

HUBBAY

NOW

2012 Annual Report

Hudbay is changing. With the continued development of our Lalor, Constancia and Reed projects, Hudbay's time is now. →

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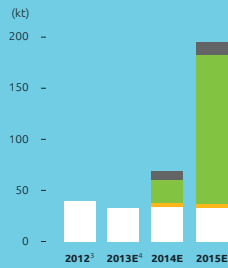
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Hudbay At a Glance →

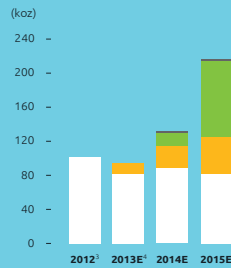
1

GROWTH¹ IN COPPER, GOLD AND ZINC PRODUCTION WITH EXPLORATION UPSIDE

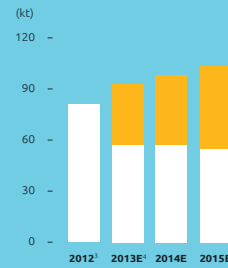
Cu PRODUCTION



PRECIOUS METALS PRODUCTION²



Zn PRODUCTION



Our three development projects are expected to be in full production by 2015.

Existing Operations⁵ Lalor⁶
 Constančia⁷ Reed⁸

¹ Represents production growth from 2012 production to 2015 anticipated production levels. Does not include impact of the deferral of the Lalor concentrator announced on February 20, 2013. ² Includes production subject to streaming transactions. Silver converted to gold at a ratio of 50:1 for 2013 guidance. For 2012 production, silver converted to gold at 57:1, based on 2012 realized sales prices. ³ 2012 production includes production from the closed Trout Lake and Chisel North mines and initial production from Lalor. ⁴ 2013 estimated production levels based on midpoint of 2013 forecasted production released on January 9, 2013. ⁵ 777's anticipated production for 2014 and 2015 is based on contained metal in concentrate as disclosed in "Technical Report 777 Mine, Flin Flon, Manitoba, Canada" dated October 15, 2012. ⁶ Lalor's anticipated production for 2014 and 2015 is based on contained metal in concentrate as disclosed in "Pre-Feasibility Study Technical Report on the Lalor Deposit" dated March 29, 2012. ⁷ Constančia's anticipated production for 2014 and 2015 is based on contained metal in concentrate as disclosed in "The Constančia Project, National Instrument 43-101 Technical Report" filed on November 6, 2012. ⁸ Reed's anticipated production for 2014 and 2015 is based on contained metal in concentrate as disclosed in "Pre-Feasibility Study Technical Report on the Reed Copper Deposit" dated April 2, 2012 and reflects 70% attributable production to Hudbay.

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CONSISTENT PERFORMANCE FROM RELIABLE OPERATIONS

	GUIDANCE 2013	YEAR ENDED 2012	GUIDANCE 2012
Copper ¹ (tonnes)	33,000–38,000	39,587	35,000–40,000
Zinc (tonnes)	85,000–100,000	80,866	70,000–85,000
Precious metals ^{1,2} (troy ounces)	85,000–105,000	101,059	85,000–105,000

¹ Metal reported in concentrate prior to refining losses or deductions associated with smelter terms.
² Silver production converted to gold at the average gold and silver realized sales prices during each respective quarter.

Our Manitoba operations have met production targets for six consecutive years and cost targets for the past three years.

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DISCIPLINED AND CLEAR GROWTH STRATEGY

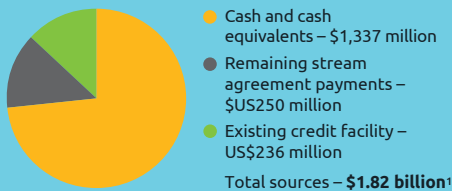
- Focus on volcanogenic massive sulphide (VMS) and porphyry deposits
- Operate in mining-friendly, investment-grade countries in the Americas
- Leverage core competencies as explorers and mine developers
- Invest patiently in mine development and organic production growth to maximize per share growth in net asset value and cash flow

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STRONG BALANCE SHEET

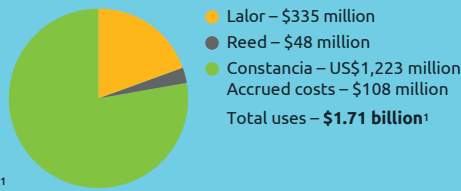
SOURCES

(as of December 31, 2012)



USES

(through 2014)



¹ Assumed USD/CAD conversion rate of 1.0:1.0.

We are well positioned to fund the remaining capital spending on our development projects and retain our financial flexibility.

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EXPERIENCED MANAGEMENT AND OPERATING TEAM

- Highly experienced exploration team that has earned two Bill Dennis Awards from the Prospectors and Developers Association of Canada (PDAC)
- Manitoba employees average 19 years of service
- Delivered phase one of the Lalor project on time and on budget

HUBBAY AT A GLANCE

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



EXPLORATION

Our focus is on mining-friendly jurisdictions in the Americas, where we are leveraging our knowledge of volcanogenic massive sulphide (VMS) and porphyry mineral deposits and our expertise in geophysics to identify prospective targets and extend areas of mineralization. More than half of our 2013 budget will be spent on brownfield opportunities near existing deposits.

North America

We have budgeted approximately \$20 million for 55,000 metres of drilling near active and historical mining areas in the Flin Flon Greenstone Belt. We also plan to drill at grassroots projects in Canada, the US and Mexico.

South America

Approximately \$18 million has been allocated for exploration targets in Chile, Colombia and Peru. In Peru, we are planning 10,000 metres of drilling, predominantly at Pampacancha and Chilloroya.



Hudbay has developed 26 mines over its history. We have budgeted \$1.16 billion to advancing our Lalor, Constanca and Reed development projects in 2013. The Company is well positioned to fund its growth initiatives with committed total sources of capital of \$1.82 billion as of December 31, 2012.

Lalor Project, Manitoba

This 100%-owned project is expected to become our next major underground mine, producing gold, zinc, copper and silver. First ore was produced in 2012 through the main ventilation shaft. Full production is expected in late 2014.

Constancia Project, Peru

We made a US\$1.5 billion commitment to the construction of this 100%-owned project in 2012. Constanca is expected to be a low-cost copper producer, averaging 90,000 tonnes of annual copper production over a 16-year mine life. First production is scheduled for late 2014 and full production in mid-2015.

Reed Project, Manitoba

This 70%-owned project is a high-grade, near-surface copper deposit that is expected to add approximately 17,000 tonnes of annual copper production over a five-year mine life. It is located 120 kilometres from Flin Flon, and ore will be trucked to our existing concentrator for processing. First production is expected in late 2013.

DEVELOPMENT



OPERATIONS

Our operations consistently meet production and cost targets and maintain high health, safety, quality and environmental standards. With the closure of the Trout Lake and Chisel North mines in 2012, copper production is expected to decline in 2013. Zinc output is forecast to rise with a full year of initial production from Lalor.

Flin Flon, Manitoba

Flin Flon is our main operating platform. The 777 mine produces zinc, copper, gold and silver and has an expected mine life to 2020. We also own an ore concentrator and a state-of-the-art zinc plant that processes zinc concentrate into specialty high-grade metal. Copper concentrate is shipped to smelters in North America and Europe.

