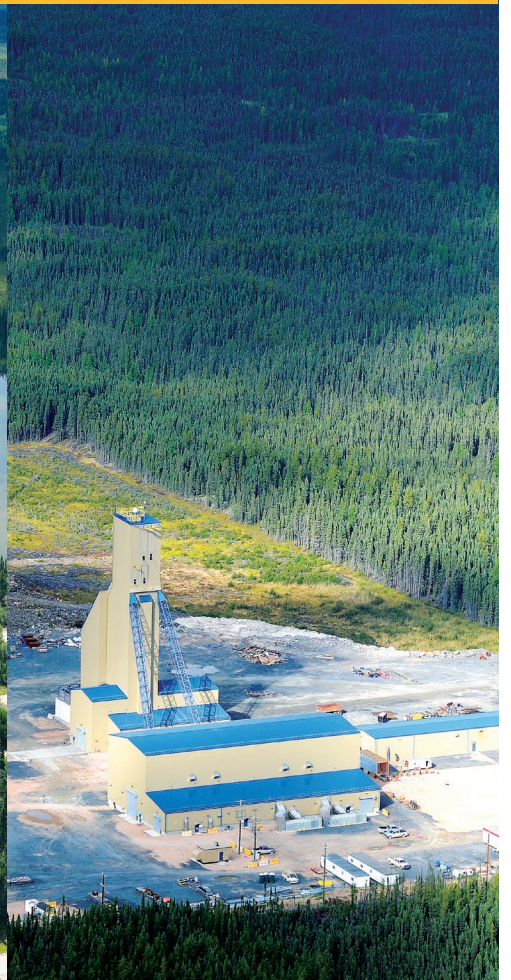


**MEASURED APPROACH
MAJOR ACHIEVEMENTS**





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

Note: Hudbay also owns the Balmat zinc mine and concentrator in New York, USA, which are currently on care and maintenance. On January 17, 2014, the Company sold its 51% interest in the Back Forty project in Michigan's Upper Peninsula to its joint venture partner Aquila Resources Inc. Hudbay also owns mineral rights to the Tom and Jason exploration properties in the Yukon. In addition, exploration work was carried out on mineral claims for which the Company holds rights (directly or through joint venture agreements) in Chile and Colombia. Performance data from all of these properties is included in this report.

* Our ownership in Rosemont is subject to an Earn-In Agreement with United Copper and Moly LLC (UCM) pursuant to which UCM has earned 7.95% interest in the project and may earn up to a 20% interest.



1 MANITOBA

777

- 100% ownership
- Underground copper/zinc/gold/silver mine
- Flin Flon concentrator
- Zinc plant

Reed

- 70% ownership
- Underground copper mine
- Commercial production achieved in 2014

Lalor

- 100% ownership
- Long-life, underground copper/zinc/gold/silver mine
- Commercial production achieved in 2014
- Snow Lake concentrator processes Lalor ore

2 ARIZONA

Rosemont

- 92.05% ownership*
- Open pit copper project

3 PERU

Constancia

- 100% ownership
- Low-cost, long-life open pit copper mine and concentrator
- Commercial production expected in 2015

CEO Message



Hudbay's strong commitment to shareholder value and corporate social responsibility is integral to our achievements in 2014 and will be key to sustaining our long-term growth and profitability.

2014 was a pivotal year for Hudbay. Five years earlier, we outlined a growth plan for creating long-term value that was put into action across the Company. By the end of 2014, our plan had delivered major achievements: the Reed and Lalor mines both achieved steady-state commercial production and Constancia achieved commercial production by the middle of 2015 on schedule. Our new mines joined the 777 mine, a reliable producer for many years.

At the beginning of 2014, Hudbay had one mine operating at steady state. By year's end, we had three. With Constancia now on stream, we are a multi-jurisdictional operating company with production from four operating mines.

Corporate social responsibility (CSR) is an integral component of our recent achievements. Our commitment to CSR makes us better planners and operators, supports transparency and strong governance, contributes to improved safety and environmental performance, and strengthens our connection with stakeholders. Managing the economic, environmental and social impacts of our activities also plays a key role in securing the social and legal licences to operate that are essential to our future growth.

The growth plan we adopted in 2010 reflects our experience: namely, the best way to deliver sustainable value in mining is by finding and building new mines and then operating them in an environmentally and socially responsible way. Our plan was built on three pillars that leverage our strengths in exploration, development and operations:

- Acquire volcanogenic massive sulphide (VMS) and porphyry exploration and development properties that are located in mining-friendly jurisdictions in the Americas with exploration upside potential;
- Find and expand mineral deposits through exploration and bring them into production; and
- Optimize the value of producing assets through safe and efficient operations.

Since 2010, we have added to those strengths, particularly with respect to large-scale, open pit developments. Our capabilities and our record of bringing three mines into production while maintaining high standards of CSR performance all played a part in our successful acquisition of the Rosemont project in July 2014. Situated in a historic copper mining area in Arizona, Rosemont is perfectly aligned with our growth strategy in terms of geography, geology, jurisdiction and long-term potential.

DELIVERING SUSTAINABLE GROWTH

With physical construction completed at Constancia, and with our new Lalor and Reed mines at steady state, our assets are positioned to contribute to significant and sustainable growth in production across the board. We expect an approximate 300% increase in copper production in 2015 from our current production base. This increased production will lead to economies of scale that should drive unit operating costs down considerably this year.

Our capital budget will also decrease in 2015 to \$425 million, or by 60% compared to 2014. This decrease, coupled with increased production and lower operating costs, will improve revenues and cash flow. We expect to be in a strong position to fund a significant portion of Rosemont's construction through funds from operations.

MAKING A POSITIVE DIFFERENCE

CSR is a core part of Hudbay's culture and success. We have put in place policies, management systems and processes to codify our commitments to our stakeholders and help manage risk. These include the OHSAS 18001 health and safety management standard and the ISO 14001 environmental management standard, which all of our operating sites are expected to meet within two years of start-up or acquisition. We have also adopted the Mining Association of Canada's Towards Sustainable Mining initiative, the Voluntary Principles on Security and Human Rights, and other international best practice standards that help guide our actions and evaluate our performance.



We expect an approximate 300% increase in copper production in 2015 from our current production base.

Our commitment does not eliminate CSR challenges. Because stakeholders are engaged on issues they care about, disagreement about goals, approaches and outcomes is always possible. This is often the case with issues that touch communities. While we always work to be a good neighbour and to understand and consider community views and expectations, we are in negotiations with some of our communities regarding what is fair and feasible for Hudbay to provide. By being open and flexible, and striving for peaceful processes to resolve conflict, our record shows that we manage to work through the challenges.

Our operations make a positive contribution to neighbouring communities. We strive to provide local residents with access to the opportunities presented by our activities. We prioritize hiring people from nearby communities, and, when necessary, help them gain the skills they need to qualify for jobs at Hudbay and in the larger employment market. In Manitoba, we are partnering with several organizations to recruit and train local Aboriginal candidates for jobs at our new mines. At Constanica, our workforce needs have declined since completion of the labour-intensive construction phase, and we are now helping people to manage the change. This includes providing training to local residents for operations and logistics roles at the mine. We are helping others make the transition back to farming and ranching, by providing access to expert guidance on crop management and cattle breeding.

In 2014, our efforts to mitigate impacts and sustain natural environments near Constanica included a program to show farmers, who need water for their crops and animals, the benefits of the sustainable management of local bogs and wetlands, which are an essential part of the region's ecosystem. We also supported a variety of environmental monitoring studies near Constanica and established a nursery to grow protected and native flora for revegetation programs.

In addition to being a good neighbour, Hudbay is dedicated to being a top employer, with a total focus on safety. Since 2010, we have built three mines with a remarkable safety record. Reed was completed with no lost time accidents (LTAs); Lalor had two LTAs during construction; and Constanica, with over 7,000 people on-site during peak construction, reported close to 21 million hours worked in 2014 with only a single LTA. Key personnel who worked on Lalor and Constanica are now bringing their experience and Hudbay's strong safety culture to Rosemont.

In Arizona, Rosemont is in the permitting process. We are working with local stakeholders and all levels of government to establish strong relationships and help move the process forward responsibly. We firmly believe that thorough permitting processes produce better mines. During development, and as an operating mine, the plans for Rosemont will demonstrate leadership in environmental practice. They include a program to control light emissions and sky glows, reducing light by approximately 70% compared to conventional lighting technology and design, and a proposed dry-stack tailings plan that will help cut our water use by approximately 50%, when compared to traditional approaches in the southwest.

BUILDING ON OUR ACHIEVEMENTS

After four years of mine building, we expect to deliver substantial growth in operating cash flow in 2015, better positioning us to return capital to shareholders. With Constanica poised to join our producing assets, Hudbay will deliver significantly increased production, decreased capital expenditures and improved economies of scale.

This does not mean an end to hard work, just a change in emphasis. In the year ahead, we will continue to concentrate on improving efficiency and cost management at all operations. We will also keep exploring in order to increase reserves at our operating mines. The November 2014 agreement we reached with Callinan Royalties Corporation gives us access to the War Baby claim, which is adjacent to 777, where we will use our technical expertise to determine if there is opportunity to extend the mine's life.

The successful implementation of our growth strategy strengthened our capabilities as an explorer, developer and operator, and captured the attention of the global mining industry. Hudbay is recognized as a valuable potential partner for joint ventures and other cooperative undertakings that will help to populate our growth pipeline.

2015 will see the 100th anniversary of the discovery of the Flin Flon deposit. This VMS deposit is literally the foundation for everything that Hudbay has achieved, from northern Manitoba to Peru. In celebrating this event, we will be celebrating our relationship with the community of Flin Flon, a model that has also served us well over the course of 88 years.

As the five-year plan we launched in 2010 comes to an end, we look forward to a new phase of sustainable, responsible growth that will position Hudbay to enter the top 20 of global copper producers. I thank our Board of Directors for their guidance and support, and our shareholders for their patience and confidence. Two of our directors, Wes Voorheis and John Knowles, will not stand for re-election at our upcoming annual meeting of shareholders. Six years ago, Wes assumed the role of Chairman and helped transform Hudbay from a one-mine regional company with limited mineral reserves to a major international copper producer with four low-cost operating mines and our fifth in development. As a former Chief Financial Officer of Hudbay, John Knowles brought insight, industry expertise and valuable institutional memory to our Board. On behalf of all my board colleagues, I would like to thank Wes and John for their valuable contributions to Hudbay's success.

Finally, I wish to thank all of our employees and contractors – their initiative, hard work and commitment made the major achievements of 2014 possible and provided Hudbay with a remarkable foundation for growth.

I encourage you to look through our report to learn more about our priorities, initiatives, challenges and achievements.

Sincerely,

A handwritten signature in black ink, appearing to read 'David Garofalo', with a stylized flourish at the end.

David Garofalo
President and Chief Executive Officer



Corporate Governance

Good, strong governance is critical to Hudbay's success as a publicly traded company and to securing the confidence and trust of our many stakeholders. Our corporate governance practices are in place to drive ethical behaviour and high performance standards throughout the organization.

Hudbay's Board of Directors oversees the business of the Company and provides guidance to management to help meet corporate objectives and maximize shareholder value. The Board fulfills its responsibilities directly and through five committees:

- Audit Committee (http://www.hudbayminerals.com/files/doc_downloads/Reports/May%202012%20Audit%20Committee%20Charter%20-%20IA%20update%202012-07-20_v001_n55m59.pdf)
- Compensation Committee ([http://www.hudbayminerals.com/files/doc_downloads/Reports/May%202012%20Compensation%20Committee%20Charter%20\(Proposed%202013%20Amendments%20MDH\)_v001_m7l9il.pdf](http://www.hudbayminerals.com/files/doc_downloads/Reports/May%202012%20Compensation%20Committee%20Charter%20(Proposed%202013%20Amendments%20MDH)_v001_m7l9il.pdf))
- Corporate Governance and Nominating Committee (http://www.hudbayminerals.com/files/doc_downloads/governance_documents/Corporate%20Governance%20and%20Nominating%20Committee%20Charter.pdf)
- Environmental, Health, Safety and Sustainability Committee (http://www.hudbayminerals.com/files/doc_downloads/governance_documents/7a.%20May%202012%20EHSS%20Charter_v001_w1lmz4.pdf)
- Technical Committee (http://www.hudbayminerals.com/files/doc_downloads/governance_documents/Technical%20Committee%20Charter.pdf)

Board members are selected based on criteria that include: judgment, character, expertise, skills and knowledge useful to the oversight of the Company's business; diversity of viewpoints, backgrounds, experiences and other demographics including gender; business or other relevant experience; and the overall composition of the Board**.

BOARD OF DIRECTORS



W. Warren Holmes*
Interim Chairman
Compensation Committee (Chair),
Corporate Governance and
Nominating Committee (Interim
Chair), Environmental, Health,
Safety and Sustainability
Committee, Technical Committee



David A. Garofalo
President and Chief Executive
Officer



Igor Gonzales*
Technical Committee,
Environmental, Health, Safety and
Sustainability Committee



Tom A. Goodman
Environmental, Health, Safety and
Sustainability Committee (Chair),
Technical Committee



Alan R. Hibben*
Compensation Committee,
Corporate Governance and
Nominating Committee



Sarah B. Kavanagh*
Audit Committee (Chair),
Compensation Committee



Alan J. Lenczner*
Audit Committee, Compensation
Committee



Kenneth G. Stowe*
Technical Committee (Chair),
Corporate Governance and
Nominating Committee



Michael T. Waites*
Audit Committee



Carin S. Knickle*
New director nominee***

**MORE
INFORMATION ON
OUR BOARD OF
DIRECTORS +
([HTTP://WWW.HUDB
AYMINERALS.COM
/ENGLISH/ABOUT-
US/BOARD-
OF-DIRECTORS
/DEFAULT.ASPX](http://www.hudbayminerals.com/english/about-us/board-of-directors/default.aspx))**

* Independent

** After serving six years as Chairman, G. Wesley Voorheis will not stand for re-election at our upcoming annual shareholders meeting, scheduled to be held on May 22, 2015; John Knowles also will not stand for re-election. If elected, the current intention of the Board is to have Mr. Holmes serve as our Chairman going forward.

*** Carin Knickle was not a member of the Board in 2014, but is in the Management Information Circular as a management nominee to sit on the Board in 2015, pending board approval at the board meeting in May.



Business Conduct

Hudbay employees and contractors are expected to conduct themselves and do business to the highest standard of honesty and integrity. Our Code of Business Conduct and Ethics (http://www.hudbayminerals.com/files/doc_downloads/governance_documents/CodeofConductApr2013_v001_e86p67.pdf) and related policies set out principles for directors, officers and employees on matters like compliance with law, conflicts of interest, confidential information, protection and proper use of Hudbay assets, fair dealing, rules and regulations and the reporting of illegal and unethical behaviour.

On joining Hudbay, all board members and employees must sign a declaration confirming that they understand and will observe the Code. The Board requires every director and executive officer to disclose any direct or indirect conflict of interest, and to confirm compliance with the Code annually. Formal, annual confirmation of compliance is also required from all employees above the manager level and those whose duties include the transfer of funds. The compliance process was expanded in 2015 to include an online training component.

Employees and contractors working at Constanica are also expected to abide by a Code of Conduct and Social Protocol based on the corporate Code and local community commitments. A plain language booklet and a video inform all workers at the site about the obligations under the Constanica Code.

Because fraud and corruption are potential risks in our industry, we conduct compliance training on the Code of Business Conduct and Ethics and related policies, and on the Canadian Corruption of Foreign Public Officials Act (CFPOA) and the US Foreign Corrupt Practices Act (FCPA). Hudbay's Legal department is responsible for providing training to specific groups or more broadly across the organization as it deems appropriate. Failure to sign annual confirmations or take the required training is taken into account in performance appraisals and pay decisions.

We insist that personnel bring to the attention of their supervisor or department head any knowledge of a potential conflict with, or departure from, the Code of Business Conduct and Ethics. A multilingual toll-free hotline (<http://www.clearviewconnects.com>) is in place to allow for anonymous reporting of suspected violations.

2014 PERFORMANCE

- 57% of our employees received anti-corruption training in 2014, either in the form of a quiz, classroom training or a formal review and sign-off. Included in this 57% are 100% of new hires and those required to have training by our internal policy. Additionally, 100% of our Board has received anti-corruption training at some point, and 80% received an update to that training in 2014.
- The majority of complaints received through our third-party whistleblower reporting service involve operational matters and employee relations. None of these incidents involved significant allegations of fraud or violations of our Code of Business Conduct and Ethics. Three incidents were reported in 2014, all of which were investigated and resolved with corrective action where necessary.
- An employee in Peru violated Hudbay's Code of Business Conduct and Ethics, and Timely Disclosure, Confidentiality and Insider Trading Policy, and was dismissed.

To report an issue

There are a number of avenues available to people who wish to make inquiries on ethical and lawful behaviour, and on matters related to organizational integrity, as well as to register a concern about Hudbay's activities:

- Contact our Board of Directors through our website (<http://www.hudbayminerals.com/English/Utilities/Contact-Us/default.aspx#director>).
- To make a confidential report to the Chair of Hudbay's Audit Committee about a perceived violation of the Company's internal and accounting controls, auditing matters or violations of the Company's Code of Business Conduct and Ethics, call 1 877 457-7318 or visit www.clearviewconnects.com (<http://www.clearviewconnects.com>). Reports are handled under our Whistleblower Policy and the Chair of the Audit Committee is responsible for ensuring that they are appropriately investigated.
- The Office of the Extractive Sector Corporate Social Responsibility (CSR) Counsellor is a resource available for constructively resolving conflict between project-affected communities and Canadian extractive sector companies outside of Canada. The CSR Counsellor can be reached by email at csr-counsellor@international.gc.ca or by telephone at 416 973-2064.

- Canada's National Contact Point (NCP) for the Organisation for Economic Co-operation and Development (OECD) provides a forum where multinational enterprises, Canadian business, non-governmental organizations and labour organizations can voice their views and concerns. Canada's NCP can be reached by email at ncp.pcn@international.gc.ca or by telephone at 343 203-2341.

We also have grievance processes set up at our projects and operating sites to address community concerns. See Community Relations for details.



Management Team

Our experienced management team is responsible for establishing and implementing the Company's long-range goals, strategies, plans and policies, subject to the Board's direction and oversight.



David A. Garofalo
President and Chief Executive Officer



David S. Bryson
Senior Vice President and Chief Financial Officer



Alan T. C. Hair
Senior Vice President and Chief Operating Officer



David Clarry
Vice President, Corporate Social Responsibility



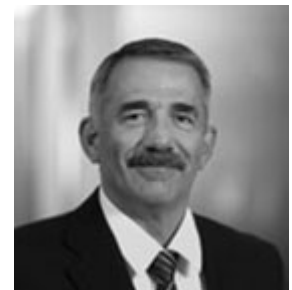
Patrick Donnelly
Vice President and General Counsel



Jon Douglas
Vice President and Treasurer
(joined in 2015)



Elizabeth Gitajn
Vice President, Risk Management
(joined in 2015)



Brad W. Lantz
Vice President, Business Development and Technical Services



Eugene Lei
Vice President, Corporate
Development



Cashel Meagher
Vice President, South America
Business Unit



Patrick Merrin
Vice President, Arizona Business
Unit



Mary-Lynn Oke
Vice President, Finance



Robert Winton
Vice President, Manitoba Business
Unit

**MORE
INFORMATION ON
OUR
MANAGEMENT
TEAM +**

**([HTTP://WWW.HUDBAYMINERALS.COM
/ENGLISH/ABOUT-
US/MANAGEMENT-
TEAM/DEFAULT.ASP
X](http://www.hudbayminerals.com/english/about-us/management-team/default.aspx))**



Business and Financial Review

By the end of 2014, we had four producing mines, transforming Hudbay into a multinational company with unrivalled production growth, following several years of significant capital expenditure.

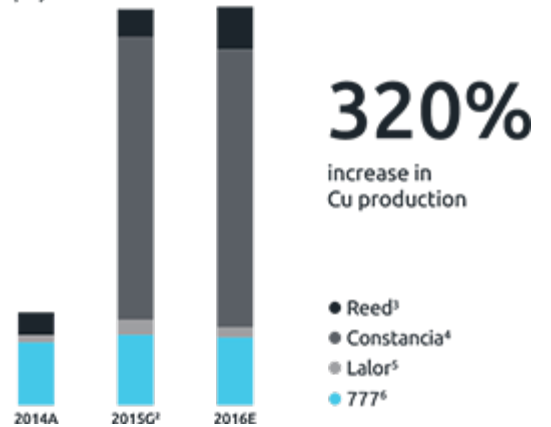
FOUR PRODUCING MINES

Lalor
 Reed
 777
 Constancia*

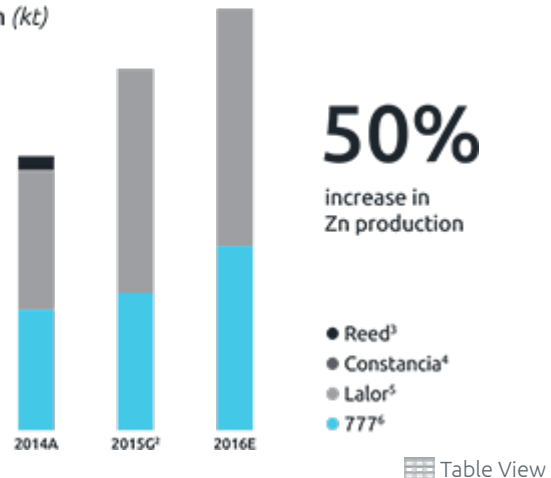
* On schedule to achieve commercial production during second quarter of 2015.

EXPECTED NEAR-TERM PRODUCTION GROWTH¹

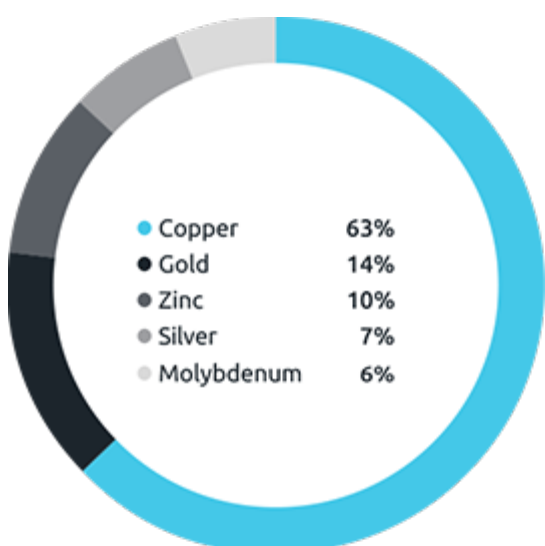
Cu production (kt)



Zn production (kt)

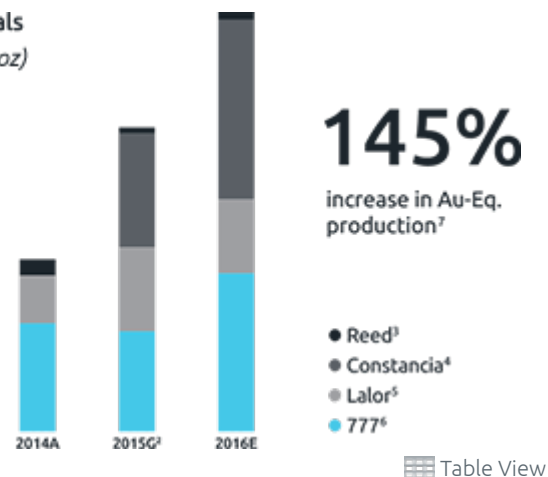


HUBBAY RESERVES*



* Hubbay reserves as of January 1, 2015, which include the contained metal values of Constanica, 777, Lalor and Reed. For the purposes of this exercise, metal prices of \$3.15/lb Cu, \$1.00/lb Zn, US\$1,260/oz Au, US\$25.00/oz Ag and US\$11.50/lb Mo were used.

Precious metals production (koz)



1. Represents production growth from 2014 actual production to 2016 anticipated production levels.
2. 2015 estimated production levels based on midpoint of 2015 production guidance released on January 15, 2015.
3. Reed's anticipated production for 2016 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 100% attributable production to Hubbay.
4. Constanica's anticipated production for 2016 is based on contained metal in concentrate as disclosed in "The Constanica Project, National Instrument 43-101 Technical Report" filed on November 6, 2012.
5. Lalor's anticipated production for 2016 is based on contained metal in concentrate as disclosed in "Pre-Feasibility Study Technical Report, on the Lalor Deposit" dated March 29, 2012.
6. 777's anticipated production for 2016 is based on contained metal in concentrate as disclosed in "Technical Report 777 Mine, Flin Flon, Manitoba, Canada" dated October 15, 2012.
7. Au-Eq. production includes production subject to streaming transactions. Silver converted to gold at a ratio of 60:1 for 2015 guidance. For 2014 production, silver converted to gold at 60.5:1, based on estimated 2014 realized sales prices.

