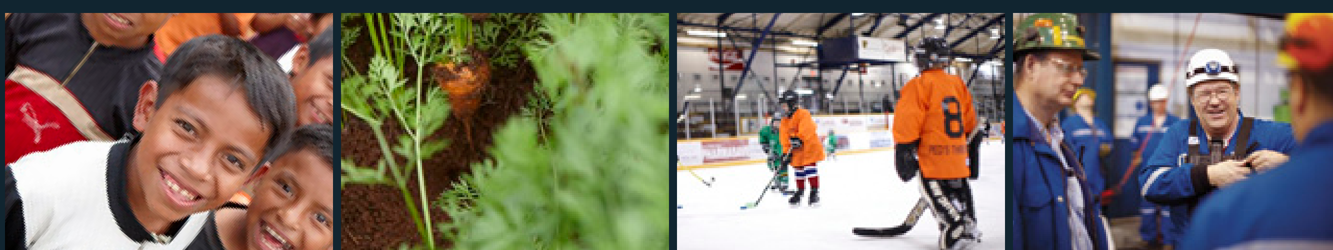
In our hands

HudBay Minerals Inc. 2010 Corporate Social Responsibility Report



About HudBay

HudBay is an integrated mining company with operations, development properties and exploration activities in the Americas. Our mission is to create sustainable value through increased commodity exposure on a per share basis, in high-quality and growing long-life deposits in jurisdictions where conditions are supportive of responsible mine development and operation.

OPERATIONS

Flin Flon, Manitoba
- 777 and Trout Lake mines
- Flin Flon concentrator
- Zinc plant

Snow Lake, Manitoba
- Chisel North mine
- Snow Lake concentrator

Zochem, Ontario
- Zinc oxide plant

DEVELOPMENT

Lalor Project, Manitoba

Constancia Project, Peru

CARE AND MAINTENANCE

Balmat, New York
- Zinc mine and concentrator

EXPLORATION

Back Forty Joint Venture Project, Michigan

Reed Copper Project, Manitoba

Cold and Lost Properties, Manitoba

Tom and Jason, Yukon

NOTES:

The White Pine copper refinery in Michigan, which was closed in mid-2010 shortly after the closure of our Flin Flon copper smelter, was sold in June 2011.

The Fenix ferro-nickel project in Guatemala is owned by Compañía Guatemalteca de Níquel (CGN), which was 98.2% owned by HudBay in 2010 through HudBay subsidiary HMI Nickel. On August 5, 2011, HudBay announced that it had entered into a definitive agreement to sell 100% of its interest in CGN and the Fenix project to the Solway Group. Closing of the transaction occured in September 2011.

Both White Pine and CGN/Fenix are included in the statistics and indicators discussed in this report.

At HudBay, we believe that we can make a positive and lasting difference in the communities in which we operate. We apply the same discipline to Corporate Social Responsibility as we do to meeting operating and financial targets. We commit to our stakeholders to do what we can to create benefits and opportunities that contribute to their economic and social sustainability, and to protect our natural environment.

Responsible Mining

Throughout the mining cycle, HudBay engages with stakeholders in two-way dialogue, operates to high standards of health, safety and environmental management, undertakes to be a good neighbour in host communities, and seeks to continuously improve Corporate Responsibility practices and performance.

EXPLORATION

Beyond respecting applicable laws and regulations in the areas where we explore, we use leading-edge technology and practices to minimize the environmental impact, take extra precautions to safeguard workers and the local population, and consult with local communities and indigenous peoples at the earliest possible stage.

DEVELOPMENT

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

During construction, we strive to employ local citizens and maximize the share of expenditures that go to local businesses.

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 standards – We are committed to certifying the management systems at each operating facility to the ISO 14001 environmental standard within two years of start-up. Where relevant to customer needs, our operating facilities have quality management systems certified under ISO 9001.
- OHSAS 18001 – Management systems at all of our operating facilities are also certified under OHSAS 18001, an international health and safety certification system.
- Towards Sustainable Mining (TSM) Initiative – As a producing member of the Mining Association of Canada, HudBay is committed to achieving the performance objectives set out in TSM. Please see page 36 for 2010 performance details.
- Voluntary Principles on Security and Human Rights – In Guatemala, we implemented the Voluntary Principles, which were developed by a partnership of NGOs,

OPERATIONS

As a company, and as individuals, we uphold high standards of honest and ethical behaviour, guided by our Code of Business Conduct and Ethics. The management systems at our operating facilities are certified under the ISO 14001 environmental standard and the OHSAS 18001 health and safety standard within two years of start-up. Within the workplace and the community, we strive to build capacity to enable people to improve their career and economic prospects.

REMEDIATION

Our 83 years of operating in the Flin Flon area has resulted in a strong, sustainable community and a legacy of 19 mines that have been successfully reclaimed and remediated. We design our new mines for closure – that is, we design the most economical management and operating plans which cause the least harm to the environment before, during and after operations.

national governments and extractive industry and energy companies. The aim of the Voluntary Principles is to guide companies in maintaining the safety and security of their operations within an operating framework that ensures respect for human rights and fundamental freedoms.

› Global Reporting Initiative (GRI) – GRI is intended to serve as a generally accepted framework for reporting on an organization's economic, environmental and social performance. This report is a B level report under the GRI guidelines. We are committed to continuously improving the quality of our reporting, drawing on the GRI framework.

› Carbon Disclosure Project (CDP) – CDP is an independent not-for-profit organization holding the largest database of primary corporate climate change information in the world. 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.

› CDP Water Disclosure – This project provides water-related data from a subset of the world's largest water-intensive corporations to inform the global marketplace on investment risk and commercial opportunity.

MESSAGE FROM THE CEO

David Garofalo
President and
Chief Executive Officer

In 1927, our subsidiary, Hudson Bay Mining and Smelting Co. Limited, founded a mine that gave rise to a town in Manitoba, and today we are still in Flin Flon. As the Company expands into new jurisdictions, the corporate reputation we have developed and the lessons we have learned over more than 80 years are serving us well.

Our growth strategy is focused on finding new mineral deposits and bringing them into production, and on acquiring exploration and development properties that meet our strategic criteria. To execute our strategy, we simply must attract and retain talented employees; minimize our environmental impact before, during and after operations; and earn the support of the communities near our current and proposed mine locations. In 2010, we made progress on all fronts.

In the workplace, we treat our employees with respect and dignity and provide them with opportunities to develop to their full potential. Many of our Manitoba employees joined HudBay at entry-level positions and worked their way up the ranks through our training and apprenticeship programs and on-the-job experience. These are practices that we intend to continue at our new operations.

During a year of transition at the Flin Flon complex, with the closure of the copper smelter, many employees were transferred to new parts of the operation and were trained in completely different work. We are pleased to report that, of a potential 235 layoffs, we managed to keep the number down to 85 through attrition, an early retirement program and transfers.

One of the key benefits of the smelter closure was the virtual elimination of SO_2 and particulate emissions. From the time of the smelter closure in June to year-end 2010, emissions were so low that the provincial government gave us permission to shut down some air quality monitoring stations in residential areas of Flin Flon and Creighton. Our remaining operations at Flin Flon will run primarily on hydroelectric power.

On the environmental front, we also upheld our strong commitment to reclamation and restoration on our own property, on surrounding properties and on previously mined areas. We believe that we have a core competency in this area and are working hard to return land affected by mining activities to thriving, healthy ecosystems.

Our community involvement starts at an early stage. Active exploration programs are underway in northern Michigan, Manitoba, Saskatchewan, the Yukon and, as of 2011, in Chile and Peru. We communicate with residents and indigenous communities in all of these regions to keep them informed and address questions and concerns. Through early, constructive engagement, we aim to build a foundation for mutually beneficial relationships. In 2011, our Board approved our Human Rights Policy, formalizing our commitments in key areas of business practices, labour relations, community participation and security.

In Guatemala, our former subsidiary Compañía Guatemalteca de Níquel (CGN), has been doing many things to prepare for the redevelopment of the Fenix mine and metallurgical plant. In addition to investing in infrastructure and community programs, CGN has been providing vocational training to community members to help them qualify for work with Fenix. Programs have covered the gamut from life skills and literacy to technical training. While we have encountered challenges in our relationship with elements of the local population, we are confident that Fenix has the strong support of the majority of community members. We believe that Fenix is a robust project that warrants development; however, it does not fit our strategy of focusing on volcanogenic massive sulphide (VMS) and porphyry deposits. The sale of the project, completed in September 2011, puts it in the hands of an experienced ferro-nickel operator that is committed to the development of Fenix.

We are very excited about our prospects for the future. HudBay is in good financial shape, buoyed by strong operational performance in 2010. Substantial progress was made on the Lalor project in northern Manitoba, with Board approval of a $560 million commitment to full development of the mine. Our exploration program is strong, with $68 million earmarked for exploration in 2011, one of the largest budgets in our company's history. We also made a key acquisition in early 2011, with the acquisition of Norsemont Mining, 100% owner of the Constancia copper/gold development project in southern Peru. Constancia is a perfect fit with our strategy, offering significant exploration upside in an established and well regulated mining jurisdiction, and bringing a strong track record of community engagement and environmental performance.

I hope that you find our 2010 Corporate Social Responsibility report interesting and informative. We are presenting what I believe is a clear picture of our achievements and challenges in a way that meets the needs of a broad range of stakeholders. We welcome your feedback on any aspect of our performance or reporting.

David Garofalo
President and Chief Executive Officer

2010 Targets and Achievements

TARGET	ACHIEVEMENT
HEALTH AND SAFETY	
Reduce lost time accident (LTA) to zero	Not achieved. See discussion on page 22.
Reduce accident severity to zero	Maintained a low severity rating, although we did not achieve our goal of zero.
Maintain or reduce the medical aid and first aid accident frequencies	Reduced our medical aid frequency from 11.5 in 2009 to 10.4 in 2010. First aid frequency decreased from 19.5 in 2009 to 18.3 in 2010.
COMMUNITY	
Continue to support communities where we operate in conformance with the Mining Association of Canada's TSM indicator for external outreach	Progressing in Flin Flon on implementing Level 4 of indicators 2 and 3 on external outreach through processes implemented for the Flin Flon Human Health Risk Assessment, actions to increase our engagement with Aboriginal communities and groups, and better documenting management reviews of Communities of Interest (COI) concerns.
ENVIRONMENT	
Reduce total CO_2-equivalent emissions by at least another 1%, maintaining our better-than-Kyoto target	Reduced CO_2e emissions by 29% primarily as a result of the closure of the Flin Flon copper smelter.
Reduce fresh water usage by another 1% from 2009 usage at Flin Flon operations	Target achieved: 1.6% better at 5.17 m^3/tonne.
Continue greening programs and rehabilitation of mines	Achieved. Activities included a $20,000 contribution to the Green Project, a partnership with residents of Flin Flon and Creighton to promote environmental stewardship.
Report on the findings of the Human Health Risk Assessment	Study concluded that the likelihood of health effects among residents from exposure to the metals evaluated is negligible to low.
ECONOMIC	
Aggressively pursue development of Lalor project	$560 million construction commitment made in August.
Continue exploration of Flin Flon Greenstone Belt	Ongoing exploration programs at the Lalor, Reed, and Cold and Lost properties.
Explore opportunities to grow beyond Manitoba base	Acquired the Constancia project in Peru in March 2011.
Make strategic investments and maintain strong cash position	Ended the year with $902 million in cash; expanded our investment portfolio to a total of 14 junior exploration companies.
GOVERNANCE	
Hire a new CEO	David Garofalo was hired in July 2010.

