



HUDBAY LOCATIONS



Copper cathode bundles

- 3rd largest zinc and copper metal producer in Canada
- 3rd largest zinc oxide producer in North America
- Vertically Integrated – from mines to metals
- Continuous production since 1930

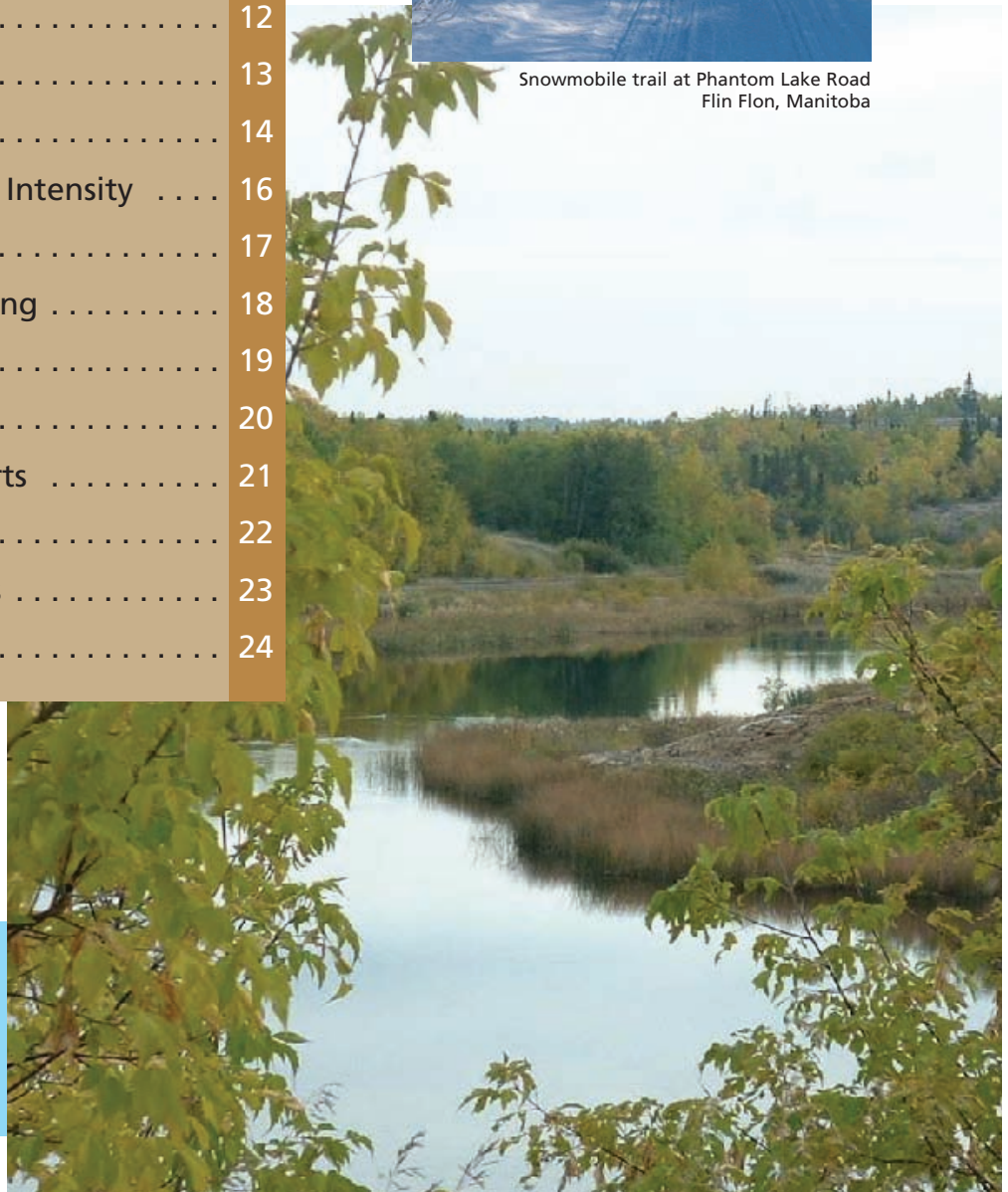
www.hudbayminerals.com

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Snowmobile trail at Phantom Lake Road
Flin Flon, Manitoba



Ross Creek, Flin Flon, Manitoba

TSX: HBM

WHO WE ARE

HudBay Minerals Inc. (HudBay) is an integrated mining company that operates mines, concentrators and a metal production facility in northern Manitoba and Saskatchewan. The Company also owns a zinc oxide production facility in Ontario, the White Pine Copper Refinery in Michigan and the Balmat zinc mine in New York state. HudBay is a member of the S&P/TSX Composite Index. Revenues were in excess of \$1 billion in 2006, and we are Canada's third largest producer of both copper and zinc metal and North America's third largest producer of zinc oxide. We also produce annually, approximately 100,000 ounces of gold and 1,000,000 ounces of silver.



Our operations include three mines in northern Manitoba operated by our wholly-owned subsidiary, Hudson Bay Mining and Smelting Co., Limited "HBMS", and a fourth mine and concentrator in the Balmat district of New York state. Our principal processing facilities are located near our Manitoba mines and include two concentrators, a copper smelter and a zinc plant. We also refine copper at our White Pine Copper Refinery in Michigan state and produce zinc oxide at our Zochem facility in Ontario. The metals and zinc oxide we produce are marketed and sold to customers by Considar Metal Marketing Inc. "CMM", our agent, which is located in Toronto and is 50% owned by HudBay.

STRATEGY

Our strategy is comprised of four key elements to leverage our integrated operating assets, mineral reserves and mineral resources, our large exploration lands and experienced workforce.

- **Maintain strong safety and environmental performance**
- **Pursue growth through mineral exploration and mine development**
- **Pursue growth through selective acquisitions**
- **Identify further opportunities to lower our costs**



Summer exploration drilling, northern Manitoba



Balmat mine, New York state

CEO'S MESSAGE



2006 was a tremendous year for HudBay on many fronts – financially, operationally and most importantly, for our ongoing efforts in safety, health and the environment. At HudBay we fully recognize that our “social license” is premised on our ongoing ability to operate appropriately and responsibly. To this end, we are

aligned with the Mining Association of Canada’s “Toward Sustainable Mining” initiative.