Snow Lake, Manitoba

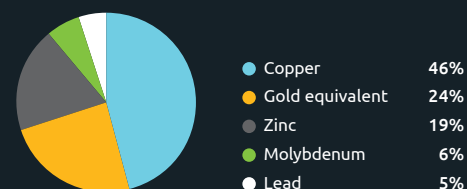
Located 15 kilometres from Lalor, the Snow Lake concentrator previously processed zinc ore from the Chisel North mine. The concentrator is currently being used to process zinc and copper from initial Lalor production. Processing is planned to move to a new concentrator and paste backfill plant at Lalor in late 2015.

CORPORATE SOCIAL RESPONSIBILITY

From the start of exploration to mine closure, Hudbay strives to be a good corporate citizen, providing quality jobs, stimulating local economies and contributing to community infrastructure and programs. Our 85 years of operating in the Flin Flon area have resulted in a strong, sustainable community and a rich legacy of mines which have been reclaimed and remediated. We are taking the same values-based approach to establishing ourselves in Peru as we have done in Manitoba.

2012 SUMMARY

COMMODITY EXPOSURE¹



¹ Hudbay reserves and resources as of March 27, 2013. Measured and indicated resources are exclusive of proven and probable reserves. Commodity exposure calculated using commodity prices of US\$1,250/oz Au, US\$25.00/oz Ag, US\$0.95/lb Zn, US\$2.75/lb Cu and US\$14.00/lb Mo; silver converted to gold at a ratio of 50:1.

Operations Summary

For the years ended December 31

	2012	2011
Production		
Copper (000 tonnes)	39.6	54.3
Zinc (000 tonnes)	80.9	75.8
Gold (000 troy ounces)	86.6	94.6
Silver (000 troy ounces)	824.0	875.8

Financial Summary

(\$ millions)

For the years ended December 31

	2012	2011
Revenue		
Copper	\$ 343.7	\$ 481.0
Zinc	\$ 222.6	\$ 170.1
Gold	\$ 131.8	\$ 149.3
Silver	\$ 21.0	\$ 26.3
Other	\$ 6.2	\$ 99.5 ¹
Less: Treatment and refining charges (TC/RC)	\$ (22.7)	\$ (35.4)
Revenue	\$ 702.6	\$ 890.8
Profit before tax	\$ 52.1	\$ 209.0
Total assets	\$ 3,487.8	\$ 2,455.0
Equity attributable to owners of the Company	\$ 1,758.8	\$ 1,813.2
Cash and cash equivalents	\$ 1,337.1	\$ 899.1
Dividend paid per share	\$ 0.20	\$ 0.20

¹ Includes zinc oxide revenue.

LETTER TO SHAREHOLDERS

In many ways, Hudbay is a different company from what it was 12 months ago. While our core values and strategy remain unchanged, the accomplishments of the past year have advanced us toward our goal of becoming a leading mid-tier diversified metals producer.

In Manitoba, we achieved major development milestones on three projects. The Lalor mine, which is poised to become our next major underground mine, produced its first ore in August and now generates cash flow even though the main production shaft will not be completed until 2014. We began construction of the high-grade Reed copper mine and are on schedule for first production in 2013. We also completed the 777 North expansion, which is expected to increase mine production by approximately 10% annually and supply additional feed to the Flin Flon concentrator and zinc plant. Collectively, these three projects represent nearly \$900 million in growth investments and set the stage for continued reliable, low-cost production from our Manitoba operations for decades to come.

In Peru, we made a US\$1.5 billion commitment to the construction of the Constancia project. The mine is expected to average 118,000 tonnes of annual copper production in the first six years and 90,000 tonnes over its 16-year mine life. The Constancia site is a hub of activity and we are very

proud of our team's accomplishments since acquiring the project in 2011. Our value engineering efforts have enabled us to expand anticipated annual ore production to nearly 29 million tonnes per year. We increased the in-pit reserve twice and declared a reserve at the higher-grade Pampacancha deposit, just 2.5 kilometres from the main Constancia pit. Progress in other key areas has allowed us to accelerate the development schedule, so that we are now anticipating full production in 2015 rather than 2016.

One of our 2012 priorities was to secure capital to fund development of our Lalor, Reed and Constancia projects without diluting our shareholder base. We did just that, raising US\$1.25 billion – roughly the equivalent of our market capitalization at the time – through a long-term bond financing and a \$750 million precious metals stream transaction with Silver Wheaton. We structured the stream agreement to preserve optionality for our shareholders by only including a small percentage of Hudbay's overall precious metals resource, while preserving the full precious metals upside potential at Lalor. Through the combination of the stream transaction and the bond financing, as well as our cash on hand and operating cash flow, Hudbay is well positioned to fund the remaining capital spending on our development projects and retain our financial flexibility.

“Over the next two years, the focus will be on bringing our three development projects into full production.”

We also have gained the community support needed to pursue our growth ambitions. We made it a priority to embed ourselves in the communities near Constanca and have enjoyed good relations ever since. Our 26-member community relations team is actively involved in a wide range of social and economic development initiatives. Our good standing paved the way for Hudbay to obtain the principal beneficiation concession (construction permit) from the Peruvian government in June and the signing of life of mine land use agreements with the nearby communities of Chilloroya and Uchucarco.

In Manitoba, our operations have been mainstays of the local communities for decades. Now that we are in a growth phase, we plan to increase overall employment levels. At Lalor alone, some 200 positions are expected to be added at the mine and the new concentrator. We were very pleased to have avoided layoffs at the closure of the end-of-life Trout Lake and Chisel North mines in 2012. Employees were given the choice of taking an early retirement package or being redeployed at the Reed and Lalor projects. We were also able to preserve jobs at the Snow Lake concentrator with the installation of a new copper circuit to maximize recoveries from initial Lalor ore production.

Over the next two years, the focus will be on bringing our three development projects into full production. At Lalor, the immediate priorities are completion of the production shaft, continued underground development, and construction of the new concentrator. We expect to spend approximately \$163 million of Lalor’s \$794 million construction budget in 2013. The Reed project is proceeding quickly and should ramp up to full production of approximately 1,300 tonnes per day in early 2014.

At Constanca, we are in heavy construction mode and will spend approximately \$961 million in 2013 alone. We have taken major steps towards de-risking the project by partnering with experienced mining and engineering, procurement and construction management (EPCM) contractors. Stracon GyM is responsible for major earth works during the construction period and will build and manage the mining workforce and operations in the early years of production, after which operations and the workforce will transition to Hudbay. Ausenco, the EPCM contractor, has constructed similar plants in remote locations and has been involved in the Constanca project since 2010.



David Garofalo

President and Chief Executive Officer

While our development projects are a priority at this time, exploration remains a cornerstone of our strategy. One of the reasons we acquired the Constancia project was for its near-surface exploration potential. Our current focus is on Pampacancha, where we are looking to expand the known reserves and resources in order to bring more high-grade ore into the early years of production at Constancia. We are also testing gold and porphyry copper targets in the nearby Chilloroya South prospect. In Manitoba, continued development at Lalor will enable us to intensify drilling from underground. We also plan to redouble our exploration efforts near the Flin Flon complex with a view to extending the life of our production facilities after the 777 reserves are depleted.

At Hudbay, our objective is to create significant value for our shareholders. We have a strong balance sheet, a proven operating base, three projects in development and considerable exploration upside. We are also well situated to pursue compelling acquisition opportunities. In particular, we are interested in early-stage projects that we can nurture and advance to construction by 2015 when our other projects are scheduled to be completed.

Our company's success is a testament to the skill and dedication of people at every level of our organization, from the Board of Directors to senior management to the workforces at each location. Nowhere was this expertise more evident than in the last few months of operation of the Chisel North and Trout Lake mines. Not only did our operating teams extend production beyond the expected closure dates, they also achieved stellar safety results in challenging, late-stage mining conditions.