2011 Targets

HEALTH AND SAFETY

Continue to target zero lost time accidents.

Continue to target reducing severity to zero.

Again, our target is to reduce our medical aid and first aid accident frequencies in 2011 over 2010.

COMMUNITY

Continue to expand our implementation of the TSM external outreach framework.

Work with the local communities to help them prepare for involvement with the Lalor and Constancia projects.

ENVIRONMENT

Continuing incremental improvement target of 1% reduction over 2010 emissions.

Continue incremental fresh water usage reduction target in Flin Flon operations to achieve a further 1% reduction in 2011 over 2010.

Continue progress on the greening programs in Flin Flon.

ECONOMIC

Progress construction of the Lalor project, prepare the Constancia project for a construction decision in 2012.

Progress to construction decision on Reed Copper Project (Manitoba Greenstone Belt).

Continue exploration of the Greenstone Belt.

Expand exploration activity in current target regions of Yukon, Michigan, Peru and Chile.

Continue program of strategic investments and establish longer term credit facilities for financial flexibility.

GOVERNANCE

Develop and implement a corporate human rights policy.

About This Report

This 2010 Corporate Social Responsibility (CSR) report is our seventh such report, and the third published in accordance with Global Reporting Initiative (GRI) G3 guidelines. Using these guidelines, we have prepared a B level report, as checked by PricewaterhouseCoopers LLP*. Our objective over the next few years is to continue at the B level, but incrementally expand the scope of the data presented, and to target the content to address the interests of our stakeholders.

This report covers company activities from January 1, 2010 to December 31, 2010. It also covers some significant events that occurred subsequent to 2011, yet prior to the publication of this report. Our 2009 report was published in October 2010.

This report covers all operating locations and exploration activities managed by HudBay during 2010. While the Back Forty project is discussed, our corporate safety statistics do not include those of our joint venture partner (Aquila Resources), nor of contractors engaged by Aquila.

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. 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 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 and TSM, and also supply a greenhouse gas (GHG) emissions worksheet (developed by the Mining Association of Canada).

DATA QUALITY AND DATA CONTROL

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. For 2010 reporting, we engaged a third party to assist in reviewing and improving our templates and definitions, and further documenting our data collection process. We will continue to improve this process for next year, both to ensure data accuracy and to support the incorporation of new project groups (such as Constancia and Back Forty).

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 electricity-related GHG numbers.

* 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.

STRATEGY AND GOVERNANCE

We believe that good governance is critical to our success as a publicly traded company and to securing the confidence and trust of our many stakeholders. The principles of transparency and integrity are applied to every aspect of our operations and the management of our company.

Our Approach

HudBay creates sustainable value for its shareholders by:

- Exploring and developing our existing properties and working with junior mining companies to access other opportunities;
- Acquiring volcanogenic massive sulphide and porphyry exploration and development properties with excellent exploration upside in jurisdictions in the Americas where conditions are supportive of responsible mine development and operation;
- Optimizing the value of our producing assets through safe, responsible and efficient operations.

Corporate Social Responsibility is central to our ability to execute our business strategy. 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 achieve our financial goals. We do this by consulting with our stakeholders; continually balancing economic, social and environmental considerations; setting rigorous targets; and making measurable progress in each of the areas.

MATERIAL ISSUES

The CSR issues that we have identified as being most important to delivering our business strategy and of greatest interest or concern to our stakeholders are as follows:

	SEE PAGE
Directing the Company with good governance	11
Maintaining a safe workplace	22
Attracting and retaining talented employees	24
Minimizing the environmental impact of our operations and rehabilitating the land after use	30
Gaining community support for the development of new mines	26

Our assessment of materiality is a judgment based on a range of factors including basic expectations expressed in international standards and agreements, feedback from operating management and external stakeholders, public policy, regulations, media coverage, and the work of leading sustainability organizations such as the Global Reporting Initiative and industry associations such as the Mining Association of Canada.

We are working to formally track the perspectives of our increasingly diverse stakeholder community so that our CSR reporting can continue to provide the most relevant information.

GOVERNANCE

HudBay's Board of Directors is responsible for setting and overseeing the implementation of governance and sustainability strategies. The Board is assisted by the Corporate Governance and Nominating (CG&N) Committee and the Environmental, Health and Safety (EHS) Committee of the Board of Directors.

The CG&N Committee is responsible for developing and recommending appropriate corporate governance principles and strategies. The CG&N chair is an independent and non-executive director.

The EHS Committee provides oversight of management's development and implementation of policies, programs and systems relating to environment, health and safety. The Committee reviews with senior management the Company's goals and policies in respect of the environment and employee health and safety, and ensures that adequate resources are in place for their implementation. The Committee also monitors the external ISO 14001 and OHSAS 18001 verification process for HudBay's management systems. The Committee is chaired by an executive director with direct knowledge of HudBay's operating facilities. The Committee meets at least four times a year.

A complete description of committee responsibilities is available on our website at www.hudbayminerals.com.

Board Independence

Seven of eight members of the Board are considered to be independent under the policies of the Canadian Securities Administrators. The independent chair of the Board allows the Board to operate independently of management and provides directors with an independent leadership contact.

Board Evaluations

At least annually, and more often if required, the CG&N Committee evaluates the performance of the Board of Directors and its members and committees. The focus is on areas in which the directors and senior management believe the Board's contribution could be improved.

Board Qualifications

The CG&N Committee recommends criteria for selecting new directors, identifies individuals qualified to become Board members and recommends nominees for election to the Board and committee appointments. Criteria for assessing candidates include their judgment, character, expertise, skills and knowledge that may be useful to the oversight of HudBay's business; their diversity of viewpoints, backgrounds, experiences and other demographics; their business and other relevant experience; and the extent to which the interplay of their qualifications with those of other Board members will build a Board that is effective, mutually respectful and responsive to the needs of the Company.

Together with senior management, the CG&N Committee also conducts orientation and education for new directors to familiarize them with HudBay and its business.

Compensation

Our executive compensation philosophy is to: (i) provide competitive compensation to attract and retain talented high achievers, and incent them to achieve our strategic and operational objectives within a framework that is consistent with the best interests of our company and governance best practices; and (ii) align executive and directors' interests with the long-term interests of our shareholders.

We continued to take steps in 2010 to further enhance the association between pay and performance, and provide understandable and transparent compensation practices aligned with shareholder interests. In 2010, approximately 60% of executives' total direct compensation was linked to achievement of key strategic objectives that help to drive shareholder value. Early in the year, while W. Warren Holmes was Interim Chief Executive Officer, our 2010 corporate objectives were established by management and reviewed and supported by the Board. Since being hired as Chief Executive Officer in July 2010, David Garofalo has worked to refine these objectives and implement his strategic vision to create long-term value.

Also in 2010, the Board of Directors and Compensation Committee initiated grants of performance-conditioned share units as the form of long-term incentive for executives; conducted a detailed succession planning review of key management positions; implemented an employee share purchase plan; and reviewed director compensation.

The Compensation Committee met six times in 2010 and has met four times to date in 2011. We believe this reflects the significant efforts that management and the Board have made to establish a compensation program consistent with our company's best interests.

BUSINESS CONDUCT AND ETHICS

HudBay's success is built on a foundation of personal and professional integrity. As a company, and as individuals, we seek to uphold high standards of honest and ethical behaviour.

Our Code of Business Conduct and Ethics (the Code) sets out basic principles to guide the behaviour of all directors, officers and employees. All directors, officers and employees must sign a declaration confirming that they understand and will observe the Code. The Board obtains annually from each director and executive officer formal confirmation of compliance with the Code of Business Conduct and Ethics.

Among other things, the Code sets out responsibilities regarding conflicts of interest. Directors, officers and employees are required to avoid any relationship or activity that might create, or appear to create, a conflict between their personal interests and the interests of HudBay and its subsidiaries. Directors and officers are not permitted to work for a competitor as a consultant or board member and all other conflicts of interest are prohibited as a matter of company policy, except under guidelines approved by the Board of Directors. Any HudBay personnel who become aware of a real or potential conflict are advised to bring it to the attention of a supervisor or department head.

In addition to the Code, every director, officer and employee must comply with HudBay's Timely Disclosure, Confidentiality and Insider Trading Policy, and all other company policies and procedures applicable to them. Copies are available on our website.

↑ *Members from the local communities attend the Public Audience for the Environmental Social Impact Assessment for the Constancia copper project, June 3, 2010.*

HUMAN RIGHTS

New Human Rights Policy

In May 2011, HudBay's first formal Human Rights Policy was approved by the Board of Directors. The policy is intended to capture and state more clearly our commitments to human rights. Key aspects include commitments to:

- Ethical business practices – further articulated in our Code of Business Conduct and Ethics;
- Labour practices and labour relations – including our commitments to respecting the rights of labour, and to health and safety;
- Community participation – including community consultation, contributing to long-term and sustainable opportunities for communities, respecting communities' legal rights, and participating in a common effort to promote respect for human rights as they relate to the role of our business;
- Security measures that respect human rights – including our adoption of the Voluntary Principles on Security and Human Rights, and the United Nations Code of Conduct for Law Enforcement Officials.

Whistleblower Policy

In 2010, we revised our Whistleblower Policy which outlines procedures for reporting and addressing perceived Code violations or questionable accounting, financial reporting or auditing. Concerns are reported anonymously to an incident reporting line, which is available 24 hours a day, 365 days a year, at 1 877 457-7318. Complaints are communicated to the chair of the Board Audit Committee, who ensures that they are appropriately investigated.

