. We have a particulate monitoring program in place and ensure that particulate levels remain below regulatory limits. Readings are reviewed by the government and external compliance auditors.

Each year, a dust management plan is implemented at Flin Flon in line with the annual tailings deposition plan and weather conditions. Temporarily inactive tailings areas are covered with water, if possible, by adjusting pond water elevations. We use a variety of methods for active tailings areas including pouring gravel over the crest of the tailings dams, creating covers of calcium chloride sand, compacted snow or ice, adding chemical binder on exposed beaches, and a trial in 2012 of applying straw. We also use a water truck (during summer using recycled water) on driving surfaces. There were no significant fugitive dust occurrences in 2012.

CLOSURE AND RECLAMATION

All mines have finite lives, and all Hudbay mines and development projects have closure plans and supporting financial provisions. Once mining is finished, we aim to leave behind land that will support productive uses for future generations. Although we have successfully closed and remediated 19 mines in the course of our history, we learn something new with each project. We also continue to monitor many of our previously closed sites, although we cannot take action without the approval of current owners and regulators.

In June 2012, the Trout Lake mine ceased operation after more than 30 years. Shortly afterwards, the mine closure process began with the cleanup and safe disposal of chemicals and fuel oils. Over the next two years, we will remove surface structures, seal mine openings, stabilize underground workings, treat waste water, and then slope, contour, cap or cover and vegetate the site, in accordance with the approved mine closure plan. Once closure and reclamation are completed and the government approves the work, we will continue water treatment and environmental monitoring activities at the closed property.

The Chisel North mine ceased operation in September 2012. Because the mine is connected to the Lalor deposit, closure activities will not begin until the Lalor ramp is no longer needed.

In 2012, we revisited the Spruce Point mine site, which was closed 20 years earlier. Located in the middle of Grass River Provincial Park in northern Manitoba, not far from our Reed project, the site had been rehabilitated according to applicable government regulations and received all necessary approvals. Although the land had for the most part returned to its natural state, upon revisiting the site in 2012 we noted some opportunities to improve the site condition. With the agreement of government and conservation authorities, we have embarked on a program to revegetate certain areas, and clean up garbage that had been left there by others. We are also discussing additional improvement opportunities with the provincial government.



CARIBOU MONITORING

We have made a three-year, \$45,000 commitment to support boreal woodland caribou research and monitoring in Manitoba. The program installs tracking collars on caribou to chart migratory patterns and will help to plan land usage to reduce habitat loss, degradation and fragmentation under the federal Species at Risk Act. Hudbay is a start-up member of the Northeast Woodland Caribou Advisory Committee, which aims to ensure the long-term sustainability of woodland caribou and their required habitats.

INDUSTRY INVOLVEMENT

Hudbay participates in a number of industry associations and multi-stakeholder groups through membership, funding, provision of expertise and participation in committees and working groups.

In 2012, we joined the Devonshire Initiative, a forum for leading international development non-governmental organizations (NGOs) and mining companies to come together in response to the emerging social agenda surrounding mining and community development issues. It is the sole collaborative problem-solving forum of its kind in Canada that is aimed at improving on-the-ground community development outcomes.

Other memberships include the following:

- The Mining Association of Canada
- The Mining Association of Manitoba
- Saskatchewan Mining Association
- Mines Accident Prevention Association of Manitoba
- Northern Manitoba Sector Council (not-for-profit corporation representing the region's major mining, forestry and energy sector employers)
- Canadian Institute of Mining, Metallurgy and Petroleum and relevant societies
- Aboriginal Chamber of Commerce (Manitoba)
- Canadian Council for Aboriginal Business
- Canadian Aboriginal Minerals Association
- International Zinc Association
- Canadian Dam Association
- Manitoba Employers Council
- Prospectors and Developers Associations (of Canada, and provincial associations)
- Canadian Manufacturers and Exporters
- AIME – Society of Mining Engineers

INTERNATIONAL ZINC ASSOCIATION

Hudbay is a member of the International Zinc Association, whose mission is to support and advance zinc products and markets through research, development, technology transfer and communication of the unique attributes that make zinc sustainable and essential for life.