OPERATIONS SUMMARY

For the years ended December 31

	2014	2013
Production (contained metal in concentrate)*		
Copper (000 tonnes)	37.6	29.9
Zinc (000 tonnes)	82.5	86.5
Gold (000 troy ounces)	73.4	79.2
Silver (000 troy ounces)	745.9	772.5

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

FINANCIAL SUMMARY

(\$ millions)

For the years ended December 31

	2014		2013
Revenue			
Copper	\$ 234.2	\$	210.4
Zinc	\$ 267.1	\$	219.1
Gold	\$ 87.5	\$	99.5
Silver	\$ 14.2	\$	14.4
Other	\$ 5.0	\$	5.8
Less: Treatment and refining charges	\$ (29.2)	\$	(19.9)
Less: Pre-production revenue	\$ (18.8)	\$	(12.5)
Revenue	\$ 560.0	\$	516.8
Profit (loss) before tax	\$ 11.5	\$	(56.0)
Total assets	\$ 5,627.5	\$	3,844.0
Equity attributable to owners of the Company	\$ 2,446.7	\$	1,635.6
Cash and cash equivalents	\$ 207.3	\$	631.4
Dividend paid per share	\$ 0.02	\$	0.11

Strategy



In 2010, Hudbay set two clear goals: to grow our company and to create long-term value for our shareholders. We laid out an equally clear strategy for achieving those goals. Experience, gained over nearly nine decades of operation, has taught us that the best way to create sustainable value in mining is to find and build new mines, and then to operate them in an environmentally and socially responsible way.

With this understanding, we introduced a five-year plan designed to make the best use of our proven capabilities in exploration, mine development and operation, while leveraging our particular expertise in volcanogenic massive sulphide (VMS) and porphyry deposits. The plan has three main pillars:

- Acquire VMS and porphyry exploration and development properties that are located in mining-friendly jurisdictions in the Americas and have exploration upside potential;
- Find and expand mineral deposits through exploration and bring them into production; and
- Optimize the value of producing assets through safe and efficient operations.

Guided by these pillars, we moved to develop the Lalor and Reed projects in northern Manitoba, and went on to acquire and develop the Constancia project in Peru. The strategic value of Hudbay's development capabilities was reinforced when, in mid-2014, we acquired Augusta Resource Corporation and its Rosemont property, an asset that aligns perfectly with Hudbay's acquisition criteria (geographically and geologically).

Bringing projects into production also requires the approval of regulators and acceptance by local communities. Wherever we are, we have worked to be responsible builders and operators, to be respectful of communities, and to ensure that we provide opportunities for local people to join in the substantial economic activity associated with our operations. We believe this work is an investment that provides returns for our shareholders and our other stakeholders.

Going forward, we will focus on bringing Constancia into full production, moving ahead with Rosemont permitting and engineering, optimizing the value of our producing assets, and generating strong returns from the over \$2 billion of capital invested in our three new mines.

Successfully building Lalor, Reed and Constanca has elevated Hudbay's performance and its profile. We are proven as capable developers, financiers and operators in multiple jurisdictions. Now, leading firms in the mining sector are approaching Hudbay with opportunities to expand our growth pipeline, and we are evaluating them – always in keeping with our commitment to create sustainable value for stakeholders.

Exploration



Hudbay's expert knowledge of VMS and porphyry deposits and our ability to develop and apply innovative geophysical approaches led to the 2007 discovery of the Lalor deposit, believed to be the second largest mineral deposit ever found in the Flin Flon Greenstone Belt. Responsible and respectful performance is also a necessary competency in exploration, and our exploration teams work closely with our environment, community and health and safety experts to ensure our standards are maintained.

Exploration remains an essential and evolving part of Hudbay's growth strategy. Beginning in mid-2013, our focus shifted from grassroots exploration – discovering new deposits in new geographies – to brownfield exploration, primarily in Manitoba, looking for opportunities near our mining camps. This proven approach is intended to leverage our existing infrastructure and extend the operating lives of our mines. With mine construction completed and cash flow from our new mines ramping up, we intend to return to allocating a portion of exploration funding to new greenfield opportunities.

2014 PERFORMANCE

- At Lalor, the first phase of the exploration drift development was completed to the 1,025-metre level as planned, and underground drilling in the copper-gold zone commenced. The exploration program aims to test the down plunge extension of the copper-gold zone and upgrade inferred resources to a higher resource category.
- At 777, Hudbay entered into an option agreement with Callinan Royalties Corporation that provides access, for further exploration, to the adjacent War Baby claim.

- At Rosemont, we completed a 43-hole confirmatory drill program in December with approximately 30,000 metres drilled.

2015 EXPLORATION PROGRAM

- We have budgeted \$55 million for exploration expenditure in 2015.
- In Manitoba, our focus will be on brownfield exploration in and around Flin Flon and Snow Lake:
 - We plan to leverage our exploration and geophysics expertise in underground drilling of the War Baby claim, with the objective of extending the mine life of 777 beyond 2020.
 - Drilling at Lalor has three objectives: test the down plunge extension of the copper-gold zone; determine the optimal location to advance the exploration ramp; and upgrade the inferred resource to a higher resource category.
- At Constancia, we will undertake mapping and geochemical sampling on recently staked claims near the existing mine, and conduct drilling on greenfield targets in Peru in the second half of 2015.
- At Rosemont, we plan to conduct plant site geotechnical work along with additional drilling to further improve our understanding of the initial years of mining.
- Approximately \$20 million has been reserved for follow-up on potential exploration successes at our in-mine drilling programs and other strategic opportunities.

Development



Our expertise in finding mineral deposits is matched by our experience in bringing them into production. With the Lalor and Reed mines achieving commercial production in 2014, we have now developed and operated 28 mines in Manitoba since 1927. In Peru, that experience served us well, as Constancia, our first major development project outside of Manitoba, was completed on time and began producing copper concentrate in the fourth quarter of 2014.

The development phase provides a strong foundation for our relationships with regulators and local communities. We believe that regulatory approvals are a broad process of collaborating with regulators to establish confidence that regulatory requirements are being, and will continue to be, met. Our track record of responsible operations has helped reinforce that confidence. The development phase is also a time of significant change and opportunity for communities and we believe our approach to corporate responsibility is critical in the implementation of our projects.

With construction effectively completed by the end of 2014, Constancia is on track for commercial production in the second quarter of 2015. The mine is expected to average 82,000 tonnes of annual copper production over a 22-year mine life. Initial production will be mining softer, supergene ore from the main Constancia pit, which is projected to average copper grades 30% above the overall reserve grade in the first five years.

Key personnel from Constancia and Lalor will bring their project expertise to our Rosemont project in Arizona. Situated in an area with a number of large porphyry-type producing copper mines, Rosemont is a copper/molybdenum/silver porphyry/skarn deposit and, like Constancia, is planned as an open pit mine. The project was added to our development portfolio in July 2014, when Hudbay acquired Augusta Resource Corporation.

2014 PERFORMANCE

- Lalor (<http://www.hudbayminerals.com/English/Our-Business/Operations/Lalor/default.aspx>) – We received the *Environment Act* licence for the Lalor mine in March 2014, enabling the start of operations of a major underground mine, with an anticipated 15-year mine life. Commercial production from the production shaft was achieved in the third quarter of 2014, on time and under budget. Commissioning of the upgraded Snow Lake concentrator to process the Lalor ore was also completed.

Lalor project snapshot	Life of mine ¹
Ownership	100%
Daily ore throughput	3,300 tonnes per day
Average annual zinc production ²	59,000 tonnes
Average annual gold equivalent production ²	43,000 ounces
Average annual copper production ²	5,000 tonnes
Cash cost per pound of zinc ³	\$(0.07)/pound
Mine and mill unit cost ⁴	\$58/tonne
Average annual sustaining capital	\$23 million
Mine life	15 years

Source: Hudbay company disclosure, Wood Mackenzie

- Life of mine (LOM) as per NI 43-101 "Pre-Feasibility Study Technical Report on Lalor Deposit" dated March 29, 2012, with the exception of cash costs (see note 4).
- Production represents contained metal in concentrate; silver converted to gold at a rate of 50:1.
- Wood Mackenzie LOM average from 2015 to 2027; cash costs per pound of zinc, net of byproduct credits.
- Combined mine and mill unit operating costs per tonne of ore processed. 2014 combined mine and mill unit operating cost at Lalor was C\$121/tonne of ore. 2015 combined mine and mill unit operating cost guidance for the entire Manitoba Business Unit is forecasted to be C\$73–\$88/tonne ore.

- Reed (<http://www.hudbayminerals.com/English/Our-Business/Operations/Reed/default.aspx>) – The Reed mine achieved commercial production at the end of the first quarter of 2014, ahead of guidance and under budget. It is a small, high-grade copper deposit close to Flin Flon, with an anticipated mine life of four years. The two-year construction program was completed with no lost time accidents.

Reed project snapshot	Life of mine¹
Ownership	70%
Daily ore throughput	1,300 tonnes per day
Average annual copper production ²	15,000 tonnes
Cash cost per pound of copper ³	\$1.64/pound
Mine and mill unit cost ⁴	\$90/tonne
Average annual sustaining capital	\$10 million
Mine life	4 years

Source: Hudbay and VMS Venture Inc. company disclosure

1. LOM as per NI 43-101 "Pre-Feasibility Study Technical Report on the Reed Copper Deposit" dated April 2, 2012 as filed by VMS Ventures Inc., shown on a 100% basis.
2. Production represents contained metal in concentrate.
3. Cash costs per pound calculated using the life of mine model supporting the NI 43-101 report.
4. Combined mine and mill unit operating costs per tonne of ore processed.

- Constancia (<http://www.hudbayminerals.com/English/Our-Business/Development/Constancia/default.aspx>) – Physical construction of the Constancia project was effectively completed and the first copper concentrate was produced in the fourth quarter of 2014. Commissioning activities are ongoing and the project is expected to achieve commercial production during the second quarter of 2015 and full production in the second half of the year.

Constancia project snapshot	Life of mine¹
Ownership	100%
Daily ore throughput	80,000 tonnes per day
Average annual copper production ²	82,000 tonnes
Cash cost per pound of copper ³	US\$1.25/pound
Mine and mill unit cost ⁴	US\$7.48/tonne
Average annual sustaining capital	US\$47 million
Mine life	22 years

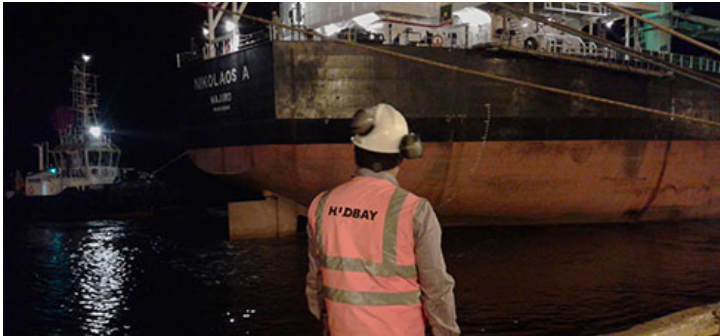
Source: Hudbay company disclosure

1. LOM as per NI 43-101 "Technical Report on the Constancia Project" dated October 15, 2012 and subsequent updates to project estimates in public disclosure.

2. Production is contained metal in concentrate.

3. Net of byproducts. Includes impact of silver and gold streams. Assumed metal prices per the Silver Wheaton stream agreement are as follows: gold US\$400/oz, silver US\$5.90/oz. Other metal price assumptions include: molybdenum 2014 – US\$12/lb, 2015 – US\$13/lb, 2016 – US\$13/lb, long-term – US\$13.50/lb; gold 2014 – US\$1,350/oz, 2015 – US\$1,325/oz, 2016 – US\$1,300/oz, 2017 – US\$1,275/oz, long-term – US\$1,250/oz. Excludes profit sharing.

4. Combined mine and mill unit operating costs per tonne of ore processed. 2015 combined mine, mill and G&A operating cost guidance is US\$9.0 – \$10.9/tonne of ore.



First shipment of concentrate from Constančia's commercial production in early 2015.

- Rosemont (<http://www.hudbayminerals.com/English/Our-Business/Development/Rosemont/default.aspx>) – Permitting was a major focus at Rosemont in 2014 and into 2015. Required key permits still to be obtained include the final Record of Decision from the US Forest Service and the Clean Water Act Section 404 Permit from the US Army Corps of Engineers. Hubbay supports rigorous permitting processes, which demonstrate that public policy priorities are considered and addressed when a permit is granted. In the meantime, the Company has undertaken a detailed engineering program to put us in a position to start construction once the regulatory process is successfully completed.

Operations



In 2014, Hudbay evolved into a low-cost, high-quality copper and zinc producer with four operating mines. That the impact of this transition, in terms of increased productivity, reduced capital expenditures and improved bottom-line performance is hard to overstate.

2014 PERFORMANCE

- Despite an unscheduled two-week shutdown at our 777 mine in October 2014, we met our guidance with respect to copper production but fell short of expectations for zinc and precious metals.
- 777 (<http://www.hudbayminerals.com/English/Our-Business/Operations/777-Mine/default.aspx>) – Commercial production at 777 began in 2004, and after a decade of solid performance, we are now experiencing challenges related to diminishing operational flexibility and increased ground support requirements. We are taking steps to address these challenges, such as mobile fleet renewal, that should contribute to improved reliability and cost performance.

Ore production in 2014 was 11% lower than in 2013 due in part to the unscheduled two-week shutdown of the 777 shaft. Zinc, gold and silver grades were lower by 20%, 15% and 7%, respectively, compared to 2013, as a result of lower grade areas being mined as well as a zinc concentrate inventory adjustment. Annual operating costs in 2014 were 10% higher than in 2013 as a result of lower production volumes.

777 snapshot**Life of mine¹**

Ownership	100%
Daily ore throughput	4,500 tonnes per day
Average annual zinc production ²	51,000 tonnes
Average annual copper production ²	25,000 tonnes
Cash cost per pound of copper ³	\$(0.52)/pound
Mine and mill unit cost ⁴	\$53/tonne
Average annual sustaining capital	\$18 million
Mine life	6 years

Source: Hudbay company disclosure, Wood Mackenzie

1. LOM as per NI 43-101 "Technical Report on 777 Mine" dated October 15, 2012, with the exception of cash costs (see note 3).

2. Production represents contained metal in concentrate.

3. Wood Mackenzie LOM average from 2015 to 2020; cash costs per pound of copper, net of byproduct credits, adjusted for precious metals stream.

4. Combined mine and mill unit operating costs per tonne of ore processed. Includes mill costs for Flin Flon concentrator. 2015 combined mine and mill unit operating cost guidance for the entire Manitoba Business Unit is C\$73–\$88/tonne of ore.

- Lalor (<http://www.hudbayminerals.com/English/Our-Business/Operations/Lalor/default.aspx>) – Ore production was 38% higher than in 2013 due to increased access to additional mining areas and the commissioning of the production shaft. Copper, gold and silver grades were higher by 5%, 89% and 23%, respectively, and zinc grades were lower by 10% compared to 2013, due to the sequencing of the mine plan and transitioning from development mining to longhole mining. Operating costs in 2014 were 21% lower, compared to the same period in 2013, primarily due to increased production volumes. In May 2014, our Snow Lake/Lalor mine rescue team won the Manitoba mine rescue competition held in Thompson, Manitoba.
- Reed (<http://www.hudbayminerals.com/English/Our-Business/Operations/Reed/default.aspx>) – The Reed mine commenced production in September 2013 and achieved commercial production on March 31, 2014. Ore production in 2014 reflects Reed achieving full production capacity when compared to 2013. Mine production began in 2013 from lens 30 with higher zinc and lower copper grades and was exhausted in the first half of 2014. Production in the second half of 2014 was from lens 20, which had significantly higher copper grades and lower zinc grades as compared to lens 30. Unit costs at Reed in 2014 were in line with our expectations.
- Flin Flon concentrator (<http://www.hudbayminerals.com/English/Our-Business/Operations/Flin-Flon-Processing/default.aspx>) – Ore processed in 2014 was 12% higher than in 2013 due to commercial production and ramp-up success at Reed, offset in part by reduced 777 production. Copper concentrate production was 23% higher than in 2013 as a result of Reed production. Zinc concentrate was 21% lower than in 2013 as a result of reduced zinc head grades from both 777 and Reed. Recoveries of

copper and zinc in 2014 remained fairly consistent compared to 2013. Recoveries of gold and silver in 2014 were 7% and 10% lower, respectively, than in 2013 as a result of the lower precious metal grades from 777. Operating costs per tonne of ore processed for the full 2014 year were 5% lower than in 2013 due to increased production. Copper production in 2014 at the Flin Flon concentrator was within guidance, while zinc and precious metals production was lower than expected, primarily as a result of lower grades at the 777 mine due to the sequencing of stopes, along with the impact of an unscheduled two-week shutdown of the 777 shaft in October 2014. Combined unit costs for Flin Flon operations were within guidance range.

- Snow Lake concentrator (<http://www.hudbayminerals.com/English/Our-Business/Operations/Snow-Lake/default.aspx>) – Ore processed in 2014 was 25% higher than in 2013, as a result of increased availability of ore from Lalor as the production shaft was brought into operation in the third quarter of 2014. Copper and zinc concentrate produced were 69% and 22% higher, respectively, compared to 2013, as a result of increased production from Lalor and improved copper grades as compared to 2013. Recoveries of copper, gold and silver in 2014 were 8%, 11% and 10% lower, respectively, than in 2013, as a result of commissioning activities at the expanded concentrator. Unit operating costs per tonne of ore processed in 2014 were 4% lower than in 2013 as a result of higher production in 2014, which was partially offset by increased costs of supplies of the expanded concentrator.

Copper and zinc production in 2014 at the Snow Lake concentrator was within guidance, while precious metals production was lower than expected, primarily as a result of lower than expected recoveries as optimization work continued on the expanded concentrator. The Snow Lake operations unit costs were slightly higher than 2014 guidance, mainly due to lower than expected ore production.

- Zinc plant (<http://www.hudbayminerals.com/English/Our-Business/Operations/Flin-Flon-Processing/default.aspx>) – Production of cast zinc was 9% higher than in 2013 as a result of concentrate availability, both domestic and purchased. Operating cost per pound of zinc metal produced in 2014 was relatively consistent period over period as a result of higher energy costs for heating experienced in the first quarter of 2014 offset by higher levels of production. Zinc plant production and unit costs were within guidance ranges.

Financials



Building three mines on two continents in less than four years highlights Hudbay's capabilities in developing and operating mines. Equally important was Hudbay's ability to strategically manage the challenge of financing over \$2 billion in development, while still meeting the day-to-day financial requirements of a large, publicly traded company. Our Finance team did both with dexterity and diligence. Their work underpinned the implementation of our growth strategy.

Consolidated Financial Statements [PDF \(http://www.hudbayminerals.com/files/doc_financials/ANNUALFIN14_v001_v5v8d5.pdf\)](http://www.hudbayminerals.com/files/doc_financials/ANNUALFIN14_v001_v5v8d5.pdf) (1.4 mb)

Q4 Management's Discussion and Analysis [PDF \(http://www.hudbayminerals.com/files/doc_financials/ANNUALMDA14-\(1\)_v001_x4wlfk.pdf\)](http://www.hudbayminerals.com/files/doc_financials/ANNUALMDA14-(1)_v001_x4wlfk.pdf) (0.8 mb)

CSR Approach



Hudbay's success is tied directly to our ability to operate in a safe, socially and environmentally responsible manner and deliver sustainable benefits to stakeholders. Our corporate social responsibility (CSR) policies, systems, plans and practices are designed to drive ethical and responsible behaviour, manage risks effectively, and deliver shared value to our stakeholders. They are also aligned with our core values – we are responsible, proud, skillful and dynamic.

Our performance earned us accolades in 2014 and we are very proud of it. That's not to say that there were no issues. Our challenges included our safety performance in Manitoba, developing a local workforce for the Lalor mine, and managing the evolving expectations of our local communities in Peru. We have sought to present a balanced view of successes and challenges in this report.

Industry recognition

FUTURE 40 RESPONSIBLE CORPORATE LEADERS IN CANADA

Hudbay was named to the inaugural Future 40 Responsible Corporate Leaders in Canada by *Corporate Knights* magazine, as determined through the examination of the performance and reporting of more than 200 Canadian companies. The magazine describes the ranking as "shifting the spotlight to those corporate up-and-comers in Canada that are top sustainability performers."

Corporate Knights 2015
FUTURE40
Responsible Corporate Leaders in Canada

CIM-BEDFORD CANADIAN YOUNG MINING LEADERS AWARD

Eugene Lei, Vice President, Corporate Development, was a recipient of the 2015 CIM-Bedford Canadian Young Mining Leaders Award, which highlights the exceptional achievement and potential of young Canadian mining leaders. Eugene led Hudbay's acquisition of Augusta Resource Corporation.

ROBECOSAM INDUSTRY MOVER SUSTAINABILITY AWARD

Hudbay was recognized with the Industry Mover Sustainability Award in RobecoSAM's "The Sustainability Yearbook 2015", one of the world's most comprehensive publications on corporate sustainability.



ENTREPRENEURIAL CREATIVITY AWARD

(Concurso Creatividad Empresarial 2014, Categoría Servicios Públicos)

Hudbay Peru was recognized for creating a Technical Assistance Office that helps Chumbivilcas authorities in Peru qualify for public and/or private funding of public investment projects.

1ST IN MANITOBA MINE RESCUE COMPETITION

The Snow Lake/Lalor mine rescue team won the Manitoba mine rescue competition held in Thompson, Manitoba in May.

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Human Rights and Security



Upholding human rights is fundamental to sustainable development, and it is essential to the success of our business. Our Human Rights Policy (http://www.hudbayminerals.com/files/doc_downloads/Human%20Rights%20Policy%20HudBay.pdf) articulates our commitment to human rights, setting internationally accepted standards for business and labour practices, community participation and security measures.

Hudbay is committed to providing a secure environment for our employees and contractors, and to maintaining security practices that are mindful of the security and safety of our neighbouring community members. As core guidance on achieving these commitments, within our Human Rights Policy, Hudbay commits to the Voluntary Principles on Security and Human Rights (Voluntary Principles (<http://www.voluntaryprinciples.org/>)). A fundamental premise within this framework is that security of our personnel and property begins with our relationships with neighbouring communities and the professional conduct of employees and security personnel.

Our business units regularly train security personnel (company employees, contractors and public security who are on-site at our request) on aspects such as the United Nations (UN) Code of Conduct for Law Enforcement Officials and the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials. Company security supervisors and the majority of contracted security staff are unarmed except for government-mandated armed security guards at the two explosive storage areas in Peru.

In Peru, we regularly audit security policies and practices, and conduct gap analyses against the Voluntary Principles. Security personnel have five-minute huddles on policy and practice before each shift, and are given weekly refreshers on topics such as our Code of Conduct and general safety. They also attend monthly training programs on a list of 20 priority topics including the Voluntary Principles and the use of force. Security personnel work closely with Constancia's community relations team to maintain open lines of communication with local communities and mitigate potential issues.

Hudbay is named in three civil lawsuits relating to events prior to 2010 in Guatemala, where the Company once owned a controlling interest in Compañía Guatemalteca de Níquel (CGN) and its Fenix ferro-nickel

project. Based on investigations, eyewitness reports and other information, we are confident that the allegations are untrue and the cases will fail on their merits at trial. As such, we feel we have a responsibility to defend against these allegations. While we are empathetic to the circumstances that others may find themselves in, we believe the seriousness of this matter deserves full consideration of the facts available. These will further come to light as the legal proceedings unfold. To that end, we posted more information about the litigation (<http://www.hudbayminerals.com/English/Responsibility/CSR-Issues/The-facts-Hudbays-former-operations-in-Guatemala/default.aspx>) to our website in 2014.

2014 PERFORMANCE

- There were no reports of alleged human rights violations or violations involving rights of indigenous peoples in 2014.
- We advanced the corporate Human Rights Policy implementation, including establishing corporate stakeholder engagement and community response standards.
- A threat and risk assessment of our Manitoba sites was performed by a third-party security consultant to help us understand our security risk exposure and develop appropriate mitigation strategies.
- At the Rosemont site, which is within 50 kilometres of the Mexican border, we are building relations with border patrol, county sheriffs and the local FBI to monitor any illegal activity in the area and ensure adequate protection for Hudbay workers and assets.
- At Constanca, more than 170 Hudbay and contract security personnel (over 95% of our security force) received training related to respecting human rights. We also implemented our crisis management plans and trained all crisis action team members.
- In November 2014, the Hudbay crisis management plans were put into action when the Constanca property was occupied by members of a neighbouring community in an attempt to re-open discussions on the community agreement that had been in place for the past two years. Through a multi-party effort with community members and government officials, the situation was resolved safely and lawfully within two weeks. While the police were called to the site to maintain order, the situation was resolved without use of force and talks continue between Hudbay Peru and community representatives to avoid similar situations in the future.
- The next step in the process of expanding implementation of our Human Rights Policy is to develop an online training program for all employees and contractors. The training will provide an overview of human rights issues and their relevance to mining, and contribute to a company-wide understanding of Hudbay's expectations and requirements when it comes to human rights management. We expect the

training to support our business units in identifying and addressing site-level training needs and improve their mechanisms to mitigate and prevent impacts.