I would like to thank each and every person at Hudbay for making this company a great place to work, a great corporate citizen and a company that is well positioned for the future.

Sincerely,

David Garofalo
President and Chief Executive Officer

CHAIRMAN'S LETTER

Despite challenging equity markets, we remain committed to our goal of creating long-term value for our shareholders. We know we can't influence short-term market prices or investors' short-term perception of mining companies. We also recognize that the current challenges of the commodity and equity markets may continue for much longer than we would like. As a result, we focus on the things we believe we can influence and control: cost effective and value enhancing mineral exploration, development and production.

We are committed to the development of our Constancia, Lalor and Reed projects and believe that each of them helps fulfill our commitment to create value in the long term for our shareholders. We recognize that we must finance these projects in a responsible, effective manner, ensuring that no matter what happens to commodity prices or equity markets, we maintain a margin of safety to ensure that we can see each of these projects through to successful completion. We are confident the US\$1.25 billion we raised in 2012 to fund these projects, combined with our strong balance sheet, will enable us to complete the development of these projects while at all times maintaining an appropriate margin of safety.

We also recognize the risks involved in project development, including scheduling delays and unexpected cost escalations. To address these risks, we continue to examine other opportunities to strengthen our balance sheet so we can meet not only unforeseen challenges, but also other investment opportunities that may present themselves in the future. We will do what we can to ensure that our major projects and our 777 mine continue to meet our expectations and those of our investors.

2012 marked another year of excellent operational performance at Hudbay. We achieved first production at Lalor, and our flagship 777 mine continued to meet expectations, as it has for many years. Health and safety are of paramount importance for the Board. We are proud of Hudbay's safety record which, in 2012, matched the historically low accident levels we achieved in 2011. The Board is committed to working with management to ensure that Hudbay's safety record continues to improve.

The Board has a high level of confidence in our management and operational teams, led by our Chief Executive Officer, David Garofalo, and our newly appointed Chief Operating Officer, Alan Hair.

The Board is also committed to Hudbay's continuous improvement program as a formal and ongoing process dedicated to reviewing Hudbay's operations to identify opportunities to improve operational efficiencies and reduce costs.



G. Wesley Voorheis

Chairman

I can assure you that the Board at Hubbay is an independent group of individuals committed to informed and effective decision-making, supervising management in an objective manner and setting the “tone at the top” by requiring that everyone in the organization act with the utmost loyalty and integrity. We also understand our responsibility to identify, assess and monitor the risks that are involved in our business.

We recently lost my friend and colleague Bruce Barraclough, who passed away in March 2013. Bruce was the Chairman of Hubbay’s Audit Committee. I met Bruce in 2004 when we were both involved in cleaning up a troubled public company. It was in this context that I came to know that Bruce was a man of great integrity and exceptional judgment, willing to stand firm in his convictions and honest to the core. He was the first person I called in 2009 to stand for election as a director of Hubbay during the process that resulted in the reconstitution of the Board. For four years, I watched Bruce work tirelessly as the Chairman of our Audit Committee, demanding excellence from all around him. Bruce was fearless in his efforts, unafraid to challenge management and the Board (and its Chairman) when he thought it was necessary. Bruce was a great director, and one of the finest men I have ever known.

Another one of our directors, Roque Benavides, recently announced he would not stand for re-election at our upcoming annual meeting of shareholders. When Roque came on the Board, he said that he would try it for a year and, if he could make it work in light of his other commitments, he would continue. Unfortunately, Roque concluded that his other commitments prevented him from being able to devote the time and attention necessary to continue as a director. We will miss Roque’s wisdom and guidance, particularly on matters related to our Constancia project.

The Board believes that Hubbay’s best days are still ahead. We look forward to successfully completing our current projects and seeking out new opportunities for the benefit of Hubbay and all of its shareholders.

Sincerely,

G. Wesley Voorheis
Chairman

NEW ERA OF GROWTH

IN MANITOBA



\$163 million

Forecasted capital spending at Lalor in 2013

Our Manitoba base is a hub of activity with employees moving between operations and construction roles.



A new era of growth has begun for Hudbay in northern Manitoba. While we closed two mines in 2012, we celebrated major development milestones at three others. The Lalor mine marked first ore production in August 2012. We began construction of the new Reed mine. We completed the 777 North mine expansion. Together, these three projects represent nearly \$900 million of growth investment. They will also perpetuate an operating legacy in Manitoba which dates back to 1927 when we began mining the Flin Flon orebody.

LALOR MINE

With its large VMS deposit containing zinc, copper, gold and silver, the Lalor mine is poised to become our next major underground mine. The project is on schedule to ramp up to full production in 2015.

In August 2012, we mined the first ore from the Lalor deposit through the main ventilation shaft. Up to 1,200 tonnes per day of ore and waste can be hoisted up this shaft while the main production shaft is under construction, providing a continuous source of zinc feed until Lalor reaches full production. By year-end, we had hoisted 72,000 tonnes of high-grade zinc ore. Grades were consistent with expectations as we mine in zinc-rich zones in Lalor's early years.

Early ore from Lalor is being processed at the existing Snow Lake concentrator, 15 kilometres from the mine. In 2012, a new copper flotation circuit was installed and commissioned in the concentrator to maximize copper recoveries from the initial ore production. Processing is scheduled to move to a new concentrator and paste backfill plant at the Lalor mine site in late 2015. Construction of the new concentrator is expected to commence in 2014.



All major surface facilities at Lalor have been completed and development has moved underground. The production shaft is progressing at a rate of approximately 2.5 metres per day. We have submitted an application for an Environment Act licence, which will allow for production from the main shaft. Applications for the new concentrator and tailings facility expansion are expected to be submitted in 2013.

Capital expenditures are expected to total approximately \$163 million in 2013.

Lalor Snapshot

Ownership	100%
Projected life of mine (LOM)	20 years
Construction CAPEX (2010–2015) ¹	\$794 million

¹ All costs are estimates.

I joined Hubbay in Manitoba in 1988 after having worked for a gold exploration company in northern Ontario. For the past three years, the Lalor project has been my main focus. It's by far the most significant, most challenging, yet most satisfying project I've ever worked on. I'm proud to be working with a team of people who are equally dedicated to the project and who see Lalor as the next flagship mine for the Manitoba operations. There are many challenges with a fast-tracked project, but everyone has risen to the occasion.

Personally, I spent many summers fishing at Snow Lake and Wekusko Falls as a young girl and my father thought of Snow Lake as his summer home. When I look at the new headframe, I can't help but think of how proud he would be that it represents a new generation of mining in his favourite backyard.

Kim Proctor
 Project Manager
 Lalor Project

The Reed project offers a short lead time to production and a modest capital investment.



REED MINE

Construction is underway at Reed, a near-surface copper deposit with copper grades twice that of the 777 mine. We have a 70% interest in this joint venture with the exploration company VMS Ventures. The mine is on schedule for first production in late 2013 and full production by early 2014.

Reed is expected to add approximately 17,000 tonnes of copper production per year over a five-year mine life. It is located 120 kilometres away from the Flin Flon complex, and ore will be trucked to the Flin Flon concentrator for processing.

The project is advancing more quickly than a typical mine. Since the deposit is close to the highway and the Flin Flon complex, virtually no surface infrastructure is required. Most of the development miners, electricians and mechanics transitioned to Reed once our Trout Lake mine closed. We are awaiting approval of the Environment Act licence for the project, which was applied for in December 2012.

Capital expenditures are expected to total approximately \$44 million in 2013.