- Cámara de Comercio Peruano Canadiense (Peruvian-Canadian Chamber of Commerce)
- SNMPE (national society of mining, oil and gas and electrical companies in Peru)
- SARCC (organization of SNMPE member companies providing emergency response services)
- Grupo Dialogo (multi-stakeholder group promoting open and transparent dialogue on mining, environmental protection and sustainable development)
- Empresarios por la Educación (a Peruvian private sector organization to promote and develop educational projects)
- Cámara de Comercio de Cusco (Cusco Chamber of Commerce)
- Asociación Vida Perú (non-profit organization that donates medical equipment and medicines)
- Confederación Nacional de Instituciones Empresariales Privadas, CONFIEP (National Confederation of Private Business Institutions)
- Iniciativa para la Transparencia de las Industrias Extractivas en Perú, EITI-Perú (Extractive Industries Transparency Initiative, Peru)
- Cámara Colombiana de Minería

KEY PERFORMANCE DATA

Our 2012 Corporate Social Responsibility (CSR) Report has been prepared in accordance with Global Reporting Initiative (GRI) 3.1 guidelines. This year, we have divided our report into two sections. The Narrative section contains a discussion and analysis of 2012 activities and performance. This Performance Data section contains year-over-year performance data, primarily in the form of tables.

BASIS OF REPORTING

All financial information is presented in Canadian dollars. All operating data is reported using the metric system. Some metrics are reported on both an absolute basis and an intensity basis against kilotonnes of metal processed. Safety data frequency rates are measured per 200,000 hours worked.

DATA MEASUREMENT TECHNIQUES

Data is measured or estimated, and operations are asked to explain significant deviations in year-over-year trends. The performance data is reported at a mix of operational and corporate levels. Data is checked and approved at the site level, and also reviewed for consistency by the corporate data collection team.

We provide safety and environmental incident definitions so that all operations report incidents consistently. We calculate greenhouse gas (GHG) emissions using published factors for emissions.

Most of the performance data for water and energy is metered. We do not generate electricity at any of our operations, but rather buy it from local grids. Utility grid statistics are therefore used to compile purchased electricity-related GHG numbers. We do generate electricity at some of our project sites (such as Constancia and Reed) and this energy is reflected in fuel consumption, and GHG numbers are calculated based on conversion factors.

Data for the indicators is collected and compiled using information submitted by each site on a standard template. We provide instruction and criteria for GRI G3.1 and Towards Sustainable Mining (TSM), and also supply a GHG emissions worksheet (developed by the Mining Association of Canada).

KEY PERFORMANCE DATA

ECONOMIC

	2012	2011 ¹	2010 ¹	2009 ¹
Direct economic value generated and distributed				
(in \$ millions) (EC1)				
Profit before tax ²	\$ 52.1	\$ 209.0	\$ 108.7	\$ 141.9
Revenues ^{2, 3}	\$ 702.6	\$ 904.7	\$ 778.8	\$ 720.7
Operating costs^{2, 3}				
Canada	(490.0)	(543.2)	(432.4)	(491.6)
US	(10.3)	(18.2)	(7.3)	(7.1)
Peru	(13.1)	(9.5)	n/ap	n/ap
Chile	(7.0)	n/ap	n/ap	n/ap
Colombia	(4.5)	n/ap	n/ap	n/ap
Total	\$ (524.9)	\$ (574.1)	\$ (451.0)	\$ (505.8)
Employee wages and benefits				
Canada	184.5	188.4	186.4	170.3
US	1.9	2.2	n/av	6.4
Peru	11.9	6.6	n/ap	n/ap
Chile	1.8	n/ap	n/ap	n/ap
Colombia	1.3	n/ap	n/ap	n/ap
Total	\$ 201.4	\$ 199.4	\$ 189.9	\$ 180.1
Payments to government				
Taxes paid ^{4, 5, 6}				
Canada	59.3			
US	0.7			
Peru	0.0			
Chile	0.0			
Colombia	0.2			
Total	\$ 60.2	\$ 90.0	\$ 82.9	\$ 41.8
Municipal taxes and grants ⁶				
Canada	7.5			
US	0.0			
Peru	0.0			
Chile	0.0			
Colombia	0.0			
Total	\$ 7.5			
Payments to providers of capital				
Dividends paid	34.4	34.4	14.9	0.0
Interest payments made to providers of loans	0.0	n/av	n/av	n/av
Capital expenditures – cash flow basis ²	\$ 510.5	\$ 254.5	\$ 117.6	\$ 104.1
Cash and cash equivalents	\$ 1,337.1	\$ 899.1	\$ 901.7	\$ 886.8