Three incidents were reported in 2010, regarding mining in Guatemala, a health and safety concern at Flin Flon and an overtime issue. All incidents were investigated and resolved, with corrective action where necessary.

Addressing Conflict in Guatemala

During the time that HudBay held an interest in the Fenix nickel project (from late 2008 to September 2011), we and our subsidiaries worked to resolve an issue of illegal land occupations through peaceful and constructive dialogue. A series of events on September 27, 2009 resulted in the tragic death of a community member and several injuries to others including employees of CGN. We believe CGN personnel were not involved in the death and are cooperating with Guatemalan authorities to ensure all the facts are uncovered and the parties responsible for the death are apprehended.

A petition condemning protestor attacks and requesting that the Guatemalan government intervene to prevent violence of this kind was signed by more than 3,000 individuals and 86 businesses from the community and delivered to government authorities in October 2009.

More recently, we were advised that a claim has been brought against the company alleging a number of sexual assaults during a legal eviction process in 2007, prior to our acquisition of the project. Independent observers and the attorney general's office in Guatemala reported that the evictions were carried out according to law. Our review of available information on these events runs counter to these serious allegations and we are defending ourselves vigorously against them.

HudBay is dedicated to promoting and respecting human rights, and implemented the internationally recognized Voluntary Principles on Security and Human Rights for our personnel and contractors in Guatemala. This included extensive training of security personnel, active participation in community groups promoting security and dialogue, and support of the community's call for greater government security assistance. The majority of residents in the area support these outreach efforts, investments in the local community and the ultimate development of the Fenix project. Please visit our website for details and updates.

COMMITMENTS TO EXTERNAL INITIATIVES

Precautionary Principle

We recognize that our operations can have significant economic, social and environmental impacts on local communities, both positive and negative. We work to maximize the potential positives and mitigate the negatives. HudBay operates under the precautionary principle throughout 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.

Industry Associations[1, 2]

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. Memberships include the following:

- Mining Association of Canada
- Manitoba Mining Association
- Saskatchewan Mining Association
- Mines Accident Prevention Association of Manitoba
- Northern Manitoba Sector Council
- Canadian Institute of Mining and relevant societies
- International Zinc Association
- Canadian Dam Association
- Manitoba Employers Council
- Prospectors and Developers Associations (of Canada, and provincial associations)
- Canadian Manufacturers and Exporters
- Industrial Gas Users Association
- Industrial Accident Prevention Association (Ontario)
- AIME – Society of Mining Engineers
- Gremial de Minas Canteras y Procesadoras, GREMICAP (Mining Association – Guatemala)
- Empresarios por la Educación (a Guatemalan organization created by the private sector to promote and develop educational projects)

[1] The participation of HudBay in Guatemala associations ceased with the sale of the Fenix Project in September 2011.

[2] Participation by HudBay in associations in Peru commenced in 2011 with the acquisition of Norsemont Mining.

- CentraRSE (Guatemalan Center for Corporate Social Responsibility)
- Cámara de Industria (CIG) (Guatemalan Chamber of Industry)
- Gremial Forestal (Forestry Association – Guatemala)
- AMCHAM (Guatemalan-American Chamber of Commerce)
- CAMCHAM (Guatemalan-Canadian Chamber of Commerce)
- Grupo Cusco (Peru) (an independent group of mining companies conducting exploration activities in the Region of Cusco, Peru)
- Cámara de Comercio Peru Canada (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)
- Marinette & Menominee Area Chamber of Commerce
- Michigan Manufacturer's Association
- Dickinson Area Partnership
- Economic Club of Marquette County

Towards Sustainable Mining

Implementation of the Towards Sustainable Mining framework is reviewed annually at HudBay's Canadian operating locations, and externally reviewed every three years. These operations report TSM data as one integrated facility report. The changes to the Company's self-assessed TSM performance in 2010 are outlined below.

The score of four (AA) reported in 2009 for all five tailings indicators was maintained in 2010.

All TSM indicators for both the corporate and facility crisis management protocol continued to be met in 2010.

There was no change in the scores for the external outreach protocol. However, several elements of level four have been implemented for each of indicators 2 to 4 and, therefore, a level four (AA) rating for this protocol is within reach.

A modest improvement in the Energy Use and Greenhouse Gas Emissions protocol was achieved. The improvements are largely attributable to the permanent closure of the copper smelting operations in June 2010.

Advancing Commitments at CGN

At CGN, we reinforced our commitment to CSR, beginning with an 18-month CSR analysis. The study led to a comprehensive stakeholder engagement strategy aimed at gaining trust through actions that improve the lives of people close to the Fenix project. One of our first action items was to refine several internal policies and practices, particularly pertaining to human resources programs and the Code of Business Conduct and Ethics. In addition to ongoing human rights training and community investment, we conducted employee training sessions on the Code, generating lively discussions on what if? scenarios, such as what do you do if a supplier offers you a gift.

Board Communications

Employees, shareholders and other interested stakeholders are invited to communicate directly with the Board. For details, please visit our Board communication portal at http://www.hudbayminerals.com/contact/boardComm.php.

ECONOMIC PERFORMANCE

Economic prosperity fuels our sustainability efforts, giving us the financial means to continue to invest in people, communities and the future growth of the Company.

Our Approach

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.

LOCAL ECONOMIC IMPACT

HudBay's presence brings economic opportunities to regions around our mines and projects. We hire and train local people, pay competitive wages and benefits, create business opportunities for local entrepreneurs, and provide financial support and expertise for community programs and infrastructure development.

In 2010, we contributed:

- 1,492 direct jobs with $189.9 million in annual payroll;
- $7.5 million to municipalities through taxes and grants in lieu of taxes;
- $75.4 million in income, mining, capital and use taxes to federal and provincial governments;
- $1.3 million in community investments and contributions to various charities (the amount was less than in the previous year because two installments of our $1 million contribution to the Canadian Museum for Human Rights were made in 2009).

Local Employment

We recognize that hiring as many local people as possible is best for us and for our communities. At all of our locations, we inform community members of employment opportunities and help them become qualified to work with us. For example, in Guatemala, CGN has been developing a program to raise education levels to a grade nine equivalent level so that local people can participate in technical training programs and gain the skills necessary for employment at Fenix. In Manitoba, we support the Northern Manitoba Mining Academy.

While wages and benefits are tailored to the labour needs and practices in the countries in which we operate, we believe fair wages are part of being a good community member. In Guatemala, we implemented a policy of paying above the Guatemalan minimum wage and required our contractors to do the same.

Where practical, we take steps to encourage local employment by our contractors. For example, our camp operator in Snow Lake has committed to hiring 70% of workers from the local community.

Local Purchases

Retaining local suppliers can benefit the community and HudBay. We work to understand the capabilities of local contractors and assist them in interpreting and following our procurement and bidding processes. While much of our equipment requires the scale, advanced technologies and support capabilities of large international suppliers, we advise local suppliers of opportunities that match their capabilities. At exploration sites, work packages are structured to facilitate the use of local contractors. For example, additional expert supervision has been provided so that less experienced but local contractors can be hired to cut and clear exploration drill pads.

← *Overhead view of 37-kilometre highway from El Estor to Rio Dulce in Guatemala, which was upgraded in 2009 with financial support from HudBay.*

Infrastructure Development

Flin Flon/Creighton and Snow Lake are thriving communities that have grown with HudBay. From the beginning, we have shared the benefits of our operations with the municipalities in which we operate through direct taxes and grants-in-lieu of taxes. We also assist our communities from time to time with extraordinary infrastructure projects that require special funding. For example, in April 2011 we announced a $2 million commitment to the Town of Snow Lake to assist funding the municipality's portion of a new waste water treatment plant, and a $100,000 contribution towards repairs to the Snow Lake community hall roof.

In Guatemala, CGN rebuilt the medical centre and education centre used for company employees of the operation in the 1970s. We also invested in highway upgrades and in upgrading the airstrip at El Estor, which is operated by CGN but has also been made available to other users.

CORPORATE FINANCIAL PERFORMANCE

Our 2010 financial results reflected a continuation of the strong recovery in metal prices that began in 2009 and continued throughout 2010. Continued growth in China and other developing economies and continuing efforts by the world's major central banks to support economic recovery in developed economies provided robust fundamentals for base and precious metal price appreciation.

Operational performance was strong again in 2010. Our 777 mine produced at full capacity with strong copper grades. We completed the closure of our copper smelter and refinery, and managed the challenges associated with late-stage mining operations at our Trout Lake and Chisel North mines. Production of contained metal in concentrate met our production targets for 2010, although our sales of copper concentrate lagged production due to limited rail car availability. We expect to recover this sales volume in 2011.

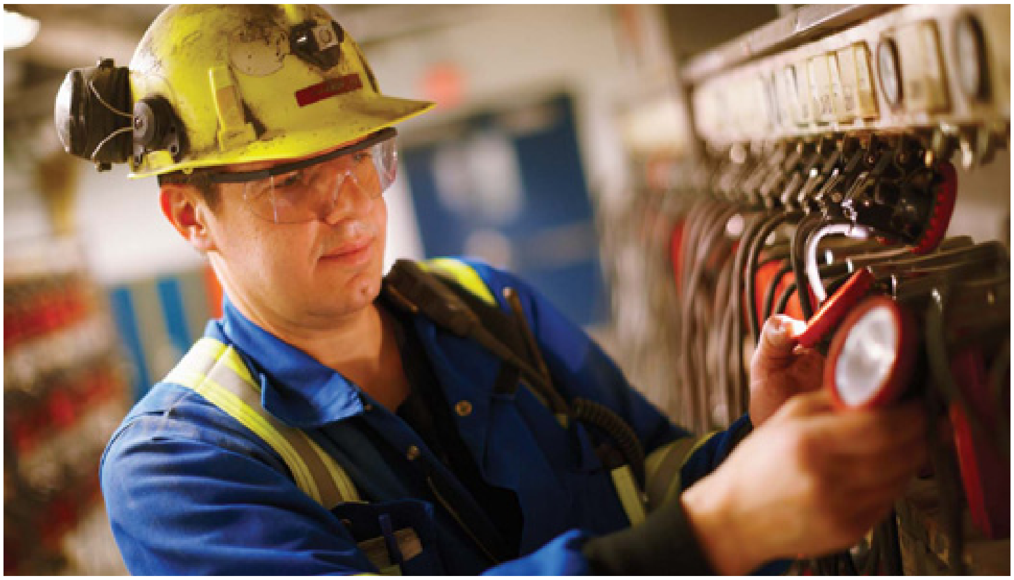
We made substantial progress on our Lalor project, with Board approval of a $560 million commitment to full development of the mine, and we significantly advanced the underground ramp to Lalor from the Chisel North mine. We also strengthened our management team with the appointment of David Garofalo as President and Chief Executive Officer and several other key management appointments.