Stakeholder Engagement



Stakeholder dialogue is an essential element of our CSR approach. We identify stakeholders as individuals or organizations that are significantly affected by, or involved in, our operations and activities. Each business unit is expected to put in place stakeholder engagement practices that are consistent with Hubday's objectives while reflecting the specific context of its location.

In 2014, we introduced stakeholder engagement and community response standards and guidance documents as part of our human rights implementation plan. The standards are designed to:

- Provide clear corporate direction on expectations;
- Enable corporate oversight by senior management and the Board;
- Ensure adherence to public commitments; and
- Reflect good practice and emerging expectations.

By implementing these standards, we aim to build trust, strengthen relationships, reduce social risk and improve opportunities to create value for the Company and stakeholders.

In simple terms, stakeholder engagement is about connecting with people and organizations that can impact or be impacted by our business (such as investors, employees, communities and government). The objective is to listen, communicate and integrate their voices into our plans, keeping in mind that we are also part of these communities. Our engagement takes many forms, including: formal community meetings with community members and community governance bodies, participating in community activities, assessments and interviews, site visits, workshops, joint committees and more, so that there is a mutual appreciation of plans, priorities and concerns.

It takes a lot of planning and organization to accomplish successful stakeholder engagement. We also need to be disciplined about documenting our processes and communications to ensure that we are being proactive, engaging appropriately, and following up on our commitments and what we learn. Typical site processes and activities are as follows:

Step	Typical community engagement activities	In practical terms
Identify stakeholders	<ul style="list-style-type: none"> • Site map • Stakeholder register 	<ul style="list-style-type: none"> • Getting to know our neighbours and allowing them to know us
Understand	<ul style="list-style-type: none"> • Stakeholder map and profiles • Socio-economic profile • Risk management framework 	<ul style="list-style-type: none"> • Understanding the culture, concerns and aspirations as well as infrastructure (e.g., locations of nearby schools or hospitals)
Plan	<ul style="list-style-type: none"> • Stakeholder engagement plan 	<ul style="list-style-type: none"> • Making decisions together on the future and the best ways to co-exist
Engage	<ul style="list-style-type: none"> • Communication materials • Meeting notes 	<ul style="list-style-type: none"> • Workshops, meetings, joint committees, visits
Respond	<ul style="list-style-type: none"> • Stakeholder engagement logbook • Commitments register 	<ul style="list-style-type: none"> • Recording the progress of engagement for future reference

IDENTIFYING STAKEHOLDER INTERESTS

The top stakeholder priorities and concerns identified in 2014 are listed below. Additional information on many of the topics can be accessed by clicking on the relevant links.

Stakeholder group	How we engaged in 2014	Priorities and concerns
Shareholders, investors and analysts	<ul style="list-style-type: none"> • Conferences (11 events) • Investor meetings and conference calls (over 300 events) where issues such as CSR were discussed • AGM 	<ul style="list-style-type: none"> • Completion of Constancia project • Achieving commercial production at Reed mine and from Lalor main shaft • Completion of Augusta acquisition (Rosemont project) • Financial strength • Shareholder returns • Permitting and community relations

Stakeholder group	How we engaged in 2014	Priorities and concerns
Employees and contractors	<ul style="list-style-type: none"> • Quarterly companywide “town hall” meetings via video conference • Orientation and training programs • One-on-one and small group meetings – manager/staff discussions • Engagement events (potlucks, holiday parties, off-site staff luncheons) • Wellness activities and committee meetings • Preventative health events and flu shot clinics • Intranet 	<ul style="list-style-type: none"> • Health and safety • Work processes • Business performance • Understanding of compensation and benefits • Opportunities for personal development • Environmental requirements • Training for policies, permits or other requirements
Unions	<ul style="list-style-type: none"> • Meetings with union leaders on outstanding issues (monthly) • Frequent meetings in the last quarter to renegotiate collective bargaining agreements 	<ul style="list-style-type: none"> • Renegotiate collective bargaining agreements with unions • Grievances and grievance processes
Local communities and Aboriginal/indigenous groups/Native Americans	<ul style="list-style-type: none"> • Community information and consultation meetings • Community partnerships • Mine tours and open houses • Site grievance/community response processes • Community Relations offices • Cultural awareness workshops • Internet • Dialogue roundtables and agreements 	<ul style="list-style-type: none"> • Development project updates • Community investment • Safety and environmental concerns • Land use • Water use and quality • Cultural sensitivity • Cultural protection, awareness and dissemination • Local employment and procurement • Training programs for community members

Stakeholder group	How we engaged in 2014	Priorities and concerns
Government	<ul style="list-style-type: none"> • Meetings and agreements with local, regional, provincial and federal government officials and regulators • Joint initiatives with government for social investments 	<ul style="list-style-type: none"> • Permitting • Environmental compliance/mitigation • Aboriginal/indigenous/tribal relations (where applicable) • Economic contributions • Community and workforce development
Customers	<ul style="list-style-type: none"> • Direct contact • Industry and business forums 	<ul style="list-style-type: none"> • Achieving agreed terms of delivery for products • Compliance with environmentally and socially responsible performance and risk management
Suppliers	<ul style="list-style-type: none"> • Request for proposal processes • Delivery of services • Quoting • Contract modifications • Vendor letters • Showcase events 	<ul style="list-style-type: none"> • Business opportunities • Hudbay standards and expectations • Expense and payment processes (Local Suppliers in Peru) • Fair process and inclusion • Competitive and best value
Industry associations	<ul style="list-style-type: none"> • Association meetings • Participation in committees • Joint initiatives • Presentations and letters 	<ul style="list-style-type: none"> • Industry environmental, health, safety and community standards • Legislation • Education • Best practices

Stakeholder group	How we engaged in 2014	Priorities and concerns
NGOs	<ul style="list-style-type: none"> • Meetings and written communications • Participating in multi-stakeholder groups (e.g., Devonshire Initiative, Grupo Dialogo Minero) • Multi-stakeholder partnerships (e.g., STEM Network [Arizona] – Science Foundation, Asociación Vida Perú [manage donations of medicines and medical equipment]) 	<ul style="list-style-type: none"> • Community development and support • Education • Respecting community and human rights
Media	<ul style="list-style-type: none"> • One-on-one interactions with journalists, press releases • Meetings with editors and directors from key relevant media 	<ul style="list-style-type: none"> • Transparency and accountability on social and environmental issues • Presentations showing community and social investments and development
Other interest groups	<ul style="list-style-type: none"> • Online communities • Business peers (engagement through business bodies and initiatives) • Universities 	<ul style="list-style-type: none"> • Hubbay's management standards/performance in environmental and social management/economic contributions • Litigation regarding former operations in Guatemala • Collective business interest • Sharing knowledge and approaches to sustainability matters

Materiality



In 2014, we undertook a combined materiality, hazard and aspect assessment to guide both our CSR reporting and our management priorities. This assessment considered the environment, health, safety and community (EHSC) issues (or aspects) that are most significant to Hudbay in terms of business impact and the degree of stakeholder interest.

Facilitated by a third party, and using our 2011 materiality review and the new GRI G4 guidelines as a starting point, the assessment involved:

- **Internal and external research to identify and characterize EHSC aspects and stakeholder groups.** This included:
 - Consolidating lists of stakeholder groups identified by each Hudbay location;
 - Reviewing the prioritization assigned to each stakeholder group to arrive at a consolidated prioritization of stakeholder groups, based on Hudbay's impact on them and their impact on us;
 - Reviewing the hazards and aspects registers from the Manitoba and Peru management systems and consolidating them with the G4 aspects list;
 - Reviewing complaints and grievances received at our operating and project locations; and
 - Reviewing industry guidance, particularly components of the Mining Association of Canada's (MAC) Toward Sustainable Mining protocols, which are shaped by a community of interest panel organized by MAC.
- **Identifying stakeholder interests and potential business impacts of the identified hazards and aspects.** This included:
 - Reviewing Hudbay and public materials identifying topics and interests raised by different stakeholder groups;
 - Surveying a cross-section of Hudbay personnel who work with different stakeholder groups to gather input on stakeholder rankings of topics based on their contacts; and
 - Two half-day workshops with a cross-section of Hudbay personnel (from diverse functional areas, locations and levels) to review the survey data and agree on a consolidated ranking of stakeholder

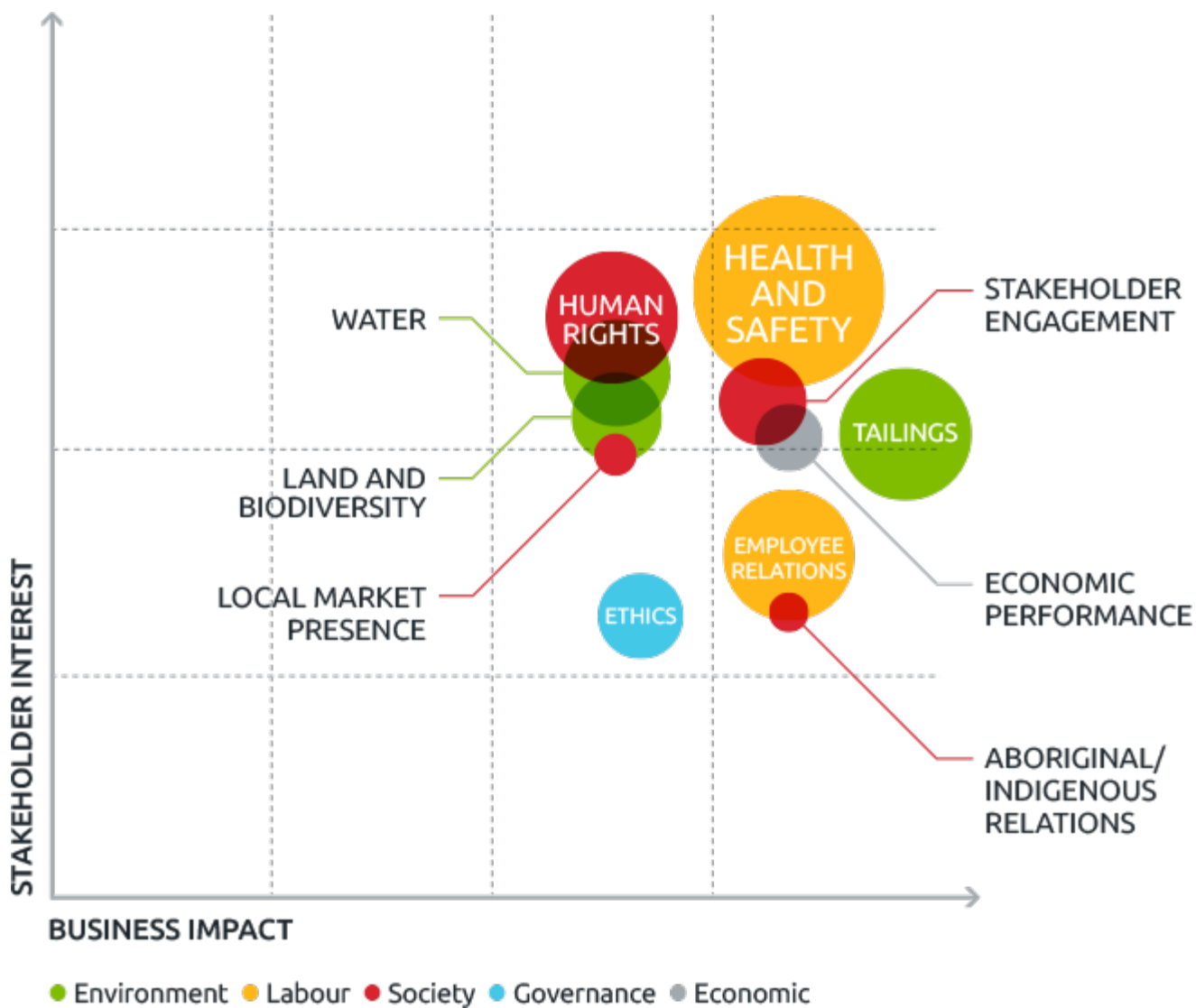
interests and priority business risk areas.

- Summarizing the workshop outputs into a materiality matrix identifying priority issues from both stakeholder and business perspectives, as well as other issues that will continue to be tracked and managed.
- Review of the process and conclusions with senior management.

MATERIALITY MATRIX

Eleven priority issues were identified through the materiality assessment. The aspect boundaries apply to all Highbay operations globally. Click on the issue in the diagram below for details on how it is being managed and 2014 performance.

MATERIALITY



This table indicates how material topics align with G4 aspects, which are reported in the GRI index:

Material topics	GRI (G4) aspects
Ethics	<ul style="list-style-type: none"> • Ethics and integrity • Anti-corruption
Human rights	<ul style="list-style-type: none"> • Security practices • Human rights grievance mechanism
Stakeholder engagement	<ul style="list-style-type: none"> • Stakeholder engagement • Environmental grievance mechanisms • Grievance mechanisms for impacts on society
Aboriginal/indigenous relations	<ul style="list-style-type: none"> • Indigenous rights
Health and safety	<ul style="list-style-type: none"> • Occupational health and safety
Employee relations	<ul style="list-style-type: none"> • Labour/management relations
Economic performance	<ul style="list-style-type: none"> • Economic performance • Indirect economic impacts • Procurement practices
Local market presence	<ul style="list-style-type: none"> • Employment • Closure planning • Resettlement
Land and biodiversity	<ul style="list-style-type: none"> • Biodiversity
Water	<ul style="list-style-type: none"> • Water
Tailings	<ul style="list-style-type: none"> • Effluents and waste

ADDITIONAL MANAGED ASPECTS

Additional issues were identified as relevant to Hudbay and important within Hudbay’s management framework, but not as high priorities in terms of broad stakeholder interest or specific business risk. These topics included corporate governance, energy and climate change, air emissions, and ethics and business practices. Supply chain sustainability was identified as relevant with respect to local suppliers and on-site contractors, but of lower priority with respect to major international suppliers. These issues are all included in

Hudbay's management processes, but are not emphasized in this report and, in accordance with GRI guidance, are not identified in the GRI index of this report.

BOUNDARIES

The materiality review was conducted on the initial boundary assumption of activities and facilities within Hudbay's management control (as described in the Our Company section of this report). Participants in the review process were then asked for cases in which boundary limits should be adjusted for specific aspects. The exceptions that were agreed to be appropriate based on stakeholder expectations and business risk are as follows:

- Safety statistics are tracked and reported for all contractor activities that are under Hudbay contracts and supervision;
- Environmental incidents related to transportation between Hudbay locations and local supplier activities are generally tracked and reviewed by Hudbay, but are not included in performance reporting in this report;
- Grievances are accepted and investigated with respect to local contractors, and are included in grievance numbers and characterization in this report; and
- Scope 2 greenhouse gas emissions are calculated and reported.

Supply Chain Stewardship



Mining is the first stage of a vast supply chain that transforms the Earth’s mineral resources into products that meet vital needs in every aspect of life. We focus our supply chain stewardship efforts on the activities where we can have the greatest influence – namely, our own operations, contractors working at our sites, local suppliers and Hubbay products up to the point at which they have been delivered to customers.

SIMPLIFIED SUPPLY CHAIN



Hubbay products are considered to be conflict-free minerals under applicable regulatory requirements, meaning that they are not produced in regions of armed conflict or human rights abuses.

OPERATIONS

All employees and contractors working at our sites are expected to meet the Company’s environmental, health and safety, and human rights standards, as described throughout this report.

SUPPLIERS

The direct supply chain for our copper concentrate and zinc metal products originates in Hubbay’s own mines in northern Manitoba, with the exception of some purchased zinc concentrate that augments Hubbay’s production as feed to our zinc metallurgical facility. The purchased concentrate represents 24% of the feed to the zinc metallurgical plant and is primarily sourced from NAFTA and European Union countries (19% of feed), with some sourced from Africa (5% of feed). Concentrate supplied from Africa does not originate from the Democratic Republic of the Congo (DRC) or from countries neighbouring DRC. Purchased zinc concentrate is processed into zinc metal, representing approximately 12% of Hubbay revenue.

The indirect supply chain for energy, goods and services used in the transformation of ore and concentrate into products includes thousands of suppliers. This supply chain includes operating supplies, maintenance supplies, energy and fuels as well as capital goods:

- In Peru, our supply chain in 2014 was all related to the capital investment in our Constancia project, ranging from engineering and construction services to mine haulage equipment and the grinding mills installed in the process plant. Our top 50 suppliers accounted for 94% of our spending, and 93% of our spending in 2014 was with suppliers based in Peru.
- In Manitoba, our supplier base is wider and relates to production operations and capital projects. Our top 50 suppliers represented 76% of our spending in 2014, and 90% of spending was with suppliers based in Canada, with another 9% of spending with suppliers based in other Organisation for Economic Co-operation and Development (OECD) countries. These suppliers provided goods and services including engineering services, electricity, spare parts for equipment, and capital equipment such as new underground haul trucks.

The top 10 suppliers and service providers to Hudbay in 2014 were:

Ausenco Peru S.A.C.	CN (Cad)
Cosapi S.A.	Manitoba Hydro
Ocean Partners USA Inc.	Primax S.A.
San Martin Contratistas Generales	Serpetbol Peru S.A.C.
Siemens S.A.C.	Stracon GyM S.A.

We believe that our greater stewardship responsibility is at the local supply level, because our influence is much greater with small local suppliers. Our major international suppliers have their own internal requirements and government regulations to comply with, and much of our procurement is in countries with robust environment, health and safety, and human rights regulation.

We therefore focus our supply chain sustainability efforts on encouraging and supporting local suppliers in fulfilling their social responsibilities, often working with them to establish appropriate health and safety, environmental or quality systems and processes.

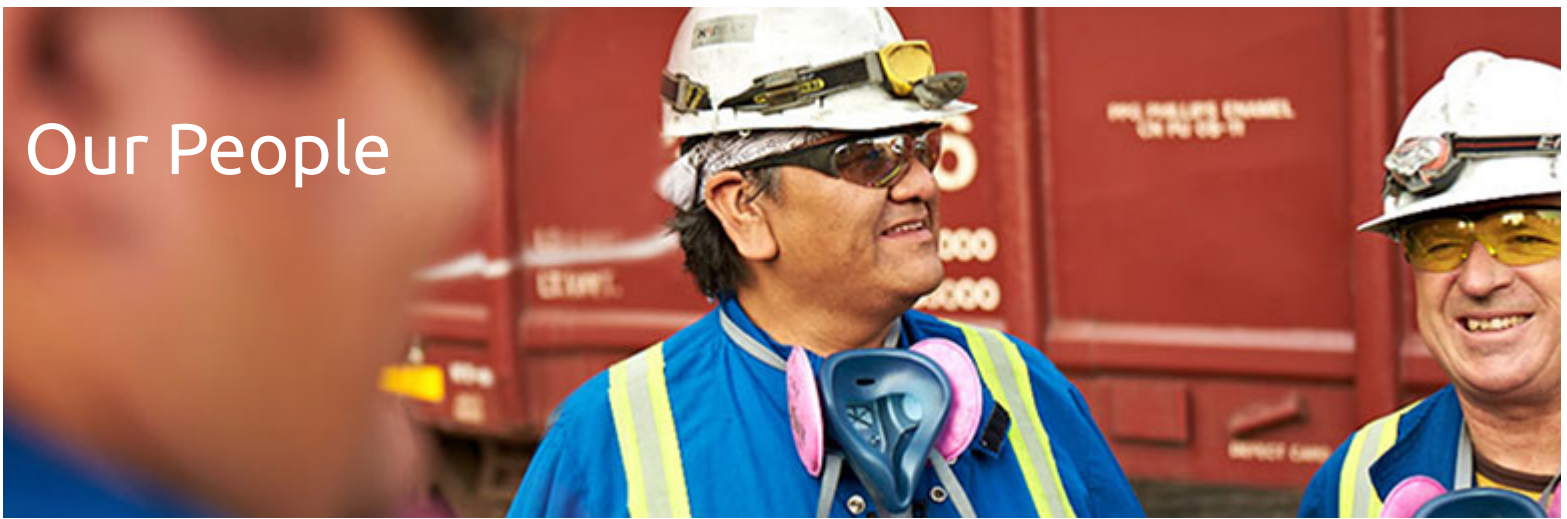
PRODUCTS

Our two main products, copper concentrate and zinc metal, come from our own mines in Canada and Peru, and from purchased zinc concentrate:

- 80% of copper concentrate is sold to smelters in North America and Europe, and 20% to smelters in Asia. From there, several stages of melting and purifying the copper content ultimately result in 99.99% pure copper, which provides the building block for many of life's essentials.
- We ship cast zinc metal produced at our Flin Flon zinc plant by rail and truck to industrial customers (primarily galvanizers who use it to protect steel from corrosion) throughout North America.

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

Our People



Approaching 90 years of continuous operation, Hudbay is as much a mining culture as it is a mining company. Like all cultures, we remain strong by building on our traditions and knowledge, and we remain current by ongoing learning, adapting to new influences and embracing new opportunities.

Hudbay knows that taking the right steps – committing to safety, embracing diversity, sharing skills and knowledge, and rewarding performance – can help our people and our company take giant strides.



Constancia puts safety on the “line”: 21 million hours and only one lost time accident in 2014

Building a large open pit mine is a complex undertaking that can require thousands of employees working “round-the-clock” shifts and using a vast array of heavy-duty construction vehicles and equipment, as well as explosives. With that understanding, Hudbay’s achievement in developing its Constancia mine in Peru is truly remarkable –

during peak construction, the teams working on the Constanca project logged approximately 21 million hours with just one lost time accident (LTA).

With over 7,000 workers, including contractors, on-site at any given time, there were only 14 lost time accidents in 38.6 million hours worked throughout the entire construction phase. The strong safety performance continued as the site moved into production. Constanca recorded a 0.1 LTA frequency in 2014.

The exceptional performance of the Constanca team starts with Hudbay's organization-wide commitment to safety. From the onset, safety was designated as the number one priority, and steps were taken to ensure that this commitment was reflected in action.

While the project management and safety teams played critical oversight roles, accountability for safety belonged with the line organizations. Ausenco, the engineering, procurement and construction management (EPCM) firm that Hudbay engaged for the project, led the charge. As the administrators of construction contracts and contractors, Ausenco's engineering and construction management teams delivered Hudbay's safety message to the project's various contractors and from there to individual work teams and employees, both craft and unskilled labour.

During the project, Hudbay hired workers from nearby communities, many of whom had never worked in a construction environment. Special communication materials about safety were developed for this group. Along with daily briefings and other more informal channels, these communications helped local workers develop a positive and proactive approach to safety-related issues. Later in the project, one of the tools Ausenco employed was the Positive Attitude Safety System (PASS). Already used at Hudbay's mines and projects in Manitoba, PASS is based on facilitated discussions at every level of an organization to increase individual involvement in recognizing and managing workplace risks.

Hudbay built a culture at Constanca where safety is a core value, and this was the key to 21 million hours with only one LTA in 2014.



A strong mining culture. A strong mining company: Building on shared knowledge.

Before acquiring Constancia, Hudbay had built more than 25 mines in the Flin Flon Greenstone Belt and developed a unique level of in-house expertise in VMS and porphyry deposits in the process. We also learned how important it was for Hudbay's leaders to be on the ground, to build ties to local communities and to make sure those communities benefited from our activities.

We were able to take all of these lessons with us to Constancia, our first open pit project in a very long time and our first major development outside Canada. Our VP of Exploration relocated to Peru as Hudbay's Vice President, South America Business Unit. Key personnel from other Hudbay locations also joined our Constancia team, applying their skills as required for assignments of varying durations. At the same time, we drew on the depth of mining experience in Peru by recruiting most of our project team locally, adding their knowledge to ours.

At Rosemont in Arizona, Hudbay is now drawing on the skills, insights and systems we developed in Constancia, with respect to engineering, financing, safety, environmental management and community relations, to guide our efforts.

As with Constancia, people are the key to leveraging this body of knowledge. We are building on the local Rosemont project team with some key members of the team that led the construction phases of Lalor and Constancia as well as experts from our Toronto office. Some will be full-time, others will divide their time between Rosemont and their responsibilities elsewhere, and some will work on short-term assignments.