Reed Snapshot

Ownership	70%
Projected life of mine (LOM)	5 years
Construction CAPEX (2012–2013) ¹	\$72 million

¹ All costs are estimates.

55,000 metres

Planned drilling near active and historical areas in 2013

The Flin Flon Greenstone Belt has a sustained record of exploration successes and continues to be a prolific place to explore.



EXPLORATION

Hudbay holds mineral rights to a large land package of approximately 380,000 hectares in Manitoba and Saskatchewan, primarily in the Flin Flon Greenstone Belt (FFGB). Since much of the property is within 100 kilometres of our existing processing facilities, we can develop mineral deposits that others cannot afford because of high transportation and treatment costs.

The FFGB has a sustained record of exploration successes. Recent discoveries show that it continues to be a prolific place to explore. Exploration in mature areas near mines has identified new deposits using new technology. There are also underexplored parts of the FFGB.

Our goal is to fill the Flin Flon and Snow Lake concentrators with profitable ore. The challenge is to discover new deposits well in advance of the time that existing deposits are depleted.

In 2013, we plan to redouble our efforts around Flin Flon, recognizing that the 777 reserves may be exhausted as soon as 2020. Our work will involve reviewing historical data, testing targets near old mine sites, and conducting deep and high-resolution geophysical surveys.

With the ongoing development of the Lalor mine, we now have access to drilling underground at lower cost and greater accuracy than before. We believe that we can add resources to this already large and growing deposit.

THE LEGACY LIVES ON

On June 29, 2012, Hudbay crews journeyed to the depths of our Trout Lake mine for the final time. Opened in 1981, with a then projected mine life of five years, Trout Lake ultimately produced over 24 million tonnes of ore over more than 30 years of operation. Some interesting facts include:

- Repeated exploration efforts helped extend the mine life many times throughout its history.
- Trout Lake was the first Hudbay mine to recycle its discharge water and to feature an underground radio communications system.
- It was the first mine in Canada to use 50-tonne diesel trucks underground.

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

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



OPERATIONS

Our Manitoba operations have provided reliable, low-cost production for many decades. In 2012, we met our production targets for the sixth consecutive year and our cost targets for the third straight year.

Total copper and precious metals production declined from 2011 levels due to the closure of the Trout Lake mine in June and the Chisel North mine in September. Zinc production benefited from the start of phase one production at the Lalor mine in August.

We completed the \$20 million 777 North expansion, which is expected to increase production from the mine by approximately 10% annually and supply additional ore feed to the Flin Flon concentrator and zinc plant. Production will start in early 2013.

In 2013, contained copper production in concentrate is expected to decrease slightly from 2012 because of the two mine closures. Contained zinc production in concentrate is expected to increase due to a full year of phase one production at Lalor. Precious metals production is projected to remain essentially unchanged from 2012 levels.

Hudbay's growth presents new career opportunities for employees in Manitoba, including global assignments.



NORTHERN MANITOBA MINING ACADEMY OPENS ITS DOORS

The Mining Academy in Flin Flon, Manitoba celebrated its official opening in September 2012. A shortage of skilled people trained for the mining sector is one of the single biggest challenges facing the Manitoba mining industry. To meet the need, the Mining Academy trains people in the North for high-quality mining jobs and enables current workers to upgrade their skills. The Academy includes a sophisticated geological laboratory, classrooms and a high-tech electronic simulator that mimics underground equipment. Hudbay donated \$200,000 and approximately half an acre of land near our operations.

Contained Metal in Domestic Concentrate Production¹

	2012 ACTUAL	2012 GUIDANCE	2013 FORECAST
Copper (tonnes)	39,587	35,000– 40,000	33,000– 38,000
Zinc (tonnes)	80,866	70,000– 85,000	85,000– 100,000
Precious metals ² (troy ounces)	101,059	85,000– 105,000	85,000– 105,000

¹ Metal reported in concentrate is prior to refining losses or deduction associated with smelter terms.

² Precious metals production includes gold and silver production. Silver converted to gold at a ratio of 50:1 for 2012 and 2013 guidance. For 2012 production, silver converted to gold at 57:1, based on estimated 2012 realized sales prices.



After having worked in Hudbay's Manitoba Business Unit for more than 15 years, I was honoured to be asked to lead a new growth initiative in the region. As project manager for the Reed development project, my top priorities are to ensure that the work is completed on time, on budget and within scope, while upholding Hudbay's high safety, health and environmental standards.

Reed is a great project for Hudbay. The work is progressing quickly, thanks in large part to the experienced team we have in place. Many people from our closed Trout Lake and Chisel North mines jumped at the opportunity to get involved. In 2012, we completed 72 metres of mine access ramp development, despite the challenges of a high water table and poor ground conditions. While the mine is officially slated for a five-year life, we'll do everything we can to maximize this high-grade deposit and extend the mine life.

Steve Polegato
Small Mines Project Manager
Reed Copper Project

SAFETY EXCELLENCE

While we are proud of our safety performance, our goal remains a zero-harm workplace and we continually strive to eliminate workplace injuries. Lost time accident (LTA) frequency across the Manitoba Business Unit was 0.5 per 200,000 hours worked in 2012 compared to 0.3 in 2011. Importantly, this included both Hudbay employees and the hundreds of contractors working at our sites.

We were especially pleased with these results given the amount of transition in our organization. Despite the heightened risk of safety incidents during late-stage mining, our Trout Lake and Chisel North sites were mined safely to the end. In addition, many people moved to the Lalor and Reed projects, which called for extra safety training and vigilance in their new work environment.

It was an honour for our Flin Flon team to win the annual Manitoba Mine Rescue Competition in 2012, especially given that the province is reputed to have some of the best trained mine rescue people in the world.

CHARTING A NEW COURSE

IN PERU



\$961 million

Forecasted capital spending at Constanca in 2013

Constancia is located in a highly prospective region, near several development projects and operating mines.



Hubday is charting a new course in Peru. The country has a long history of mining and is ranked second in the world among copper-producing countries. Peru is also Latin America's largest gold producer. Hubday took a significant step forward in 2012 with the decision to proceed with the development of the Constanca mine and an 80,000 tonne-per-day processing plant. As we have done in Manitoba, we are putting down roots in Peru and fully intend to optimize our investments.

CONSTANCIA

In 2012, we made a US\$1.5 billion commitment to the construction of the Constanca project in Peru. With proven and probable reserves of 450 million tonnes at a copper equivalent grade of 0.49%, the Constanca mine is expected to average 90,000 tonnes of annual copper production over a 16-year mine life. With cash costs of production net of byproduct credits forecasted to average \$0.92 per pound of copper, Constanca is also expected to be a low-cost operation.

The long mine life justifies construction of an 80,000 tonne-per-day processing plant on-site. We hope to optimize this infrastructure by making additional discoveries around the mine.

Progress in several key areas over the past year enabled us to accelerate the development schedule, so that we are now anticipating initial production in late 2014 and full production midway through 2015, instead of 2016 as originally planned. The shorter timeline reflects:

- Completing front-end engineering and design
- Obtaining the necessary beneficiation concession (construction permit) from the Peruvian government
- Substantially completing a 3,500-bed construction camp
- Mobilizing experienced engineering, procurement and construction management (EPCM) and civil works contractors
- Entering into life of mine agreements with the communities of Uchucarco and Chilloroya

Drilling at the Pampacancha satellite deposit raises the possibility of further grade enhancements early in the mine life.



Progress was negatively impacted by the unusually high rainfall in early 2013. However, we believe the impact on the schedule is recoverable and the targets for production remain unchanged.