ECONOMIC cont'd

	2012	2011 ¹	2010 ¹	2009 ¹
Payments – local communities for land use (in \$ 000s) ⁷				
Canada	0.0	0.0	n/av	n/av
US	0.0	0.0	n/av	n/av
Peru	24,313.3	73.0	n/av	n/av
Total land use payments	\$ 24,313.3	\$ 73.0	n/av	n/av
Public benefit (EC8)				
Community investment (in \$ 000s)⁸				
Canada	431.6	478.0	620.4	1,057.0
US	55.7	0.0	7.0	24.8
Peru	756.0	427.0	n/ap	n/ap
Chile	0.0			
Colombia	22.4			
Subtotal – community investments	\$ 1,265.7	\$ 1,167.0	\$ 1,290.6	\$ 1,414.8
Charitable donations (in \$ 000s)⁸				
Canada	627.3			
US	5.0			
Peru	0.0			
Chile	0.0			
Colombia	1.1			
Total charitable donations	\$ 633.4	\$ 536.0	n/av	n/av
Total community investments and donations	\$ 1,899.1	\$ 1,703.0	\$ 1,290.6	\$ 1,415.0
Mine production (contained metal in concentrate)				
Zinc (000 tonnes)	80.9	75.8	77.3	78.7
Copper (000 tonnes)	39.6	54.3	52.4	48.4
Gold (000 troy ounces)	86.6	94.6	87.2	92.2
Silver (000 troy ounces)	824.0	875.8	843.4	1,004.6
Metal production				
Zinc metal (000 tonnes)	100.1	107.7	100.0	106.8
Copper (000 tonnes)	0	n/av	19.8	58.6
Gold (000 troy ounces)	0	n/av	35.6	91.4
Silver (000 troy ounces)	0	n/av	372.3	2,006.6

¹ Totals for 2009, 2010 and 2011 include all sites reported in that year. Details may not be shown for sites disposed of prior to 2012.

² In fiscal 2011, Hudbay adopted the International Financial Reporting Standards (IFRS) with a transition date of January 1, 2010. The data shown in this report for 2010 and subsequent years is therefore in conformity with IFRS. The year 2009 is in conformity with Canadian GAAP and has not been restated under IFRS. Accordingly, 2009 data may not be comparable with the information for fiscal 2010 and subsequent years.

³ Revenues and operating costs differ from those in our financial statements due to GRI definitions. For example: Revenues include gross financial income as well as product sales; operating costs exclude depreciation and impairment, include exploration costs net of tax credits. Profit before tax is as presented in Hudbay financial statements.

⁴ Profit-based taxes are reported on an annual cash taxes paid basis starting in 2012, which conforms with the amounts reported in Hudbay's financial statements. Consumption-based taxes are reported on the net payments to governments considering both tax credits generated from consumption taxes paid along with consumption tax collected on sales. No consumption taxes are reported if no payments are expected on a net basis, and no payments are disclosed if the amounts paid are recoverable in the future.

⁵ Taxes were not detailed by country for 2009, 2010 and 2011.

⁶ For 2009, 2010 and 2011, municipal taxes and penalties and interest paid are included in the total line for "Taxes paid".

⁷ These figures do not include land use payments to government.

⁸ For 2009 and 2010, charitable donations are included in the community investments lines above. Donations were not detailed by country in 2011.