During 2010, we generated net earnings of $70.0 million and operating cash flow of $199.9 million (not including changes in working capital). We reinvested our cash flow into investments in Lalor and other growth opportunities, share repurchases and the establishment of a common share dividend. In addition, we maintained our financial strength throughout 2010 by arranging a US$300 million credit facility and ending the year with cash and cash equivalents of $901.7 million and no debt.

In March 2011, we completed the acquisition of Norsemont Mining, and we will use our financial capacity and mine development expertise to accelerate the development of Norsemont's Constancia advanced-stage copper development project in southern Peru.

For more information about HudBay's 2010 financial and operational performance, please see our 2010 Annual Report at hudbayminerals.com.

We completed the closure of our copper smelter and refinery, and managed the challenges associated with late-stage mining operations at our Trout Lake and Chisel North mines.



Operations Highlights

For the years ended December 31	2010	2009	2008
Mine production (contained metal in concentrate)			
Copper (000 tonnes)	**52.4**	48.4	50.1
Zinc (000 tonnes)	**77.3**	78.7	103.1
Gold (000 troy ounces)	**87.2**	92.2	102.8
Silver (000 troy ounces)	**843.4**	1,004.6	1,071.0

Metal Production at HBMS and Zochem

For the years ended December 31	2010	2009	2008
Zinc Metal (000 tonnes)	**100.0**	106.8	125.3
Zinc Oxide (000 tonnes)	**41.0**	25.1	34.7
Copper (000 tonnes)	**19.8**	58.6	74.7
Gold (000 troy ounces)	**35.6**	91.4	108.5
Silver (000 troy ounces)	**372.3**	2,006.6	2,293.9

Financial Highlights

For the years ended December 31 ($ millions)	2010	2009	2008
Revenue	**$ 778.8**	$ 720.7	$ 981.9
Earnings before tax	**$ 158.1**	$ 141.5	$ 168.6
Net earnings	**$ 70.0**	$ 112.5	$ 72.5
Total assets	**$ 2,173.1**	$ 2,032.7	$ 1,918.4
Shareholders' equity	**$ 1,739.3**	$ 1,698.5	$ 1,555.2
Cash and cash equivalents	**$ 901.7**	$ 886.8	$ 704.7
Dividend per share	**$ 0.10**		

EMPLOYEES

We pride ourselves on the skill, passion and loyalty of our employees. The average length of service of the 1,300 employees at our Flin Flon/Snow Lake operations is 19 years. They bring a depth of experience and expertise that few companies can match.

Our Approach

HudBay is only as strong as its people. We set out to attract and retain talented people at every level of our organization and provide them with the resources they need to succeed. They are treated with respect and dignity, they are paid good wages and benefits tailored to their region, and they have opportunities to advance and contribute to their fullest through a variety of career paths.

Our employment level has dropped over the past few years as we have rationalized our operations to focus on the most sustainable growth opportunities. As the Company prepares for our new projects and future growth, we are establishing global, regional and site-specific human resources programs to ensure common approaches aligned with our shared values and expectations, while addressing local labour markets, needs and norms.

Total Workforce

Permanent employees as of December 31 of each year	**2010**	2009	2008
Corporate Office – Toronto and Winnipeg	**37**	18	17
Flin Flon, MB	**1,212**	1,334	1,387
Snow Lake, MB	**102**	78	109
Zochem plant (Brampton, ON)	**42**	36	37
Balmat mine (Gouveneur, NY)	**10**	12	34
White Pine copper refinery (White Pine, MI)	**17**	59	62
Fenix project (El Estor and Guatemala City, Guatemala)	**72**	84	130
Total	**1,492**	1,621	1,776

MANAGING TRANSITION

While the closure of the Flin Flon copper smelter in June 2010 was expected to eliminate approximately 235 jobs, we successfully minimized the impact through attrition, an early retirement program and retraining programs. In the end, 85 people received layoff notices and those affected were provided transition support and retained recall rights.

The process was managed through a joint workforce adjustment committee made up of company, union, and federal and provincial government (Saskatchewan and Manitoba) representatives. Committee members looked at retraining options both inside and outside of HudBay, worked with government programs to ensure access to benefits and skills development programs, and negotiated a process to maintain the most senior people.

Many employees were transferred to the underground mines, the zinc plant or the mill, and received the requisite training, which lasted from three weeks to three months depending on the role. The transition was carefully managed, with many people balancing their training schedules with work on the decommissioning of the smelter. It is a credit to our people that the transition went smoothly, with no production disruptions.

← Workers help construct an access road for HudBay's Lalor project, located near Snow Lake, Manitoba. The access road was completed in 2010.

SAFETY FIRST

HudBay aims to create a harm-free workplace, with no fatalities or injuries. The management systems at all of our production operations are certified to OHSAS 18001, an international occupational health and safety standard. The systems focus on identifying workplace hazards, assessing risk and implementing suitable controls.

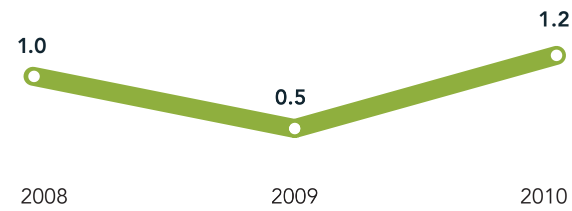
The lost time accident (LTA) frequency across the Company was 1.2 per 200,000 hours worked in 2010, up from our excellent performance of 0.55 in 2009. While this was a significant increase in the incident rate, there is some consolation in that the severity remained low. HudBay's lost time accident frequency rose above our comparison groups in 2011 for the first time in several years, as shown in the comparison table below on this page. The frequency rate for all other injury categories improved in 2010 over 2009.

The decline in safety performance in 2010 coincided with the closure of the copper smelter, which had a major impact on the Flin Flon complex and resulted in many job reassignments and shift changes. The effect that this appeared to have has reinforced to us the close link between safety and a constructive, supportive work environment.

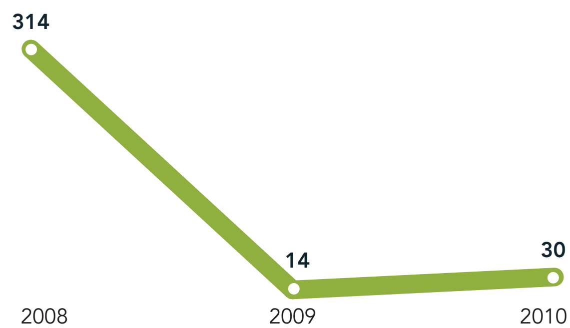
With a return to workplace stability, and our reaffirmation of our safety management systems, including PASS (Positive Attitude Safety System), performance has rebounded in the first half of 2011. PASS is based on facilitated discussions at all levels of the organization to increase each person's involvement in recognizing and managing workplace risks. In addition, our health and safety co-ordinators conducted interviews and evaluated training given to recently transferred employees to ensure that they are following safe operating procedures in their new roles.

Health and Safety Performance

Lost Time Accident Frequency
(per 200,000 hours worked)



Lost Time Accident Severity
(number of days lost per 200,000 hours worked)



LOST TIME ACCIDENT FREQUENCY COMPARISON

Accidents per 200,000 person-hours worked	**2010**	2009	2008
HudBay Minerals[1]	**1.2**	0.5	1.0
Manitoba mining industry[2]	**1.0**	0.6	1.5
Ontario mining industry[3]	**0.5**	0.6	n/a
Manitoba all industry[4]	**3.3**	3.5	4.0

[1] Includes employees and long-term contractors.

[2] Mines Accident Prevention Association of Manitoba Annual Report 2009.

[3] Mine Health & Safety Conference 2010, Health and Safety Statistical Status Report.

[4] Manitoba Workers Compensation Board Annual Report 2009. The 2010 time loss injury rate is an estimate and will be confirmed in the 2010 Annual Report.

↑ *Geophysical surveying conducted at the Back Forty project in northern Michigan. HudBay relies on electromagnetic geophysical technology as one of its primary exploration methods.*

EXPLORATION BEST PRACTICES

HudBay has an active exploration program throughout the Flin Flon Greenstone Belt, Michigan, the Yukon and, as of 2011, in Peru and Chile. Approximately 75% of the work is carried out by contractors, who conduct exploration drilling, geophysical studies, line cutting and road building on our behalf. The work poses safety risks related to travel surfaces (such as rough terrain, gravel roads and ice), helicopter travel for moving drills and people from site to site, and exposure to large moving equipment.

Safety is a priority and we have put in place an OHSAS 18001 certified management system for our Canadian exploration work. Safety processes include the following:

- Safety audits as part of the contractor selection process;
- Daily safety briefings at drill sites;
- Weekly and monthly safety inspections at drill sites;
- Regular training in areas such as first aid, CPR, winter driving training for all vehicles (including all-terrain vehicles and snowmobiles) and working near helicopters;
- Visitors to project sites are given site orientations identifying hazards, emergency shelters and evacuation procedures.

ON-THE-JOB LEARNING

HudBay has a long tradition of developing employees and helping them to rise through the ranks of the organization. Over the years, hundreds of employees have successfully completed our apprenticeship programs in Flin Flon. We hire them into entry-level positions as labourers and then give them the training and experience they need to earn trade qualifications.

Apprenticeship programs cover a wide range of trades including electrical, boilermaker/welder, mechanic, machinist, pipefitting and carpentry. During normal operation, Flin Flon typically requires about 250 tradespersons. Apprenticeship positions are advertised internally and interested employees are invited to apply. Selection criteria take into account seniority, work performance and experience. If successful, the candidate follows a prescribed program which includes working with a journeyman and may involve attending school at the Company's expense. The number of participants varies from year to year depending on business need. In 2010, we had 34 apprentices in our program.

ATTRACTING NEW TALENT

As HudBay grows both within Canada and abroad, we must ensure that we have the skilled people we need to resource projects such as Lalor, Constancia and Fenix, and to help us achieve our business goals. We have stepped up recruitment activities on a number of fronts, and will continue to do so in 2011 with an enhanced web presence.

Our efforts include building relationships with prospective employees. In Manitoba and Saskatchewan, we have linkages with the geology and engineering faculties at five local universities (Brandon University, University College of the North, University of Manitoba, University of Regina and University of Saskatchewan) and aim to attract students from these faculties upon their graduation.