The immediate impact of these moves will be to help advance project permitting and engineering at Rosemont. The long-term benefits of exposing our people to a wide

range of challenges and opportunities are equally valuable: enabling employees to fulfill their career aspirations, broadening our base of shared knowledge and strengthening the shared values and culture that define the way we do business.

Health and Safety



A culture of zero harm is our first priority. In an industry such as ours, where the consequences of safety incidents can be serious, we must ensure that our systems and processes equip employees with the knowledge, skills, equipment and support needed to perform their jobs safely. We also work closely with contractors to ensure that they maintain or exceed the same high standards at our sites.

Within two years of start-up, operations are required to be certified to the OHSAS 18001 health and safety management standard. In Manitoba, external evaluators perform semi-annual audits to confirm ongoing compliance. We also follow the Mining Association of Canada's Towards Sustainable Mining (TSM) health and safety protocols at operating sites within and outside of Canada. Internal assessments against the TSM protocols are performed annually and third-party verification takes place once every three years.

In 2014, we implemented a new integrated management software system across the Company to support the process of recording, investigating and tracking all types of incidents and non-conformances. This system is now in use at all Hudbay locations.

The Positive Attitude Safety System (PASS) is another important program for driving performance. The system has been in use for many years in Manitoba and was implemented by our EPCM contractor at Constancia. PASS is based on facilitated discussions at all levels of the organization, to increase each person's involvement in recognizing and managing workplace risks.

At operating sites, we maintain health stations for administering programs aimed at promoting and maintaining employee health and wellness. For example, in Manitoba, the programs include:

- Fibrogenic dust screening conducted at least twice a year;



Eleven people at our Manitoba operations were presented 35-year safety awards in 2014. Another 22 people received 25-year awards and 10 received 30-year awards.

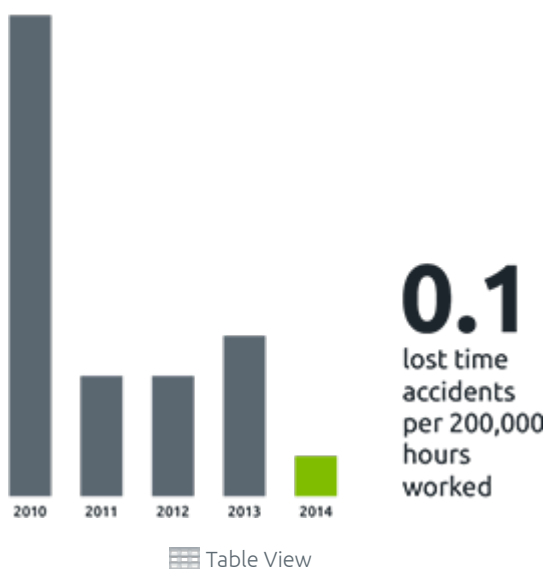
- Hearing surveillance tested at least annually; and
- Biological monitoring for workers who may be exposed to lead, cadmium or arsenic as part of their work. At the time of obtaining biological monitoring samples, employees are also counselled on proper respirator fit and use, personal hygiene, working and eating habits, smoking, alcohol and drug intake, and potential sources of metals exposures outside of the workplace.

Wellness programs have been launched at each location. They include lunch 'n learns, walking competitions, newsletter articles and targeted campaigns like the cold and flu campaign at the corporate office, where hand sanitizer, tissues and health tips were distributed to each employee. *Your Health Matters Here* is a place on the corporate intranet for employees to share information and experiences about health and wellness. The site invites them to propose corporate donations to charities and programs supporting health and wellness that reflect their personal interests.

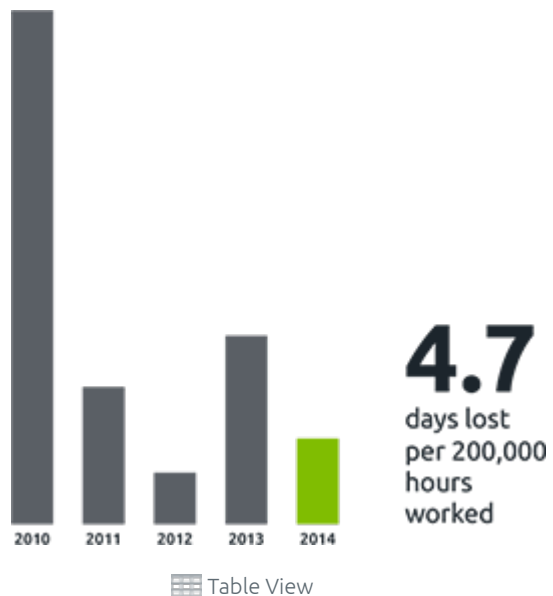
2014 PERFORMANCE

- Across the Company, the lost time accident (LTA) frequency was 0.1 per 200,000 hours worked, compared to 0.4 in the previous year. Lost time accident severity, which reflects the number of days missed, was 4.7 versus 11 in 2013. These improvements were largely achieved through the outstanding performance of the Constancia project.

LOST TIME ACCIDENT FREQUENCY

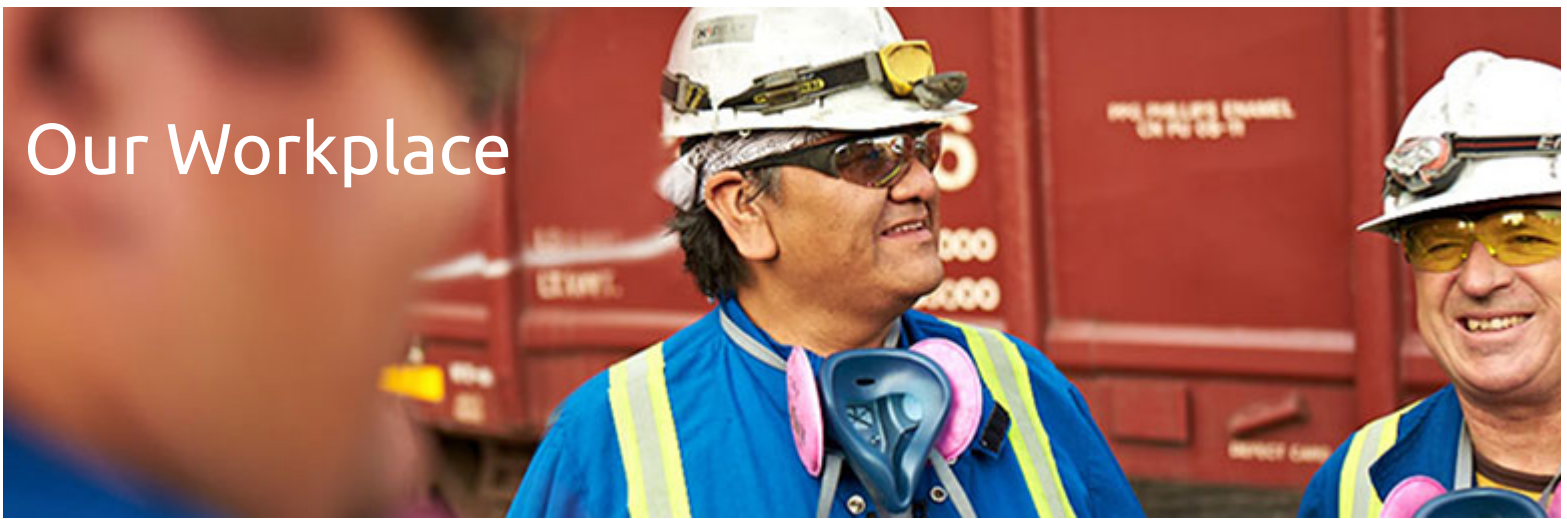


LOST TIME ACCIDENT SEVERITY



- Constancia maintained exceptional health and safety rigour throughout the entire development phase (see Constancia safety case study). The challenge will be to maintain the same level of safety awareness going forward.
- Constancia ran a health and wellness campaign that included 56 activities focused on physical fitness, mental health, social events and promoting a culture of environmental respect and safety at work.
- At Rosemont, a confirmation drilling program was completed with no significant safety incidents. Our health and safety team provided orientation and hazard awareness to all contractors on-site. We also maintained a strong safety and security presence during the program to ensure emergency protocols and Mine Safety and Health Administration (MSHA) standards were being met.
- The new Reed mine was brought online with zero LTAs throughout construction, and Lalor had just two, with none in 2014. These are both underground mines that presented unique safety challenges. With both mines coming into full production and requiring more workers underground, we expanded our Manitoba mine rescue teams to ensure adequate protection in the event of an emergency. After 40 hours of training, 15 new mine rescue aces were certified at Flin Flon and Snow Lake.
- The Manitoba Business Unit registered a 1.0 LTA frequency in 2014. We were not satisfied with this LTA performance and will place renewed emphasis on PASS implementation in every part of the operations in 2015. With the company-wide information management system installation now complete and all supervisors trained in its use, we plan to increase rigour around root cause investigations for all incidents.
- The Manitoba zinc plant recorded zero LTAs for the second straight year and had only one restricted work case in 2014.
- The 777 mine was shut down for eight days due to an equipment malfunction that saw the ore conveyance become lodged in the mine's main production shaft. Teams from 777 and Lalor worked closely with the provincial mines branch to safely complete complex repairs within the mine shaft. The internal investigation of this incident resulted in new procedures to prevent any future occurrences, as well as the design of novel load-sensing technology in the headframe that will both reduce the risk of reoccurrence and provide additional operational benefits. We are now investigating installing this technology at our Lalor mine as well.

Our Workplace



Skilled, engaged and conscientious employees are the kind of people we want at Hudbay. Our human resource policies and processes are designed to attract, retain and engage them.

Attract – We recruit qualified and exceptional people based on business needs. Our processes prioritize hiring locally, ensuring job candidates represent diverse backgrounds, and planning for succession to top roles.

Retain – In accordance with our Code of Business Conduct and Ethics (http://www.hudbayminerals.com/files/doc_downloads/governance_documents/CodeofConductApr2013_v001_e86p67.pdf), all individuals are to be treated with respect and dignity. We do not tolerate discrimination on the basis of race, colour, religion, gender, national origin, age, sexual orientation or disability or any other category protected by applicable laws. There is also zero tolerance for fraud or corruption. Violations of the Code are subject to prompt and consistent action, which may include termination. Employees are encouraged to report issues of this nature to a supervisor or department head, or to the confidential whistleblower hotline.

We respect the rights of workers to join unions and engage in collective bargaining without interference or fear of retaliation, and we work to build productive relationships with these unions in order to collaborate on key matters. Approximately 65% of our workforce (1,091 employees) is represented by a union.

Engage – Hudbay offers safe and meaningful work and competitive pay and benefits wherever we operate. Programs like the Continuous Improvement Process Optimization (CIPO) initiative in Manitoba promote employee involvement. Information sharing and knowledge transfer across our operations is encouraged through short- and long-term international assignments, a vibrant intranet and online tools, and frequent senior management visits and communications (see knowledge transfer case study).



13% of Hudbay Manitoba's workforce self-identifies as Aboriginal, compared to 4.3% of the total Canadian population (source: Statistics Canada, National Household Survey, 2011). The Mining Association of Canada reported in 2012 that 7.5% of the Canadian mining workforce was Aboriginal.

To promote diversity and inclusion, we have held Aboriginal cultural awareness workshops for Hudbay employees in Canada for the past three years, with more than 200 participants. Approximately 13% of our Manitoba workforce self-identifies as Aboriginal. We want to make sure that our people respect and understand one another.

2014 PERFORMANCE

- Hudbay welcomed 28 new employees with the acquisition of Augusta Resource. Senior managers and Human Resources representatives met with each person individually to find out more about his or her role, career aspirations and impressions of the project. The Vice President of Business Development and Technical Services from our Toronto office was appointed Vice President of our new Arizona Business Unit and moved to Tucson. He set up transition teams and met weekly with employees throughout the integration process. He also issued ad hoc email updates to address new developments and employee questions. A dedicated section of the Company intranet was created to support and inform the Rosemont integration. Several Hudbay project managers from Lalor and Constanica are moving to Rosemont on three-year assignments to ensure that the knowledge gained from these projects is transferred to this latest project (see knowledge transfer case study).
- In Peru, our workforce numbers declined dramatically – from over 7,000 workers to a few hundred, with the wind-down of construction activities as Constanica moved to operation. Going forward, we expect to employ 313 people directly, and our mining contractor, Stracon GyM, will have about 400 people on-site. Our human resources and community relations teams worked closely together to help people return to their previous livelihoods or train for other work (see Local Hiring and Skills Development). Seventeen new full-time employees were hired from the local area in 2014 for operations and logistics roles. They spent the first two weeks in an onboarding program, learning about company values and general information, health and safety, and Constanica policies, procedures and benefits.
- In addition to transferring existing Manitoba employees to the Snow Lake and Reed operations, we hired 153 new employees in Manitoba, representing a wide range of mining occupations including miners, mechanical and electrical trades, technical support staff, and management. Most were experienced people from northern Manitoba who had previously worked as contractors to Hudbay. All newly hired employees participated in the Hudbay Manitoba orientation program to review employee policies and procedures, and explain our safety practices and OneHudbay culture.

- We continue to face a challenge in finding employees who want to live full time in Snow Lake. We have had to maintain an accommodation camp for workers commuting from Flin Flon and more distant communities in order to meet the workforce requirements of the Lalor mine and Snow Lake concentrator. We continue to evaluate options and work with the community to develop a viable model that builds a stable, skilled workforce while optimizing the proportion of employees living in the local area.
- In 2014, we started negotiations for the renewal of collective agreements with our unions in Manitoba. In keeping with the business unit's commitment to communicating openly and often, weekly negotiation updates were issued to all staff employees.
- The CIPO program in Manitoba continued its goal of engaging all employees in identifying projects to improve efficiency and create value and financial benefit. Projects in 2014 ranged from increasing copper recovery in the Flin Flon concentrator to extending the life of paddle wheels at the zinc plant through management support and employee involvement. The results were a financial benefit in 2014 of \$7.01 million versus a CIPO program target of \$5 million.
- We conducted seven Aboriginal cultural awareness workshops in 2014, with 85 participants in Flin Flon, Snow Lake and Toronto. The two-day workshop covers historical and contemporary issues that Aboriginal people experience in Canada. Going forward, it will be expanded to include land-based teachings, current social media issues, protocols and ceremonies.

The image shows two men in industrial safety gear. They are wearing white hard hats with headlamps, safety glasses, and blue high-visibility work shirts with reflective yellow stripes. They are both smiling and looking towards the right. In the background, there is a red fire truck with some text and numbers visible, including '1000' and '1000'.

Training and Development

Hudbay's training and development programs are designed to ensure that our people have the skills, knowledge and opportunities needed to work safely and responsibly, deliver our business strategy, and achieve their career aspirations. There are programs for every stage of a person's career. Here are some examples:

- Many of our people are hired from local communities. We offer a variety of training programs to help them qualify for work at Hudbay and to advance their careers within the Company. See [Local Hiring and Skills Development](#) for current programs.
- As our global footprint expands, international assignments are an attractive option for professionals looking to gain experience and hone their skills in new environments. We encourage high-potential employees to participate in short- or long-term assignments at different locations. Those who take on expatriate roles are expected to transfer knowledge and skills to the local workforce.
- We provide English and Spanish language training to support communications between individuals across Hudbay.
- Apprenticeship programs cover a wide range of trades including electrical, boilermaker/welder, mechanic, machinist, pipefitting and carpentry. Apprentices follow a prescribed program that includes working with a journeyman and attending school at the Company's expense. We also support apprenticeship programs of the Northern Manitoba Sector Council by providing job placements.

Social Impact



When Hudbay was founded in northern Manitoba, the beginning of a town was created too. The Company and the town of Flin Flon have both grown over many decades. We understand the impact mining has on people and communities – and we take care to build long-term relationships, create partnerships and develop programs to ensure a lasting, positive impact.



Same-day opening of Lalor and Reed strengthens Hudbay's connection to northern Manitoba

Both Lalor and Reed are in the same region of northern Manitoba that CEO David Garofalo described as the “foundation of Hudbay’s success”. The two mines are projected to create more than 370 full-time jobs and to generate millions for the local economy. Although we are currently encountering recruiting challenges as we staff up at Snow Lake, the impact of Lalor, which is expected to operate for at least 15 years, will be particularly significant.

“Mining has been an important part of Manitoba’s economy for decades and these new mines will produce real benefits for local communities, including employment,” said Dave Chomiak, Manitoba’s Mineral Resources Minister. Chomiak also observed that Hudbay would be one of the few companies worldwide to open three mines in 2014. The Minister’s remarks were echoed by Snow Lake Mayor Clarence Fisher, who said “economic development is about both profits and people” and further noted that the Lalor mine would help provide a generation of stability for the area.

The efficient execution of every aspect of these projects – from exploration, permitting, project management and construction – is a testament to the skills and dedication of our employees and partners and to the strong relationships we have built with local communities and all levels of government.

Lalor met all of its key production milestones and was completed on time and on budget. Reed, built inside the Grass River Provincial Park and developed with innovative solutions to minimize its environmental footprint, achieved commercial production ahead of schedule and under budget. Both projects were also notable for their remarkable safety records. During construction, Lalor reported more than 1,000 days without a lost time accident (LTA) and Reed was completed, over the course of two years, without one LTA.



Supporting long-term self-sufficiency: Community investment in Chilloroya and Uchucarco

Local voices must be heard so local ambitions are realized. This means doing more than creating jobs – it means collaborating to improve local health care and

infrastructure, or even providing Internet access in Peru.

Hudbay's Constanca project in Peru is located in a region of extreme poverty, with two communities, Chilloroya and Uchucarco, in what we define as our area of direct influence.* Working with the leadership in both communities, and officials in the regional government and NGOs, we negotiated long-term agreements that provide land to each community in compensation for community land used by the mine and assure payments of 160 million Peruvian Soles (approximately \$60 million). Approximately \$20 million of this amount was paid directly to community members in 2012, and the balance is paid in annual installments over a 15-year period. The agreements clearly define commitments to use these annual installments to invest in health, education and social development in Chilloroya and Uchucarco.

To ensure these investments have the positive impact that all parties to the agreements intended, the land sale agreements established multi-sectorial committees for development (CMD) with each community. Each CMD is made up of representatives from Hudbay and the local community, and it is charged with evaluating needs, setting priorities and monitoring implementation of the development plans. This approach was recognized with the 2013 Sustainable Development Prize, awarded by the Peru National Society of Mining, Petroleum and Energy.

Hudbay has met all of its obligations under both agreements, and invested in a wide range of initiatives, including an electrical power distribution system, providing 410 families in Chilloroya with better electrical service; improvements in the local health centre at Uchucarco, which included enabling the centre to hire a doctor, an obstetrician and a nurse; and the "Learn and Begin" program, aimed at helping students throughout Chumbivilcas province improve their reading and math skills.

We continue to work closely with the CMDs and the communities. In 2014, some members of the Uchucarco community sought to re-open discussions on their community agreement. Through a multi-party effort with community members and government officials, we were able to work through the challenge.

* Source: National Institute of Statistics and Informatics (INEI) in Peru



Having a positive impact: Managing change in Constancia

During the height of the construction phase of our Constancia project in Peru, there were more than 7,000 people on-site, working in round-the-clock shifts. Of these, over 1,000 were local workers, surpassing our commitments with the communities. In fact, during the peak of construction, we employed an average of 32% more locals than the number committed to in our community agreements. In addition to providing jobs and on-the-job skills training, we signed agreements for scholarships with Peruvian universities to develop mining education and training programs and worked with technical institutes to provide semi-skilled trades and heavy equipment training.

We also engaged local businesses to provide us with a variety of goods and services, ranging from packaged meals and laundry services for our work crews to heavy equipment rental and maintenance.

However, it takes many more people to build a mine than it does to operate one. So as the development phase of Constancia wound down, the need for people and supplies declined correspondingly. From the day the first shovel went into the ground, we made it a priority to be sure that everyone involved in the project knew when construction would end and what our requirements would be going forward for employees and service.

We held several meetings with our main contractors well in advance of the transition. Our community relations group helped create community employment committees, and together with our local employment and procurement teams, they organized meetings to agree on a structured format for demobilizing the workforce and the heavy equipment that had been leased from local community pools. The goals were to minimize, as much as possible, the impact of the change and to find

other sources to substitute or complement the income generated by the construction. As part of the awareness campaign, letters and posters were distributed throughout the communities.

As Constanica moves toward becoming an operating mine, we expect to employ 313 staff on a full-time basis, while our contractor, Stracon GyM, will have on-site jobs for approximately 400 people. Most of these positions will be in logistics or operations and open to local workers. We are supporting a number of skills development programs designed to help them qualify, and we were able to hire 17 people from local communities in the crusher area in December 2014 as a result of their technical training.

The region is home to several mining operations in different stages of development. For both employees and suppliers, the experience and skills gained at Constanica will make them attractive to other employers. We are also helping many local workers make a successful transition back to their traditional roles in farming and ranching through training in new technologies and evolving best practices in farming and cattle breeding.

Economic Contributions



Hudbay strives to create sustainable value for our shareholders while simultaneously contributing to social and economic progress in the regions where we operate.

In 2014, Hudbay contributed:

- 1,668 permanent jobs, 9,894 contractor jobs (full-time equivalent positions based on hours worked) and 49 summer student jobs
- \$200.9 million in wages and benefits
- \$9.2 million in municipal taxes and grants
- \$13.5 million in funding to local communities through land use payments (including lump-sum life of mine land acquisition payments), new housing and infrastructure related to resettlements, and voluntary community investments
- \$0.9 million in charitable donations

In 2014, our net payment to governments related to our projects and mining operations, other than municipal taxes and grants, was a net credit of \$16.8 million. This represents payments to governments in Peru and the US of \$6.5 million, less a net credit in Canada of \$23.3 million related to re-filing prior-year tax returns to reflect the New Mine status of the Lalor project.

PAYMENTS TO GOVERNMENTS

Hudbay is a supporting company of the Extractive Industries Transparency Initiative (EITI) in its efforts to establish a global standard for transparency regarding the host country governance of natural resources and full disclosure of government revenues from its extractive sector. Our Peruvian subsidiary, Hudbay Peru SAC, as a member of the Peruvian Mining Society, is supporting the EITI process in Peru.

In Canada, we were actively involved in an initiative undertaken by the Resource Revenue Transparency Working Group, a collaboration of Canadian exploration and mining associations and civil society organizations, to provide Canadian federal and provincial governments with a blueprint for a government payment reporting framework for all publicly traded mining companies.

The timing of payments and level of tax-deductible expenditures on Hudbay's growth projects result in significant variances in period-to-period comparisons of taxes paid. We expect taxes paid in 2013 to 2015 to be relatively low as a result of the tax-deductible finance expenses and mining expenditures to develop our growth projects along with the available tax credits associated with these expenditures. The tax treatment of these items is important because mining is highly capital intensive and requires substantial early-stage expenditures. After our projects commence commercial production and the early-stage expenditures associated with our growth projects are deducted for tax purposes, a higher level of taxes is expected to be paid in future periods.

In anticipation of the reporting requirements under Section 1504 of the *Dodd–Frank Wall Street Reform and Consumer Protection Act*, and the new *Extractive Sector Transparency Measures Act* in Canada, Hudbay has worked to expand our internal reporting process to more fully identify payments to government. This report includes data collected based on the original regulators that were proposed under the *Dodd–Frank Act* (which have since been struck down).

Community Development



Mining can play an important role in sustainable development by acting as a catalyst for positive change. We recognize the importance of contributing to an environment in which both the community and our business can flourish.

Hudbay's community development efforts focus on:

- Helping communities build capacity to ensure sustained prosperity;
- Supporting community efforts to improve the quality of the natural environment; and
- Contributing to social cohesion and community spirit.

When we enter a region, we engage with the communities to understand their social and economic development needs and priorities. From there, we create programs focused on delivering lasting benefits, in strong collaboration with the community.

In Peru, we made specific commitments to invest in health, education and social development as part of the land use agreements with the communities of Uchucarco and Chilloroya. Multi-sectorial committees for development (CMD) comprising Hudbay and community representatives approve and oversee the projects being carried out using the proceeds of the agreements (see community investment case study).

In addition, we signed co-operation agreements with communities in our indirect areas of influence, which spell out social development projects that we will work on together within a specified voluntary budget provided by Hudbay. We also engage with different levels of government and prioritize development projects that can be implemented as public-private partnerships.

In Canada, Hudbay's first mine gave rise to the towns of Flin Flon and Creighton, and we remain an integral part of the social and economic fabric of the region almost 90 years later. From 2008 to 2012, the Hudbay 80th Anniversary Project supported 28



Hudbay Peru published and distributed a stunning photo book in English and Spanish, to increase understanding of the rich culture and history in the province of Chumbivilcas and to promote tourism there. The Spanish version (<http://lazosdeoro.pe>) is also available online.

projects from a \$1 million capital pool established to benefit community initiatives. Today, we place heavy emphasis on educational support and training, as a means of strengthening community capacity and building a local talent pool available to Hudbay and other employers. We are a primary supporter of the Northern Manitoba Mining Academy and we have strong affiliations with local universities, colleges and high schools.

