

Annual and special meeting of shareholders – Remarks

June 19, 2009 at 11 a.m.

Vanity Fair Ballroom, King Edward Hotel, Toronto, Ontario

Peter Jones, Chief Executive Officer

Thank you, Mr. Chairman, ladies and gentlemen. Before I begin, I'd like to say that I am very pleased to be here once again, addressing the shareholders of HudBay. I have had the honour of doing this on three previous occasions following the creation of HudBay, and it is rather like coming home.

I'd like to provide a brief snapshot of our company. We are principally focused on the discovery, production and marketing of base metals, and also produce by-product gold, and silver, as well as zinc oxide. We trade on the Toronto Stock Exchange under the symbol HBM, and have approximately 153 million shares outstanding. Recently we have been trading between approximately \$7.00 and \$9.00 a share.

One of the important aspects of HudBay is our proud 80-year history. HudBay and its predecessor companies have developed more than 25 mines since 1929 in a region of northern Manitoba and Saskatchewan known as the Flin Flon Greenstone Belt. Last year, the company extended its presence to Guatemala.

HudBay is vertically integrated, which means:

- We explore for new mineral deposits;
- We develop mines;
- We mine and concentrate ores;
- We produce finished metals;
- We sell those metals directly to customers.

Vertical integration is advantageous because it provides greater control over our ability to develop new mineral deposits close to our processing plants, and we can realize sales premiums above metal prices of the London Metal Exchange.

The mining community focused on metal prices when they plummeted during 2008, and this deterioration led HudBay's management to take prudent and necessary actions that included closing our higher-cost operations. The lower realized metal prices and production cuts, generated reduced financial results in 2008.

These financial conditions continued through the first quarter of 2009. However, throughout this challenging period the company's strong cash position and very low debt were maintained, and we have continued to generate positive operating cash flow through 2008 and into 2009.

Our performance for 2008 compared to 2007 includes:

- Revenues of \$982 million, down from \$1.3 billion.
- EBITDA of \$73.3 million, compared to \$227.1 million.
- Earnings before tax of \$170 million, versus \$366 million;
- Net earnings of \$73 million, down from \$227 million; and,
- On a per-share basis, 54 cents, compared to \$1.79 in 2007.

For the first quarter of 2009 we continued to realize low prices for copper and zinc, and again this impacted our results.

- Revenues of \$162 million were down from \$272 million.
- EBITDA was \$15.5 million compared to \$71.0 million.
- We had a loss before tax of \$5 million, versus earnings before tax of \$47 million in 2008,
- Our net loss totaled \$4 million, versus net earnings of \$22 million, and
- A loss of three cents per share, compared to an EPS of 17 cents in 2008.

The good financial news is that HudBay enjoys a strong cash position, which totaled some \$610 million at March 31 '09. This does not include proceeds from the sale of HudBay's interest in Lundin Mining in May of this year. We received \$236 million from the transaction, which represents a pretax gain of approximately \$100 million.

The current board was appointed after a proxy contest that culminated in March 2009. I am pleased to report that the transition has been very smooth, thanks to the dedication of your board members and the support of our management and employees. In the brief time that the new board has been in place, HudBay has continued to respond to the challenging economic environment in ways that I believe are appropriate. As a result, the company is well positioned to weather the recession and to take advantage of the recovery that lies ahead.

Now I'll turn the podium over to Michael Winship, HudBay's president and chief operating officer.

Michael Winship, President and Chief Operating Officer

Thank you, Peter. First I'll provide an overview of our operations, leaving my discussion of those that we have suspended or announced plans for closure until later in our remarks.

First, our mines.

- HudBay's flagship operation is the 777 mine, located near Flin Flon. It produces zinc, copper, gold and silver. This mine is our top producer, generating 1.5 million tonnes of ore during 2008. On the basis of current reserve figures, we estimate this mine to last until 2019.
- Our Trout Lake mine is located near Flin Flon and also produces zinc, copper, gold and silver. It produced more than three-quarters of a million tonnes of ore in 2008. While we are developing a new zone, the Deep West, we do not expect this mine to last beyond 2011.
- Our Chisel North zinc mine is located at Snow Lake in northern Manitoba, and generated about 325,000 tonnes of ore last year.