In Guatemala, CGN developed a comprehensive training strategy to build the knowledge base and skills of local people to qualify them for potential jobs at the Fenix mine. The training will start with basic skills (such as reading, writing, computer skills) and working in an industrial complex, and then transition to job-specific technical training. This will begin in 2011, with approximately 100 people participating in an 18-month training program.

DIVERSITY

We firmly believe in the benefits that a diverse workforce can bring, providing different perspectives and offering new solutions to business challenges. At each site, we strive to reflect the diversity of the community in which we operate.

Our Code of Business Conduct and Ethics 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 assure fair employment, including equal treatment in hiring, promotion, training, compensation, termination and corrective action. We foster a work environment in which everyone is treated with respect and dignity, and we do not tolerate harassment or violence.

As a federally regulated employer, our Flin Flon/Snow Lake operations were audited by the Canadian Human Rights Commission in 2010 to ensure compliance with the Employment Equity Act. The purpose of the Act is to ensure that employers provide equal opportunities for employment to the four designated groups – women, Aboriginal peoples, persons with disabilities, and members of visible minorities. One area deemed to require attention was in the number of women in our Flin Flon/Snow Lake workforce. We are looking at ways to increase the representation of women, including using the new Northern Manitoba Mining Academy to train women to work in the mines and establishing a Northern Manitoba chapter of Women in Mining to promote the professional development of women in the mining industry.

Workforce Diversity

(As of December 31, 2010)

Women	12.0%
Aboriginal	11.9%
Disabled	7.4%
Visible minorities	6.7%

We foster a work environment in which everyone is treated with respect and dignity, and we do not tolerate harassment or violence.

↑ *Stakeholders breaking ground for the Northern Manitoba Mining Academy.*

Safety Honours

Congratulations to mine rescue workers at Flin Flon who took first place in the 2010 Provincial Mine Rescue Competition. A local contest was held to decide which of our four teams would participate in the event. In the end, the team of Don Last (captain), Richard Trudeau, Trevor Thurston (vice-captain), Bob Lyons, Dale Holmgren, Tracy Knutson and coaches Olaf Hettrick and Don Peake was selected. The competition involved life-like challenges dealing with smoke and foam problems, practical skills, first aid and firefighting as well as a written exam.

While the Back Forty project's safety statistics are not included in HudBay's 2010 performance data, we are proud of the results achieved with our joint venture partner Aquila Resources. The team reached 85,000 hours without a lost time accident as of March 2011. There have been no injuries requiring an employee to miss work since recordkeeping began in August 2009. To promote safe work practices, the team conducts weekly safety training and regular job-specific training (such as forklift training) depending on the work being done at the time.

Northern Manitoba Mining Academy

To help build the mining-related skills of northern Manitoba residents, HudBay is participating in a collaborative venture to launch the Northern Manitoba Mining Academy with the University College of the North, Northern Manitoba Sector Council, the Province of Manitoba, the city of Flin Flon and the University of Manitoba. The academy will help train the next generation of area miners for high-skilled jobs and enable current workers to upgrade their skills. It will include a state-of-the-art mine simulator which mimics a variety of real-life situations, teaching miners how to operate underground equipment, apply proper safety measures and cope with emergencies. HudBay is donating $200,000 and approximately half an acre of land near our operations. The academy is expected to open in 2011.

IN THE COMMUNITY

For the most part, our employees live, work and raise their families in the towns in which HudBay operates. We value the unique relationships we have with our local stakeholders, and work to help build strong, vibrant and sustainable communities.

Our Approach

Our operations bring both opportunities and issues of concern to the people living near our mine sites. We set out to build close and productive relationships with our host communities, to understand and address their concerns, and to help improve the quality of life. Our approach is based on mutual respect, ongoing dialogue and a desire to work together to achieve positive outcomes.

ENGAGING WITH STAKEHOLDERS

For HudBay, a stakeholder is any individual who is affected by our activities or has the ability to influence them. Our stakeholders include employees and contractors, host communities and indigenous peoples, the investment community, governments and regulators, non-governmental organizations (NGOs), customers, suppliers, industry partners, media, the academic community and civil society.

At the corporate level, engagement is focused on shareholders, the investment community, government (usually at the national level) and civil society (principally national and international NGOs). Communication processes include regulatory filings, annual and quarterly reports, news releases, senior management presentations, as well as meetings, telephone conversations, media interviews, speeches and conference calls. The company website is also a primary source of information.

At the community level, engagement processes are tailored to the needs of the site and the community. Ongoing and open dialogue is one of the most effective tools to help us address the key issues associated with our business. Community dialogue starts before actual mining begins and continues throughout the life of the operation.

Starting Early

Although the Back Forty project is still at the exploration stage, we and our partner Aquila Resources engage regularly with the community to build good relations and address concerns. Outreach includes open houses, site tours, educational presentations, individual meetings, local hiring and purchasing, and community involvement.

In 2010, we held outreach meetings with a number of American Indian tribes with potential ties to the area. The meetings enabled us to share information and establish a dialogue so that we can better understand their interests. A group of local stakeholders raised concerns about mining in the area, including the impact on fresh water sources. We recognize their concerns and will be expanding our outreach programs in 2011 to clearly articulate the measures we take to protect the environment and generate sustainable benefits for the community.

In Snow Lake, we held community meetings to review our plans for Lalor and field questions. Questions covered topics such as tailings, roads, trap lines, financing, training and apprenticeships.

In northern Saskatchewan, where we are involved in some early exploration, we are engaging with the local First Nations and Métis communities. We have flown members to our Flin Flon complex to review the exploration proposal and address their concerns. We also invited them to see our work first-hand, chartering a plane to and from the exploration site.

Community Complaints

At Flin Flon, community residents are invited to call our telephone hotline if they have a complaint about the Company's operations. We have a detailed complaint procedure to ensure that concerns are appropriately addressed. No formal complaints were registered in 2010. However, we did become aware indirectly of a complaint related to an outdoor odour problem, and we are working to determine the nature and source of the odour (including whether it has any link to HudBay).

HUMAN HEALTH RISK ASSESSMENT IN FLIN FLON/CREIGHTON

In June 2010, we completed the Human Health Risk Assessment (HHRA) and community engagement process in the Flin Flon/Creighton area. The HHRA was initiated in 2007 as part of the Flin Flon Soils Study (FFSS) to investigate potential impacts of elevated levels of arsenic, cadmium, lead and mercury found in a 2006 Manitoba Department of Conservation soil sampling near HudBay's metallurgical complex. The work was conducted by an independent scientific consultant in 2008 and 2009.

The HHRA final report was released in June 2010, and is available on the Flin Flon Soils Study website at www.flinflonsoilsstudy.com (and is described in greater detail in our 2009 CSR Report). The study concluded that the likelihood of health effects among area residents from exposure to the metals evaluated is negligible to low. The primary action item for HudBay resulting from the study was continued air monitoring to confirm that concentrations of arsenic and cadmium in ambient air remained low once the copper smelter was closed in June 2010.

As part of the process, HudBay, in cooperation with the Manitoba and Saskatchewan governments, invited interested members of the public to participate in a Community Advisory Committee (CAC). Through regular meetings, the CAC provided opportunities for the public to express concerns or to ask questions about any aspect of the HHRA. The CAC also provided a liaison between the Company, the technical and regulatory authorities and the local public.

RAXCHE FOUNDATION

In Guatemala, community activities have been conducted through the Raxche Foundation, a community development foundation managed and supported by CGN. The Foundation works to improve the quality of life of residents in the Lake Izabal basin, most of whom are indigenous Mayans.

Raxche has set out to earn the respect and trust of local people by working collaboratively with partners, responding to needs and priorities identified by the community, respecting local culture and customs, and fulfilling its commitments. Its focus is typically in the areas of education, culture, health and productivity.

Education programs are designed to build capacity and prepare residents for entry-level jobs at the mine. Many of the programs are run out of an education centre housed in the school operated by Inco in the 1970s, which was recently refurbished and reopened by CGN. In 2010, nearly 8,000 people participated in Raxche education and capacity-building programs.

CGN also rebuilt the original company medical centre that had been closed for nearly 30 years. Raxche has partnered with The Hope Alliance, an NGO, to equip a portion of the centre in order to deliver advanced medical services to patients from clinics in more than 123 communities in the province of the Izabal District and the surrounding 117 communities of the Alta Vera Paz District. Raxche also organizes free medical clinics and operates low-cost pharmacies for the community, benefiting close to 10,000 people in 2010.

Productivity programs are designed to help residents become economically self-sufficient. They include an agricultural diversification program which teaches farmers techniques for improving productivity and growing different crops to increase their incomes.

Corporate Donations

HudBay has a strong record of philanthropy in the areas near our operations. In 2010, we provided $1.3 million to various charities and community programs. Of this, $395,000 was donated to projects in the Flin Flon/Snow Lake area and US$211,996 to initiatives near the Fenix project.

Back Forty Scholarships

The Back Forty project offers a $1,000 scholarship to the local student who wins its annual essay-writing contest. In 2010, students were invited to submit an essay on the importance of metals in the US economy.

SUPPORTING THE FLIN FLON COMMUNITY

In 2010, we donated approximately $614,000 to support programs in the Flin Flon area, in addition to providing in-kind services and offering use of our facilities for community events. Many employees also volunteered their time to community projects such as building a judging platform for the skating club, science fair judging, parade float preparation and sign-making. Here are some of our major programs:

ORGANIZATION	FINANCIAL SUPPORT
Province of Manitoba Mining Academy	$200,000 (see page 25).
HudBay 80th Anniversary Project	$200,000 (our 2010 contribution to a $1 million capital pool established to benefit community initiatives). In 2010, $100,000 from the fund was directed to the downtown Pioneer Square project.
Channing Beach revitalization	$25,000 over two years.
Safe Workers of Tomorrow	$12,500 towards this Winnipeg-based organization which raises awareness of safety and healthy workplaces among teachers and students.
Flin Flon Junior Bombers season sponsorship	$25,000 towards a local hockey team of the Saskatchewan Junior Hockey League plus another $10,000 towards a golf tournament sponsorship, tickets for kids, home opener tickets and Team Sweden.
Green Project	$20,000 towards this multi-year project with residents of Flin Flon and Creighton to promote environmental stewardship (see page 35 for details).
United Way of Winnipeg	$10,000 annually.
Canadian Aboriginal Minerals Association 2010 Conference	$10,000 towards CAMA, an Aboriginal non-profit organization which seeks to increase the understanding of the minerals industry, Aboriginal mining and Aboriginal communities' paramount interests in lands and resources.
Flin Flon Trout Festival sponsorship (fishing derby and kids games)	$10,000 annually.
Manitoba Keewatinowi Okimakanak Inc. (Youth Rangers Program, Egg Lake)	$10,000 towards the Manitoba Rangers Program, a unique employment and training experience that introduces teens to northern Manitoba's mining, forestry and energy sectors.
Community Adult Learning Centre	$30,000 over three years.