Ausenco, our EPCM partner, has been involved in the Constancia project since 2010 and has constructed similar plants in remote locations. The firm has built its business in Lima around this program and Hudbay engineers have been integrated into its teams in Lima, Brisbane and Denver to facilitate work. Stracon GyM is responsible for major earth works during the construction period and will build and manage the mining workforce and operations in the early years of production, after which operations and the workforce will transition to Hudbay. Stracon has similar agreements with other mines in Peru. Working with Stracon enables us to leverage their entire franchise.

By January 31, 2013, we had invested approximately US\$351 million in the project and entered into an additional US\$631 million in commitments. Several key contracts were awarded including those for the construction of a 70-kilometre power transmission line and for the concrete installation for the plant. Major long-lead items have been secured under fixed-price contracts, including mills, crushers, flotation cells, pumps, regrind mills and mine equipment.

We have an active agenda for 2013 and plan to spend approximately US\$961 million constructing the tailings management and milling facilities, haul roads, water

diversion infrastructure, and more. Mine stripping is expected to begin late in the year.

Constancia Snapshot¹

Ownership	100%
Projected life of mine	16 years
Average annual copper production	90,000 tonnes
Annual throughput	28.1 million tonnes
Capital cost estimate	US\$1.5 billion
Sustaining average annual capital expenditures	US\$40 million
Cash cost per pound of copper ²	US\$0.92

¹ All costs are estimates.
² Net of byproducts.

EXPLORATION

One of the key reasons we acquired Constancia was for its exploration potential, some of which has already been realized with the discovery of the higher-grade Pampacancha deposit, 2.5 kilometres from the main Constancia pit. The Pampacancha deposit added 47 million tonnes with a copper equivalent grade of 0.78% to the mineral reserve base.

Our 2013 exploration program envisions 10,000 metres of drilling in Peru. The main focus will be on Pampacancha, where we are looking to expand the known reserves and resources in order to bring more high-grade ore into the early years of production at Constancia.



I joined Hudbay in early 2011 as Director of Exploration in South America and was promoted to Vice President, Exploration for the whole company later that year. It's been an exciting time for me. Exploration is a cornerstone of Hudbay's growth strategy and the Company is recognized for its prowess in this area. My top priority is to find promising new deposits in selected countries in the Americas.

One of our team's most significant achievements in 2012 was identifying four excellent exploration targets in Colombia, where we've been conducting grassroots exploration for the past couple of years.

Hernan Soza
Vice President, Exploration
Hudbay

We will also continue testing gold and porphyry copper targets in the Chilloroya South prospect, where favourable geology has been intersected in several drill holes. The Chilloroya community has ratified an exploration agreement with Hudbay that allows us to access exploration prospects for drilling over the next three years.

GRASSROOTS EXPLORATION

We have opened offices in Chile, Peru and Colombia, and have experienced geologists working in all three countries. We are planning at least 9,000 metres of drilling in Colombia in 2013 at four promising exploration targets (three copper and one gold).



CORPORATE RESPONSIBILITY

We value our relationships with the communities located near the Constancia project and strive to contribute to the social and economic development of the region. There have been annual land rental agreements with the communities of Uchucarco and Chilloroya for many years, and our exploration and project development activities have provided hundreds of jobs for residents.

In 2012, we signed life of mine land use agreements with these two communities. The agreements set out our commitments to local employment and use of local suppliers and to investments in health, education, production and social development projects, among other things. As many as 1,100 community members are currently working at the project during its construction phase. In each community, a committee comprising Hudbay and community representatives will approve and oversee the projects being carried out.

It's been an exciting two years for me at Hudbay. I started in the legal department in Peru and my responsibilities were later expanded to include corporate affairs and social responsibility.

Our Constancia project will have a major impact on the people in the province of Chumbivilcas, where the site is located. We need to carefully manage the issues and opportunities associated with the project in order to maintain our licence to operate and promote lasting social and economic progress in the area. A lot of our work goes into aligning the interests of various stakeholders and addressing issues before they become problems.

One of our team's most satisfying projects was the signing of the life of mine land use agreements with the communities of Uchucarco and Chilloroya. Not only did these agreements pave the way for Hudbay to obtain its construction permit, they also enabled the communities to become partners in our endeavours.

Nino Coppero
Director, Corporate Affairs and Social Responsibility
Hudbay Peru



We are in the process of negotiating resettlement plans with each of the 36 families residing on land purchased for the mine. The resettlements include replacement of houses, farmland and buildings, and other support and compensation. Agreements are negotiated with each family following the highest international standards of fairness and transparency. We have delivered new homes to 13 families, and the remaining 23 families are expected to relocate in 2013.

STRENGTHENING THE LOCAL ECONOMY

Our presence at Constancia brings employment opportunities for local residents and business prospects for local firms. As part of our effort to catalyze economic development in the region, we have embarked on a program to support small businesses.

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

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



MANAGEMENT TEAM



1 David A. Garofalo

President and Chief Executive Officer

Mr. Garofalo joined Hudbay as President and Chief Executive Officer and Director in July 2010. Previously, he served as Senior Vice President, Finance and Chief Financial Officer with Agnico-Eagle Mines Limited from 1998 and as Treasurer and in various finance roles with Inmet Mining Corporation from 1990. Mr. Garofalo was named Canada's CFO of the Year by Financial Executives International Canada (2009), TopGun CFO by Brendan Wood International (2009 and 2010) and was given the *IR Magazine* awards for Best Investor Relations by a CFO (2009 and 2010) and Best Investor Relations by a CEO (2011), and named Mining Person of the Year in 2012 by *The Northern Miner*. Mr. Garofalo is a graduate of the University of Toronto (B.Comm.), a Chartered Accountant and a Certified Director of the Institute of Corporate Directors (ICD.D). He also serves on the board of directors of Mackenzie Health Foundation (formerly York Central Hospital Foundation) and Colossus Minerals Inc.

2 David S. Bryson

Senior Vice President and Chief Financial Officer

Mr. Bryson has been with Hudbay since August 2008. He held senior finance positions with Skye Resources Inc. from March 2007 to August 2008 and was Treasurer of Terasen Inc. from January 2004 to February 2006. Mr. Bryson holds a Bachelor of Commerce (Finance) from the University of British Columbia and is a Chartered Financial Analyst.

3 Alan T. C. Hair

Senior Vice President and Chief Operating Officer

Mr. Hair has been with Hudbay and its affiliates since 1996 and has held a number of senior operational and business development positions. Prior to being appointed to his current role in June 2012, he was Senior Vice President, Business Development and Technical Services. From October 2008 to August 2010 he was Senior Vice President, Development, and from December 2004 to October 2008 he was Vice President, Metallurgy and Safety, Health and Environment. Before joining Hudbay, Mr. Hair worked in European base metals and African platinum group operations.

4 Ken Gillis

Senior Vice President, Corporate Development

Mr. Gillis joined Hudbay in August 2010, prior to which he served as Executive Director of Macquarie Canada's North American Mining Investment Banking practice. He has a 20-year history of corporate development and related activities in mining, both with mining companies and financial and investment firms. Mr. Gillis has a degree in Geological Science (B.Sc.) from Saint Francis Xavier University and a Master of Applied Science in Mineral Exploration and Master of Business Administration from McGill University.

5 Brad W. Lantz

Vice President, Manitoba Business Unit

Mr. Lantz has been Vice President, Manitoba Business Unit since September 2011. From 2007 to September 2011 he was Vice President, Mining and from 2003 to July 2007 he was Mine Manager of the 777 mine. He has also held positions of progressively greater responsibility at our Ruttan, Trout Lake and Callinan mines. Mr. Lantz graduated from the University of Waterloo in 1982 with a B.Sc. in Earth Sciences.