We are in the process of finalizing a corporate community investment policy that will articulate our standards for donations, sponsorships, funding to community programs and funding that flows through community agreements.

2014 PERFORMANCE

- Hudbay is re-establishing its presence in the town of Snow Lake where the new Lalor mine is located. In 2014, we helped fund construction of the Golden Vista housing development. Fourteen of the 18 suites will be used as bridge housing for Hudbay employees moving to Snow Lake with their families.
- We donated \$410,000 to community initiatives and university research benefiting the Flin Flon/Snow Lake area, primarily in the areas of health, education, environment, culture and sports. Major contributions (\$10,000 or more) included:
 - The Green Project – multi-year project aimed at accelerating restoration of forest land around Flin Flon and Creighton
 - Woodland caribou research and management
 - SAFE Workers of Tomorrow conference
 - United Way of Winnipeg
 - Flin Flon Junior Bombers hockey team
 - University of British Columbia Industrial Research Chair in Hydrometallurgy
 - Indspire’s Soaring: Indigenous Youth Career Conference at the University of Manitoba – Hudbay contributed more than \$25,000 to enable students from communities near our Manitoba operations to attend the conference
 - Indspire’s scholarship program: Hudbay made a \$25,000 donation as the first of a three-year commitment to support university and college scholarships for Aboriginal youth in our area of northern Manitoba. These funds are matched through a federal government program, providing a total of \$50,000 per year of new scholarship funding.
- In Arizona, we are moving to assess local needs and priorities, and develop community investment plans. Contributions in 2014 included: the first of a three-year, US\$10,000 per year commitment to the National Math and Science

Initiative earmarked for the Sahuarita School District in Sahuarita, Arizona; more than 20 college scholarships of \$1,000 to \$2,000 each; sponsorship of the El Tour de Tucson cycling event; a partnership with the University of Arizona for student athletes as well as an ongoing partnership with the Department of Natural Resources to support graduate student research; and donations to local 4H clubs for STEM (science, technology, engineering and mathematics) scholarships.

- Huiday Peru won the Entrepreneurial Creativity Award in the public service category (Concurso Creatividad Empresarial 2014, Categoría Servicios Públicos) for creating a Technical Assistance Office that helps Chumbivilcas authorities set up the structures and processes needed to qualify for public and/or private funding of public investment projects. In a one-year period, the number of approved projects increased threefold and the municipalities in the province were slated to receive more than US\$18 million in funding.
- After three years in Peru, we have built a strong track record of investment through community agreements. Here are some examples:

Project	Impact	Community/ Province
Electric power distribution system	Reliable electricity supply for 410 families	Chilloroya
Basic sanitation system	Better health conditions for 428 families (2,140 people)	Chilloroya
School facilities, including buildings, virtual classrooms, sports facilities and a computer centre	Benefiting more than 1,600 students and teachers	Chilloroya, Uchucarco, Casa Blanca, Merques, Huaylia, Collana Alta
Farm machinery purchase	Benefiting 71 people who formed a company and are expanding their business	Casa Blanca
Home gardens training	113 families trained in vegetable crop production	Uchurcarco, Merques, Collana Alta
Learn and Begin program	80% of students improved their reading comprehension and mathematical reasoning	Chumbivilcas
Milk production improvement	75% increase in milk production benefiting 200 farmers	Uchucarco
Meat and wool productivity improvement	75% increase in sheep meat and wool production benefiting 100 farmers	Chilloroya

- We have also partnered with various levels of government, universities and other organizations in Peru over the course of the last three years to provide essential services:

Institution	Project/Objective
Velille District Municipality	Support “Sierra Productiva” project to help agricultural entrepreneurs
Livitaca District Municipality	Co-financing for improvement and expansion of basic sanitation system and Technical Institute equipment
Cusco Regional Government and Chumbivilcas Province Municipality	Financing pre-investment studies for Chumbivilcas hospital
Development and Social Inclusion Ministry and Cusco Regional Government	100% financing of capabilities development for Chumbivilcas Young People Pilot Project, which helps young people make the transition from school to work
Agriculture and Irrigation Ministry	Boosting agricultural and livestock development program in Chumbivilcas, through Agroideas Program, improving family income of Velille residents, using modern irrigation systems, pasture cultivation, livestock breeding, and construction and implementation of a dairy factory at Cullahuata, among others
Labour and Employment Promotion Ministry	Collaborate in training, networking and employment of vulnerable populations near Constancia
Energy and Mines Ministry	Support “Cocina Perú” national program through delivery of gas stoves to residents in Chumbivilcas and support the distribution and installation of solar panels in local facilities
Universidad Nacional de San Antonio Abad del Cusco (UNSAAC) and the Universidad Nacional San Agustin de Arequipa (UNSA)	Scholarship funds (including the Hubbay Grant and the Hubbay Classroom) to jointly develop education and training projects and improve infrastructure
Asociacion Vida Peru	Agreement to manage donations of medicines, medical equipment, educational materials and other goods from abroad, and to fund all logistics needed to deliver the goods to the poorest populations near Constancia Lead medical and solid waste collection campaigns in local communities and surrounding districts

Local Hiring and Skills Development



We know from experience that local people are more likely to stay with the Company and live in the community long term – so the benefits grow over time, sustaining the community as much as it serves our company. Hudbay training supports the ability of people to find work that helps families, communities and economies thrive.

In Manitoba, we are a member of the Northern Manitoba Sector Council (NMSC), and we partner with the NMSC, Workplace Education Manitoba (WEM), University College of the North (UCN), Workplace Essential Skills Training (WEST) Centre and First Nations communities on training to support first steps in mining career paths. The primary focus is on recruiting local job candidates through community meetings and relationship building, and on providing basic industry and mining skills training so that candidates can succeed in their roles once they join Hudbay. Hudbay is also a strong supporter of the Northern Manitoba Mining Academy.

Within the land acquisition agreements with the communities of Uchucarco and Chilloroya, we committed to employing 800 to 1,100 local people each month during construction. We surpassed our commitment by an average of 32% during the peak period. We also signed agreements for scholarships to Peruvian universities to develop education and training programs, and partner with local technical institutes for semi-skilled trades and heavy equipment training. The intent is to help local people acquire skills through Hudbay-sponsored training programs and on-the-job experience so that they can apply for future jobs, either with our company or others in the region. See details below.

In Arizona, there is a wealth of mining skills in the area near the Rosemont project, which we are drawing on as the project progresses. Interestingly, some of the key members from the Constancia project team who are now working on the Rosemont project hail from Arizona and are enjoying being “back home”.

2014 PERFORMANCE

- In Manitoba, we hired 92 people for the Snow Lake and Reed operations, although we were unable to fully achieve our hiring objective at Snow Lake due to recruiting

challenges. While many of our new hires were experienced operators and miners, we also hired entry-level employees who are completing a one-year training program that takes them from orientation and entry-level training to assignments in various parts of the mine before becoming full-fledged operators.

- We collaborated with the Northern Manitoba Sector Council (NMSC), Workplace Education Manitoba (WEM), University College of the North (UCN), Workplace Essential Skills Training (WEST) Centre and Opaskwayak Cree Nation on the 16-week Introduction to Industry training program and are working on refinements to improve its future impact. Thirty-seven students participated in 2014.
- The NMSC introduced a unique apprenticeship program for northern Manitoba Aboriginal candidates that will provide them with Red Seal trade certification. Over the course of four years, apprentices will spend two months of each year in in-class technical training and 10 months on the job. Hudbay will support the program by providing 10-month job placements. Of 200 applicants, 35 students began the program in 2014.
- With the shift from construction to operations at Constancia, workforce requirements were reduced. Going forward, we expect to employ 313 people directly, and our mining contractor, Stracon GyM, will have about 400 people on-site. Most of the positions are in operations and logistics, and suited to the capabilities of local community members. We have put in place a number of programs to help them qualify:
 - An eight-month technical training program delivered by CETEMIN Institute equips people to work as operators in the crusher, tailings and mechanical maintenance areas. More than 175 people enrolled and some have since started to fill positions at Constancia. Seventeen were hired in the crusher area in December 2014.
 - We plan to hire 40 employees for housekeeping and kitchen help at the Constancia camp. Sixty people are participating in a four-month training program for these positions.
 - Twenty young people, including two women, participated in a three-month training program at Tescup, the Peruvian technical training organization, to work as mechanics at Constancia. Eleven passed the course and are doing paid internships with Stracon.
 - We collaborated with Stracon on a heavy truck training program that will start in 2015. There are about 20 250-tonne trucks at the site and operating them requires specialized training.
- At the completion of Constancia construction, many community members returned to their traditional livelihoods of farming and ranching. We are providing training to help them generate stable income and improve long-term productivity. This included training more than 100 families on how to improve vegetable crop

production so they can sell their fresh produce to our operations and in local markets. Although temporarily closed due to budget constraints, the Arizona Experimental Centre is an education and training centre built near the Constancia site to teach community members new technologies and practices in farming, pasture management and cattle breeding. The centre includes classrooms, laboratories and a plot of land for testing alternative crop and growing practices.

- At Rosemont, we continued to support an internship program with San Miguel High School. The high school is located in Tucson's economically depressed south side where 50% of adult residents do not have a high school education. At San Miguel, students take a full college preparatory course load while simultaneously holding internships in corporations and earning nearly 40% of their school tuition. Four of these students currently work at the Husbay Arizona Business Unit offices.
- The Arizona Business Unit continued to support the Department of Natural Resources at the University of Arizona through funding and a field laboratory that gives students an opportunity to perform work at our on-site test plots. The program has resulted in a number of master's degrees, theses and papers, helping equip students with the credentials they need for their future careers.

Local Purchasing



Hudbay makes best efforts to support local suppliers and purchase goods and services from qualified, cost-competitive vendors and contractors from the surrounding areas. We also help build the capabilities of local suppliers so they can win business from Hudbay and other customers.

Local procurement can help lower product costs, reduce delivery times and increase the number of supplier options available to Hudbay. There are generally opportunities for local businesses in construction, maintenance, transportation and catering.

In Peru, we are honouring commitments to give first consideration to local suppliers for services such as equipment rental and catering, as set out in the life of mine community agreements. We also help them register their business and formalize quality standards and procedures so they can qualify for potential business opportunities with other companies and we work with them on sales and marketing strategies.

In Manitoba, we have longstanding relationships with local transportation and construction contractors. We work closely with these suppliers, often helping them establish systems and processes to fulfill their social and environmental responsibilities.

We are currently developing a corporate policy that will record our standards for local purchasing and employment.



During construction, local caterers supplied 20,868 boxed meals each month to the Constancia project.

2014 PERFORMANCE

- Hudbay had approximately 400 rental agreements with local entrepreneurs, who supplied equipment during construction at Constancia. Food was also purchased

from 13 local caterers (businesses that the Company helped establish). In 2014, purchases from local enterprises totaled over \$35 million.

- Seventy-two companies near the Constanica project (mainly focused on heavy equipment and light vehicle services) can now bid for contracts at other mining companies, following completion of Hudbay-coordinated training and the acquisition of documentation demonstrating their capacity to maintain international health and safety, environmental and quality standards. We are combining all of the training materials and plan to publish a manual for local entrepreneurs in 2015.
- Constanica entered an agreement to purchase 2,500 loaves of bread daily from a local bakery. We are conducting training at another local bakery so that it can qualify as a cake and pastry supplier, and we plan to do the same for local launderers and vegetable farmers.
- In Manitoba, we attended a Snow Lake chamber of commerce meeting to explain Hudbay vendor processes and encourage suppliers to bid on our business. Seventeen Snow Lake firms were suppliers to the Company in 2014. Payments to suppliers located in our region of northern Manitoba and northeast Saskatchewan totaled \$55 million in 2014.

Community Relations



We understand that earning our social licence means effectively engaging with people so they understand how mining will change their community and how mining can strengthen it too. We must address their concerns about mining and competing land use priorities, and demonstrate how our operations can provide meaningful, long-term benefits. And, above all, we must earn and maintain respect, trust, understanding and collaboration. On this foundation, stable relationships are built.

Each business unit conducts its own stakeholder analysis and implements a stakeholder engagement plan to build relationships, understand local concerns, and respond to them. This practice is now documented in our newly adopted Stakeholder Engagement Standard. We also implemented a company-wide Community Response Standard (also known as a grievance process) to ensure complaints can be signaled and then appropriately documented, investigated and addressed.

In Manitoba, we engage regularly with the Flin Flon and Snow Lake communities. Recent discussions have focused on training and job opportunities for the people of northern Manitoba (see Local Hiring and Skills Development), the impact of the Lalor mine on the town of Snow Lake, and engagement with First Nations communities.

We place particular emphasis on engagement with First Nations communities locally. Through meetings, school presentations, mine tours, open houses and working together on joint initiatives (usually related to employment), we seek to improve understanding of one another and build constructive relationships. Hudbay's full-time Aboriginal liaison officer coordinates our efforts and facilitates dialogue. In addition, two senior Hudbay representatives participate in the Minister's Mining Advisory Council, which brings together First Nations leadership, industry representatives and the Government of Manitoba to ensure First Nations communities benefit from the development of new mines.



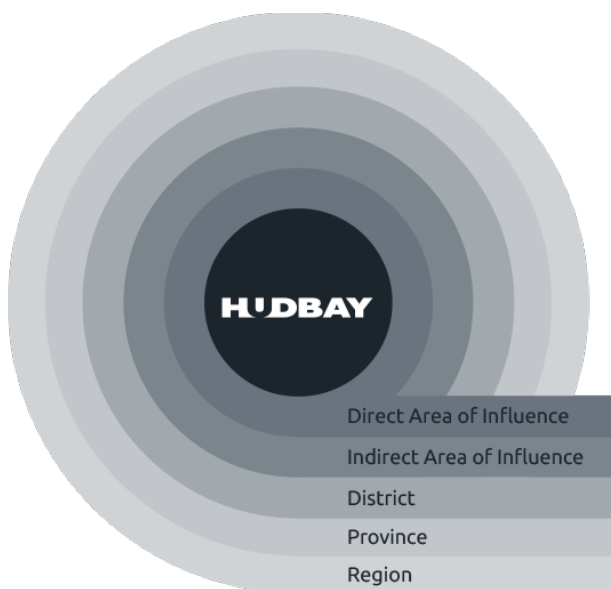
The First Nations communities nearest Hudbay are Opaskwayak Cree Nation, Mosakahiken Cree Nation and Mathias Colomb Cree Nation in Manitoba and three communities in Saskatchewan that are part of the Peter Ballantyne Cree Nation.

Hudbay is also a member of the Canadian Council for Aboriginal Business (CCAB) and participates in its Progressive Aboriginal Relations (PAR) program. Our objective is to progress from PAR's "committed" category to the bronze certification level. Certification confirms that we have practices in place to be a good business partner and great place to work, and demonstrates our commitment to prosperity in Aboriginal communities.

In Peru, there are two communities within our direct area of influence – Uchucarco and Chilloroya. Both signed life of mine land use agreements with Hudbay in exchange for portions of their community-owned land. We maintain community relations offices in both communities and engage frequently with residents on a wide range of topics, most often related to fulfilling commitments under the agreements.

There are six communities within our indirect area of influence. By year-end 2014, we had signed co-operation agreements with four of the communities, in which we commit to working together on social development projects within a specified budget provided by Hudbay. We engage with different levels of district, provincial and regional governments, generally working to facilitate partnerships and agreements between governments and communities that promote social development.

CIRCLES OF INFLUENCE



In Arizona, we are planting roots in the community and building relationships with regulators as a Hudbay business unit. We believe that a robust permitting process contributes to the development of world-class mines and it is in that spirit that we are engaging in the regulatory process to secure the final permits needed to advance the Rosemont project.

2014 PERFORMANCE

- On September 16, 2014, we held the official openings of the Lalor and Reed mines. Opaskwayak Cree Nation Elder Nathan McGillivray participated in the proceedings, with prayers in Cree and English and smudge ceremonies. Company officials, government representatives, invited guests and employees were present at both locations (see case study). The celebration continued a few days later when Hudbay staff organized a pancake breakfast for the Snow Lake community.
- In Manitoba, we increased our engagement with the Flin Flon Friendship Centre, a community centre that plays a pivotal role in the delivery of community-focused programs and services for Aboriginal Canadians. Several employees participated in National Aboriginal Day cultural activities and served a barbeque lunch to the many local participants. Hudbay and the Friendship Centre co-hosted a presentation by the Manitoba Treaty Commissioner on the importance of treaties. We also collaborated with the Saskatchewan Indian Institute of Technologies to deliver outreach presentations to several First Nations Saskatchewan communities.
- Hudbay representatives made presentations to the Snow Lake town council and Chamber of Commerce regarding Lalor procurement practices and the mine camp, which houses about 70 Hudbay employees. For various reasons, we have found it challenging to recruit a sufficient workforce in Snow Lake and had to request an extension of our camp permit, which we recognize is not in keeping with Snow Lake's aspirations. Town council voted to extend the permit to the end of 2016.
- In Arizona, senior company officials, including CEO David Garofalo, met with many community leaders to understand their aspirations and concerns, and discuss how we can work with them to build a successful and sustainable project that benefits the region. As part of the transition, following Hudbay's acquisition of Augusta, we wrote to an extensive list of supporters, introducing Hudbay and expressing our appreciation for their enthusiasm for the project and its potential to add to the economy and communities of southern Arizona. Senior leaders also met with local media to introduce the Company, answer questions, and describe the path forward for the project as a Hudbay business unit.
- We continued to support community programs set up by Rosemont such as well owner protection plans, funding for community pipeline construction, and other water replacement mitigation plans like the purchase of surface water for recharge to ensure that all groundwater used by the project is replaced and the project is neutral for water use.
- In Peru, we continued our work with the local communities, fulfilling the social development commitments made under our agreements with them. There was one community dispute related to the Uchucarco agreement, which was peacefully

resolved. Our community relations team also worked to prepare the community for the end of project construction through clear, open communications including a poster campaign.

- Community responses registered through formal processes:
 - In Manitoba, there were seven complaints registered: two were minor environmental concerns that were resolved; and four were society concerns, two of which were resolved and two of which continue to be addressed. One was found not to be within Hudbay's responsibility or scope of influence, so we directed the grievant towards more appropriate venues for resolution.
 - At Constanica, there were 74 complaints or concerns registered from local communities in 2014. Of those, 88% were resolved by year-end, with the remainder still being processed. See the pie chart for a breakdown of the types of concerns.

CONSTANCIA COMMUNITY CONCERNS



Local supply chain – mainly related to vehicle maintenance expenses and payments for services, and food (food quality from local providers and pending payments by third-party contractors)

Labour practices – mainly related to lack of payment for non-worked days (certain employees are allowed days off to attend community meetings)

Other – payments for use of land, procedures, accomplishment of commitments, environmental questions, resettlement, etc.

Resettlement and Land Use



Mining activities require land, which sometimes competes with land used for livelihoods, households and communities. In every region where we wish to mine, we explore alternatives to minimize disturbances and implement measures to protect human rights and cultural heritage. If there is no other alternative but resettlement, we work with affected households and communities to address their interests and improve their quality of life.

Resettlement – When it became clear that the development of Constanca would require the displacement of 36 families from Chilloroya, we established a resettlement negotiation process that adhered to international standards for fairness and transparency (including the IFC performance standards), and committed to providing equal or better housing with improvements like better access to water and roads. The guiding principle for the process was collaboration – with community leaders and government authorities as well as affected individuals.

We acquired replacement land sufficient to enable all the affected families to continue their ranching activities as neighbours on individual parcels, and built two large water reservoirs and other infrastructure for public use. We also offered improved housing and replacement infrastructure to each household. As requested by the community, we negotiated the final agreements directly with each household and gave them special consideration for contracting as workers or as local providers during construction. Agreements include replacement of houses, farmland and buildings, and other support and compensation.

Cultural heritage sites – Peru is a country rich in archeological heritage. Before construction started, we conducted a study to find any archeological sites on the property and obtained a Certificate of Non-Existence of Archeological Remains. The site has an archeological monitoring plan (AMP) to preserve cultural heritage and protect any archeological artifacts that may be found. As part of the plan, we have marked protected areas, erected signage and continue to recover new artifacts. We also hold weekly cultural heritage and awareness training for project workers and community members. The AMP is regularly audited by the Ministry of Culture and all of our activities to date have received government approval.

Small-scale mining – Small-scale, informal mining occurs in the Pampacancha area of our Constanca mineral claims. Hudbay Peru and the community implemented a five-year agreement that allows mining by a

community enterprise, provided that it is restricted to the one area and is brought into legal compliance. The agreement, which helped formalize the activity there and reduce the risk of conflict, expires in June 2015. In planning for the development of the Pampacancha deposit, we will be engaging with these miners as well as the community as we require access to portions of these surface lands to mine the Pampacancha deposit.

2014 PERFORMANCE

- By mid-2014, all but two Constancia resettlements were completed. As part of the agreements, we committed to working with the affected families for two years to help them get settled. With the end of Constancia construction, many resumed their ranching activities and Hudbay helped them with improved pasture management and animal husbandry techniques.
- We continued the archeological monitoring plan in areas where construction was underway. A few isolated artifacts were recovered. In February, the Ministry of Culture granted Hudbay a Certificate of Non-Existence of Archeological Remains for the released areas in the Constancia project and, in September, the Ministry approved a renewed archeological monitoring plan for the site and surrounding areas. More than 6,000 people attended cultural heritage conservation talks.
- The Ministry of Culture approved our Pampacancha Archeological Project Evaluation report, which enabled us to start the process of securing a Certificate of Non-Existence of Archeological Remains for the area.



Environmental Stewardship

Every day, everywhere we operate, Hudbay commits to science-based measures to help us do a better job of reducing our environmental footprint, and contributing to sustainability and biodiversity. Our work includes documenting environmental conditions, incorporating environmental considerations into project design, and effectively monitoring and managing environmental impacts throughout all phases of the mine lifecycle. As a result of our efforts, Hudbay had no major environmental compliance issues in 2014.



Cochapampa bog management: A sustainable plan for a vital resource

The wetlands of the Peruvian Andes are a rich source of biodiversity, are home to many unique species of plants and animals, and play an essential role in the region's ecosystem. They are also an important source of water for local agriculture and livestock. We have removed some bog areas in the development of our Constanancia pit and tailings management facility, and have worked to preserve and enhance others.

For generations, Chilloroya and Uchucarco, the two small communities adjacent to Constancia, have been sourcing water and cattle feed from nearby bogs. Chilloroya uses the Cochapampa bog, while Uchucarco draws from the Milpo and Pincullune bogs among others.

As the communities and their needs have grown, so too has the demand placed on local wetlands. To help ensure that these wetlands remain viable and able to help support the communities while still playing their vital ecological role, Hudbay engaged INSIDEO, a sustainability consultancy based in Lima, to work with the local communities to develop a sustainable plan for the area.

On April 14, 2014, Chilloroya leaders approved a new bog management and sustainable use plan for the wetlands. INSIDEO identified the local families that were using the Cochapampa bog and gained an understanding of their needs. It also conducted a study of plants, birds and aquatic biology in the Cochapampa bog and the Milpo and Pincullune bogs. Based on its findings, INSIDEO developed a revised strategy for the Cochapampa bog management plan, one that emphasized the long-term economic benefits of sustainable management. Its approach engaged the community, and led to a series of initiatives aimed at minimizing activity at the wetlands and helping land users maximize the benefits from the property they held outside the bog. INSIDEO helped farmers plant oats on dry land plots, rather than increasing grazing on the wetlands, to improve the supply of non-wetland cattle feed during the region's dry season. It also plans to improve water catchment structures, building infiltration trenches for better irrigation of grasslands outside the bog area, and spring water catchment systems for the cattle. In December, an estimated 3,652 square metres of oats were sown on land belonging to Chilloroya farmers.



Environmental design features at Rosemont: Dry-stack tailings, lighting, mitigation for waters and species

At Rosemont, our goal is to develop a mine that, as far as possible, will have the smallest footprint and use the least water. Since acquiring the project in July 2014, Hudbay has advanced plans based on sound science, seeking input from the public and relevant agencies and organizations, and using that information to help guide detailed project design, monitoring and mitigation efforts.

Water is a priority in Arizona, and the importance of good water management has been recognized in the Rosemont project design. We will employ state-of-the-art techniques and processing technologies, including process water recovery and the development of “dry-stack” tailings. With dry-stack tailings, tailings are de-watered through filtering, and built into dense, durable, dry stacks that do not require a dam for retention. Dry-stack tailings is a proven technology that uses approximately 50% less water than traditional mineral processing practices, allows for better dust control, is significantly more stable and reduces the potential of environmental impacts to groundwater by nearly 90% when compared to conventional lined tailings facilities in the southwestern United States.