EMPLOYEES

	2012	2011 ¹	2010 ¹	2009 ¹
Total workforce (LA1)				
Full-time employees				
Flin Flon, MB	1,116	1,179	1,212	1,334
Snow Lake, MB	158	104	102	78
Winnipeg, MB	7	3	3	2
Toronto, ON	65	53	34	16
Gouverneur, NY	8	9	10	12
Stephenson, MI	2	8	17	59
Peru	131	74	n/ap	n/ap
Chile	14	n/ap	n/ap	n/ap
Colombia	15	n/ap	n/ap	n/ap
Total full-time employees	1,516	1,430	1,492	1,621
Employment				
Number of part-time employees	42	28	2	n/av
Number of contract (term) employees	34	10	n/av	n/av
Number of co-op and summer students hired	39	31	57	26
Number of contractor full-time equivalent staff	3,359	1,343	544	458
Number of employees represented by collective bargaining agreements	961	986	1,040	1,294
Percentage of employees represented by trade unions (LA4)	63.4%	69.0%	69.7%	79.8%
Number of strikes or lockouts exceeding one week (MM4)	0	0	0	0
Voluntary turnover rate (LA2)	5%	6%	10%	7%
Workforce age distribution				
<30	11.1%	10.2%	9.8%	9.5%
30–50	50.3%	49.0%	54.3%	52.2%
>50	38.9%	40.9%	35.9%	38.3%
Person-hours of work (including contractors)				
Flin Flon, Snow Lake, Winnipeg and Toronto	3,299,723	3,486,280	3,183,242	3,179,407
Gouverneur, NY	20,673	24,312	27,027	27,208
Stephenson, MI	9,071	29,824	103,039	133,718
Peru	6,459,441	1,322,371	n/ap	n/ap
Chile	n/av	n/ap	n/ap	n/ap
Colombia	n/av	n/ap	n/ap	n/ap
Total person-hours	9,788,908	5,606,821	4,092,445	4,010,169
Net number of full-time employees added (decreased)¹ (LA2)				
Canada	7	(161)	(73)	(84)
US	(7)	(10)	(44)	(25)
Peru	57	74	n/ap	n/ap
Chile	14	n/ap	n/ap	n/ap
Colombia	15	n/ap	n/ap	n/ap
Total	86	(169)	(129)	(155)
Health and safety performance (per 200,000 hours worked, except where noted)² (LA7)				
Lost time accident frequency	0.3	0.3	1.2	0.5
Lost time accident severity (days lost per 200,000 hours worked)	3.3	7.6	30	14
Restricted work accident frequency	0.8	1.5	2	2
Medical aid accident frequency	4.7	7.1	10	11
First aid accident frequency	7.6	12.7	18	20
Fatality (number)	0	0	0	0
Absentee rate (as a % of hours scheduled to be worked)	n/av	n/av	n/av	n/av
Reportable occurrences (defined as H&S incidents required by Hubday policy to be reported to our Board of Directors) ³	73	33	33	21

EMPLOYEES cont'd

	2012	2011 ¹	2010 ¹	2009 ¹
Composition of governance bodies and breakdown of employees (LA13)				
Workforce diversity⁴				
Female	15.2%	12.2%	12.0%	9.5%
Aboriginal	10.8%	10.5%	11.9%	8.0%
Disabled	6.0%	7.2%	7.4%	3.5%
Visible minorities	5.7%	5.1%	6.7%	3.1%
Composition of executive management and corporate governance bodies				
Board of Directors (ratio male to female)	10:0	8:0	8:0	8:0
Age distribution				
<30	0%	0%	0%	0%
30–50	10.0%	12.5%	12.5%	0%
>50	90.0%	87.5%	87.5%	100.0%
Executive management (ratio male to female)	11:1	11:1	10:1	7:1
Age distribution				
<30	0%	0%	n/av	n/av
30–50	58.3%	50.0%	n/av	n/av
>50	41.7%	50.0%	n/av	n/av