6 Cashel Meagher

Vice President, South America Business Unit

Mr. Meagher joined Hudbay in 2008 and was appointed to his current role in September 2011. He has an extensive background in precious metals and base metals exploration, resource and reserve estimation, engineering studies and open pit and underground operations. Prior to joining Hudbay, Mr. Meagher held management positions with Vale Inco in exploration, technical services, business analysis and mine operations. Mr. Meagher is a Professional Geoscientist registered with the Association of Professional Geoscientists of Ontario. He holds a joint advanced major in Geology and Chemistry from Saint Francis Xavier University.

7 John Vincic

Vice President, Investor Relations and Corporate Communications

Mr. Vincic joined Hudbay in August 2009. Between February 2004 and August 2009 he was an Executive Vice President at Barnes McInerney Inc., an investor relations and communications firm based in Toronto. He has also held corporate communications positions with Royal Bank of Canada and Sun Life Financial Inc. Mr. Vincic holds a Bachelor of Arts degree from the University of Waterloo.

8 David Clarry

Vice President, Corporate Social Responsibility

Mr. Clarry joined Hudbay in February 2011. From June 2009 to January 2011, he worked through his own firm, Innotain Inc., providing consulting services to the mining and energy industries. Prior to that, he spent 18 years with Hatch Ltd., an international engineering and consulting firm, ultimately as Director, Climate Change Initiatives. Mr. Clarry holds Bachelor of Science and Master of Science degrees in engineering from Queen's University, a Master of Business Administration degree (MBA) from INSEAD, and is a registered Professional Engineer in the Province of Ontario.

9 Hernan Soza

Vice President, Exploration

Mr. Soza joined Hudbay in late 2011, bringing more than 40 years of mining and mineral exploration experience across South and Central America. Prior to joining Hudbay as Director, South American Exploration, he worked to advance world-class deposits for Codelco, Saint Joe's Minerals, Exxon Minerals, Anaconda Minerals and Placer Dome. Mr. Soza graduated as a geologist from the Universidad de Chile in 1968, and currently serves as the Chilean representative on the Committee for Mineral Reserves International Reporting Standards (CRIRSCO).

10 Patrick Donnelly

Vice President, Legal and Corporate Secretary

Mr. Donnelly joined Hudbay in 2008 and was appointed to his current role in December 2011. Prior to joining Hudbay, he practised corporate and securities law at Osler, Hoskin & Harcourt LLP from 2002 to 2007. He also spent a year and a half in the legal department of the TDL Group Corp. Mr. Donnelly holds a law degree from the University of Victoria and a Bachelor of Arts from the University of Western Ontario.

11 Patrick Merrin

Vice President, Business Development and Technical Services

Mr. Merrin began his career in mining when he joined Hudbay in 1995, and has since held increasing levels of responsibility throughout his career, within and beyond Hudbay. Mr. Merrin has developed a strong operating background in a variety of mining and metals environments, further complemented by a mix of business and financial experience. He holds an MBA from the University of Toronto and a Bachelor of Engineering (Chemical) degree from McGill University.

CORPORATE GOVERNANCE

We believe good governance is critical to Hudbay's 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 management and operations.

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

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



Bruce Barraclough

On March 14, 2013, our esteemed board member Bruce Barraclough passed away. He had been a member of Hudbay's Board of Directors since April 2009 and was also the Chairman of the Audit Committee in addition to serving on two other committees.

Prior to joining Hudbay's Board of Directors, Bruce had a distinguished 37-year career at Ernst & Young LLP, including 27 years serving as a partner before retiring in June 2008. During his time on our Board in his role as Audit Committee Chair, Bruce worked tirelessly to raise the standards of our financial reporting to one of the highest levels in the mining industry. Among his many accomplishments, Bruce oversaw the implementation of SO_x disclosure and the conversion to IFRS as Chair of the Audit Committee.

A dedicated husband and father, a trusted colleague and a great friend, Bruce will be missed by many.

1 G. Wesley Voorheis

Chairman; Corporate Governance and Nominating Committee, Chair

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

2 David A. Garofalo

President and Chief Executive Officer

Mr. Garofalo has been Hudbay's President and Chief Executive Officer since July 2010. Previously, he served as Senior Vice President, Finance and Chief Financial Officer and a director with Agnico-Eagle Mines Limited where he was employed from 1998 to 2010, and as Treasurer and in various finance roles with Inmet Mining Corporation from 1990 to 1998.

Mr. Garofalo was named Canada's CFO of the Year by Financial Executives International Canada (2009), TopGun CFO by Brendan Wood International (2009 and 2010) and was given the *IR Magazine* awards for Best Investor Relations by a CFO (2009 and 2010) and Best Investor Relations by a CEO (2011). Mr. Garofalo was also named *The Northern Miner's* Mining Person of the Year (2012). Mr. Garofalo is a graduate of the University of Toronto (B.Comm.), a Chartered Accountant and a Certified Director of the Institute of Corporate Directors (ICD.D). He also serves on the board of directors of Mackenzie Health Foundation (formerly York Central Hospital Foundation) and Colossus Minerals Inc.

3 Tom A. Goodman

Environmental, Health, Safety and Sustainability Committee, Chair; Technical Committee

Mr. Goodman worked for Hudbay for over 34 years in a wide variety of operational, technical and management positions, including as Senior Vice President and Chief Operating Officer, until his retirement in June 2012.

Mr. Goodman is a graduate in Chemical and Metallurgical Technology from the British Columbia Institute of Technology. Mr. Goodman is the chairman of the Mining Association of Manitoba.

4 Alan R. Hibben

Audit Committee, Interim Chair; Environmental, Health, Safety and Sustainability Committee; Compensation Committee

Mr. Hibben has held several senior positions with RBC Capital Markets, including his current role as Managing Director, which he assumed on his return to RBC in March 2011. He was head of strategy & development at RBC Financial Group from January 2005 to June 2007 and a principal with Shakerhill Partners Ltd. from July 2007 to January 2009. From January 2009 to February 2011 he was a partner with Blair Franklin Capital Partners Inc., a financial advisory firm.

Mr. Hibben has been a director of six public companies and six substantial private companies. Mr. Hibben received his Bachelor of Commerce degree from the University of Toronto. He is qualified as a Canadian Chartered Accountant and also holds the CFA designation. He is a Certified Director of the Institute of Corporate Directors (ICD.D).

5 W. Warren Holmes

Compensation Committee, Chair; Environmental, Health, Safety and Sustainability Committee; Technical Committee

Mr. Holmes was Hudbay's Executive Vice Chairman from November 2009 to July 2010 and its Interim Chief Executive Officer from January 2010 to July 2010. He has over 40 years of mining industry experience, most notably with Noranda Inc. (1964 to 1986) where he was Vice President and General Manager of Pamour Porcupine Mines Limited, and with Falconbridge Limited (1986 to 2002), where he was Senior Vice-President of Canadian Mining Operations.

Since his retirement from Falconbridge, Mr. Holmes has served as a corporate director. Mr. Holmes has been President of the Canadian Institute of Mining & Metallurgy, is a Professional Engineer and holds an engineering degree from Queen's University and an MBA from the University of Western Ontario.

6 John L. Knowles

Audit Committee; Corporate Governance and Nominating Committee

Mr. Knowles is President and CEO of Wildcat Exploration Ltd, a mining exploration company, prior to which he was Executive Vice President and Chief Financial Officer of Aur Resources Inc. from 2005 to 2006. He was Chief Financial Officer of HBMS from 1996 to 2005 and, following its acquisition by Hudbay, he was Vice President and Chief Financial Officer of Hudbay until 2005.