To further conserve water resources and biodiversity, we established the Rosemont Copper Conservation Lands Program. This program includes mitigation proposed in the permitting process as well as additional areas that Hudbay has set aside for conservation purposes. Under this initiative, Hudbay Arizona will permanently conserve more than 4,750 acres of open land and allocate more than 550 million gallons per year of private surface water rights to the public. Once finalized, this program will establish secure, sustainable habitat for bats, birds, fish, frogs and other animals, including some endangered species.

Dark skies are very important to many of the people who live in southern Arizona, and the state has a number of “Dark Skies” ordinances intended to minimize light pollution. Arizona is home to many prominent research observatories that need full darkness for their work. Rosemont worked with local lighting contractors to reduce lighting by nearly 70% over the original standard light packages and incorporated fully cut-off LED fixtures for stationary lights in compliance with local ordinances. We are working with suppliers to develop modified lighting systems and technologies at our facilities and on our equipment that will reduce potential impacts far below what the code requires, while meeting the operational safety requirements set by the Federal Mine Safety and Health Administration. These efforts will have impacts beyond Rosemont, as we are also helping revolutionize the evaluation of light effects by funding research into dark skies measurement.



Land and Biodiversity

Hudbay properties extend across varying ecosystems, ranging from high-altitude wetlands in Peru, to the boreal forest of northern Manitoba, to the deserts of Arizona. We are committed to integrating the conservation and protection of biological diversity and ecosystem services in our areas of operation. To support these efforts, our sites develop management plans specific to their unique locations. We are also finalizing a corporate biodiversity standard to guide sustainable exploration and development efforts.

In Manitoba, land and biodiversity are managed in line with actual operational activities. Once the activities and associated risks are defined during the year, annual biodiversity objectives and plans are set and implemented, within the context of long-term environmental goals.

The Manitoba Business Unit plan includes an ongoing commitment to boreal woodland caribou conservation, financially supporting Manitoba Conservation's caribou research and implementing Manitoba Conservation's postcard system for caribou sightings to aid in its research. Boreal woodland caribou are currently listed as threatened under the federal *Species at Risk Act* and Manitoba's *Endangered Species Act*. We took specific measures in the design and construction of the Reed mine to reduce and mitigate any potential operational impacts on caribou, which are known to spend most of their time on the west side of Reed Lake, 2.5 kilometres from the mine site, with a highway and forest in between.

In Peru, we are committed to ensuring there is no net loss of biodiversity as a result of our activities. We have developed a biodiversity action plan (BAP) in keeping with international standards (Towards Sustainable Mining and IFC) for protecting and conserving biodiversity. The BAP was updated in 2014 in accordance with a revised Environmental and Social Impact Assessment (ESIA). To date, the BAP has involved a series of mitigation plans, including:



Rosemont has cowboys on its payroll who tend cattle on the property. Cattle ranching is a traditional land use in the area, and the cattle help maintain ecosystem function and provide a buffer around the proposed mine. Once mining is finished, the area will revert back to ranchland.

- Floral species management plan – Protected plant species are being managed and monitored. We transplant plants to temporary nursery areas and conduct various germination, propagation and conditioning tests.
- Rescue and relocation plan – We are successfully rescuing, captive breeding and relocating species listed as threatened (including reptiles and aquatic frogs) to similar areas off-site. During captivity, the rescued species live in an environment similar to their natural habitat, and are closely monitored. We are monitoring a new species of small lizard, in order to gain knowledge of its behaviour, breeding habits and mortality. Relocation is performed in partnership with neighbouring communities and has been very successful.
- Bog management plan – Working with community users, we are undertaking measures to promote the conservation and/or restoration of wetlands and very wet grasslands near the site (see Constancia bog management case study).
- Revegetation programs – We are planting seedlings in degraded areas near the site, as well as rescuing and relocating trees affected by mine construction.

Over the past six years, the Arizona team has carried out extensive environmental baseline studies and ongoing monitoring in the Rosemont project area. The data collected has been used, in consultation with stakeholders and regulators, to develop effective management plans and incorporate environmental considerations into project design, so as to minimize potential impacts on the biodiversity of the area.

2014 PERFORMANCE

- In Manitoba, the focus was on the completion of the field portion of our environmental effects monitoring (EEM) in accordance with Metal Mining Effluent Regulations (MMER).
- In Peru, field work consisted mainly of the rescue, relocation and monitoring of flora and fauna species (propagated flora species, frogs and lizards). We also created a native flora nursery to grow protected and native flora species to be used in revegetation programs. The nursery will accommodate up to 80,000 native species seedlings.
- The Chilloroya community approved the bog management and sustainable use plan for nearby wetlands and implementation began during the year. The Uchucarco community decided not to participate in a similar plan.
- Because Rosemont is in the permitting phase, land and biodiversity impacts in 2014 were minimal. A small drilling program was conducted on private lands within the approximate limits of the current open pit design; however, no environmental issues were identified. The drilling was managed as a land use project, and

expectations to ensure optimal environmental performance were identified in contracts. They included elements such as lighting technology required, chemical management, fueling requirements, management of mud pits, surface impacts associated with archeological sites, and stormwater control requirements. Huidbay also inspected sites and activities to ensure compliance with the environmental considerations specified. One minor instance of initial non-compliance, by a drilling contractor who used non-approved lights during the first week of work, was immediately corrected with no long-term effects.

- Environmental baseline studies and monitoring programs completed at Rosemont in 2014 included: Yellow-Billed Cuckoo surveys, Chiricahua Leopard Frog surveys, Bat surveys, Cestus Skipper surveys, Cinch Weed surveys, groundwater level and quality review, stormwater quality sampling as well as ephemeral system measurements, meteorological monitoring, groundwater model updates, review and analysis of possible impacts on surface water and dependent species, and normalized difference vegetation index (NDVI) measurements of riparian areas.



Energy Use and Greenhouse Gas

As users of fossil fuels to extract and transport ore and electricity to run processing plants, Hudbay operations track 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 operations.

In Manitoba, we set annual energy and GHG reduction objectives, which we strive to achieve through energy savings and CIPO projects. We also closely monitor the regulatory climate to guide our actions.

Although we had intended to establish a GHG baseline for Peru in 2014, we realized that this was premature and now plan to establish a baseline once the facility reaches steady-state operation.

Because Rosemont is in the permitting phase, there are no management plans associated with GHG or fuel use at this time. Most GHG generation is directly attributable to the drilling program fuel use, with a small portion created by light vehicles used for site and ranch activities. However, we have a demonstration solar power site at the field office that generates credits under the Tucson Electric Power program. We are testing various solar technologies to determine their viability for our future use and to provide feedback to the technology providers.



Hudbay submits an annual climate change report to the Carbon Disclosure Project (CDP) that can be accessed from the CDP website (<https://www.cdp.net/en-US/Pages/HomePage.aspx>).

2014 PERFORMANCE

- In Manitoba, unusually cold temperatures increased heating needs, so we did not achieve our self-identified target of a 1% reduction in GHG emissions from our 2012 base. As a result of climate-related conditions, total energy use rose by 9% from the base year, with propane use up 18% and electricity up 8%, while diesel and gas consumption was unchanged. Energy intensity rose by 18% from the 2012

base year due to lower metal production.

- Constanica energy use and GHG emissions rose significantly in 2014 as a result of increased use of diesel fuel for construction activities (mobile equipment and generators) and the start of operations at the Constanica pit and the processing plant.

DIRECT ENERGY CONSUMPTION

<i>(terajoules)</i>	2014	2013	2012
Heavy oil	0	0	0
Propane	700	580	578
Natural gas	0	0	0
Diesel	1,993	1,346	475
Light oil	4	6	5
Gasoline	12	11	9
Total	2,708	1,943	1,067

TOTAL GREENHOUSE GAS EMISSIONS

(kilotonnes of CO₂-equivalent and intensity)

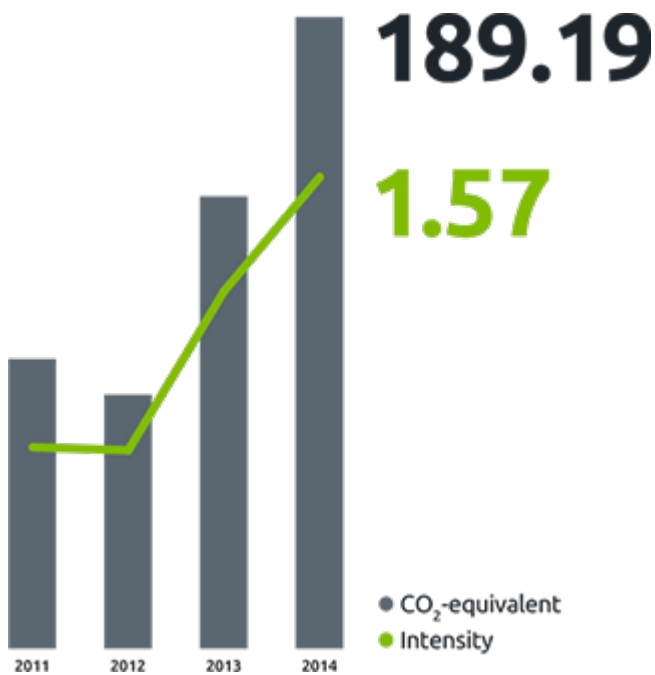


Table View



Air

Air quality in and around our sites is important for our employees, communities and the environment. We monitor and report air emissions to comply with air quality laws and regulations in the countries where we operate.

Air emissions from our Manitoba operations are minor and related to vent and fugitive dust emissions. We have a particulate monitoring program in place to ensure that particulates, which may contain metals, remain below regulatory limits. Readings are reviewed by the government and external compliance auditors.

Each year, a dust management plan is implemented at Flin Flon in line with the annual tailings deposition plan and weather conditions. Water cover on tailings areas is controlled to reduce the potential for dust generation. We use a variety of methods for dust control on active tailings dams, such as creating covers of calcium chloride sand, adding chemical binder on exposed beaches, as well as utilizing a straw covering where possible. To minimize dust generation from vehicles, we have paved about 50% of the main in-plant roads.

Dust is also the most significant constituent of potential air quality issues at Constancia. We use a dust suppressor on the main roads to reduce airborne particulates and we regularly monitor air quality in nearby communities.

2014 PERFORMANCE

- In Manitoba, negotiations were initiated with the federal government on a new performance agreement for air emissions from the zinc plant, as required by Environment Canada for smelters, zinc plants and refineries.
- In Peru, quarterly air monitoring was carried out in the Uchucarco, Chilloroya and Urasana communities, and reports were submitted to regulatory authorities. New air quality standards came into effect in January 2014 that reduced permissible particulate levels by 50% and, although this has made it challenging for many mining and extractive companies to comply, Constancia had no material

non-conformances related to its emissions. However, we will need to increase controls to ensure that we remain in compliance with air quality requirements near communities when the site is in full operation.

- There were no appreciable air quality impacts at the Rosemont project site. Potential dust generation during the drilling program was controlled through speed management and water on the roads.

Water



Each of Hudbay's sites has different water needs and challenges – with surplus water in Manitoba, limited supply in Arizona and very distinct wet and dry seasons in Peru. We are committed to using best practices technology, tailored to local conditions, to reduce our impact on water resources. Our commitment to ISO 14001 management systems also requires us to pursue continuous improvement in water management and periodically update our water-related risk assessments.

At the operational level, our growth strategy is dependent on reliable access to necessary quantities and quality of water. Prior to developing a project, we assess water quality and availability as part of our feasibility and environmental impact studies. These assessments also consider the water needs of local communities. Hudbay is subject to extensive regulation by federal, state, provincial and local authorities over a variety of environmental matters, including water-related activities. We work to comply with all applicable laws and regulations. Overall, the success of our strategy depends on designing water-efficient operations and continuously monitoring our consumption and discharge, while always maintaining our commitments to local users and regulatory agencies within the jurisdictions where we operate.

At Constancia, we committed under our ESIA to limit the amount of sediment discharged to the nearby Huayllachane, Soropata and Chilloroya rivers. We have put in place a robust sediment management plan and installed structures designed to last for the life of the mine, to address issues during the rainy season. Controls include barriers like check dams and silt fences, and structures for diverting water to collection and sedimentation ponds. As a final control, the water is treated before being released to the water bodies.



Hudbay submits an annual water report to the Carbon Disclosure Project (CDP), which can be accessed from the CDP website (<https://www.cdp.net/en-US/Pages/HomePage.aspx>).

In Manitoba, water usage is managed through water rights licences and related reporting as well as annual objectives to reduce the use of fresh water. Discharge is managed at specified discharge points using site-specific water treatment technologies and extensive water quality monitoring. The environment department tracks water quality data and reports to management on an exception basis.

In Arizona, Hudbay plans to implement technologies, such as dry-stack tailings, to minimize water use. We also plan to replace all groundwater pumped with replacement surface waters from the Central Arizona Project (CAP). Our team conducted extensive baseline studies of surface and groundwater conditions in the project area and has incorporated considerations of these conditions into the development of the design as well as future management and mitigation plans for Rosemont.

2014 PERFORMANCE

- Hudbay had no material non-conformances relating to discharges into water in 2014. None of the effluents discharged from Hudbay operations have a significant impact on the receiving streams or water bodies in which they are discharged. Stringent regulatory requirements must be met at the point of effluent discharge.
- Total fresh water consumption in Manitoba declined by 0.4%, versus a proposed 1% year-over-year reduction target. The reduction in fresh water usage realized at the metallurgical complex was offset by the ramp-up in production at the Lalor and Reed mines and the Snow Lake mill.
- In Manitoba, our focus was on conducting an environmental effects monitoring (EEM) program in accordance with the Metal Mining Effluent Regulations (MMER). We also continued to collect and analyze quarterly effluent characterization data to maintain water quality and the fish habitat of water bodies that receive operational discharges.
- In Peru, 2014 was an important year for water harvesting/collection for the start-up of operations. The construction of Constancia was completed in compliance with the permits and licences for water use, and downstream flow was not altered. We also started monitoring mining effluent three times per month. Discharge quality was within government limits.
- At Rosemont, water impacts were minimal and limited to stormwater runoff from exploration drilling. Water use was primarily associated with providing drinking water, stock watering, or water for the drilling programs. The drilling program used a new mud recycling process to minimize the amount of water used at each drill, which reduced normal water use by an estimated 50%. Stormwater was managed through controls placed on the disturbed areas. Inspections and samples were

taken as required, and there was only a minimal amount of runoff during the drilling.

- Baseline studies and monitoring completed at Rosemont in 2014 included: rainwater samples for meteoric water baselines, stormwater quality baseline samples and groundwater quality samples.

MANITOBA WATER WITHDRAWAL

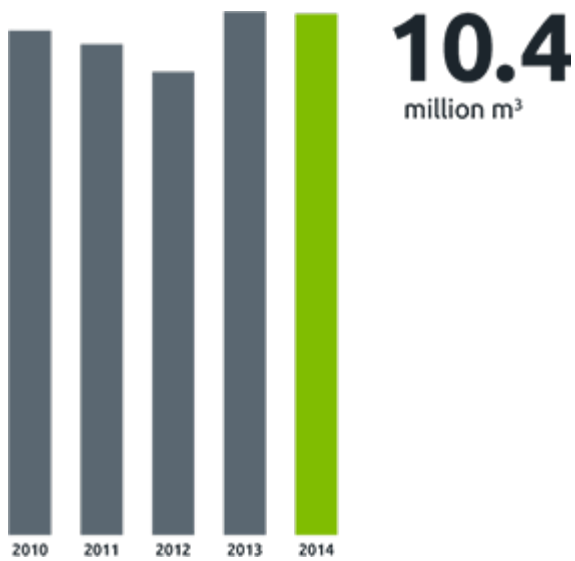


Table View

Waste and Tailings



All Hudbay operations have waste management plans to reduce, reuse, recycle and dispose responsibly of the waste they generate. Waste rock from our mines and tailings from processing plants are a particular priority because of the volume produced and the associated potential risks.

Waste rock is the mined rock that does not have economic value. It is managed on-site according to strict and detailed environmental regulations and industry standards. Wherever possible, it is reused as fill in underground operations and site rehabilitation.

Tailings are the finely ground rock, trace metals and process chemicals remaining after ore has been processed. Hudbay adheres to the Mining Association of Canada's highly regarded TSM protocols for managing tailings. Where water is plentiful, tailings have historically been piped into secure engineered impoundments contained by tailings dams. TSM guidelines address best practices for the location, design, construction, operation and closure of tailings facilities so that structures are stable and comply with industry and government standards, and solids and water are properly managed. Independent reviews are conducted on our tailings management design and practices in Saskatchewan and Manitoba and at Constancia, in accordance with the TSM protocol.

In the Manitoba Business Unit, the Flin Flon Tailings Impoundment System (FFTIS) has been operating for more than 80 years and covers about 350 hectares. Approximately 1.3 million tonnes of tailings are added annually. Safety measures include the following:

- Daily, weekly and monthly inspections by trained Hudbay personnel. For example, daily water sampling ensures that effluent quality is achieved 100% of the time.
- Comprehensive annual inspection of the FFTIS (including assessments of dam stability) by third-party geotechnical engineering consultants.



In a recent ISO audit, our Manitoba operations were commended for their tailings management practices.


- Deposition plans to manage projected tailings production are produced by third-party engineering consultants.
- Detailed geotechnical designs for annual construction on the dams, completed by third-party consultants, are submitted to both Manitoba and Saskatchewan regulators prior to construction. Tailings dams usually grow in height and size over time. They are designed and engineered to be raised in stages to accommodate an increasing volume of tailings, reflecting the continued production from the orebody.
- An independent quality assurance/control monitoring program is in place during construction of dam raises.
- Inspection and monitoring of construction activities are performed by independent geotechnical engineering consultants.
- Upon completion of construction, detailed as-built engineering drawings are produced by the geotechnical engineering consultant and provided to the regulators in an annual report.

Separate from the annual inspections, a dam safety review is conducted every five years as recommended by the Canadian Dam Association.

In consideration of the environmental conditions in Arizona, Rosemont plans to construct a state-of-the-art, dry-stack tailings facility, which would use significantly less water than traditional facilities, allow for better dust control, be significantly more stable and reduce the potential of environmental impacts to groundwater. The use of dry-stack tailings will also allow more effective and earlier rehabilitation of the tailings area (see Rosemont environmental case study).

2014 PERFORMANCE

- We received approval in late 2014 for a new landfill site for the Snow Lake area operations. Construction will commence once a final budget is approved.
- Dam safety reviews of the Flin Flon and Snow Lake tailings impoundment areas were conducted in the summer, as recommended by the Canadian Dam Association. No significant issues were identified.
- Construction of the Constancia tailings management facility (TMF) advanced sufficiently to permit storage of required water inventory for commencement of operations and deposition of tailings in the East TMF impoundment. Construction of East and West embankments will be a feature of ongoing Constancia operations during the life of mine operations. Tailings pumping and deposition facilities performed as designed during early production.



Closure and Reclamation

All mines have finite lives, and all Hudbay mines and development projects have closure plans that are supported by financial provisions. Once mining is finished, we aim to leave behind land that will support productive uses for future generations.

As a member company of the Mining Association of Canada (MAC), Hudbay has committed its new projects and operations to management of mine closure in accordance with the TSM framework on mine closure. The framework consists of eight key elements, ranging from effective and sustainable closure planning, to consultation with communities, continuous improvement, and monitoring of reclamation programs. As part of this commitment, Hudbay identifies opportunities to help communities plan for sustaining economic development and incorporates community issues into long-term closure considerations.

In addition to the TSM framework, Hudbay's mine closure planning in Peru is guided by IFC performance standards, as well as by Peruvian mine closure regulations. In all jurisdictions in which Hudbay operates, mining companies are required to plan for closure before the start of operations and to provide financial assurance to relevant regulatory agencies for proposed mine reclamation activities.

Over the course of our history, we have closed many mine sites, including some in environmentally sensitive areas. In the process, we have developed core competencies in mine closure and remediation. Our practices include the following:

Designing for closure from the beginning – By considering closure from the start of new projects, we can incorporate design features that will minimize both our impact on the environment during and after operations and our costs of closure. Principles applied at new mine sites include designing buildings to be easily dismantled, and determining in advance the acid-generating potential of waste rock and then developing shafts or declines appropriate to rock conditions or segregating waste rock according to acid-base accounting results in order to manage it from the start.

Progressive rehabilitation – By progressively reclaiming areas once they are no longer needed for mining activities, operations are able to start reclamation sooner and reduce the work to be done when the mine closes. We have an ongoing rehabilitation program at Flin Flon, aimed at restoring the environment in and

around the complex and enhancing the visual surroundings. Activities include the removal of old structures and equipment, the reconfiguring and revegetating of tailings sites and the greening of spaces between the community and the operations.

Closed mines – Hudbay’s closed mine site activities are tailored to the applicable jurisdictional regulatory requirements and the specific and unique characteristics of each site. Closed mine site activities can include monitoring activities and adaptive management strategies to ensure the effectiveness of the reclamation activities until such time as reclamation objectives are determined, in consultation with regulators, to be complete.

2014 PERFORMANCE

- Progressive rehabilitation activities were performed in Flin Flon, including revegetating approximately two hectares on the non-active area of the tailings facility. At Constanica, a 3.2-hectare quarry was rehabilitated and revegetated.
- Revised closure plans were submitted to authorities for both Lalor and Reed, reflecting the switch from advanced exploration projects to operating mines. An update to the Flin Flon metallurgical complex plan was also initiated.
- Updates were made to Constanica’s closure plan to incorporate recent studies and technological changes that will reduce costs and financial guarantees that Hudbay must provide annually to the Peruvian government. The updated plan will be submitted in 2015. As part of the process, we conducted citizen participation workshops to review parts of the plan.
- Over the past five or more years, Rosemont has supported extensive studies by the University of Arizona’s Department of Natural Resources on reclamation techniques, procedures, and the appropriate vegetation to use. These studies were systematic and sequential, starting with a study of the existing vegetation, moving into greenhouse studies and continuing on to field tests at the Rosemont site. The results have guided the reclamation techniques that will be used and how plants will be managed. They have also set expectations for success. Hudbay continues to support the university research, reviewing the effect of grazing on reclamation, the effect of stockpiling soils on soil nutrients, and the techniques that will be most successful for salvaging agave, an important food source for an endangered bat. Over the past years, these studies have resulted in a series of graduate student studies and papers that have advanced the science of mined land reclamation in the southwest.

- Current activities at Rosemont require some amount of closure and reclamation. The rehabilitation work done in this regard can be seen on the various drill sites and roads throughout the property. Because further mining activities are planned in the area, the priority of the rehabilitation work was to make the facilities safe and stable, which is the standard set by the Arizona State Mine Inspector.



CSR Performance

BASIS OF REPORTING

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

DATA MEASUREMENT TECHNIQUES

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

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

Most of the performance data for water and energy is metered. We purchase most of our electricity from local grids. Utility grid statistics are therefore used to compile purchased electricity-related GHG numbers. We generate electricity at some of our project sites (such as Constancia and Reed) and this energy is reflected in fuel consumption, and GHG numbers are calculated based on conversion factors.

Data for the indicators is collected and compiled using information submitted by each site on a standard template. We provide instruction and criteria for GRI G4 and Towards Sustainable Mining (TSM), and also supply a GHG emissions worksheet (developed by the Mining Association of Canada).