During 2006 our operations sustained a lost time accident frequency rate of 0.96 per 200,000 man-hours worked, including both employees and contractors. This is only slightly higher than the 75-year low of 0.62 that we achieved in 2005. I’m particularly pleased to be able to report that we had no significant injuries or incidents throughout our copper smelter furnace rebuild project in 2006. This major undertaking was completed on time, reflecting the extensive planning and diligence of all those involved.

Protecting the environment and minimizing the impact our operations have on it, is an important priority for HudBay. We have invested hundreds of millions of dollars over the years to strengthen our environmental performance and we continue to meet all environmental regulations.

Remediation highlights from 2006 include the decommissioning of the Konuto Lake Mine, which saw extensive site restoration and was largely completed during the year, as well as the advancement of our

tailings impoundment extension project at Flin Flon. When completed in 2008, this \$10 million undertaking will result in a significant reduction in the potential for wind blown tailings and provide storage capacity for many years to come.

In 2006, our operations continued to meet the exacting international standards of OHSAS 18001 in occupational health and safety and ISO 14001 in environmental management systems. On March 12, 2007, we announced that our Balmat operations had also been certified to ISO 14001 and OHSAS 18001, by external audit. Our White Pine Copper Refinery, acquired on January 1, 2006 is expected to be certified later in 2007, which will make HudBay certified at all of its operational facilities.

Our contribution to the communities where we work and live is another important focus for us. We employ over 1,700 people across our operations, and annually HudBay contributes millions of dollars in wages and taxes as well as other expenditures to run our operations - all of which contributes to the economic well being of these communities.

We’ve made a lot of progress over the years on the sustainability front and we’re committed to continuous improvement and performance excellence going forward. I look forward to reporting our 2007 progress in our next report.

A handwritten signature in blue ink, reading "Peter R. Jones".

Peter Jones, President & CEO

May 9, 2007

CORPORATE GOVERNANCE

Environment, Health and Safety

HudBay has an Environmental, Health and Safety Committee of its Board of Directors (the "Committee"). The general mandate of the Committee is to oversee the development and implementation of policies and management systems at the Company relating to environmental and health and safety issues to ensure compliance with applicable laws and best practice.

The Committee is comprised of Mr. M. Norman Anderson, Dr. Lloyd Axworthy and Mr. Peter Jones who are also directors of the Company.

HUDBAY'S ENVIRONMENT, HEALTH & SAFETY POLICY

HudBay Minerals Inc. (HudBay) and its subsidiaries explore, mine and produce metals in an environmentally responsible manner, while maintaining a safe and healthy workplace. We are committed to the control of risk to achieve a high level of occupational health and safety and to the protection of the environment.

To fulfill this commitment, we are actively engaged in:

- developing, implementing and continually improving the effectiveness of safety, health and environmental management systems;
- meeting and when practicable setting targets to surpass all applicable legal and regulatory safety, health and environmental requirements, policies and codes of practice;
- reducing the risk of injury or occupational health exposure;
- developing and maintaining a culture of environmental responsibility and an awareness of the primary importance of safety and health;

- using sustainable processes, practices, procedures and materials that avoid adverse effects on air, water and soil and maintain the environmental health of the communities in which we operate;
- monitoring effectiveness and reviewing, safety, health and environmental management programs, objectives and targets; and
- providing adequate resources for safety, health and environmental programs.

HudBay is also committed to producing and sharing with stakeholders an annual sustainability report, which demonstrates our commitment to continuous measurement and improvement of our environmental, safety and health performance.



HBMS rescue team receiving instructions from director at 2006 mine rescue competition.



Russell Road, President Mining Division; Ian Cooper, Superintendent, Health & Safety; Tina Keeper, Member of Parliament - Churchill, at 2006 mine rescue competition.



Ross Lake, Flin Flon, Manitoba

STANDARDS OF EXCELLENCE

HudBay is committed to ensuring that the management systems at its operating subsidiaries are certified to the current Occupational Health and Safety Assessment Series (OHSAS) and the International Organization for Standardization (ISO) environmental management systems specifications within 2 years of acquisition.

OHSAS 18001:1999 is an Occupational Health and Safety Assessment Series for health and safety management systems that is intended to assist organizations to control occupational health and safety risks. The international OHSAS 18001 specification was created through the combined efforts of a number of the world's leading national standards bodies, certification bodies and specialist consultancies.

The **ISO 14001:2004** international standard specifies requirements for a management system to enable an organization to prevent and minimize harmful effects on the environment and achieve continual improvement in environmental performance. The International Organization for Standardization is a network of the national standards institutes of 157 countries.

More specifically, in order for a company's management systems to conform to OHSAS 18001 and ISO 14001 specifications, the company must:

- Establish a system to identify, assess, prevent or control risk to the environment, employees and other interested parties who may be exposed to risks associated with its activities;
- Assure itself of its conformance with its stated policies and demonstrate such conformance to communities of interest.

- Implement, maintain and continually improve the management system.

HudBay requires all of its operations to be certified to these important environmental and safety standards. On March 12, 2007, we announced that our Balmat operations had been certified to ISO 14001 and OHSAS 18001 following completion of an external audit of the management system. The audit was done by SGS Systems and Services Certification North America Inc.

The production and supply of HudBay's final products, excluding the White Pine Copper Refinery, continues to be certified to ISO 9001:2000 quality management systems standard.

The White Pine Copper Refinery, acquired by HudBay on January 1, 2006 is expected to be certified to all three standards later in 2007, which will make HudBay certified at all of its operational facilities.



D. Parsons, R. Penner - Chief, D. Rothlander and D. Peake are members of the HBMS fire team



Bill Cook and Robert Harges banding copper cathode at White Pine Copper Refinery

SAFETY

In 2006, our HBMS operations successfully maintained certification to OHSAS 18001. In early 2007, our Balmat operations achieved this important milestone and we are confident that our White Pine Copper Refinery will achieve certification during 2007.

Our management systems focus on identification of workplace hazards, assessment of risks and implementation of controls. This focus has allowed us to achieve strong levels of performance for accident frequency and lost time accident severity.