SOCIETY

	2012	2011	2010	2009
Total number of incidents of discrimination (and actions taken) (HR4)	0	0	0	5
Complaints from communities (see page 29)	109	62	1	3
Employees trained in anti-corruption policies (SO3)				
Number – management	40	115	1,218	n/av
Number – non-management	22	70	Included above	n/av
Percent of workforce	4%	13%	82%	n/av
Number of fines or sanctions for non-compliance with laws and regulations⁵ (SO8)				
	\$ 900	\$ 400	\$ 5,100	\$ 1,470
Closure plans (MM10)				
Number of operating site closure plans ⁶	7	11	11	5
Number of advanced development project closure plans ⁶	3	n/av	n/av	n/av
Percentage of total operations with closure plans	100%	100%	100%	100%
Overall financial provision representing the present value of future cash flows relating to estimated closure costs per Canadian generally accepted accounting principles (see note 20 to the Notes to the Consolidated Financial Statements) (in \$ 000s)	\$ 157,675	\$ 146,082	\$ 58,915	\$ 54,460
Number of fines or sanctions for non-compliance with laws and regulations concerning the provision and use of products and services (PR9)				
	0	0	0	0

¹ Totals for 2009, 2010 and 2011 include all sites reported in that year. Details may not be shown for sites disposed of prior to 2012.

² Safety statistics do not include Chile and Colombia. They will be included in reporting for 2013.

³ The increase in reportable occurrences in 2012 was influenced by changes in our reporting criteria (which are partly based on definitions in Manitoba law which changed in 2012), and by the increase in activity at our Constanca project.

⁴ Data identifying Aboriginal and visible minorities is collected only in Canada and the United States. Percentage composition is calculated based on worldwide workforce.

⁵ All fines are related to US Federal Mine Safety and Health Administration (MSHA) inspections at our St. Lawrence Zinc (SLZ) operation in Balmat, New York. Under MSHA any deficiency is subject to a set financial penalty (whereas in other jurisdictions there would be a corrective action order). The totals shown reflect all deficiencies in each year, with specific penalties ranging from \$60 to \$6,000 per deficiency.

⁶ In 2012 the number of operating site closure plans is shown separately from the number of development site closure plans. These numbers were combined in years 2009 to 2011. From the total of 11 sites with closure plans in 2011, three sites were sold and two sites were added for a net reduction of one closure plan.

ENVIRONMENT

	2012	2011 ¹	2010 ¹	2009 ¹
Direct energy consumption by primary energy source (terajoules) (EN3)				
Heavy oil	0	144	990	1,767
Propane	578	544	515	652
Natural gas	0	221	426	321
Diesel	475	215	179	164
Light oil	5	5	3	4
Gasoline	9	10	9	10
Total	1,067	1,138	2,122	2,918
Indirect energy consumption by primary energy source (terajoules) (EN4)				
Total electricity consumed	3,127	3,392	3,012	3,136
Energy intensity (terajoules per kilotonne of metal in concentrate) ²	34.8	34.4	34.2	36.0
Total water withdrawal (000 cubic metres) (EN8)				
Surface water	10,687	11,321	11,658	12,352
Ground water	367	461	384	379
Municipal water supplies	0.06	2	2	1
Total water withdrawal ³	11,054	11,784	12,044	14,038
Total direct and indirect greenhouse gas emissions (kilotonnes of CO₂-equivalent) (EN16)				
Direct carbon dioxide emissions	71.52	71.37	140.1	199.9
Indirect carbon dioxide emissions	4.51 ⁴	15.37	29.8	41.0
Total	76.03	86.74	169.93	240.90
GHG emission reductions (may be qualitative only) (EN18)	14.79	83.19	70.97	n/av
Emissions of ozone-depleting substances (kg) (EN19)	850.5 ⁵	0	0	11
NO_x, SO_x and other significant air emissions (in kilotonnes)⁶ (EN20)				
Sulphur dioxide emissions	0	0	58.2	143.5
Particulate	0.04	0.04	0.5	0.9
NO _x and VOCs	0	0.01	0	0
Total water discharged (000 cubic metres)¹ (EN21)				
To Flin Flon Creek/Ross Lake/Schist Lake	12,906	14,766	15,139	n/av
To Anderson Creek/Wekusko Lake	3,626	3,698	5,507	n/av
To Woosey Creek/Morgan Lake	1,368	1,491	1,542	n/av
To Oswegatchie River in NY	1,777	3,109	2,791	n/av
To Stephenson Sewer	0	n/av	n/ap	n/ap
To land (irrigation using treated water in Peru)	10	n/ap	n/ap	n/ap
Total water treated (000 cubic metres) ³	19,687	23,070	24,993	19,074
Total number of significant spills⁷ (EN23)	3	3	1	3
Volume (m ³)	1.5	47.0	18.9	n/av
Hazardous waste disposed of at external facility (tonnes)⁸ (EN24)	2,763	107	2,010	79.9
Number of fines or sanctions for non-compliance with environmental laws and regulations (EN28)	0	0	0	0