KEY PERFORMANCE DATA

ECONOMIC

	2014	2013	2012	2011
Direct economic value generated and distributed (in \$ millions) (EC1)				
Profit before tax	\$ 11.5	\$ (56.0)	\$ 48.4	\$ 209.0
Revenues	\$ 573.5	\$ 516.8	\$ 702.6	\$ 904.7
Operating costs				
Canada	(574.2)	(408.8)	(493.7)	(543.2)
US	(11.3)	(2.6)	(10.3)	(18.2)
Peru	(9.8)	(10.2)	(13.1)	(9.5)
Chile	(2.1)	(2.8)	(7.0)	N/ap
Colombia	(0.9)	(3.9)	(4.5)	N/ap
Total	\$ (598.3)	\$ (428.3)	\$ (528.6)	\$ (574.1)
Employee wages and benefits				
Canada	172.8	165.6	190.5	188.4
US	5.1	1.1	1.9	2.2
Peru	22.8	16.2	11.9	6.6
Chile	0.0	1.2	1.8	N/ap
Colombia	0.2	1.2	1.3	N/ap
Total	\$ 200.9	\$ 185.3	\$ 207.4	\$ 199.4
Payments to government				
Taxes paid				
Canada	(23.3)	5.8	59.3	
US	0.1	0.0	0.7	
Peru	6.4	1.6	0.0	
Chile	0.0	0.0	0.0	
Colombia	0.0	0.0	0.2	
Total	\$ (16.8)	\$ 7.4	\$ 60.2	\$ 90.3
Municipal taxes and grants				
Canada	8.6	7.8	7.5	
US	0.6	0.7	0.0	

		2014		2013		2012		2011
Peru		0.0		0.0		0.0		
Chile		0.0		0.0		0.0		
Colombia		0.0		0.0		0.0		
Total	\$	9.2	\$	8.5	\$	7.5		
Penalties and interest paid								
Canada		0.0		0.0		0.0		
US		0.3		0.0		0.0		
Peru		0.2		0.0		0.0		
Chile		0.0		0.0		0.0		
Colombia		0.0		0.0		0.0		
Total	\$	0.5	\$	0.0	\$	0.0		
Payments to providers of capital								
Dividends paid	\$	4.3	\$	18.9	\$	34.4	\$	34.4
Interest payments made to providers of loans	\$	91.6	\$	58.5	\$	0.0		N/av
Financing fees paid								
Canada		1.0		2.9		6.0		N/av
Peru		5.1		0.0		4.6		N/av
Total	\$	6.1	\$	2.9	\$	10.6		N/av
Other interest paid								
Canada		0.0		0.0		0.1		N/av
Peru		0.0		0.0		0.0		N/av
Total	\$	0.0	\$	0.0	\$	0.1		N/av
Capital expenditures – cash flow basis	\$	982.7	\$	905.0	\$	510.5	\$	254.5
Cash and cash equivalents	\$	207.3	\$	631.4	\$	1,337.1	\$	899.1
Payments – Local communities for land use (in \$000s)								
Canada		0.0		0.0		0.0		0.0
US		0.0		0.0		0.0		0.0
Peru		1,954.0		11,324.3		24,313.3		73.0
Total land use payments	\$	1,954.0	\$	11,324.3	\$	24,313.3	\$	73.0

	2014	2013	2012	2011
Public benefit				
Community investment (in \$000s)				
Canada	0.0	317.8	431.6	478.0
US	0.0	49.9	55.7	0.0
Peru	3,711.0	4,204.9	756.0	427.0
Chile	0.0	0.0	0.0	
Colombia	0.0	0.0	22.4	
Subtotal – Community investments	\$ 3,711.0	\$ 4,572.6	\$ 1,265.7	\$ 1,167.0
Charitable donations (in \$000s)				
Canada	665.6	352.3	627.3	
US	235.1	0.0	5.0	
Peru	0.0	0.0	0.0	
Chile	0.0	0.0	0.0	
Colombia	0.0	0.0	1.1	
Total charitable donations	\$ 900.7	\$ 352.3	\$ 633.4	\$ 536.0
Total community investments and donations	\$ 4,611.7	\$ 4,924.9	\$ 1,899.1	\$ 1,703.0
Resettlement investment (Peru) (in \$000s)	\$ 7,857.0	\$ 16,429.9	\$ 8,262.4	N/ap
Production (contained metal in concentrate)				
Copper (000 tonnes)	37.6	29.9	39.6	54.3
Zinc (000 tonnes)	82.5	86.5	80.9	75.8
Gold (000 troy ounces)	73.4	79.2	86.6	94.6
Silver (000 troy ounces)	745.9	772.5	824.0	875.8
Metal production				
Zinc metal (000 tonnes)	105.1	96.3	100.7	107.7

EMPLOYEES

	2014	2013	2012	2011
Total workforce (G4-10)				
Number of full-time employees				
MBU	1,391			
Flin Flon, MB		1,155	1,116	1,179
Snow Lake, MB		210	158	104
Winnipeg, MB		8	7	3
Toronto, ON	61	52	65	53
Gouverneur, NY	8	8	8	9
Stephenson, MI	0	2	2	8
Tuscon, AZ	34	N/ap	N/ap	N/ap
Peru	174	157	131	74
Colombia	0	1	15	N/ap
Chile	0	1	14	N/ap
Total full-time employees	1,668	1,594	1,516	1,430

Employment¹

Number of part-time employees

MBU	14	N/av – See total below		
Toronto, ON	0	N/av – See total below		
Tuscon, AZ	2	N/av – See total below		
Gouverneur, NY	2	N/av – See total below		
Peru	0	N/av – See total below		
Chile	0	N/av – See total below		
Total part-time employees	18	52	42	28

Number of contract (term) employees

MBU	18	N/av – See total below		
Toronto, ON	1	N/av – See total below		
Tuscon, AZ	0	N/av – See total below		
Gouverneur, NY	1	N/av – See total below		
Peru	138	N/av – See total below		
Chile	0	N/av – See total below		
Total contract employees	158	23	34	10

	2014	2013	2012	2011
Number of co-op and summer students hired				
MBU	41		N/av – See total below	
Toronto, ON	2		N/av – See total below	
Tuscon, AZ	0		N/av – See total below	
Gouverneur, NY	0		N/av – See total below	
Peru	6		N/av – See total below	
Chile	0		N/av – See total below	
Total co-op/summer students	49	43	39	31
Number of contractor full-time equivalent staff				
Flin Flon/Snow Lake	245	316	381	1,343
Peru	9,595	6,438	2,972	Included above
Other	54	25	6	Included above
Number of employees represented by collective bargaining agreements (LA4)				
	1,091	1,047	961	986
Percentage of full-time employees represented by trade unions				
	65.4%	65.7%	63.4%	69.0%
Number of strikes or lockouts exceeding one week (MM4)				
	0	0	0	0
Employee turnover²				
Age distribution				
<30	2.0%		N/av – See overall rates below	
30–50	5.4%		N/av – See overall rates below	
>50	3.4%		N/av – See overall rates below	
Gender				
Male	8.9%		N/av – See overall rates below	
Female	1.9%		N/av – See overall rates below	
Region				
MBU	7.1%		N/av – See overall rates below	
Corporate	0.4%		N/av – See overall rates below	
ABU	0.1%		N/av – See overall rates below	
Balmat	0.1%		N/av – See overall rates below	
Peru	3.2%		N/av – See overall rates below	
Chile	0.0%		N/av – See overall rates below	

	2014	2013	2012	2011
Voluntary turnover rate (Hudbay total)	7.4%	4.3%	5.0%	5.6%
Involuntary turnover rate (Hudbay total)	3.4%	4.1%	N/av	N/av

New employee hires^{2, 3}

Age distribution

<30	5.2%	N/av	N/av	N/av
30–50	14.6%	N/av	N/av	N/av
>50	3.1%	N/av	N/av	N/av

Gender

Male	18.9%	N/av	N/av	N/av
Female	4.0%	N/av	N/av	N/av

Region

MBU	9.3%	N/av	N/av	N/av
Corporate	0.4%	N/av	N/av	N/av
ABU	2.2%	N/av	N/av	N/av
Balmat	0.1%	N/av	N/av	N/av
Peru	11.0%	N/av	N/av	N/av
Chile	0.0%	N/av	N/av	N/av

Person-hours of work (including contractors)

North America	3,359,663	3,245,625	3,329,467	3,540,416
South America	20,458,806	13,781,606	6,459,441	1,322,371
Total person-hours	23,818,469	17,027,231	9,788,908	5,606,821

Net number of full-time employees added (decreased)²

Canada	27	79	7	(161)
US	32	0	(7)	(10)
Peru	17	26	57	74
Colombia	(1)	(14)	15	N/ap
Chile	(1)	(13)	14	N/ap
Total	74	78	86	(97)

Workforce represented in formal joint management-worker Health and Safety Committees (LA5)

Percentage represented	100%	100%
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	2014	2013	2012	2011
Health and safety performance (per 200,000 hours worked, except where noted) (LA6)				
Lost time accident frequency (LTA)				
Manitoba	1.0	0.7		
Manitoba contractors	0.8	0.3		
Peru	0.0	0.0		
Peru contractors	0.0	0.2		
North America (not including MBU)	0.0	0.0		
North America contractors (not including MBU)	0.0	0.0		
South America (not including Peru)	0.0	0.0		
South America contractors (not including Peru)	0.0	44.1		
Total	0.1	0.4	0.3	0.3
Lost time accident severity (SEV)				
Manitoba	36.5	34.4		
Manitoba contractors	23.2	0.3		
Peru	0.0	0.0		
Peru contractors	0.2	7.1		
North America (not including MBU)	0.0	0.0		
North America contractors (not including MBU)	0.0	0.0		
South America (not including Peru)	0.0	0.0		
South America contractors (not including Peru)	0.0	163.0		
Total	4.7	11.0	3.3	7.6
Restricted work case frequency (RWC)				
Manitoba	2.2	1.6		
Manitoba contractors	0.4	0.6		
Peru	0.0	0.0		
Peru contractors	0.0	0.4		
North America (not including MBU)	0.0	0.0		
North America contractors (not including MBU)	0.0	0.0		
South America (not including Peru)	0.0	0.0		
South America contractors (not including Peru)	0.0	0.0		
Total	0.3	0.6	0.8	1.5
Medical aid frequency (MA)				

	2014	2013	2012	2011
Manitoba	12.8	12.1		
Manitoba contractors	12.9	8.8		
Peru	0.0	0.6		
Peru contractors	0.5	0.9		
North America (not including MBU)	1.2	0.0		
North America contractors (not including MBU)	2.1	0.0		
South America (not including Peru)	0.0	0.0		
South America contractors (not including Peru)	0.0	70.5		
Total	2.1	3.0	4.7	7.1

First aid frequency (FA)				
Manitoba	28.5	26.0		
Manitoba contractors	8.2	3.7		
Peru	0.4	1.8		
Peru contractors	1.3	2.4		
North America (not including MBU)	3.7	0.0		
North America contractors (not including MBU)	8.3	0.0		
South America (not including Peru)	0.0	28.1		
South America contractors (not including Peru)	0.0	136.6		
Total	4.4	6.2	7.6	12.7

Fatality (number)	0	0	0	0
Absentee rate (as a % of hours scheduled to be worked)	N/av	N/av	N/av	N/av
Reportable occurrences (defined as EHS incidents required by Hudbay policy to be reported to our Board of Directors)	81	127	73	33

Employees receiving regular performance and career development reviews (LA11)

Percentage reviewed ⁴	22%	26%		
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Hudbay total workforce age distribution (LA12)

<30	13.8%	11.4%	11.1%	10.1%
30–50	47.8%	47.4%	50.0%	49.0%
>50	36.6%	41.2%	38.9%	40.9%

Composition of governance bodies and breakdown of employees

Workforce diversity

	2014	2013	2012	2011
Female				
MBU	182	N/av	N/av	N/av
Toronto, ON	27	N/av	N/av	N/av
Tuscon, AZ	15	N/av	N/av	N/av
Gouverneur, NY	0	N/av	N/av	N/av
Peru	35	N/av	N/av	N/av
Chile	0	N/av	N/av	N/av
Percentage of total workforce that are female	16%	17%	15%	12%
Aboriginal	N/av ⁵	13%	11%	11%
Disabled	N/av ⁵	5%	6%	7%
Visible minorities	N/av ⁵	5%	6%	5%

Composition of executive management and corporate governance bodies

Board of Directors (ratio male to female)	10:1	9:1	10:0	8:0
Age distribution				
<30	0%	0%	0%	0%
30–50	10%	10%	10%	12%
>50	90%	90%	90%	88%
Executive management (ratio male to female) ⁶	10:1	10:1	11:1	11:1
Age distribution				
<30	0%	0%	0%	0%
30–50	73%	64%	58%	50%
>50	27%	36%	42%	50%

Ratio of annual compensation of highest paid individual to median total compensation (G4-54)

Canada (Manitoba Business Unit, excluding Corporate office)	6.1:1	8.9:1	7.2:1
Canada (including Corporate office)	29.8:1	23.5:1	20.0:1
Peru	9.5:1	11.3:1	12.8:1
United States (Arizona Business Unit)	3.1:1		

Benefits 2014

	Corporate		MBU	
	Full time	Part time	Full time	Part time
Life insurance	Yes	No	Yes	Members of 9338 when meeting specified criteria
Health care	Yes	No	Yes	Members of 9338 when meeting specified criteria
Disability and invalidity coverage	Yes	No	Yes	No
Parental leave	Yes	No	Yes	No
Retirement provision	Yes	No	Yes	No
Stock ownership	Yes	No	Yes	No
Other – Critical illness insurance	Yes	No	Management only	No
Other – Accidental death and dismemberment insurance	Yes	No	Yes	No
	Peru		ABU	
	Full time	Part time	Full time	Part time
Life insurance	Yes	N/ap	Yes	No
Health care	Yes	N/ap	Yes	No
Disability and invalidity coverage	Yes	N/ap	Yes	No
Parental leave	Yes	N/ap	0	0
Retirement provision	Yes	N/ap	Yes (401k)	No
Stock ownership	Yes	N/ap	Yes	No
Other – Critical illness insurance	Yes	N/ap	No	No
Other – Accidental death and dismemberment insurance	Yes	N/ap	Yes	No

1. Updated to reflect new G4-10 guidelines. Separated out to report employment type by region for 2014; therefore, data for the previous three years is not available (N/av) in this format as only Hudbay totals were reported previously.

2. In the course of integrating Augusta and the Rosemont project into our activities, Hudbay evaluated each employee for the fit of their capabilities and career aspirations to the Hudbay organization. After a 90-day evaluation period, all but nine of the Augusta employees were hired as Hudbay employees. Transition packages were provided to the Augusta employees that were not offered positions with Hudbay. The hiring data shown for 2014 includes those Augusta employees that were hired by Hudbay.

3. Added to reflect G4 reporting guidelines. As per G4-LA1 – Report total number and rate of new employee hires by age, gender and region. LA1 was not broken down into these sub-sections in previous reporting years; therefore, data for the three previous years is not available (N/av).

4. Note that only full-time staff receive this review.

5. A new software system was implemented in 2014, but a report for this detail is not yet available.

SOCIETY

	2014	2013	2012	2011
Total number of incidents of discrimination (and actions taken) (HR3)	0	0	0	0
Employees trained in anti-corruption policies (SO4)¹				
Number – management	63	122	163	115
Number – non-management	119	241	98	70
Percent of workforce	10%	23%	17%	13%
Employees that anti-corruption policies have been communicated to				
Number – management	412	N/av – See above		
Percentage	22%	N/av – See above		
Number – non-management	485	N/av – See above		
Percentage	26%	N/av – See above		
Governance body members that anti-corruption policies have been communicated to				
Canada ²	10	N/av	N/av	N/av
Total members communicated to	10	N/av	N/av	N/av
Percent communicated to	100%	N/av	N/av	N/av
Governance body members that received training on anti-corruption				
Canada ²	10	N/av	N/av	N/av
Total members trained	10	N/av	N/av	N/av
Percent received training	100%	N/av	N/av	N/av
Security practices (security personnel training) (HR7)				
Hudbay security personnel trained in Human Rights policies and procedures				
Number	15	N/av – Not previously reported		
Percentage	100%	N/av – Not previously reported		
Contractor security personnel trained in Human Rights policies and procedures				
Number	158	N/av – Not previously reported		
Percentage	92%	N/av – Not previously reported		

	2014	2013	2012	2011
Value of fines or sanctions for non-compliance with laws and regulations (SO8)	\$ 3,352	\$ 1,277	\$ 900	\$ 400
Grievances about impacts on society (SO11)				
Number filed through formal grievance mechanisms	78	110		
Number addressed during reporting period	78	110		
Number resolved during reporting period	67	103		
Number filed prior to the reporting period that were resolved during the reporting period	32	N/av		
Number of other concerns ³	N/ap	704	109	62
Number of other concerns resolved	N/ap	689		
Closure plans (MM10)				
Identify total number of operations	8	N/av	N/av	N/av
Number of company operations that have closure plans	10	6	7	11
Number of advanced development project closure plans	1	4	3	N/av
Percentage of total operations with closure plans	125%	100%	100%	100%
Overall financial provision representing the present value of future cash flows relating to estimated closure costs per Canadian generally accepted accounting principles	\$ 185,395	\$ 141,566	\$ 157,675	\$ 146,082

1. Added to reflect G4 reporting guidelines. SO4 was not broken down into these sub-sections in previous reporting years; therefore, data for the three previous years is not available (N/av).

2. Governance bodies (Board of Directors) are only in Toronto, Canada and therefore other regions were excluded.

3. This line is the formal complaints from communities; allows transparency of concerns raised which are outside of the definition of "grievance".

ENVIRONMENT

	2014	2013	2012	2011
Direct energy consumption by primary energy source (terajoules) (EN3)				
Heavy oil	0	0	0	144
Propane	700	580	578	544
Natural gas	0	0	0	221
Diesel	1,993	1,346	475	215
Light oil	4	6	5	5
Gasoline	12	11	9	10

	2014	2013	2012	2011
Total	2,708	1,943	1,067	1,138
Indirect energy consumption by primary energy source (terajoules) (EN4)				
Total electricity consumed	3,322	3,048	3,127	3,392
Energy intensity (terajoules per kilotonne of metal in concentrate) (EN5)				
	50.2	42.9	34.8	34.4
Energy saved (EN6)				
Amount saved due to conservation/efficiency improvements	(1,038)	(798)	265	N/av
Total water withdrawal (000 cubic metres) (EN8)				
Surface water	11,287	10,789	10,687	11,321
Ground water	930	441	367	461
Rainwater collected directly and stored by the organization	4,048	N/av	N/av	N/av
Municipal water supplies	1	0.01	0.06	2
Total water withdrawal	16,265	11,230	11,054	11,784
Total water discharged (000 cubic metres) (EN22)¹				
To Flin Flon Creek/Ross Lake/Schist Lake	10,819	12,418	12,906	14,766
To Anderson Creek/Wekusko Lake	3,939	4,180	3,626	3,698
To Woosey Creek/Morgan Lake	1,184	1,123	1,368	1,491
Town of Snow Lake Sewer ²	8	N/ap	N/ap	N/ap
To ground	187 ³	35	N/ap	N/ap
To Oswegatchie River in NY	3,013 ⁴	1,972	1,777	3,109
To Stephenson Sewer	N/ap	0	0	N/av
To land (irrigation using treated water in Peru)	0	139	10	N/ap
To Chilloroya River (Peru)	737 ⁵	N/ap	N/ap	N/ap
Water treated (000 cubic metres)	19,888	19,867	19,687	23,070
Total direct and indirect greenhouse gas emissions (kilotonnes of CO₂-equivalent)				
Direct carbon dioxide emissions (EN15)	182.28	133.26	71.52	71.37
Indirect carbon dioxide emissions (EN16)	6.91	4.84	4.60	14.89
Total	189.19	138.10	76.12	86.26
GHG intensity (EN18)	1.57	1.19	0.63	0.66

	2014	2013	2012	2011
GHG emission reductions (may be qualitative only) (EN19)	(51.09)	(61.98)	10.15	83.19
Emissions of ozone-depleting substances (kg) (EN20)	0	0	850.5	0
			HFO to electric boiler fully implemented	Smelter closed
NOx, SOx and other significant air emissions (in kilotonnes)³ (EN21)				
Sulphur dioxide emissions	0	0	0	0.00
Particulate	0.17	0.16	0.04	0.04
NOx and VOCs	0	0	0	0.01
Total number of significant spills (EN24)	12	5	3	3
Volume (m ³)	102.98	3.8	1.5	47.0
Hazardous waste disposed of at external facility (tonnes) (EN25)	658.5	522.34	2,763	107
Number of fines or sanctions for non-compliance with environmental laws and regulations (EN29)	0	0	0	0
Land use (hectares) – Mineral tenure (controlled)				
Manitoba	135,068.4	226,679.4	219,386.4	301,273.6
Saskatchewan	139,316.2	136,887.5	145,757.5	88,736.5
Ontario	0.0	0.0	0.0	11,058.7
Yukon	5,823.4	5,823.4	5,823.4	5,823.4
Nunavut	21.0	21.0	21.0	21.0
Total Canada	280,229.0	369,411.2	370,988.3	406,913.1
New York	31,532.3	31,570.2	31,590.4	31,590.4
Michigan	0.0	3,161.8	3,141.1	3,141.1
Arizona	0.0	N/ap	N/ap	N/ap
Total USA	31,532.3	34,732.0	34,731.5	34,731.5
Chile	1,531.0	1,531.0	1,531.0	1,531.0
Colombia	0.0	5,210.8	5,210.8	N/ap
Peru	0.0	26,932.5	22,532.5	25,090.3

	2014	2013	2012	2011
Total South/Central America	1,531.0	33,674.3	29,274.3	26,621.3
Total	313,292.3	437,817.5	434,994.1	468,266.0
Land use (hectares) – Surface tenure (disturbed)				
Manitoba	6,130.3	6,115.8	6,083.0	6,004.0
Saskatchewan	744.5	744.5	928.7	928.7
Ontario	0.0	0.0	0.0	0.0
Yukon	120.7	120.7	120.7	120.7
Nunavut	0.0	0.0	0.0	0.0
Total Canada	6,995.5	6,981.0	7,132.4	7,053.4
New York	57.7	57.7	57.7	57.7
Michigan	0.0	571.0	550.3	550.3
Arizona	0.0	N/ap	N/ap	N/ap
Total USA	57.7	628.7	608.0	608.0
Chile	0.0	0.0	0.0	0.0
Colombia	0.0	0.0	0.0	N/ap
Peru	0.0	4,225.8	3,774.2	1,026.3
Total South/Central America	0.0	4,225.8	3,774.2	1,026.3
Total	7,053.2	11,835.5	11,514.6	8,687.7
Percent land used vs. controlled	2.3%	2.7%	2.6%	1.9%
Sites requiring biodiversity management plans (MM2)				
Number of sites legally requiring plans	0	0		
Number of sites with voluntary plans	5	2		
Habitats (may be qualitative only) (EN13)				
Protected	0	0	0	N/av
Restored	2	22.8	11.5	N/av

1. Water discharged from the Tom Valley exploration property is not reported.

2. In 2014, we were able to discharge our grey water from our Lalor construction camp located in the Town of Snow Lake directly to the town's newly upgraded waste water treatment plant.

3. Increase attributed to discharge at our Reed mine.

4. Increase attributed to an increase in precipitation for the reporting period in New York.

5. Increase attributed to change in water management and the end of construction at Constanca.

2014 Targets and Achievements



Target	Achievement	Details
HEALTH AND SAFETY		
Improve on our three-year average lost time accident frequency of 0.31	Achieved	See Health and Safety .
Improve on our three-year average lost time accident severity of 8.1	Achieved	See Health and Safety .
Improve on our three-year total recordable accident frequency average of 5.3	Achieved	As of December 31, 2014, our three-year average total recordable accident frequency was 3.6.
COMMUNITY		
Complete human rights implementation expansion including establishing corporate standards for stakeholder engagement and grievance/feedback processes and updating our community investment policy	Partially achieved	Completed stakeholder engagement and grievance/feedback standards; community investment policy has been drafted and is being finalized.
Local employment/local market access – maintaining our Peru programs into operations and expanding our employment and procurement engagement activities in Manitoba	Achieved	See Local Hiring and Skills Development and Local Purchasing .
ENVIRONMENT		
Achieve a 1% reduction in GHG emissions in Manitoba	Did not achieve	Unusually cold temperatures increased GHG emissions associated with increased heating needs. See Energy Use and Greenhouse Gas .
Identify a GHG baseline target for Peru	Did not achieve	To be set once steady-state operations are achieved in 2016.

Target	Achievement	Details
Achieve a 1% water reduction in Manitoba	Partially achieved	Water reduction (0.4%) achieved but offset by contributions from Reed and Lalor ramp-ups. See Water .
Identify a water reduction baseline target for Peru	Did not achieve	To be set once steady-state operations are achieved in 2016.

GOVERNANCE

Review and update our GRI materiality review and integrate it with our corporate management system approach	Achieved	In the fall, we undertook a combined materiality and hazard and aspect review, which is reflected throughout the report.
Review and update our Human Rights Policy to ensure it appropriately reflects the UN Guiding Principles on Business and Human Rights	Partially achieved	Updated policy will be submitted for approval at the May 22, 2015 board meeting.
Complete the implementation of the first phase of our EHSC information management system	Achieved	See CSR Governance .

FINANCIAL EXCELLENCE/GROWTH TARGETS

Achieve commercial production from the Reed mine	Achieved	See Development .
Achieve commercial production from the main production shaft at the Lalor mine	Achieved	See Development .
Achieve initial production from the Constancia project	Achieved	See Development .
Increase contained metal in concentrate production across all key metals	Did not achieve	See Operations .