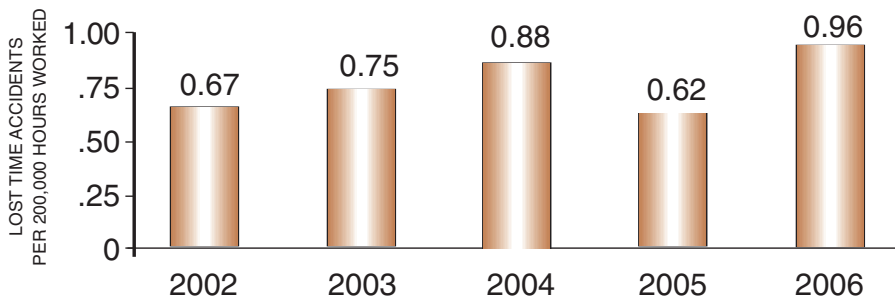


HBMS mine rescue team "provincial champs"

Safety Performance

The following HudBay safety performance includes HBMS and beginning in 2006, the White Pine Copper Refinery and Balmat operations. The performance includes both HudBay employees and contractors.

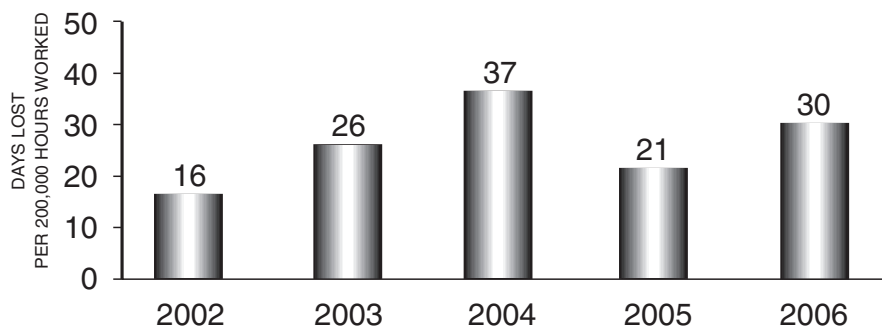
LOST TIME ACCIDENT FREQUENCY RATE



Concentrate loading dock at Balmat operations

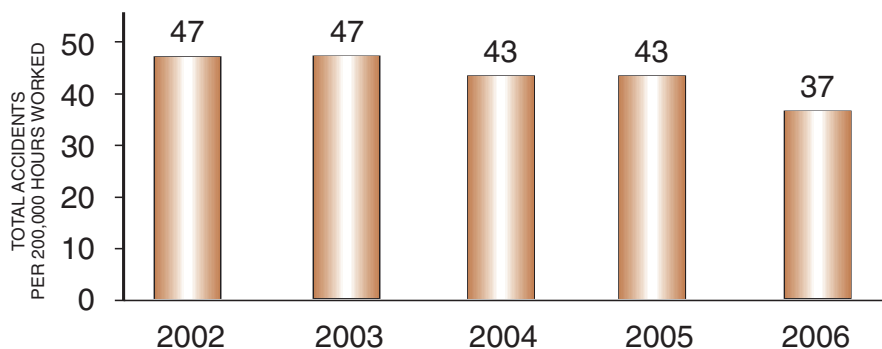
SAFETY

LOST TIME ACCIDENT SEVERITY RATE



Robert Hardes on forklift moving copper cathode at White Pine Copper Refinery

TOTAL ACCIDENT FREQUENCY RATE



Furnace at Zochem



Mine rescue practice at Balmat operations

SAFETY



HBMS team administering first aid at 2006 mine rescue competition

The table below shows the type and cause of injuries that resulted in time being lost from work in 2006.

2006 Lost Time Injuries

INJURED BODY PART	INJURY TYPE	CAUSE
Ankle	Fracture	Slip on ice
Ankle	Sprain	Walking on broken rock
Ankle	Sprain	Conditioning
Back	Bruise	Slip on oil
Back	Sprain	Slip on floor
Back	Sprain	Lifting tool box
Back	Sprain	Closing lid
Back	Sprain	Lifting object
Back	Sprain	Closing rail car door
Elbow	Bruise	Slip on floor
Eye	Foreign object	Dust
Eye	Foreign object	Dust
Head	Laceration	Hit by loose debris
Knee	Sprain	Hit by loose debris
Knee	Sprain	Misjudged step into truck
Neck	Fracture	Fell off safety enclosure
Neck	Sprain	Loose chair controls
Shoulder	Sprain	Lifting equipment
Stomach	Hernia	Pulling electrical cable

WHITE PINE COPPER REFINERY

Process Enhancement

The White Pine Copper Refinery (WPCR) is moving forward with a project to install a leading edge electro-winning process to control copper content in the refinery electrolyte. Copper content control is currently done in conventional electro-winning cells where copper is plated onto spent anodes. The impure "liberator cathodes" produced are shipped to the HBMS Copper Smelter for melting and casting and then returned to White Pine for reprocessing.

In May 2006, WPCR personnel were introduced to the EMEW® electro-winning technology by a group representing Electrometals Technologies Limited of Australia. The EMEW® process has the ability to provide copper content control in the electrolyte, while producing a salable, high grade copper cathode and also providing significant health, safety and environmental benefits.

Environmental benefits include lower energy consumption from a reduction in the amount of liberator copper being returned to the HBMS Copper Smelter for remelting and casting. Approximately 2,750 metric tonnes of liberator cathode per year is returned. The EMEW® process will reduce the 2,750 tonnes by 85% to just over 400 tonnes. The process also achieves higher current efficiencies resulting in reduced electricity consumption per tonne of cathode copper produced.

The decision to proceed with a commercial scale EMEW® plant at White Pine was made after positive results from bench scale testing and operation of a two-cell pilot plant utilizing full-sized cells. Construction will begin during the second quarter of 2007 with the new plant scheduled to begin operation in late 2007.



EMEW® plant

The EMEW® process reduces acid mist generation and the risk of arsine gas exposure due to the use of closed cells of the EMEW® process. The use of lead anodes is eliminated along with the high lead content sludge resulting from their use. Employee injury risk due to material handling is significantly reduced as the heavy lead anodes and copper cathodes are replaced with light weight titanium.



EMEW® copper cathode

SMELTER FURNACE REBUILD PROJECT

The rebuild of the HBMS Copper Smelter reverberatory furnace and other equipment was a major undertaking in 2006. Through careful planning and project execution, there were no significant injuries or incidents throughout the project.



Charging a converter in the copper smelter

A re-build of the Smelter's reverberatory furnace was undertaken in the spring of 2006. Detailed planning began more than a year in advance of the scheduled shutdown. The 2006 rebuild followed the longest reverberatory furnace campaign in the history of HBMS (five and a half years), and as such the scope of work for the shutdown was larger than previous re-builds. Given this larger scope, and consistent with industry best practice, Auburn Furnace Services Inc. were contracted to provide assistance in shutdown planning and management services. For planning purposes a "Core Team" was established combining Auburn, HBMS operations and maintenance resources dedicated to the shutdown and representatives from Smelter management, the Maintenance and Services group and the Health & Safety department.