Mr. Knowles has over 25 years of experience in senior roles with Canadian and international resource companies. He is a director of public and private companies involved in international gold exploration, bio-pharmaceuticals and real estate development. He is a Chartered Accountant and holds a Bachelor of Commerce degree from Queen's University.

7 Alan J. Lenczner

Audit Committee; Corporate Governance and Nominating Committee

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

8 Kenneth G. Stowe

Technical Committee, Chair; Environmental, Health, Safety and Sustainability Committee; Compensation Committee

Mr. Stowe was Chief Executive Officer of Northgate Minerals Corporation from 2001 until his retirement in 2011. He spent the first 21 years of his career with Noranda Inc. in various operational, research and development, and corporate roles. He has also held senior positions at Diamond Fields Resources Inc. and Westmin Resources Limited.

Mr. Stowe is a mining engineer with a Bachelor of Science and Master of Science from Queen's University. In 2006 he was the recipient of the Canadian Mineral Processor of the Year award.

9 Roque Benavides

Technical Committee

Mr. Benavides has been Compañía de Minas Buenaventura's Chairman and CEO since 2011 and, prior to that, served as the company's Chief Financial Officer for more than 15 years. He also is a director of three other publicly traded companies, has served as a director of the Sociedad de Minería y Petróleo del Perú since 1988 and served as Chairman of the Board of the Confederación Nacional de Instituciones Empresariales Privadas from 1999 to March 2001.

Mr. Benavides received a B.S. in Engineering from Pontificia Universidad Católica del Perú in 1977, an MBA from Henley Management College in 1980 and completed the Program for Management Development at Harvard in 1985 and the Advanced Management Program at Oxford in 1997.

KEY FINANCIAL AND PRODUCTION RESULTS

Financial condition (\$000s)	DEC. 31, 2012	DEC. 31, 2011
Cash and cash equivalents	\$ 1,337,088	\$ 899,077
Working capital	1,214,263	848,258
Total assets	3,487,824	2,455,004
Equity ¹	1,758,779	1,813,163

Financial performance (\$000s except per share and cash cost amounts)	THREE MONTHS ENDED		YEAR ENDED	
	DEC. 31, 2012	DEC. 31, 2011	DEC. 31, 2012	DEC. 31, 2011
Revenue	\$ 180,994	\$ 254,314	\$ 702,550	\$ 890,817
Profit before tax	23,335	69,813	52,149	209,025
Profit (loss) from continuing operations	7,438	34,286	(21,170)	75,196
Basic and diluted earnings (loss) per share ¹	0.04	0.21	(0.11)	(0.92)
Profit (loss) for the period	7,438	34,286	(21,170)	(163,588)
Operating cash flow before stream deposit and change in non-cash working capital	6,002	82,208	142,957	252,154
Operating cash flow per share ²	0.03	0.48	0.83	1.50
Cash cost per pound of copper sold ²	\$ 2.05	\$ 0.54	\$ 1.07	\$ 0.45
Production (contained metal in concentrate)³				
Copper (tonnes)	8,162	13,834	39,587	54,324
Zinc (tonnes)	18,370	21,534	80,865	75,780
Gold (troy oz.)	20,909	27,059	86,553	94,610
Silver (troy oz.)	198,407	245,216	823,970	875,817
Metal sold				
Contained metal in concentrate ⁴				
Copper (tonnes)	10,683	18,336	43,464	57,361
Gold (troy oz.)	27,102	31,407	84,835	93,652
Silver (troy oz.)	292,409	247,576	768,804	764,773
Refined zinc (tonnes)	30,387	26,989	103,437	100,935

¹ Attributable to owners of the Company.

² Operating cash flow per share and cash cost per pound of copper sold are non-IFRS financial performance measures with no standardized definition under IFRS. For further information and a detailed reconciliation, please see page 54 of our MD&A for the year ended December 31, 2012.

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

⁴ Amounts in 2011 also include minimal amounts of copper cathode and anode, which were sold during the first quarter only.

CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

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

CONSOLIDATED BALANCE SHEETS

(in thousands of Canadian dollars)

	DEC. 31, 2012	DEC. 31, 2011
Assets		
Current assets		
Cash and cash equivalents	\$ 1,337,088	\$ 899,077
Trade and other receivables	52,876	40,309
Inventories	58,409	77,150
Prepaid expenses and other current assets	23,970	13,964
Other financial assets	2,442	3,112
Taxes receivable	52,952	4,352
	1,527,737	1,037,964
Prepaid expenses	1,232	1,227
Receivables	43,149	5,212
Inventories	5,852	5,721
Other financial assets	73,135	102,193
Intangible assets	12,893	11,872
Property, plant and equipment	1,728,050	1,203,045
Goodwill	66,763	68,246
Pension	15,838	6,184
Deferred tax assets	13,175	13,340
	\$ 3,487,824	\$ 2,455,004
Liabilities		
Current liabilities		
Trade and other payables	\$ 206,489	\$ 163,187
Taxes payable	5,098	17,413
Other liabilities	12,613	7,947
Other financial liabilities	18,363	1,159
Deferred revenue	70,911	–
	313,474	189,706
Other financial liabilities	23,128	–
Long-term debt	479,540	–
Deferred revenue	391,367	–
Provisions	159,030	147,304
Pension obligations	13,488	12,737
Other employee benefits	108,422	100,236
Deferred tax liabilities	240,907	189,663
	1,729,356	639,646
Equity		
Share capital	1,020,458	1,020,126
Reserves	53,280	55,097
Retained earnings	685,041	737,940
Equity attributable to owners of the Company	1,758,779	1,813,163
Non-controlling interests	(311)	2,195
	1,758,468	1,815,358
	\$ 3,487,824	\$ 2,455,004

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in thousands of Canadian dollars)</i>	YEAR ENDED	
	DEC. 31, 2012	DEC. 31, 2011
Cash generated from (used in) operating activities:		
Loss for the year	\$ (21,170)	\$ (163,588)
Loss from discontinued operations	–	(238,784)
(Loss) profit from continuing operations	(21,170)	75,196
Tax expense	73,319	133,829
Items not affecting cash:		
Depreciation and amortization	76,604	104,601
Share-based payment expense	5,769	3,037
Net finance income	8,641	(2,165)
Change in fair value of derivatives	(724)	4,298
Change in deferred revenue related to stream	(29,322)	–
Change in taxes receivable/payable, net	44,277	12,514
Items reclassified from other comprehensive income	(2,050)	(2,212)
Impairment and mark-to-market losses	43,769	13,426
Loss (gain) on disposition	907	(2,453)
Other	5,600	4,388
Operating cash flows of discontinued operations	–	(2,126)
Taxes paid	(62,663)	(90,179)
Operating cash flows before stream deposit and change in non-cash working capital	142,957	252,154
Precious metals stream deposit	491,600	–
Change in non-cash working capital	(90,705)	3,277
	543,852	255,431
Cash generated from (used in) investing activities:		
Interest received	5,728	8,468
Proceeds on disposition of assets	–	154,709
Acquisition of property, plant and equipment	(508,467)	(241,617)
Acquisition of intangible assets	(2,004)	(5,692)
Acquisition of investments	(3,802)	(44,488)
Acquisition of subsidiary, net of cash acquired	–	(94,855)
Release of restricted cash	–	2,713
Sale of short-term investments	–	20,115
Acquisition of non-controlling interests	–	(11,476)
Investing cash flows of discontinued operations	–	(7,163)
Peruvian sales tax paid on capital expenditures	(37,108)	(5,212)
	(545,653)	(224,498)
Cash generated from (used in) financing activities:		
Long-term debt borrowing net of transaction costs	471,796	–
Share issue costs	–	(237)
Proceeds from exercise of stock options	227	145
Financing costs	(8,676)	(2,059)
Dividends paid	(34,392)	(34,346)
	428,955	(36,497)
Effect of movement in exchange rates on cash and cash equivalents	10,857	2,948
Net increase (decrease) in cash and cash equivalents	438,011	(2,616)
Cash and cash equivalents, beginning of year	899,077	901,693
Cash and cash equivalents, end of year	\$ 1,337,088	\$ 899,077