ENVIRONMENT cont'd

	2012	2011 ¹	2010 ¹	2009 ¹
Land use (hectares) – mineral tenure (controlled) (MM1)				
Manitoba	219,386.4	301,273.6	323,152.6	335,545.2
Saskatchewan	145,757.5	88,736.5	83,289.5	72,763.5
Ontario	0.0	11,058.7	11,058.7	11,058.7
Yukon	5,823.4	5,823.4	5,823.4	5,823.4
Nunavut	21.0	21.0	21.0	21.0
Total Canada	370,988.3	406,913.1	423,345.1	425,211.8
New York	31,590.4	31,590.4	22,329.5	21,620.3
Michigan	3,141.1	3,141.1	n/ap	n/ap
Total USA	34,731.5	34,731.5	22,329.5	21,620.3
Chile	1,531.0	1,531.0	1,531.0	1,531.0
Colombia	5,210.8	n/ap	n/ap	n/ap
Peru	22,532.5	25,090.3	n/ap	n/ap
Total South/Central America	29,274.3	26,621.3	29,561.0	29,561.0
Total	434,994.1	468,266.0	475,235.6	476,393.1
Land use (hectares) – surface tenure (disturbed)				
Manitoba	6,083.0	6,004.0	5,985.7	5,844.4
Saskatchewan	928.7	928.7	1,494.8	1,480.4
Ontario	0.0	0.0	0.0	3.8
Yukon	120.7	120.7	120.7	120.7
Nunavut	0.0	0.0	0.0	0.0
Total Canada	7,132.4	7,053.4	7,601.2	7,449.3
New York	57.7	57.7	57.7	57.7
Michigan	550.3	550.3	n/ap	n/ap
Total USA	608.0	608.0	57.7	57.7
Chile	0.0	0.0	0.0	0.0
Colombia	0.0	n/ap	n/ap	n/ap
Peru	3,774.2	1,026.3	n/ap	n/ap
Total South/Central America	3,774.2	1,026.3	8,402.8	8,402.8
Total	11,514.6	8,687.7	16,061.7	15,909.8
Percent land used vs. controlled	2.6%	1.9%	3.4%	3.3%

¹ Totals for 2009, 2010 and 2011 include all sites reported in that year. Details may not be shown for sites disposed of prior to 2012.

² Hudbay's Manitoba operations produce copper and zinc concentrate from ore mined by Hudbay. The copper concentrate is sold as concentrate and the zinc concentrate is further processed at our Flin Flon hydrometallurgical zinc plant, along with additional purchased concentrate, to produce high-grade zinc metal. Because of these multiple input and output streams, we have used metal in concentrate based on our mine production as the measure of production volume for the purpose of calculating energy intensity.

³ Water withdrawals does not include some mine dewatering. Water discharge includes surface runoff that accumulates in containments. Water discharged from the Tom Valley exploration property is not reported – the value is being reviewed.

⁴ The sale of our Ontario-based Zochem operation in 2011 left most of our electricity consumption in Manitoba. With nearly all Manitoba's electricity generation hydro based, the emission factor for our electricity consumption is now very low.

⁵ Increase reflects gradual leakage due to routine equipment wear found and corrected at the oxygen plant chiller. More frequent monitoring has been implemented.