The core team then established teams to focus attention on Health & Safety, Maintenance, Logistics, Projects, and the reverberatory furnace re-build. These groups met weekly beginning 6 months prior to the rebuild to fine tune scope, timelines, etc. The core group was updated weekly on progress and guided the entire process.

This was the first major re-build project that the Smelter had planned since HBMS received certification in the OHSAS 18001 occupational health and safety

management system specification. This specification provides the framework for the management of the health and safety aspects of all of HBMS' operations, including the planning and implementation of activities such as the shutdown project. Each job/task determined in the planning process was grouped in logical sequences and led to 40 plus "Work Plans". Each plan specified a scope of work, then a pre-job hazard identification was completed to ensure all safety aspects of the job were reviewed prior to finalizing the plan. This process was extremely exhaustive as some work plans were sequential, while others required work to be done in conjunction with other activities. With the hazard review complete the work plan expanded to include specific work activities, critical parts and materials required to complete the work plan, and sign-off from the members of the work plan review team.

Through the hard work and dedication to the plan by all involved the re-build was completed ahead of schedule and with no significant injuries or incidents. The Smelter was able to return to full production ahead of schedule and begin another successful furnace campaign.

EMERGENCY TEAMS

EMERGENCY TEAM	# PEOPLE ON TEAM	2006 TRAINING HOURS	2006 EMERGENCY RESPONSES # ACTUAL	# MOCK
Mine Rescue	46	3,945	2	6
High Angle	7	320	0	1
Fire Department	30	1,560	9	0
HazMat	13	624	0	3
Rope Rescue	13	1,144	0	1

HBMS Emergency Teams – include a fire department, six mine rescue teams, hazardous materials (HazMat) team, confined space and rope rescue team and high angle rescue. HBMS works closely with local communities and has mutual aid agreements with Flin Flon, Creighton and Denare Beach fire departments. We also maintain Mine Rescue mutual aid agreements with other mines in Manitoba as well as Mine Rescue support to Saskatchewan's Seabee Mine and Tartan Mine.

Balmat Emergency Teams – include two seven member mine rescue teams and three trainers. In addition, back up arrangements are in place with Gouverneur Talc Company Inc. and with Cargill's operations at Lansing, New York.

2006 MANITOBA MINE RESCUE PROVINCIAL CHAMPS



Back - L to R: Olaf Hettrick (Coach), Bob Lyons (#3 Man), Tracy Knutson (#2 Man), Dale Holmgren (#4 Man), Don Peake (Coach), Bryan Rainville (Technician), Front - L to R: Richard Trudeau (Director of Operations), Don Last (Team Captain), Trevor Thurstan (Vice Captain).

HudBay congratulates its HBMS, Flin Flon team for taking top honours at the 2006 Manitoba Mine Rescue Provincial Competition. Six teams competed - five from Manitoba mines, including HBMS Flin Flon, HBMS Snow Lake, INCO Thompson, TANCO - Lac du Bonnet

and AECL/URL - Pinawa, and a guest team representing INCO Sudbury. The two-day event included competitions for technicians and firefighting teams, and was highlighted by a major underground mine rescue operation.

HEALTH

The health and well being of our employees is a high priority for HudBay and each of our respective operations have programs and procedures in place to address this important issue.

OCCUPATIONAL HEALTH PROGRAMS

- Injury Treatment and Referral
- Fibrogenic Screening
- Lung Function Testing
- Hearing Surveillance
- Vision Screening

- Biological Monitoring for cadmium, lead and arsenic
- Physical Ability Testing
- Mental Health Referral
- Legislated Health Reporting
- Drug Screening

2006 HEALTH MONITORING INDICATORS

TESTS CONDUCTED

PROGRAM⁽¹⁾ COMPLIANCE

Pre-employment medicals	371	100%
Noise exposure surveillance	1,483	100%
Fibrogenic dust screening	793	100%
Drug screening	228	100%
Biological Monitoring		
Cadmium	110	100%
Lead	220	100%
Arsenic	227	100%

⁽¹⁾Compliance with Plans for 2006

Health Program

AT HBMS, the health program includes industrial hygiene and occupational health. An Industrial Hygiene Technician, Occupational Health Nurse and a Health Technician administer the program.

The HBMS Volunteer Wellness Committee encourages employee "well-being and healthy lifestyle". Some of the Committee's many achievements in 2006 included the coordination of back care presentations, smoking cessation support, walking activity challenges, and enrolling professionals to present "topics of the month" to employees. Some of the topics in 2006 included blood pressure, heart attack, prescription medications, mental health and addictions, signs of addiction, diabetes, flu and nutrition.

The Wellness Committee intends to continue its work to broaden the impact on employee wellness by expanding current activities as well as through new and innovative ways to promote employee wellness.



Nurse Cassandra Cowper attending to patient.

ROBOTS AT ZOICHEM

In order to improve ergonomic conditions, while providing productivity gains into the future, a project to automate the bagging and palletizing of zinc oxide was initiated in 2006.



One of two robots installed at Zochem

Using robots to palletize bags of zinc oxide will further improve health and safety at Zochem



New bagging machine and south robot



Four of six new bagging machines with south robot in the background

The project scope included the installation of two state-of-the-art robots, a transfer/collection conveyor system, and six automatic bagging machines.

At the end of 2006, the south robot and two of the bagging machines had been installed, commissioned, and were in operation.

The challenge has been to integrate the robots, collection system, and bagging machines into the packaging and palletizing of zinc oxide. The ingenuity and dedication of employees at Zochem has overcome several technical challenges and enabled the installation to proceed efficiently without incident or injury while the plant continued to operate.