2015 Targets

Hudbay's corporate objectives are defined around a framework of:

- Operational Excellence, which includes environment, health and safety performance and stakeholder relationships
- Financial Excellence, which includes access to capital
- Growth, which includes renewing our project pipeline
- Leadership, which includes employee communications and engagement

We have set key CSR targets and objectives to support key areas of our corporate objectives as described below:

OPERATIONAL EXCELLENCE/LEADERSHIP TARGETS

Health and Safety

We are striving for zero injuries through continuously reducing our rate and severity of injuries. Our key targets toward this goal are to achieve performance in 2015 to:

- Improve on our three-year average lost time injury frequency of 0.20
- Improve on our three-year average lost time severity of 6.5
- Improve on our three-year total recordable injury frequency average of 3.6
- Implement a company definition and investigation standard for severe and high-potential safety and environmental incidents

Community

- Develop a company-wide introduction to human rights training program
- Develop and implement a company-wide local employment and procurement standard

Environment

- Achieve a 1% greenhouse gas emissions reduction in Manitoba
- Achieve a 1% freshwater withdrawal reduction in Manitoba

Governance

- Develop a skills matrix identifying key skills areas that need to be represented in the Board of Directors membership
- Amend Hudbay's governance guidelines to reflect the desire for increased board diversity
- Implement at least one additional module at each Business Unit as the second phase of our EHSC information system

FINANCIAL EXCELLENCE/GROWTH TARGETS

Economic

- Achieve commercial production from the Constancia mine
- Greater than 270% increase in copper production (contained metal in concentrate) over 2014
- Advance permitting and technical work at the Rosemont project



GRI Index

The following tables present the GRI content index in line with the G4 guidelines, including GRI's G4 Mining and Metals Sector Supplement (MMSS). This report has been largely prepared in accordance with the Core option guiding principles. We are working towards being fully in accordance with the Core option in a future report.

STRATEGY AND ANALYSIS

General Standard Disclosures	Reporting Level
G4-1 Statement from the most senior decision-maker of the organization Our Company > CEO Message Business and Financial Review > Strategy	Partial
G4-3 The name of the organization Our Company	Full
G4-4 Primary brands, products and services Our Company Business and Financial Review Business and Financial Review > Operations CSR Approach > Supply Chain Stewardship	Full
G4-5 The location of the organization's headquarters Our Company	Full
G4-6 The number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report Our Company	Full

General Standard Disclosures	Reporting Level
G4-7 The nature of ownership and legal form Our Company Website – Our Business Annual Information Form (AIF)	Full
G4-8 The markets served CSR Approach > Supply Chain Stewardship	Full
G4-9 The scale of the organization Our Company CSR Performance	Full
G4-10 a. The total number of employees by employment contract and gender b. The total number of permanent employees by employment type and gender c. The total workforce by employees and supervised workers and by gender d. The total workforce by region and gender e. Whether a substantial portion of the organization’s work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors f. Any significant variations in employment numbers Our People > Our Workplace CSR Performance	Full
G4-11 The percentage of total employees covered by collective bargaining agreements Our People > Our Workplace CSR Performance	Full
G4-12 The organization’s supply chain CSR Approach > Supply Chain Stewardship	Full
G4-13 Any significant changes during the reporting period regarding the organization’s size, structure, ownership, or its supply chain Our Company Our Company > CEO Message	Full

COMMITMENTS TO EXTERNAL INITIATIVES

General Standard Disclosures Reporting Level

G4-14 **Whether and how the precautionary approach or principle is addressed by the organization** **Full**

[CSR Performance > GRI Index](#)
[CSR Approach > CSR Governance](#)

G4-15 **Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.** **Full**

[CSR Approach > CSR Governance](#)

G4-16 **Memberships of associations and national or international advocacy organizations** **Full**

[CSR Approach > CSR Governance](#)

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

General Standard Disclosures Reporting Level

G4-17 **a. All entities included in the organization’s consolidated financial statements or equivalent documents** **Full**
b. Whether any entity included in the organization’s consolidated financial statements or equivalent documents is not covered by the report

[Our Company](#)
[CSR Performance > GRI Index](#)
[AIF](#)

G4-18 **a. The process for defining the report content and the aspect boundaries** **Full**
b. How the organization has implemented the reporting principles for defining report content

[CSR Approach > Materiality](#)
[About This Report](#)

G4-19 **All the material aspects identified in the process for defining report content** **Full**

[CSR Approach > Materiality](#)

G4-20 **Aspect boundary within the organization** **Full**

[CSR Approach > Materiality](#)

G4-21 **Aspect boundary outside the organization** **Full**

[CSR Approach > Materiality](#)

General Standard Disclosures		Reporting Level
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G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements CSR Performance	Full
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G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries CSR Performance	Full
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STAKEHOLDER ENGAGEMENT

General Standard Disclosures		Reporting Level
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G4-24	List of stakeholder groups engaged by the organization CSR Approach > Stakeholder Engagement	Full
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G4-25	The basis for identification and selection of stakeholders with whom to engage CSR Approach > Stakeholder Engagement	Full
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G4-26	The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process CSR Approach > Stakeholder Engagement Social Impact > Community Development Social Impact > Community Relations	Full
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G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns. CSR Approach > Stakeholder Engagement Social Impact > Community Development Social Impact > Community Relations	Partial
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REPORT PROFILE

General Standard Disclosures		Reporting Level
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G4-28	Reporting period for information provided About This Report	Full
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G4-29	Date of most recent previous report About This Report	Full
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General Standard Disclosures		Reporting Level
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G4-30	Reporting cycle CSR Performance > GRI Index	Full
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G4-31	Contact point for questions regarding the report or its contents Contact Us	Full
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GRI CONTENT INDEX

General Standard Disclosures		Reporting Level
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G4-32	a. The “In accordance” option the organization has chosen b. The GRI Content Index for the chosen option c. The reference to the external assurance report, if the report has been externally assured About This Report CSR Performance > GRI Index	Full
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ASSURANCE

General Standard Disclosures		Reporting Level
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G4-33	a. The organization’s policy and current practice with regard to seeking external assurance for the report b. If not included in the assurance report accompanying the sustainability report, the scope and basis of any external assurance provided c. The relationship between the organization and the assurance providers d. Whether the highest governance body or senior executives are involved in seeking assurance for the organization’s sustainability report CSR Performance > GRI Index	Full
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GOVERNANCE

General Standard Disclosures		Reporting Level
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G4-34	The governance structure of the organization, including committees of the highest governance body CSR Approach > CSR Governance Information Circular	Full
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General Standard Disclosures	Reporting Level
<p>G4-37 Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics</p> <p>Our Company > Business Conduct Website – Governance</p>	Full
<p>G4-38 The composition of the highest governance body and its committees</p> <p>Our Company > Corporate Governance Website – Governance AIF</p>	Full
<p>G4-39 Whether the Chair of the highest governance body is also an executive officer</p> <p>Our Company > Corporate Governance Website – Governance AIF</p>	Full
<p>G4-40 The nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members</p> <p>Website – Governance</p>	Full
<p>G4-41 Processes for the highest governance body to ensure conflicts of interest are avoided and managed</p> <p>Our Company > Corporate Governance CSR Approach > CSR Governance AIF</p>	Full
<p>G4-44 a. The processes for evaluation of the highest governance body’s performance with respect to governance of economic, environmental and social topics</p> <p>b. Actions taken in response to evaluation of the highest governance body’s performance with respect to governance of economic, environmental and social topics</p> <p>Website – Governance</p>	Full
<p>G4-45 a. The highest governance body’s role in the identification and management of economic, environmental and social impacts, risks and opportunities</p> <p>b. Whether stakeholder consultation is used to support the highest governance body’s identification and management of economic, environmental and social impacts, risks and opportunities</p> <p>Our Company > Corporate Governance CSR Approach > CSR Governance</p>	Full
<p>G4-47 The frequency of the highest governance body’s review of economic, environmental and social impacts, risks and opportunities</p> <p>CSR Approach > CSR Governance</p>	Full

General Standard Disclosures		Reporting Level
G4-49	<p>The process for communicating critical concerns to the highest governance body</p> <p>Our Company > Business Conduct</p>	Full
G4-51	<p>The remuneration policies for the highest governance body and senior executives</p> <p>2014 Management Information Circular</p>	Full
G4-54	<p>The ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees in the same country</p> <p>CSR Performance</p>	Full

ETHICS AND INTEGRITY

General Standard Disclosures		Reporting Level
G4-56	<p>The organization's values, principles, standards and norms of behaviour</p> <p>Our Company > Business Conduct CSR Approach CSR Approach > CSR Governance Website – About Us Website – Code of Conduct</p>	Full

SPECIFIC STANDARD DISCLOSURES

ECONOMIC

Indicator	Reporting Level	
Aspect: Economic Performance		
G4-DMA	<p>a. Why the aspect is material. Report the impacts that make this aspect material.</p> <p>b. How the organization manages the material aspect or its impacts</p> <p>c. The evaluation of the management approach</p> <p>Our Company > CEO Message Our Company > Corporate Governance Business and Financial Review > Strategy Business and Financial Review > Exploration Business and Financial Review > Development Business and Financial Review > Operations Business and Financial Review > Financials Social Impact > Economic Contributions</p>	Full

Indicator	Reporting Level
G4-EC1	<p>Direct economic value generated and distributed</p> <p> Business and Financial Review > Strategy Business and Financial Review > Exploration Business and Financial Review > Development Business and Financial Review > Operations Business and Financial Review > Financials Social Impact > Economic Contributions CSR Performance </p>
G4-EC2	<p>Financial implications and other risks and opportunities for the organization's activities due to climate change</p> <p>Link to CDP</p>
G4-EC3	<p>Coverage of the organization's defined benefit plan obligations</p> <p>AIF</p>
Aspect: Market Presence	
G4-DMA	<p>a. Why the aspect is material. Report the impacts that make this aspect material.</p> <p>b. How the organization manages the material aspect or its impacts</p> <p>c. The evaluation of the management approach</p> <p>Social Impact > Local Hiring and Skills Development</p>
G4-EC6	<p>Proportion of senior management hired from the local community at significant locations of operation</p> <p>Social Impact > Local Hiring and Skills Development</p>
Aspect: Indirect Economic Impacts	
G4-DMA	<p>a. Why the aspect is material. Report the impacts that make this aspect material.</p> <p>b. How the organization manages the material aspect or its impacts</p> <p>c. The evaluation of the management approach</p> <p> Social Impact Social Impact > Economic Contributions Social Impact > Community Development Social Impact > Local Hiring and Skills Development Social Impact > Local Purchasing </p>
G4-EC7	<p>Development and impact of infrastructure investments and services supported</p> <p> Social Impact > Economic Contributions Social Impact > Community Development Social Impact > Local Hiring and Skills Development Social Impact > Local Purchasing </p>

Indicator		Reporting Level
G4-EC8	<p>Significant indirect economic impacts, including the extent of impacts</p> <p>Social Impact > Economic Contributions Social Impact > Local Hiring and Skills Development Social Impact > Local Purchasing</p>	Full
Aspect: Procurement Practices		
G4-DMA	<p>a. Why the aspect is material. Report the impacts that make this aspect material.</p> <p>b. How the organization manages the material aspect or its impacts</p> <p>c. The evaluation of the management approach</p> <p>CSR Approach > Supply Chain Stewardship Social Impact > Local Purchasing</p>	Full
G4-EC9	<p>Proportion of spending on local suppliers at significant locations of operation</p> <p>CSR Approach > Supply Chain Stewardship</p>	Full

ENVIRONMENTAL

Indicator		Reporting Level
Aspect: Water		
G4-DMA	<p>a. Why the aspect is material. Report the impacts that make this aspect material.</p> <p>b. How the organization manages the material aspect or its impacts</p> <p>c. The evaluation of the management approach</p> <p>Environmental Stewardship Environmental Stewardship > Water</p>	Full
G4-EN8	<p>Total water withdrawal by source</p> <p>Environmental Stewardship > Water CSR Performance</p>	Full
Aspect: Biodiversity		
G4-DMA	<p>a. Why the aspect is material. Report the impacts that make this aspect material.</p> <p>b. How the organization manages the material aspect or its impacts</p> <p>c. The evaluation of the management approach</p> <p>Environmental Stewardship Environmental Stewardship > Land and Biodiversity</p>	Full

Indicator		Reporting Level
G4-EN13	Habitats protected or restored Environmental Stewardship > Land and Biodiversity CSR Performance	Full
MM1	Amount of land disturbed or rehabilitated Environmental Stewardship > Land and Biodiversity CSR Performance	Full
MM2	The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place CSR Performance	Full
Aspect: Effluents and Waste		
G4-DMA	a. Why the aspect is material. Report the impacts that make this aspect material. b. How the organization manages the material aspect or its impacts c. The evaluation of the management approach Environmental Stewardship Environmental Stewardship > Waste and Tailings	Full
G4-EN22	Total water discharge by quality and destination Environmental Stewardship > Waste and Tailings CSR Performance	Full
G4-EN24	Total number and volume of significant spills CSR Performance	Full
MM3	Total amounts of overburden, rock, tailings, and sludges and their associated risks CSR Performance	Full
Aspect: Environmental Grievance Mechanisms		
G4-DMA	a. Why the aspect is material. Report the impacts that make this aspect material. b. How the organization manages the material aspect or its impacts c. The evaluation of the management approach CSR Approach > Human Rights and Security CSR Approach > Materiality Social Impact > Community Relations	Full
G4-EN34	Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms Social Impact > Community Relations CSR Performance	Partial

SOCIAL SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK

Indicator	Reporting Level
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Aspect: Employment

G4-DMA	<p>a. Why the aspect is material. Report the impacts that make this aspect material.</p> <p>b. How the organization manages the material aspect or its impacts</p> <p>c. The evaluation of the management approach</p> <p>Our People Our People > Our Workplace</p>	Full
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G4-LA1	<p>Total number and rates of new employee hires and employee turnover by age group, gender and region</p> <p>Our People > Our Workplace CSR Performance</p>	Full
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G4-LA2	<p>Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation</p> <p>CSR Performance</p>	Full
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Aspect: Labour/Management Relations

G4-DMA	<p>a. Why the aspect is material. Report the impacts that make this aspect material.</p> <p>b. How the organization manages the material aspect or its impacts</p> <p>c. The evaluation of the management approach</p> <p>Our People Our People > Our Workplace</p>	Full
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G4-LA4	<p>Minimum notice periods regarding operational changes, including whether these are specified in collective agreements</p> <p>Our People > Our Workplace</p>	Full
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MM4	<p>Number of strikes and lock-outs exceeding one week’s duration, by country</p> <p>CSR Performance</p>	Full
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Aspect: Occupational Health and Safety

G4-DMA	<p>a. Why the aspect is material. Report the impacts that make this aspect material.</p> <p>b. How the organization manages the material aspect or its impacts</p> <p>c. The evaluation of the management approach</p> <p>Our People Our People > Health and Safety Website – Our EHS Policy</p>	Full
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Indicator		Reporting Level
G4-LA5	<p>Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs</p> <p>CSR Performance</p>	Full
G4-LA6	<p>Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender</p> <p>Our People > Health and Safety CSR Performance</p>	Full

SOCIAL SUB-CATEGORY: HUMAN RIGHTS

Indicator		Reporting Level
Aspect: Security Practices		
G4-DMA	<p>a. Why the aspect is material. Report the impacts that make this aspect material.</p> <p>b. How the organization manages the material aspect or its impacts</p> <p>c. The evaluation of the management approach</p> <p>CSR Approach > CSR Governance CSR Approach > Human Rights and Security</p>	Full
G4-HR3	<p>Total number of incidents of discrimination and corrective actions taken</p> <p>CSR Performance > GRI Index</p>	Full
G4-HR4	<p>Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk</p> <p>Our People > Our Workplace</p>	Full
G4-HR7	<p>Percentage of security personnel trained in the organization’s human rights policies or procedures that are relevant to operations</p> <p>CSR Approach > Human Rights and Security</p>	Partial

Aspect: Indigenous Rights

G4-DMA	<p>a. Why the aspect is material. Report the impacts that make this aspect material.</p> <p>b. How the organization manages the material aspect or its impacts</p> <p>c. The evaluation of the management approach</p> <p>CSR Approach > Human Rights and Security CSR Approach > Stakeholder Engagement Our People > Our Workplace Social Impact > Local Hiring and Skills Development Social Impact > Community Relations</p>	Full
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G4-HR8	<p>Total number of incidents of violations involving rights of indigenous peoples and actions taken</p> <p>CSR Approach > Human Rights and Security</p>	Full
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Aspect: Human Rights Grievance Mechanisms

G4-DMA	<p>a. Why the aspect is material. Report the impacts that make this aspect material.</p> <p>b. How the organization manages the material aspect or its impacts</p> <p>c. The evaluation of the management approach</p> <p>CSR Approach > Materiality Social Impact > Community Relations</p>	Full
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G4-HR12	<p>Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms</p> <p>Social Impact > Community Relations CSR Performance</p>	Full
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SOCIAL SUB-CATEGORY: SOCIAL

Aspect: Anti-Corruption

G4-DMA	<p>a. Why the aspect is material. Report the impacts that make this aspect material.</p> <p>b. How the organization manages the material aspect or its impacts</p> <p>c. The evaluation of the management approach</p> <p>CSR Approach > Human Rights and Security</p>	Full
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G4-SO4	<p>Communication and training on anti-corruption policies and procedures</p> <p>CSR Performance</p>	Partial
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Aspect: Grievance Mechanisms for Impacts on Society

G4-DMA	<p>a. Why the aspect is material. Report the impacts that make this aspect material.</p> <p>b. How the organization manages the material aspect or its impacts</p> <p>c. The evaluation of the management approach</p>	Partial
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[CSR Approach > Materiality](#)
[Social Impact > Community Relations](#)

G4-SO11	<p>Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms</p>	Full
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[Social Impact > Community Relations](#)
[CSR Performance](#)

Resettlement

MM9	<p>Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process</p>	Full
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[Social Impact > Resettlement and Land Use](#)

Closure Planning

MM10	<p>Number and percentage of operations with closure plans</p>	Full
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[Environmental Stewardship > Closure and Reclamation](#)

About This Report



This year, for the first time, we are combining our annual report and our corporate social responsibility (CSR) report. We plan to make this our model going forward. Social performance is as important as financial and operating performance. We believe combining the reports presents a truly representative account of the Company's activities in 2014.

We published our Management's Discussion and Analysis of Results of Operations and Financial Condition ([http://www.hudbayminerals.com/files/doc_financials/ANNUALMDA14-\(1\)_v001_x4wlfk.pdf](http://www.hudbayminerals.com/files/doc_financials/ANNUALMDA14-(1)_v001_x4wlfk.pdf)), and the consolidated financial statements (http://www.hudbayminerals.com/files/doc_financials/ANNUALFIN14_v001_v5v8d5.pdf), for the year ended December 31, 2014, on February 19, 2015. Copies are posted to our website. The Business and Financial Review section of this report covers the content normally included in our annual report.

This is the 11th year that we have produced a CSR report, and our seventh report based on the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. We transitioned to the new G4 standard in our 2013 report. This report contains standard disclosures from the GRI G4 guidelines, working toward the Core option.

Our report covers all operating and project locations, as well as exploration activities managed by Hudbay during the 2014 calendar year. CSR report content has been defined based on our materiality analysis and aspects identification process, which applied to all of Hudbay's operating assets.

More information on the scope of our reporting is available in the CSR Performance section.

BASIS OF REPORTING

All financial information is presented in Canadian dollars except where otherwise noted. All operating data is reported using the metric system unless otherwise noted. 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.

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 NI 43-101. For a description of the key assumptions, parameters and methods used to estimate mineral reserves and resources, as well as data verification procedures and a general discussion of the extent to which the estimates of scientific and technical information may be affected by any known environmental, permitting, legal title, taxation, sociopolitical, marketing or other relevant factors, please see the Technical Reports for Hudbay's material properties as filed by Hudbay on SEDAR at www.sedar.com (<http://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. 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 note.

Forward-looking information includes, but is not limited to, production, cost and capital and exploration expenditure guidance, production at Hudbay's Constancia, 777, Lalor and Reed mines, processing at Hudbay's Constancia concentrator, Flin Flon concentrator, Snow Lake concentrator and Flin Flon zinc plant, anticipated production from Hudbay's projects and events that may affect Hudbay's projects, including a strike action that has been commenced by one union at our Manitoba operations, a potential work stoppage or labour disruption at Hudbay's Manitoba operations and the anticipated effect of external factors on revenue, such as commodity prices, the potential to refurbish the recently acquired New Britannia mill and utilize it to process ore from Hudbay's Lalor mine, the expectation that Hudbay will no longer construct a new concentrator at Lalor, the anticipated exploration and development expenditures and activities and the possible success of such activities at Lalor and elsewhere, 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 successful ramp-up of production and recoveries at Constancia;
- the success of mining, processing, exploration and development activities;
- the accuracy of geological, mining and metallurgical estimates;
- the costs of production;
- the ability to successfully negotiate new collective bargaining agreements for Hudbay's Manitoba operations;
- the availability and successful implementation of contingency plans for labour disruptions at Hudbay's Manitoba operations, including as a result of the strike action that has been commenced by one union;
- the supply and demand for metals Hudbay produces;
- no significant and continuing adverse changes in financial markets, including commodity prices and foreign exchange rates;
- the supply and availability of concentrate for Hudbay's processing facilities;
- the supply and availability of third-party processing facilities for Hudbay's 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 execution of Hudbay's business and growth strategies, including the success of its strategic investments and initiatives;
- the availability of additional financing, if needed, under Hudbay's credit facilities;
- the availability of financing for Hudbay's exploration and development projects and activities;
- the ability to complete project targets on time and on budget and other events that may affect Hudbay's ability to develop its projects;
- the timing and receipt of various regulatory and governmental approvals;
- the availability of personnel for Hudbay's exploration, development and operational projects and ongoing employee relations;
- Hudbay's ability to secure required land rights to complete its Constancia project;
- maintaining good relations with the communities in which Hudbay operates, including the communities surrounding its Constancia and Rosemont projects and First Nations communities surrounding the Company's Lalor and Reed mines;
- no significant unanticipated challenges with stakeholders at Hudbay's various projects;
- no significant unanticipated events or changes relating to regulatory, environmental, health and safety matters;
- no contests over title to Hudbay's 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 the refund of certain value added taxes from the Canadian and Peruvian governments; 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, the failure to successfully re-negotiate the recently expired collective bargaining agreements with one or more unions at Hudbay's Manitoba operations, the timing and nature of any labour disruptions at the Company's Manitoba operations (including as a result of the strike action that has been commenced by one union or as a result of additional strike actions that may be commenced by one or more unions), risks associated with the Company's contingency plans for labour disruptions at Hudbay's operations, risks generally associated with the mining industry, such as economic factors (including future commodity prices, currency fluctuations, energy prices and general cost escalation), uncertainties related to the development and operation of Hudbay's projects (including risks associated with the commissioning and ramp-up of the Constancia project and risks associated with the permitting of the Rosemont project), dependence on key personnel and employee and union relations, risks related to political or social unrest or change and those in respect of Aboriginal and community relations, rights 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, depletion of Hudbay's reserves, volatile financial markets that may affect Hudbay's ability to obtain financing on acceptable terms, the failure to obtain required approvals or clearances from government authorities on a timely basis, 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, Hudbay's ability to comply with Hudbay's pension and other post-retirement obligations, Hudbay's ability to abide by the covenants in Hudbay's debt instruments or other material contracts, tax refunds, hedging transactions, as well as the risks discussed under the heading "Risk Factors" in Hudbay's recent Annual Information Form.

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. Hudbay does 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

This annual report has been prepared in accordance with the requirements of the securities laws in effect in Canada, which may differ materially from the requirements of United States securities laws applicable to US issuers. 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 should consider closely the disclosure on the mining industry technical terms in Schedule A "Glossary of Mining Terms" of our AIF.

Contact Us



We invite your comments and questions about this report.

For investor relations matters, please contact Jackie Allison, Director, Investor Relations, 416 814-4387, jacqueline.allison@hubbayminerals.com.

For CSR matters, please contact David Clarry, Vice President, Corporate Social Responsibility, 416 362-7364, david.clarry@hubbayminerals.com.

Annual and Special Meeting of Shareholders
May 22, 2015, 10:00 a.m. ET
Toronto, Ontario

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 creates and sustains variation in the environment

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

Conflict-free minerals – mineral production that does not contribute to serious human rights abuses in regions of armed conflict (drawing on the definitions provided in the *Dodd–Frank Act*)

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

Dodd–Frank – refers to the *Dodd–Frank Wall Street Reform and Consumer Protection Act*, which requires entities involved in the commercial development of oil, gas and minerals to provide information in annual reports about the type and total amount of payments made to governments (Section 1504), and also identifies requirements for tracking conflict minerals in product supply chains (Section 1502)

Donations – contributions to charities

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

G4 indicators – performance indicators contained in the G4 guidelines of the Global Reporting Initiative. The G4 guidelines – Core option provide the framework for this report.

GHG emissions – greenhouse gas emissions

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

Grant in lieu – an amount paid instead of property taxes

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

MAC – Mining Association of Canada

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

n/ap – not applicable

n/av – not available

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

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

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