CONSOLIDATED INCOME STATEMENTS

<i>(in thousands of Canadian dollars, except share and per share amounts)</i>	YEAR ENDED	
	DEC. 31, 2012	DEC. 31, 2011
Revenue	\$ 702,550	\$ 890,817
Cost of sales		
Mine operating costs	429,155	476,621
Depreciation and amortization	75,801	103,915
Impairment losses	–	6,839
	504,956	587,375
Gross profit	197,594	303,442
Selling and administrative expenses	39,516	38,737
Exploration and evaluation	43,572	46,923
Other operating income	(2,316)	(3,374)
Other operating expenses	11,332	9,305
Results from operating activities	105,490	211,851
Finance income	(6,217)	(8,770)
Finance expenses	14,858	6,605
Other finance losses	44,700	4,991
Net finance expense	53,341	2,826
Profit before tax	52,149	209,025
Tax expense	73,319	133,829
(Loss) profit from continuing operations	(21,170)	75,196
Loss from discontinued operations (net of taxes)	–	(238,784)
Loss for the year	\$ (21,170)	\$ (163,588)
Attributable to:		
Owners of the Company	\$ (18,507)	\$ (153,895)
Non-controlling interests	(2,663)	(9,693)
Loss for the year	\$ (21,170)	\$ (163,588)
Earnings (loss) per share – basic and diluted		
(Loss) profit from continuing operations	\$ (0.11)	\$ 0.48
Loss from discontinued operations	–	(1.40)
Loss for the year	\$ (0.11)	\$ (0.92)
Weighted average number of common shares outstanding		
Basic	171,960,783	167,863,427
Diluted	171,960,783	167,863,427

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

<i>(in thousands of Canadian dollars)</i>	YEAR ENDED	
	DEC. 31, 2012	DEC. 31, 2011
Loss for the year	\$ (21,170)	\$ (163,588)
Other comprehensive (loss) income:		
Recognized directly in equity:		
Net exchange loss on translation of foreign operations	(10,886)	15,793
Effective portion of change in fair value of cash flow hedges	(442)	6,279
Change in fair value of available-for-sale financial investments	(29,852)	(49,117)
Tax effect	145	5,266
	(41,035)	(21,779)
Transferred to income statements:		
Disposal of foreign operations	–	20,416
Change in fair value of cash flow hedges	(2,050)	(992)
Change in fair value of available-for-sale financial assets	40,181	5,367
Sale of investments	8	–
Tax effect	529	(485)
	38,668	24,306
Other comprehensive (loss) income, net of tax, for the year	(2,367)	2,527
Total comprehensive loss for the year	\$ (23,537)	\$ (161,061)
Attributable to:		
Owners of the Company	\$ (20,770)	\$ (151,472)
Non-controlling interests	(2,767)	(9,589)
Total comprehensive loss for the year	\$ (23,537)	\$ (161,061)

Qualified Person

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

For additional detail on Hudbay's Lalor and Constancia projects, including data verification and quality assurance/quality control processes, refer to Hudbay's "Pre-Feasibility Study Technical Report, on the Lalor Deposit" dated March 29, 2012 and "The Constancia Project, National Instrument 43-101 Technical Report", filed on November 6, 2012, respectively. Both reports are available under Hudbay's profile at www.sedar.com.

Forward-Looking Information

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

Forward-looking information includes, but is not limited to, continued production at our 777 and Lalor mines, continued processing at our Flin Flon concentrator, Show Lake concentrator and Flin Flon zinc plant, our ability to develop our Lalor, Constancia and Reed projects and the anticipated scope of, cost of and development plans for these projects, anticipated timing of our projects and events that may affect our projects, our expectation that we will receive the remaining US\$250 million deposit payment under the precious metals stream transaction with Silver Wheaton Corp., the anticipated effect of external factors on revenue, such as commodity prices, anticipated exploration and development expenditures and activities and the possible success of such activities, estimation of mineral reserves and resources, mine life projections, timing and amount of estimated future production, reclamation costs, economic outlook, government regulation of mining operations, and business and acquisition strategies.

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

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

The risks, uncertainties, contingencies and other factors that may cause actual results to differ materially from those expressed or implied by the forward-looking information may include, but are not limited to, risks generally associated with the mining industry, such as economic factors (including future commodity prices, currency fluctuations and energy prices), uncertainties related to the development and operation of our projects, depletion of our reserves, risks related to political or social unrest or change and those in respect of Aboriginal and community relations and title claims, operational risks and hazards, including unanticipated environmental, industrial and geological events and developments and the inability to insure against all risks, failure of plant, equipment, processes, transportation and other infrastructure to operate as anticipated, compliance with government and environmental regulations, including permitting requirements and anti-bribery legislation, dependence on key personnel and employee relations, volatile financial markets that may affect our ability to obtain financing on acceptable terms, uncertainties related to the geology, continuity, grade and estimates of mineral reserves and resources and the potential for variations in grade and recovery rates, uncertain costs of reclamation activities, our ability to comply with our pension and other post-retirement obligations, our ability to abide by the covenants in our debt instruments, as well as the risks discussed under the heading "Risk Factors" in our most recent Annual Information Form and Form 40-F.

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

Note to United States Investors

Information concerning our mineral properties has been prepared in accordance with the requirements of Canadian securities laws, which differ in material respects from the requirements of the Securities and Exchange Commission (the "SEC") set forth in Industry Guide 7. Under the SEC's Industry Guide 7, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time of the reserve determination, and the SEC does not recognize the reporting of mineral deposits which do not meet the SEC Industry Guide 7 definition of "Reserve". In accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") of the Canadian Securities Administrators, the terms "mineral reserve", "proven mineral reserve", "probable mineral reserve", "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Definition Standards for Mineral Resources and Mineral Reserves adopted by the CIM Council on December 11, 2005. While the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are recognized and required by NI 43-101, the SEC does not recognize them. You are cautioned that, except for that portion of mineral resources classified as mineral reserves, mineral resources do not have demonstrated economic value. Inferred mineral resources have a high degree of uncertainty as to their existence and as to whether they can be economically or legally mined. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Therefore, you are cautioned not to assume that all or any part of an inferred mineral resource exists, that it can be economically or legally mined, or that it will ever be upgraded to a higher category. Likewise, you are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be upgraded into mineral reserves. You are urged to consider closely the disclosure on the mining industry technical terms in Schedule A "Glossary of Mining Terms" of our AIF for the fiscal year ended December 31, 2012, available on SEDAR at www.sedar.com and incorporated by reference as Exhibit 99.1 in our Form 40-F filed on EDGAR on March 28, 2013 (File No. 001-34244).

CORPORATE AND SHAREHOLDERS' INFORMATION

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LISTING

Toronto Stock Exchange
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AUDITORS

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ANNUAL MEETING OF SHAREHOLDERS

May 10, 2013
10:00 a.m. ET
Toronto, Ontario