ENVIRONMENT

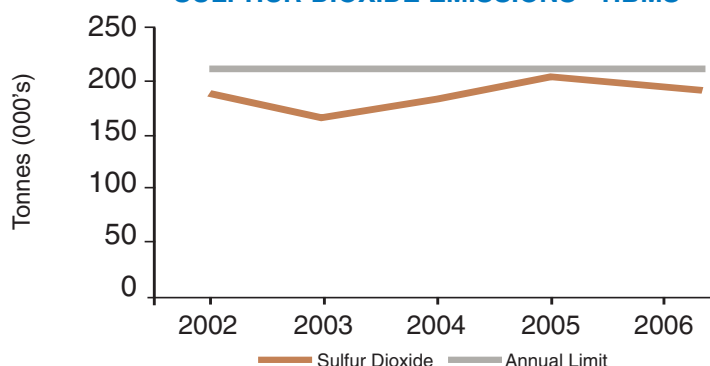
HudBay is committed to protecting the environment and we have taken a number of proactive actions and invested significant resources to minimize harmful effects on the environment from our operations. Our HBMS and Balmat operations have been certified to the ISO 14001 environmental management specification through our registrar SGS Systems and Certifications Inc.

In 1993, approximately \$220 million was invested to convert our zinc metal production facility from a process using heat to one employing a two stage pressure leaching

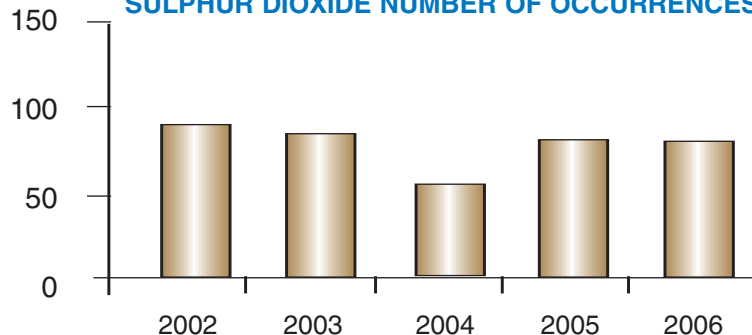
system. This system eliminated emissions of sulphur dioxide associated with our production of zinc metal.

During the past ten years, we have invested a significant amount to reduce emissions from our copper smelter, resulting in reductions of airborne emissions. We have participated in the Environment Canada Accelerated Reduction - Elimination of Toxics (ARET) and Strategic Options Process (SOP) programs. We have substantially achieved the ARET reductions and in 2006 were at 73% compared with the 2008 SOP reduction target of 80%.

SULPHUR DIOXIDE EMISSIONS - HBMS



**FLIN FLON AMBIENT AIR QUALITY
SULPHUR DIOXIDE NUMBER OF OCCURRENCES**



Snowmobiles on Schist Lake, Flin Flon, Manitoba

Further information regarding releases to the environment is available on-line:

For our Canadian operations refer to Environment Canada's National Pollutant Release Inventory (NPRI) database at www.ec.gc.ca/NPRI-INRP-COMM, using the following facility identification numbers:

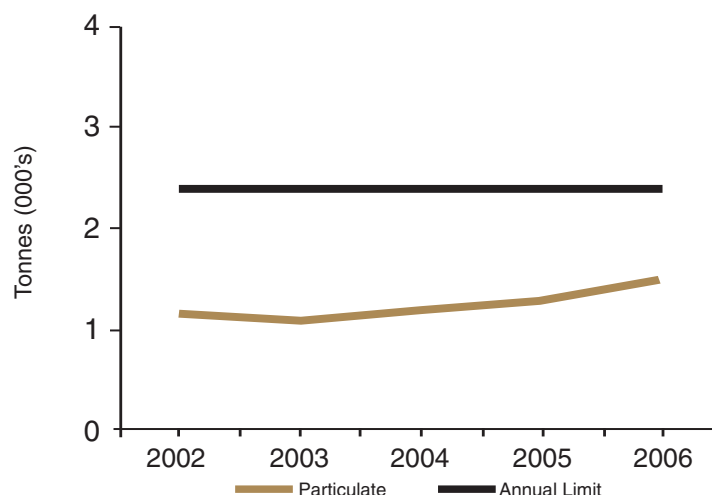
Flin Flon Metallurgical Complex	3414
Snow Lake Mill	3411
Zochem	7095

For the United States operations visit the US Environmental Protection Agency Toxic Release Inventory (TRI) database www.epa.gov/tri/tridata/tri05/data/index.htm, facility identification numbers:

White Pine Copper Refinery	49971BHPCPPOBOX
Balmat	13642ZCMNS408SY

ENVIRONMENT

PARTICULATE EMISSIONS - HBMS



Trout Lake, Manitoba

KEY DISCHARGES			WATER USE	
To air:	Sulphur Dioxide	195,381 tonnes	Primary Activities	16,423 cubic decameters
	Particulate	1,471 tonnes	Surface Water Used	16,366 cubic decameters
	Ozone Depleters	472 kilograms	External Potable Water	3,284 cubic meters
To water:	Effluent	22,446 cubic decameters		

LAND OCCUPIED BY MINING WASTES		LAND DISTURBED BY MINING	
Tailings Storage	668 hectares	Under Company Charge	385,360 hectares
Waste Rock & Overburden Storage	25 hectares	Altered - Extraction Activities	3,595 hectares
Slag Storage	4.6 hectares	Rehabilitated	1,165 hectares

ADDRESSING EVOLVING ENVIRONMENTAL REGULATIONS

In April 2006, the Canadian federal government issued a notice requiring the preparation and implementation of pollution prevention plans in respect of specified toxic substances released from base metal smelters and refineries. These plans must be fully implemented no later than December 31, 2015. We have prepared the required plan for the Flin Flon Metallurgical Complex and begun implementation. Going forward, annual interim progress reports will be provided to government until the plan is fully implemented.

The notice sets annual air release targets for the specified substances. For our operations, the greatest emission is

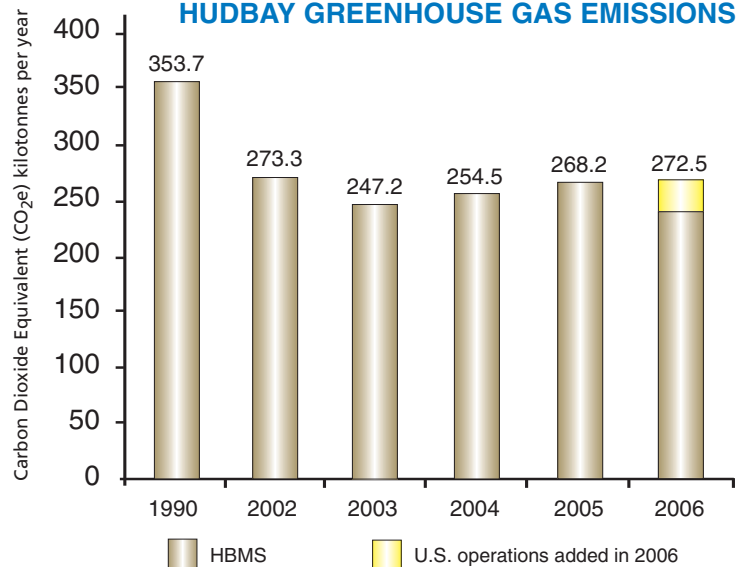
sulphur dioxide. The air release targets are divided into two phases, with the annual sulphur dioxide emission target for our operations reduced from the current 220,000 tonnes per annum, to 187,000 tonnes in 2008.