ENVIRONMENTAL STEWARDSHIP

Our 80 years of operating in the Flin Flon area have resulted in a strong, sustainable community and a legacy of 19 mines that have been successfully reclaimed and remediated.

Our Approach

We aim to continuously improve our environmental performance and minimize the environmental footprint of our operations. We do this by:

- Setting continuously improving environmental targets and measuring performance against them;
- Maintaining ISO 14001 environmental management systems certification at all production operations;
- Proactively rehabilitating land after cessation of operations so as to accelerate natural reclamation; and
- Supporting community projects to minimize the aesthetic impact of our activities.

INCIDENTS AND COMPLIANCE

There were no material environmental incidents or compliance measures at HudBay operations in 2010. We are working to assist a supplier who had an issue related to an environmental release near Flin Flon. While we were not directly responsible, we view this type of assistance as important in maintaining our relationship with the communities in which we operate and in supporting the safe operations of our service providers.

CLIMATE CHANGE AND ENERGY USE

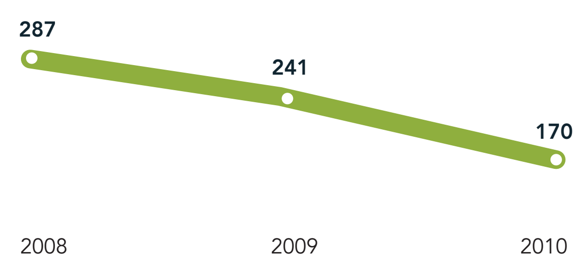
As intensive users of electricity and fossil fuels, HudBay operations contribute to climate change through energy consumption and associated greenhouse gas (GHG) emissions. We strive to reduce our impact by minimizing energy use and, where possible, reducing the carbon intensity of our products and operations.

In 2010, we set the stage for significant improvement, with the closure of the Flin Flon copper smelter and the installation of new electric boilers. Although the 80-year-old smelter met regulatory standards, its outdated technology would have made it difficult to meet the stricter emission requirements expected in the future. The smelter closure reduced both atmospheric emissions and our reliance on heavy oil, which was one of the largest components of our GHG emissions.

To replace the steam formerly produced by the smelter, which is needed for heating and for zinc plant operations, we invested in electric boilers. Instead of fossil fuel, the boilers are powered by clean, renewable hydroelectricity. The full impact of these changes will be evident as of 2012 once the smelter decommissioning and boiler conversion are completed.

At the Flin Flon/Snow Lake operations, the closure of the copper smelter resulted in a 27% reduction in direct energy consumption from 2009 to 2010 and a 29% reduction in GHG emissions.

Total Direct and Indirect GHG Emissions
(kilotonnes per CO_2-equivalent)



Direct Energy Consumption by Primary Energy Source

(terajoules)	**2010**	2009	2008
Heavy oil	**990**	1,767	1,990
Propane	**515**	652	727
Natural gas	**426**	321	384
Diesel	**179**	164	230
Light oil	**3**	4	32
Gasoline	**9**	10	9
Total	**2,122**	2,918	3,372

WATER MANAGEMENT

HudBay enjoys an abundant water supply in Canada and is not faced with many of the issues encountered in other parts of the world. Nevertheless, we are committed to reducing our reliance on fresh water, and minimizing harmful discharges to water as well as impacts on the quality of local water sources.

At new operations, such as the Lalor project, we build water recycling into the design criteria to minimize use of fresh water right from the start. We can reuse water several times, depending on the quality of water required at each step. At older operations, we strive for incremental improvements in fresh water consumption.

Although our water intake does not significantly impact any of our water sources, in 2010, we reduced fresh water consumption by 14%, from 14,038 cubic metres in 2009 to 12,043 cubic metres in 2010. The reduction was the result of the copper smelter shutdown as well as specific water savings initiatives undertaken at the Flin Flon complex.

None of the effluents discharged from our operations has 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 achieved 100% compliance in 2010.

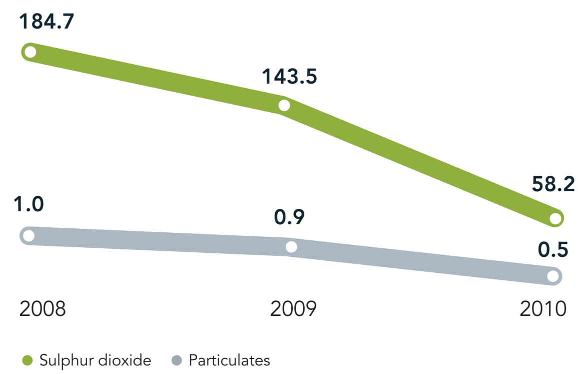
EMISSIONS TO AIR

We are committed to measuring, controlling and reducing harmful emissions to air. Until the closure of the Flin Flon copper smelter, sulphur dioxide (SO_2) was one of our most significant emissions to air, apart from greenhouse gases. The closure of the smelter virtually eliminated the issue to the extent that the provincial government granted permission to shut down ambient air quality monitoring stations in residential areas of Creighton and Flin Flon at the end of the year. Closer to the Flin Flon complex, there remain low-level SO_2 concentrations associated with the boiler conversion and burning off of heavy oil which will be completed in August 2011.

Our operations also emit dust and particulates containing heavy metals. We have a rigorous particulate monitoring program and ensure that particulate levels remain below regulatory limits. Readings are reviewed by the government and external compliance auditors.

Extensive work has been performed over the years to mitigate fugitive tailings dust from the Flin Flon tailings impoundment system. Each year, a dust management plan is implemented in line with the annual tailing 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, and creating covers of calcium chloride sand, compacted snow or ice (water retained during freezing weather forms an ice cap which is mechanically placed on the tailings).

Significant Air Emissions
(kilotonnes)



WASTE MANAGEMENT

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

Tailings are 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. Tailings are piped into secure engineered impoundments, known as tailings dams, which are regulated by government standards and subject to regular audits and risk assessments. Water from the tailings dams is treated to meet regulatory limits before it is discharged to the environment.

HudBay adheres to the Mining Association of Canada's (MAC) best practices for managing tailings. MAC guidelines cover 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 reused as fill in underground operations, tailings facilities and site rehabilitation, or it is managed on-site according to environmental regulations.

↑ *Back Forty project – baseline study of the Menominee River.*

In 2010, Environment Canada expanded the definition of material to be reported as National Pollutant Release Inventory (NPRI) data to now include tailings and waste rock (even though these are contained and managed on-site), along with the quantities of materials actually released into the environment. While HudBay has tracked and managed the metals content of tailings and waste rock on company property for many years, this was the first time that the information was reported in the NPRI, which resulted in higher numbers.

BIODIVERSITY

Through careful planning, we work to minimize our environmental footprint at every stage of operation, from initial exploration to decommissioning and closure.

The total area of land owned, leased or managed by HudBay was 475,236 hectares at the end of 2010. Of this land, we used only 16,061 hectares (or 3.4%). We are committed to conserving the biodiversity of the land impacted by our operations. Here are some examples of what we are doing:

› Canada – While none of our operations or projects in Canada adjoins or directly impacts protected areas or areas of high biodiversity importance, we have processes in place to minimize potentially adverse effects. For example, we adjusted exploration drilling work in the Snow Lake region in 2010 to accommodate caribou migration patterns, reducing the scope of our activity in the area and increasing the travel height of helicopters to minimize disruption as we ferried our work crews to and from sites. We also delayed drilling activities by one month so as not to disrupt caribou calving.

› Guatemala – The Setal Private Nature Reserve (PNR), located adjacent to the Fenix property, is the first private reserve in Guatemala to be under the guardianship of a mining company. The reserve covers 617 hectares, of which 80% is within the Bocas del Polochic Wildlife Refuge. The area includes wetlands, flooded forests and savannas harbouring a wide range of resident and migratory bird species as well as Lake Izabal's remaining manatee and crocodile populations. Larger mammals include tapir, howler monkeys and jaguars. The purpose of the reserve is to preserve the biodiversity and ecological processes of the area, recover degraded areas, and promote scientific research and environmental education in the region.

› United States – As part of the planning process for the Back Forty project, we are performing multi-year environmental baseline studies with a view to integrating sustainability into the mine planning and design processes. The studies cover wildlife, plants, water resources and wetland, air quality, potential archeological sites and existing land use. In 2010, the focus was gathering precise information on the location, quantity and quality of wetland areas, ensuring that identified cultural resources were studied and managed appropriately, and continuing surface water and groundwater data monitoring. Through these studies, we have confirmed the presence of a limited number of wetlands, listed plant and aquatic species, and noted archeological sites. The study results will be incorporated into an environmental impact assessment, which will provide a detailed analysis of the project's collateral effects and mitigation measures.

REMEDIATION

All mines have finite lives. While some mineral deposits can sustain a mine for 50 years or more, other deposits may only produce a mine life of a few years. Mine closure is the final phase of the mining cycle. Our practice is to carry out an orderly, safe and environmentally sound process of converting an operating mine to its pre-mining condition.

Having closed 19 mines in the course of our history, sometimes in ecologically sensitive areas, we have turned mine closure and remediation into core competencies for HudBay.

At the Flin Flon metallurgical complex, a major area of focus in 2010 was on the decommissioning of the copper smelter. Our work involved vacuuming dust and cleaning buildings to prepare them for demolition, removing fuel oil, and managing demolition debris and waste water in strict accordance with environmental regulations. We also removed the North Main head frame, which had been out of use since 1998. This work was undertaken as part of a progressive rehabilitation program at Flin Flon which aims to restore the environment in and around the complex and enhance the visual impact. Activities include removing old structures and equipment, reconfiguring and revegetating tailings sites, and greening spaces between the community and the operations.

We are voluntarily revisiting some of the mine sites worked decades ago by both ourselves and other companies whose assets we inherited as legacy properties – recognizing that standards and regulations have changed over time. Our remediation specialists first render the sites safe by properly securing mine entrances and removing any abandoned structures. Next we apply leading-edge techniques that rehabilitate (where necessary) the surrounding areas and either restore them as green spaces or prepare them for redevelopment into other uses.