⁶ NO_x emissions are not tracked as the government of Canada does not consider the mining sector to be significant emitters of NO_x.

⁷ Significant spills are those that are reportable to government agencies, whether by law or in accordance with company policy.

⁸ The increase in hazardous waste disposal from 2011 to 2012 is primarily due to disposal of materials related to decommissioning obsolete portions of the plant in Flin Flon.

GRI INDEX

INDICATOR	DESCRIPTION	DETAILS
STRATEGY AND ANALYSIS		
1.1	Executive viewpoint	Page 4
1.2	Key impacts, risks and opportunities	Pages 2, 6 and 10 and page 19 of our Annual Information Form (AIF) which can be accessed on www.sedar.com
ORGANIZATIONAL PROFILE		
2.1	Name	Inside front cover
2.2	Principal activities and products	Inside front cover
2.3	Operational structure	Inside front cover
2.4	Head office	Inside front cover and page 36
2.5	Countries of operation	Inside front cover
2.6	Nature of ownership	Inside front cover, AIF page 7 and http://www.hudbayminerals.com/English/About-Us/At-a-Glance/default.aspx
2.7	Markets	Page 3
2.8	Scale of reporting organization	Inside front cover and performance data tables
2.9	Significant changes	Page 16
2.10	Awards received in the reporting period	Page 23
REPORT PARAMETERS		
3.1	Reporting period	Page 8
3.2	Most recent previous report	Page 8
3.3	Reporting cycle	Annually
3.4	Contact	Page 8
3.5	Defining report content	Page 8
3.6	Boundary of report	Inside front cover, page 8 and performance data tables
3.7	Specific limitations	Page 8 and performance data tables
3.8	Joint ventures	Page 8
3.9	Data measurement	Page 8
3.10	Restatements	No restatements of prior years' data were required
3.11	Changes in reporting parameters	Performance data tables
3.12	GRI content index	Page 44
3.13	External assurance	Our internal data check process is described on page 8 – we have not sought external assurance for this report

INDICATOR	DESCRIPTION	DETAILS
GOVERNANCE, COMMITMENTS AND ENGAGEMENT		
4.1	Governance structure	Corporate Governance and Nominating Committee available at http://www.hudbayminerals.com/English/About-Us/Governance/default.aspx , and AIF pages 4 and 32
4.2	Board Chair	Corporate Governance and Nominating Committee
4.3	Board independence	Corporate Governance and Nominating Committee, and AIF page 32
4.4	Engagement with the Board	Page 13
4.5	Executive compensation	2012 Management Information Circular available on SEDAR at www.sedar.com
4.6	Conflict of interest	Pages 11 and 13, and AIF page 36
4.7	Board qualifications	Corporate Governance and Nominating Committee
4.8	Mission, values, codes of conduct	Page 11 and http://www.hudbayminerals.com/English/About-Us/At-a-Glance/default.aspx
4.9	Board oversight of sustainability	Page 11
4.10	Board performance review	Corporate Governance and Nominating Committee
4.11	Precautionary principle	Page 10
4.12	External codes and initiatives	Page 11
4.13	Industry associations	Page 36
4.14	Stakeholder groups	Page 36
4.15	Stakeholder identification and selection	Page 26
4.16	Approaches to stakeholder engagement	Page 25
4.17	Stakeholder topics of concern	Pages 13 and 29
ECONOMIC		
Disclosure on management approach		Page 15
EC1	Economic value	Page 38
EC3	Defined benefit plan coverage	Page 59 Annual Financial Statements on www.sedar.com
EC6	Local spending	Page 17
EC7	Local hiring	Page 16
EC8	Infrastructure investments and services	Pages 16, 18 and 39
EC9	Economic contribution	Page 16