Based on our current production levels and associated levels of emissions, we believe we will be able to achieve the 2008 targets for sulphur dioxide. A further 90% reduction of the 2008 target has been established for 2015. Any potential actions necessary to achieve the 2015 targets will be based on the production requirements for the company, technological options and return on investment at that time.

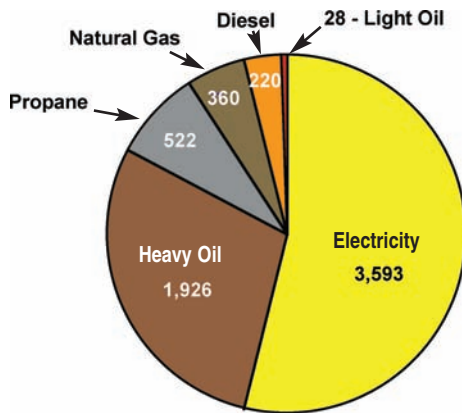
ENERGY CONSUMPTION AND INTENSITY

HBMS has realized a significant absolute reduction in greenhouse gas emissions since 1990 which is the Kyoto Treaty base year. This performance has been achieved against a backdrop of steadily increasing production. We continue to target year-on-year energy efficiency improvements to further reduce the intensity of greenhouse gas emissions from our operations.

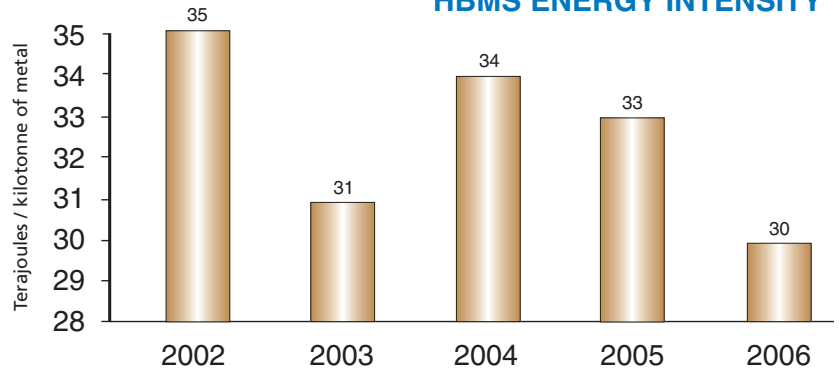
HUDBAY GREENHOUSE GAS EMISSIONS



HUDBAY 2006 ENERGY CONSUMPTION (terajoules)



HBMS ENERGY INTENSITY*



* Excludes White Pine Copper Refinery acquired in 2006.



Crane and cathode stripping machine at White Pine Copper Refinery cellhouse



Zinc cellhouse at Flin Flon

HBMS TAILINGS FACILITY

HBMS is committed to managing process wastes in a manner that protects the health of our employees, community residents and the natural environment. HBMS carries out ongoing reviews of health, safety and environmental performance of the management of our process wastes.

To fulfill this commitment we locate, design, construct, operate and close tailing facilities in compliance with the Mining Association of Canada environmental policy and our commitments to stakeholders, while ensuring that:

- *all structures are stable;*
- *all solids and water are managed within their designated areas;*

- *all structures comply with legal requirements, internal standards and applicable industry best practices, including the principals of the Mining Association of Canada tailings management guidelines; and*
- *contracted personnel comply with environmental requirements*



Dam construction in progress



TAILINGS EXPANSION PROJECT

In 2006 we undertook a \$10 million project to expand the Flin Flon Tailings Impoundment System, after receiving the necessary approval from Saskatchewan Environment. The project permits longer water retention times simplifying the water quality management program and will also minimize potential fugitive and wind borne dust from entering nearby communities. Tailings discharge will be converted from the current "end-of-pipe" to a spigotted system using several discharge points. This will result in wet tailings beaches which will minimize the potential for dust generation. The project is expected to be complete in 2008.

The town of Creighton, Saskatchewan is located closest to the Tailings Impoundment area and as such, is the most important community of interest relative to the project. Ongoing communications with town representatives including meetings, letters and telephone conversations to explain the status of the project and to address questions and concerns, have been integrated within the project.

TOWARDS SUSTAINABLE MINING

HBMS provides reports to the Mining Association of Canada (MAC) on its operations. Annually MAC publishes its "Towards Sustainable Mining Progress (TSM) Report". Information reported to MAC includes crisis management planning, external outreach, energy and greenhouse gases and tailings management. In 2006 we significantly improved our TSM performance. The External Outreach indicator received the most attention.

We formalized our process for engaging Communities of Interest (COI), confirmed our COI lists and reviewed our communication methods. The improvements in the external outreach program led to improved performance in tailings management and energy/greenhouse gas emissions indicators.



Fishing at Milliken Lake near Flin Flon, Manitoba



Going ice fishing at Trout Lake, Manitoba



Jumbo drill at Balmat mine

MINE CLOSURES

HBMS has historically mined copper and zinc ores mainly from locations in northern Manitoba and Saskatchewan. Ore from these mines has been processed principally at the Flin Flon concentrator since 1930 and, starting in 1978, at the Snow Lake concentrator. Copper concentrate is treated in the pyro-metallurgical copper smelter and zinc concentrate in the hydro-metallurgical zinc plant, both located in Flin Flon.

Using our expertise in mining, ore concentration and metallurgical treatment, we have successfully managed the closure and remediation of 13 mine properties. Our preparation for closure and remediation of mining and processing operations begins during planning of new mines and is in compliance with regulations and industry best practice.



As part of our efforts, we ensure we communicate with communities of interest and during the early closure planning stage we dialogue with local groups to ensure information is available to allow them to evaluate whether our property and plans are of interest to them.