Designing for Closure

HudBay started remediating old mine sites in the 1990s. From this work, we soon recognized the merits of designing new mines for closure right from the start so as to minimize the impact on the environment both during and after operations and the cost of closure. Many of the lessons learned were applied at our Konuto mine in Manitoba which opened in October 1998 and closed in November 2005. Here are some of the principles we now apply at our new mine sites:

- Mine site and access – Site footprint is as small as possible. Access roads, power and pipeline routes are curved to prevent direct sightlines from public roads to the mine. During site preparation, overburden is cleared and saved for eventual decommissioning.
- Buildings – Buildings are designed with dismantling in mind. Concrete should have structurally acceptable break points and cast-in-place plastic tubing that can later be packed with explosives to break it up for removal.
- Waste rock – Determine in advance the acid-generating potential of waste rock, and then develop shafts or declines to avoid troublesome rock or make plans to segregate acid-generating materials and properly manage them from the start.
- Water management – Contour and slope the site to direct surface drainage from ore and mine rock piles into the underground collection sump system, resulting in a single waste stream and pumping system.
- Early start – At least a portion of the decommissioning work is done while the mine is operating. The availability of manpower and equipment, as compared to the high cost of mobilizing operations after shutdown, makes it desirable to do all that is possible while the mine is still running.

Power Smart

At the Flin Flon complex, we participated in the Manitoba Hydro Power Smart program, which offered a rebate for installing parking lot controllers. These electronic devices save energy by automatically adjusting the length of time that electricity is provided to car plugs, depending on outside temperatures. Above –5°C, outlets typically receive no electricity. As the temperature drops, electricity is progressively delivered for longer periods of time. Once the temperature drops low enough (usually between –20°C and –30°C), the power stays on all the time.

↑ Hydroseeding depicted at Mouse Pond, north of the 777 mine (before visible growth) and hydroseeding depicted at Mouse Pond after visible growth.

Green Project

The Green Project is a community effort aimed at accelerating the restoration of the forests in Flin Flon and Creighton to their original northern beauty. Community members, school children and HudBay volunteers have all been involved in spreading crushed limestone in non-residential areas to promote vegetation growth. HudBay has sponsored the project for more than 10 years, contributing $20,000 in 2010 alone.

Balmat Zinc Mine

The Balmat zinc mine has been under care and maintenance since August 2008. During this period, the site must be maintained in the same way that we would if the mine were operating and we must adhere to the same conditions or limits specified in our permits. We continue to dewater the mine and manage discharge water quality. The mine undergoes an annual inspection by the New York State Department of Environmental Conservation. The 2010 audit found the facility to be compliant with the conditions and limits of our permit.

Caribou Monitoring

In 2010, HudBay donated $5,000 to the North American Caribou Workshop and announced its second three-year commitment to a program that installs tracking collars on caribou to chart migratory patterns in the Wabowden range, 800 kilometres northeast of Winnipeg. Our $45,000 contribution will help to plan land usage to reduce habitat loss, degradation and fragmentation under the federal Species at Risk Act. HudBay remains 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.

Key Performance Data

ECONOMIC

Direct economic value generated and distributed (in Cdn.$ millions)	2010	2009	2008	2007
Revenue	**$ 778.8**	$ 720.7	$ 981.9	$ 1,269.8
Operating costs				
Canada	**(432.4)**	(491.6)	(635.3)	(694.8)
US	**(7.3)**	(7.1)	(39.3)	(35.9)
Guatemala	**(11.3)**	(7.1)	(11.0)	–
Total	**$ (451.0)**	$ (505.8)	$ (685.6)	$ (730.7)
Employee wages and benefits				
Canada	**186.4**	170.3	177.7	–
US	**–**	6.4	18.4	–
Guatemala	**3.5**	3.5	2.0	–
Total	**$ 189.9**	$ 180.1	$ 196.1	$ 198.0
Payments to government	**$ 82.9**	$ 41.8	$ 55.6	$ 50.0
Community investments ($000s)				
Canada	**620.4**	1,057.0	677.0	171.0
US	**7.0**	24.8	–	–
Guatemala	**663.2**	333.0	216.3	–
Total	**$ 1,290.6**	$ 1,414.8	$ 893.3	$ 171.0

EMPLOYEES

	2010	2009	2008	2007
Total workforce				
Permanent employees				
Flin Flon, MB	**1,212**	1,334	1,387	1,386
Snow Lake, MB	**102**	78	109	98
Winnipeg, MB	**3**	2	6	15
Brampton, ON	**42**	36	37	41
Toronto, ON	**34**	16	11	–
Gouveneur, NY	**10**	12	34	227
White Pine, MI	**17**	59	62	63
Guatemala City, Guatemala	**17**	16	19	–
El Estor, Guatemala	**55**	68	111	–
Total permanent employees	**1,492**	1,621	1,776	1,830
Employment				
Number of co-op and summer students hired	**57**	26	76	n/a
Number of contractor full-time equivalent staff	**544**	458	–	n/a
Number of part-time employees	**2**	n/a	n/a	n/a
Number of employees covered by Collective Bargaining agreements	**1,040**	1,294	1,313	n/a
Percentage of employees covered by Collective Bargaining agreements	**69.7%**	79.8%	73.9%	n/a
Voluntary turnover rate[1]	**10%**	7%	6%	6%
Workforce age distribution				
Total				
<30	**9.8%**	9.5%		
30–50	**54.3%**	52.2%		
>50	**35.9%**	38.3%		

Employees (continued)	2010	2009	2008	2007
Certified				
<30		9.79%	n/a	n/a
30–50		52.76%	n/a	n/a
>50		37.45%	n/a	n/a
Non-certified				
<30		8.22%	n/a	n/a
30–50		50.23%	n/a	n/a
>50		41.55%	n/a	n/a
Person-hours of work (including contractors)				
Flin Flon, Snow Lake, Winnipeg and Toronto	**3,183,242**	3,179,407	3,552,062	3,564,686
Brampton, ON	**88,073**	75,925	88,681	90,216
Gouveneur, NY	**27,027**	27,208	404,793	595,852
White Pine, MI	**103,039**	133,718	151,077	148,585
El Estor/Guatemala City, Guatemala	**691,064**	593,911	331,155	–
Total person-hours	**4,092,445**	4,010,169	4,527,768	4,399,339
Net number of full-time employees added (decreased)				
Canada	**(73)**	(84)	10	28
US	**(44)**	(25)	(194)	51
Guatemala	**(12)**	(46)	130	–
Total	**(129)**	(155)	(54)	79
Percentage of employees represented by trade unions	**70%**	80%		
Health and safety performance (per 200,000 hours worked, except where noted)				
Lost time accident frequency	**1.2**	0.5	1.0	1.1
Lost time accident severity (days lost per 200,000 hours worked)	**30**	14	314	24
Restricted work accident frequency	**2**	2	3	3
Medical aid accident frequency	**10**	11	13	14
First aid accident frequency	**18**	20	17	20
Fatality (number)	**0**	0	1	0
Absentee rate (as a % of hours scheduled to be worked)	**n/a**	n/a	n/a	n/a
Reportable occurrences (defined as H&S incidents required by law to be reported to a government agency)	**33**	21	40	44
Composition of governance bodies and breakdown of employees				
Workforce diversity				
Female	**12.0%**	9.5%	9.7%	8.0%
Aboriginal	**11.9%**	8.0%	9.4%	5.7%
Disabled	**7.4%**	3.5%	3.3%	3.4%
Visible minorities	**6.7%**	3.1%	2.8%	2.7%
Composition of executive management and corporate governance bodies				
Board of Directors (ratio male to female)	**8:0**	8:0	8:0	7:0
Age distribution				
<30	**0**	0	0	0
30–50	**12.5%**	0	0	0
>50	**87.5%**	100%	100%	100%
Executive management (ratio male to female)	**10:1**	7:1	5:1	5:1
Employees trained in anti-corruption policies				
Number	**1,218**	n/a	n/a	n/a
Percentage of workforce	**82%**	n/a	n/a	n/a
Number of strikes or lockouts exceeding one week	**0**	0	0	0

SOCIETY

	2010	2009	2008	2007
Total number of incidents of discrimination (and actions taken)	**0**	5	n/a	n/a
Complaints from communities	**1**	3	19	2
Number of fines or sanctions for non-compliance with laws and regulations[2]	$ **5,253**	**$** 1,470	$ 24,749	$ 41,537
Number of fines or sanctions for non-compliance with laws and regulations concerning the provision and use of products and services	0	**0**	0	0
Number of non-monetary sanctions for non-compliance with laws and regulations	**0**	n/a	n/a	n/a
Closure plans				
Number of site closure plans	**11**	5	4	4
Percentage of total operations with closure plans	**100%**	100%	80%	100%
Overall financial provision representing the present value of future cash flows[3]	$ **58,915**	**$** 54,460	$ 46,632	$ 38,241

ENVIRONMENT

	2010	2009	2008	2007
Direct energy consumption by primary energy source (terajoules)				
Heavy oil	**990**	1,767	1,990	2,003
Propane	**515**	652	727	642
Natural gas	**426**	321	384	372
Diesel	**179**	164	230	262
Light oil	**3**	4	32	37
Gasoline	**9**	10	9	11
Total	**2,122**	2,918	3,372	3,327
Indirect energy consumption by primary energy source (terajoules)				
Total electricity consumed	**3,012**	3,136	3,482	3,477
Energy intensity (terajoules per kilotonne of metal produced)	**34.2**	36.0	34.3	31.4
Total water withdrawal (000 cubic metres)				
Surface water	**11,658**	12,352	n/a	n/a
Ground water	**384**	379	n/a	n/a
Municipal water supplies	**2**	1	n/a	n/a
Total water withdrawal[4]	**12,043**	14,038	15,121	15,601
Total direct and indirect GHG emissions (kilotonnes of CO_2-equivalent)[5]				
Direct carbon dioxide emissions	**140.1**	199.9	230.9	228.8
Indirect carbon dioxide emissions	**29.8**	41.0	56.3	60.4
Total	**169.93**	240.90	287.20	289.20
Emissions of ozone-depleting substances (kilograms)	**0**	11	708	414
NOx, SOx and other significant air emissions (in kilotonnes)[6]				
Sulphur dioxide	**58.2**	143.5	184.7	201.8
Particulate	**0.5**	0.9	1.0	1.6
NOx and VOCs	**0**	0	n/a	n/a