INDICATOR	DESCRIPTION	DETAILS
ENVIRONMENT		
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EN3	Direct energy consumption	Page 42
EN4	Indirect energy consumption	Page 42
EN5	Energy conservation	Page 34
EN8	Water withdrawal by source	Page 42
EN9	Water sources affected	Page 33
MM1	Land disturbed or rehabilitated	Page 43
EN11	Land use and biodiversity	Page 32 and performance data tables
EN12	Biodiversity	Page 32
EN13	Habitats protected or restored	Pages 6 and 34
EN14	Managing impacts on biodiversity	Page 32
EN16	Greenhouse gas emissions	Page 42
EN18	Greenhouse gas reduction	Pages 34 and 42
EN19	Emissions of ozone-depleting substances	Page 42
EN20	Significant air emissions	Page 42
EN21	Water discharge	Page 42
EN23	Spills	Page 42
EN24	Hazardous waste	Page 42
EN28	Environmental fines and sanctions	Page 42
HUMAN RIGHTS		
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HR4	Discrimination	Page 41
HR8	Security training on human rights	Page 12
MM5	Operations in or adjacent to indigenous peoples' territories	Page 26

INDICATOR	DESCRIPTION	DETAILS
LABOUR		
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LA1	Workforce	Page 40
LA2	Employee turnover	Page 40
LA4	Collective bargaining	Page 40
LA11	Training and development	Page 23
MM4	Strikes and lock-outs	Page 40
LA7	Illnesses, injuries and fatalities	Page 40
LA13	Diversity of governance bodies and workforce	Pages 22 and 41
SOCIETY		
Disclosure on management approach		Pages 13, 23, 25, 35 and http://www.hudbayminerals.com/English/Responsibility/Ethics-and-Human-Rights/default.aspx
SO1	Managing impacts on community	Page 25
SO3	Anti-corruption training	Page 41
SO8	Fines and sanctions	Page 41
SO9	Operations with significant potential or actual negative impacts on local communities	Page 25
SO10	Prevention and mitigation measures implemented at operations with negative impacts	Page 25
MM6	Significant community disputes	Pages 12 and 27
MM7	Use of grievance mechanisms	Pages 29 and 41
MM8	Artisanal and small-scale mining	Page 28
MM9	Resettlement	Page 27
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Disclosure on management approach		Page 2
PR3	Product information	Page 3
PR9	Fines and sanctions	Page 41
MM11	Materials stewardship	Page 3

GLOSSARY OF TERMS

Accident frequency – number of injuries (recordable or lost time) multiplied by 200,000, divided by total hours worked

Biodiversity – short for “biological diversity”; the variety of living organisms, genetic diversity and habitat diversity that creates and sustains variation in the environment

Community investment – voluntary investment of funds in the broader community, including for physical infrastructure and social programs

Contractor – one who agrees to perform work or supply items at a certain price or rate

Donations – contributions to charities

Employee – a person directly employed by Hudbay and/or its subsidiaries

G3 indicator – any sustainability performance indicator contained in the G3.1 guidelines of the Global Reporting Initiative. The G3.1 guidelines provide the framework for this report.

GHG emissions – greenhouse gas emissions

Global Reporting Initiative (GRI) – an independent institution whose mission is to develop and disseminate globally applicable sustainability reporting guidelines. For more information, visit www.globalreporting.org.

Grant in lieu – an amount paid instead of property taxes

Lost time accident (LTA) – a work-related injury that causes the injured person to be unable to return to work on his/her next scheduled workday after the day of the injury, because he/she is unfit to perform any duties

MAC – Mining Association of Canada

Material information – a fact or a change to the Company that could reasonably be expected to have a significant effect on the market price or value of the securities of the Company

n/ap – not applicable

n/av – not available

Restricted work – a work-related injury where a licensed health care provider or the employer recommends that the employee not perform one or more of the routine functions of the job or not work the full workday that the employee would have otherwise worked

Tailings – the fine waste rock that remains after separating the valuable minerals from the ore during mining and processing of mineral resources. They may contain trace quantities of metals found in the host ore, as well as added compounds used to extract the minerals.

TSM – Towards Sustainable Mining – an initiative of the Mining Association of Canada

For more information on Hudbay and our corporate social responsibility strategy and activities, please visit our website at www.hudbayminerals.com.

Hudbay

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