Konuto Lake mine

DECOMMISSIONING KONUTO LAKE MINE - SASKATCHEWAN

Decommissioning of the Konuto Lake mine started with the plan to open it. The mine was designed and operated with closure in mind. For example:

- The maintenance shop floor was installed with embedded pipes to facilitate eventual breakup and removal;
- Temporary buildings were used instead of permanent structures;
- A portable ore crusher was used on surface;
- Ore and waste stockpiles at the site were minimized.

The Konuto Lake mine ceased operating in November 2005. Post operation decommissioning activities began in March 2006 and continued until November.

- All buildings, foundations, and infrastructure were removed during the spring, summer and fall of 2006. The wastewater settling pond was pumped out, backfilled and clay capped to promote re-vegetation.

Fuel storage tanks and any hydrocarbon contaminated soils were removed and land farmed at the Flin Flon Complex;

- By the end of 2006, all stockpiled waste rock had been used to fill ventilation and backfill raises and the decline. Permanent engineered caps were installed on raises and at the portal to the underground workings;
- Access to the concentrator ore haul road was terminated and a berm was installed to prevent vehicular traffic.

Minor amounts of work remain for 2007, including culvert removal, scarifying of the ore haul road and final contouring of the soil and clay. Revegetation options are being considered in conjunction with the province of Saskatchewan. When complete, the only remaining significant evidence of the Konuto Lake Mine will be a plaque at the original portal location.

HUDSON BAY EXPLORATION AND DEVELOPMENT COMPANY LIMITED

Hudson Bay Exploration and Development Company Limited (HBED) conducts surface mineral exploration on behalf of HudBay. HBED was incorporated as a 100% wholly-owned subsidiary of HBMS in 1937 and has established an exceptional record of success of discovering new mineral deposits.

HBED is currently exploring for deposits in the Flin Flon and Snow Lake areas of the Flin Flon Greenstone Belt as well as in the Balmat district of New York state, at the Jason and Tom Valley deposits in the Yukon and in southwestern Ontario. HudBay also holds mineral claims in the Lynn Lake and Leaf Rapids area of Manitoba and in Chile.

HBED employs an integrated exploration approach that includes geology, geophysics and geochemistry, utilizing a large historical geological database of the Flin Flon Greenstone Belt.

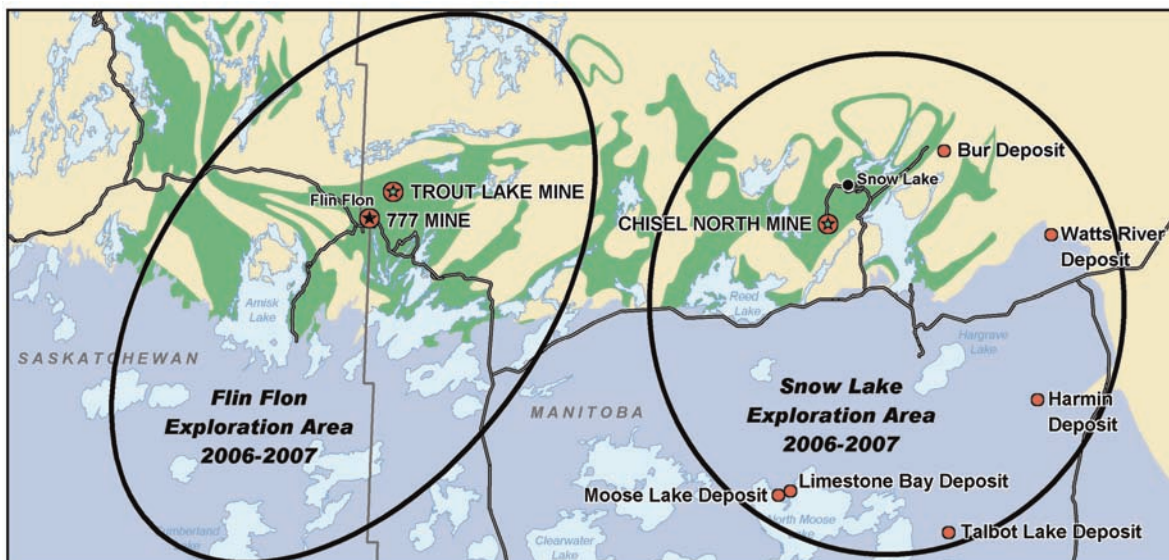
Exploration activity in Canada is carried out under the supervision of professional geoscientists that are registered with the appropriate regulatory body. Geological, geophysical and geochemical surveys are conducted by both HBED staff and qualified contractors. Contractors do all diamond drilling.

It is HBED's policy to do exploration in a safe and healthy manner, minimizing environmental impact and meeting or surpassing relevant jurisdictional legislation and regulation. HBED is certified to the ISO 14001 standard for environmental management and to the OHSAS 18001 standard for safety management.



Winter drilling on lake near Flin Flon, Manitoba

FLIN FLON GREENSTONE BELT



2006 AUDITS, INSPECTIONS & REPORTS

To assist in assuring compliance with our stated policies and procedures, we rely on a number of internal and external processes for monitoring and measurement including those outlined in the following charts and tables.

ISO 14001 and OHSAS 18001 EXTERNAL MANAGEMENT SYSTEM AUDITS		
	ENVIRONMENT	SAFETY
HBMS	2	2
HBED	1	1
WPCR ⁽¹⁾	n/a	n/a
ZOCHEM	2	2
BALMAT	1	1

⁽¹⁾ Certification of White Pine Copper Refinery is expected in 2007.