Environment (continued)	2010	2009	2008	2007
Total water discharged (000 cubic metres)[7]				
To Flin Flon Creek/Ross Lake/Schist Lake	**15,139**	n/a	n/a	n/a
To Anderson Creek/Wekusko Lake	**5,507**	n/a	n/a	n/a
To Woosey Creek/Morgan Lake	**1,542**	n/a	n/a	n/a
To Region of Peel Sewer	**0.17**	n/a	n/a	n/a
To White Pine Sewer	**11**	n/a	n/a	n/a
To Lake Izabel	**3**	n/a	n/a	n/a
To Oswegatchie River in NY	**2,791**	n/a	n/a	n/a
Water treated (000 cubic metres)	**24,993**	19,074	19,383	21,458
Total number of significant spills[8]	**1**	3	11	8
Volume	**18.9 m³**	n/a	n/a	n/a
Hazardous waste disposed at external facility (tonnes)[9]	**2,010**	79.9	0	0
Number of fines or sanctions for non-compliance with environmental laws and regulations	**0**	0	0	0
Land owned, leased or managed (hectares)				
Manitoba	**323,152.6**	335,545.2	5,985.7	5,844.4
Saskatchewan	**83,289.5**	72,763.5	1,494.8	1,480.4
Ontario	**11,058.7**	11,058.7	0.0	3.8
Yukon	**5,823.4**	5,823.4	120.7	120.7
Nunavut	**21.0**	21.0	0.0	0.0
Total Canada	**423,345.1**	425,211.8	7,601.2	7,449.3
New York	**22,329.5**	21,620.3	57.7	57.7
Total US	**22,329.5**	21,620.3	57.7	57.7
Chile	**1,531.0**	1,531.0	0.0	0.0
Guatemala	**28,030.0**	28,030.0	8,402.8	8,402.8
Total South/Central America	**29,561.0**	29,561.0	8,402.8	8,402.8
Total	**475,235.6**	476,393.1	16,061.7	15,909.8

1 Voluntary turnover rate is the number of employees who voluntarily left the company divided by the average number of employees in the year.

2 All fines are related to US Federal Mine Safety and Health Administration inspections at our Balmat mine. 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.

3 Overall financial provision representing the present value of future cash flows relating to estimated closure costs per Canadian Generally Accepted Accounting Principles (see Note 12 to the Notes to the Consolidated Financial Statements in the 2010 Annual Report).

4 Our water withdrawals did not significantly impact our water sources.

5 GHG emissions are calculated based on site-specific data using the GHG protocol and emission factors published by Environment Canada.

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

7 Water discharged from the Tom Valley exploration property is not reported – the value is being reviewed.

8 Significant spills are those that are reportable to government agencies, whether by law or in accordance with company policy. There was no environmental impact associated with the spill nor was the spill financially material.

9 The hazardous waste figure for 2010 relates to the closure of the White Pine copper refinery. There was no other transportation of hazardous waste on or off HudBay operating sites in 2010.

GRI Index

INDICATOR	DESCRIPTION	DETAILS
STRATEGY AND ANALYSIS		
1.1	Statement from the most senior decision-maker about the relevance of sustainability to the organization and its strategy	Page 4
1.2	Description of key impacts, risk and opportunities	Responsible Mining – page 2, 3 Material Issues – page 11
ORGANIZATIONAL PROFILE		
2.1	Name of organization	HudBay Minerals Inc.
2.2	Primary brands, products and/or services	Copper, gold, zinc, silver – in metallic form and contained in concentrates Zinc oxide powder
2.3	Operational structure	Inside front cover, Governance – page 11
2.4	Location of organization's headquarters	Toronto, Ontario, Canada
2.5	Countries where the organization operates	Inside front cover
2.6	Nature of ownership and legal form	Publicly traded corporation organized under the Canada Business Corporations Act
2.7	Markets served	Metal concentrates are sold to smelters in North America, Europe and Asia. Zinc metal is sold to a variety of end users in North America.
2.8	Scale of the reporting organization	Page 19, 36 HudBay 2010 Annual Report "At a Glance"opening pages
2.9	Significant changes during the reporting period	Page 4, 5, 21
2.10	Awards received in reporting period	Page 25

INDICATOR	DESCRIPTION	DETAILS
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3.1	Reporting period for information provided	January 1 to December 31, 2010
3.2	Date of most recent report	October 2010
3.3	Reporting cycle	Annual
3.4	Contact point for questions	David G.C. Clarry, Vice President, Corporate Social Responsibility
3.5	Process for defining report content	Page 9
3.6	Boundary of the report	Inside front cover[1, 2]
3.7	Specific limitations on the scope or boundary	Page 9
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities	Page 9
3.9	Data measurement techniques	Page 9
3.10	Explanation of the effect of any restatements of information provided in earlier reports	None
3.11	Significant changes from previous reporting periods to the scope, boundary or measurement methods applied	None
3.12	Table identifying the location of standard disclosures	Page 40 to 42
3.13	Policy and current practices with regard to external assurance	Page 9

[1] Statistics in this report do not include the Back Forty Joint Venture Project, which was only under HudBay management for part of 2010.

[2] The Constancia Project was acquired by HudBay in 2011 and is therefore not included in the statistics and only referenced in the narrative as a subsequent change in our business.

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4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Page 12
4.7	Process for determining the qualification and expertise of Board members on economic, environmental and social topics	Page 12
4.8	Statements of mission or values, codes of conduct and principles	Inside front cover, page 1, 11, 12
4.9	Procedures for overseeing the identification and management of economic, environmental and social performance	Page 11
4.10	Processes for evaluating Board performance	Page 12
4.11	Explanation of whether and how the precautionary approach or principle is addressed	Page 14
4.12	Externally developed economic, environmental and social charters, principles or other initiatives that the organization subscribes to or endorses	Page 2, 3
4.13	Memberships in associations and/or national/international advocacy organizations	Page 14 to 15
4.14	List of stakeholder groups engaged by the organization	Page 14, 27
4.15	Basis for identification and selection of stakeholders	Page 27
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Page 27
4.17	Key topics and concerns raised through stakeholder engagement	Page 27

INDICATOR	DESCRIPTION	DETAILS
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EC2	Financial implications, other risks and opportunities to the organization due to climate change	
EC3	Coverage of the organization's defined benefits plan obligations	HudBay 2010 Annual Report – page 80, 87, 115
EC4	Significant financial assistance received from government	
EC5	Ratios of standard entry-level wage compared to local minimum wage	
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EN12	Description of significant impacts of activities on biodiversity in protected areas and areas of high biodiversity value	
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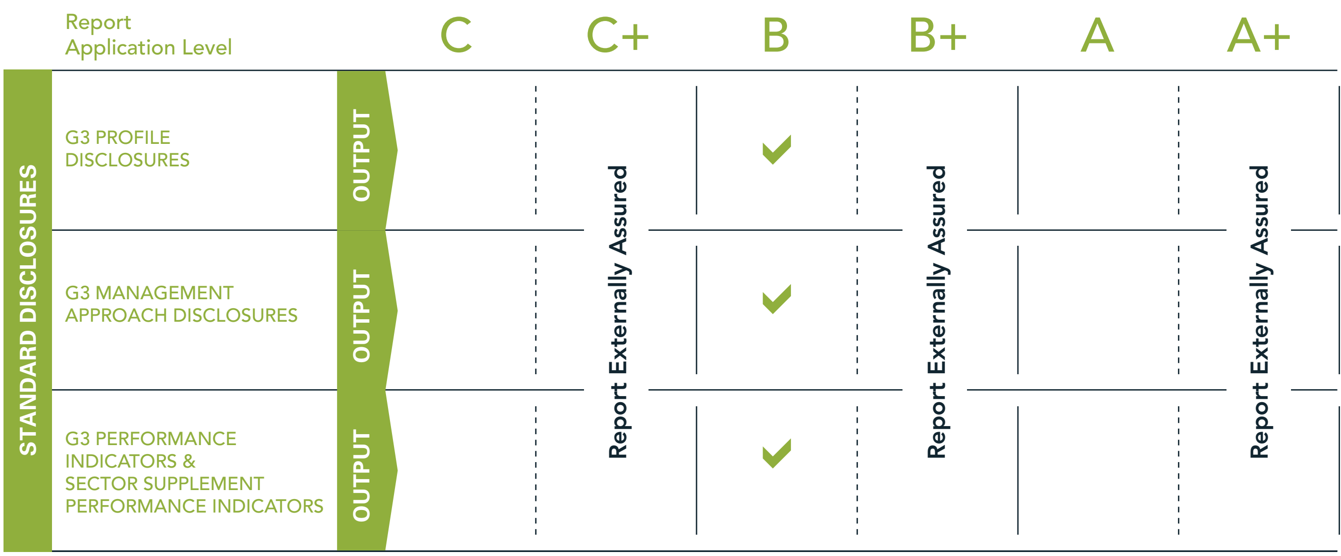
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions	
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and outcomes	
SO8	Monetary value and total number of fines or sanctions for non-compliance with laws or regulations	Society – page 38

INDICATOR	DESCRIPTION	DETAILS
SOCIETY (continued)		
MM7	Description of significant incidents affecting communities during the reporting period, and grievance mechanisms used	
MM8	Description of programs in which the organization has been involved that addressed artisanal and small-scale mining	
MM9	Description of resettlement activities	
MM10	Number or percentage of operations with closure plans, company policy, stakeholder engagement processes, frequency of plan review and financial provisions for closure	Society – page 38
MM11	Process for identifying local communities' land and customary rights and grievance mechanisms used to resolve any disputes	
PRODUCT RESPONSIBILITY		
	Disclosure on Management Approach: HudBay does not report on product responsibility because we are primarily a commodity metal and concentrate producer and we do not market our products directly to consumers. Our products are typically sold to industrial customers and are transported in accordance with applicable laws and regulations. Most of HudBay's engagement in product stewardship is done in collaboration with other key stakeholders, including governments and industry associations.	
PR1	Life cycle stage in which health and safety impacts of products are assessed for improvement	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning product health and safety impacts	
PR3	Type of product and service information required by procedures	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning labelling and product information	
PR5	Practices related to customer satisfaction	
PR6	Programs for adherence to laws, etc., related to marketing and advertising	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing and advertising	
PR8	Total number of substantiated complaints regarding breaches of customer privacy	
PR9	Monetary value of significant fines for non-compliance with laws	Society – page 38

INDICATOR	DESCRIPTION	DETAILS
TOWARDS SUSTAINABLE MINING		
	Tailings management	Page 15, 32
	Crisis management/emergency preparedness and response	Page 15
	Community engagement and dialogue	Page 15, 27
	Energy and greenhouse gas management	Page 15, 31

GRI Application Level Grid



Glossary

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 create and sustain variation in the environment

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

Employee – a person directly employed by HudBay Minerals Inc. and/or its subsidiaries

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

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

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

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For more information on HudBay and our Corporate Social Responsibility strategy and activities, please visit our website at **hudbayminerals.com**.

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