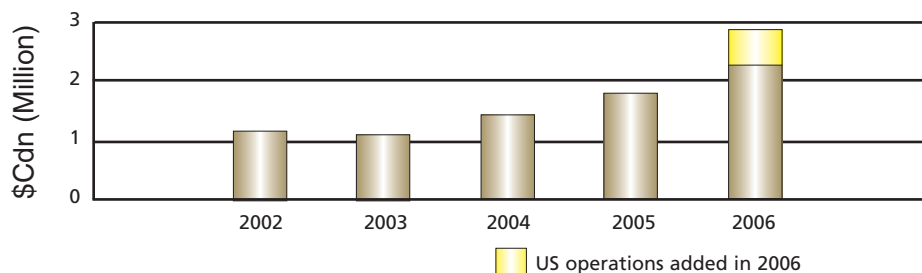
OCCUPATIONAL SAFETY & HEALTH INSPECTIONS				
	REGULATORY INSPECTIONS	IMPROVEMENT ORDERS / CITATIONS	STOP WORK WARNINGS	STOP WORK ORDERS
HBMS	89	72	0	0
HBED	0	0	0	0
WPCR	0	0	0	0
ZOCHEM	0	0	0	0
BALMAT	4	83	0	1

EVACUATION DRILLS / REPORTABLE INJURIES / OCCURRENCES				
	EVACUATION DRILLS	REPORTABLE ⁽¹⁾ INJURIES	REPORTABLE ⁽¹⁾ OCCURRENCES	TOTAL REPORTABLES ⁽¹⁾
HBMS	55	2	38	40
HBED	3	0	1	1
WPCR	1	2	0	2
ZOCHEM	12	0	0	0
BALMAT	3	0	0	0

⁽¹⁾ as required by regulatory authorities

OCCUPATIONAL SAFETY & HEALTH COMMITTEES				
	COMMITTEES	HOURLY	STAFF	TOTAL EMPLOYEES
HBMS	11	52	50	102
HBED	1	0	6	6
WPCR	1	3	3	6
ZOCHEM	1	2	2	4
BALMAT	1	10	3	13

WORKERS COMPENSATION ASSESSMENTS TOTAL HUSBAY



COMMUNITY ENGAGEMENT

HudBay has played a significant role in the development of the communities in which we have our operations. These communities were often established to support our mines and plants.

We are committed to contributing to the quality of life of local residents by:

- Providing direct and indirect jobs (direct annual payroll of \$151 million);
- Contributing to municipal "taxes" and "grants in lieu of taxes" (totaling \$6.7 million in 2006);

- Sharing plans for exploration on First Nations' lands and inviting local business service participation;
- Maintaining communication engagement;
- Applying sustainable development concepts to economic diversification; and
- Responding to concerns in a timely fashion.



Canada Day Float, Flin Flon, Manitoba



Statue of Flintabattey Flonatin
Flin Flon, Manitoba



Canada Day fireworks
Flin Flon, Manitoba

HUDBAY CONTRIBUTIONS & DONATIONS (\$CDN 000'S)

	2002	2003	2004	2005	2006
Various Charities	105	90	38	53	88
Scholarships	40	46	33	34	24
Hockey Club	20	20	15	15	26
Total	165	156	86	102	138

PUBLIC CONCERNS RECEIVED

	2005	2006
Noise	1	0
General	3	0
Dust / Emissions	4	2
Total	8	2

Our executives are involved in leadership roles in a variety of community and industry enterprises including the Mining Association of Manitoba and the Mining Association of Canada. Peter Jones, HudBay's President & CEO, is Chairman of the Mining Association of Canada, and Brian Gordon, HudBay's Vice-President and General Counsel is a director of the Mining Association of Manitoba.

Tom Goodman, Vice-President Technical Services and Human Resources is directly accountable for Community Engagement and is on the Governing Council of the University College of the North and a director of the Flin Flon and District Chamber of Commerce. Our Benefits Administrator is the Community Engagement Coordinator.

HudBay liaises with local governments but does not participate directly in governance activities.

2006 HBMS Scholarship Winners

Sadie Stabback
2006 Snow Lake Open Scholarship



Courtney Kendall
2006 W. A. Green Scholarship



Missing: Mathew Kritzer 2006 Flin Flon Closed Scholarship

EMPLOYEES /SOCIO-ECONOMICS

PERMANENT EMPLOYEES*

HBMS

Administration & Services	226
777 mine	231
Trout Lake mine	193
Snow Lake Operations	93
Flin Flon concentrator	92
Copper smelter	227
Zinc plant	270
Central maintenance	115
Zochem	41
HBED	12
WPCR	59

Balmat 180

Total 1739

*December 31, 2006



Balmat mine

GENDER/ETHNIC DIVERSITY %

	HBMS*	ZOCHEM	WHITE PINE COPPER REFINERY	BALMAT
Female	7.8	20	7	4
First Nations	6.4	0	0	0
Disabled	4.7	0	0	0
Visible minorities	2.8	23	0	0

* 2005



Sabrina Anderson, Flin Flon, Manitoba

2006 INTERESTING FACTS (\$CDN 000's)

	HBMS	ZOCHEM	WHITE PINE COPPER REFINERY	BALMAT	TOTAL
Payroll costs (including benefits)	\$ 134,912	\$ 2,496	\$ 4,348	\$ 9,443	\$ 151,199
<i>Income tax (deducted from payroll)</i>	<i>30,081</i>	<i>523</i>	<i>364</i>	<i>1,224</i>	<i>32,192</i>
Payroll taxes	6,707	144	269	989	8,109
Capital - based taxes	3,546	—	—	—	3,546
Mining taxes	28,902	—	906	—	29,808
Sales and use taxes	6,665	—	—	—	6,665
Property taxes	1,097	137	273	535	2,042
Grants in lieu of taxes	4,699	—	—	—	4,699
Royalties paid to government	420	—	—	—	420
Other taxes - TOTAL	52,036	281	1,448	1,524	55,289
Other taxes and payroll costs - TOTAL	186,948	2,777	5,796	10,967	206,488

CORPORATE INFORMATION

LOCATIONS

HudBay Minerals Inc.

1906 – 201 Portage Avenue
Winnipeg, Manitoba
Canada R3B 3K6

Hudson Bay Mining and Smelting Co., Limited

P.O. Box 1500
Flin Flon, Manitoba
Canada R8A 1N9

Hudson Bay Exploration and Development Company Limited

P.O. Box 1500
Flin Flon, Manitoba
Canada R8A 1N9

Zochem

P.O. Box 1120
Brampton, Ontario
Canada L6V 2L8

St. Lawrence Zinc Company, LLC

(Balmat Operations)
408 Sylvia Lake Road
Gouverneur, New York
USA 13642

White Pine Copper Refinery, Inc.

29784 Willow Road
White Pine, Michigan
USA 49971

Considar Metal Marketing Inc.

357 Bay Street, Suite 300
Toronto, Ontario
Canada M5H 2T7

CONTACT US

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Ross Lake Boardwalk in Flin Flon, Manitoba



The anode casting wheel in the copper smelter, Flin Flon, Manitoba



Gary Long with his 46" lake trout



Snowmobile fun – Doug Hancock



HBMS employees golfing



Ev Pachal with his Master Angler fish at Iskwasum