Our ore concentrators include:

- Our facility at Flin Flon that processes both zinc and copper; and,
- The plant at Snow Lake, which handles only zinc ore from Chisel North.

HudBay facilities that make metal include:

- Our zinc plant, which produces special high-grade zinc in Flin Flon;
- Our copper smelter, which produces copper anode, also in Flin Flon; and
- Our White Pine Copper Refinery in Michigan, which refines our Manitoba copper anode into market-ready copper cathode.
- We also produce zinc oxide at our plant near Toronto from approximately 25% of our zinc metal produced in Manitoba.

Our metallurgical plants are consistent performers and use proven technology. In particular, the zinc plant uses leading-edge, two-stage pressure leaching as well as the world's most advanced electro-winning technology to produce zinc in an environmentally-friendly manner.

Now I'll review HudBay's metal production figures for 2008. This table shows volumes for our four main metals:

- Zinc production totaled 125,300 tonnes, which was in line with forecasts;
- And copper production was 74,700 tonnes, which was also within expectations.
- We produced about 109,000 troy ounces of gold, which was higher than we expected, mainly due to purchased concentrate; and
- Silver totaled 2.3 million ounces, which again exceeded our forecasts as a result of purchased concentrate.

As part of our commitment to best practices in mining activities, we have put significant emphasis on corporate social responsibility.

Our activities in this area are published in the company's annual sustainability reports. We will soon publish our 2008 Corporate Social Responsibility report, prepared for the first time to Global Reporting Initiative standards.

HudBay has made substantial contributions to community initiatives, at home and abroad. For example:

- Last year, we committed \$1 million to the Canadian Museum for Human Rights, to be built in Manitoba, and
- We announced a \$1-million, 80th anniversary fund to support community-based programs for the region of Flin Flon – Creighton.
- In Guatemala, HudBay's US\$10-million upgrade to a 37-kilometre local road that connects the town of El Estor and our plant to the rest of the country is already benefiting local residents. Also, through our community foundation, we have 66 projects underway in 20 communities in health, education, culture and environment.

HudBay is focused on workplace safety. We were deeply saddened to lose a member of our team in a rock fall at Balmat. HudBay conducted a full investigation, and remains committed to meeting all of its safety standards. Overall, HudBay had a lost time accident frequency of 1.0 per 200,000 hours worked. Although this is in line with industry averages, we will not be satisfied until we achieve zero lost time injuries.

We comply with high management standards, including:

- The ISO 14001 standard for environmental practice;
- The ISO 9001 standard for product quality;
- OHSAS 18001, governing occupational health and safety; and
- The Mining Association of Canada's Towards Sustainable Mining initiative, a benchmark for sustainable mining practices.

I underline these examples because good corporate citizenship is important to HudBay.

As Peter mentioned, metal prices fell sharply during 2008. In response to these challenges, management implemented a number of initiatives.

- We placed Balmat mine on care and maintenance.
- We have limited expenditures at our Fenix property in Guatemala.
- We suspended operations at Chisel North mine and Snow Lake concentrator.

In addition to these measures, we instituted a number of operational initiatives to improve performance.

- First and foremost, employees from suspended operations have been replacing contractors wherever possible.
- Suppliers are being challenged to reduce their prices.

- We are reducing dilution of ore to improve the grade that we deliver to the concentrators;
- Operating costs are tightly managed in all areas; and
- Capital expenditures have been reduced by delaying non-essential outlays to 2010 and beyond.

Many of these decisions, particularly with respect to employees, were tough to make. However, we are confident the company is positioned to return to profitability and achieve its growth objectives.

Now I'll turn it back to Peter.

Peter Jones, Chief Executive Officer

Thank you, Michael.

HudBay's board has made a number of changes since it took office at the end of March.

First, the board refined the company's corporate governance framework, and brought our policies, all available on our website, in line with best practices for:

- Disclosure;
- Confidentiality;
- Insider trading;
- Whistleblowing; and
- Ethical conduct.

Secondly, HudBay's bylaws have been amended to require shareholder approval of dilution of 25% or more of the share equity in connection with an acquisition.

Thirdly, the board has either met or is actively working towards implementing the other commitments it made during the proxy contest, including:

- Share ownership guidelines for directors and officers;
- Majority voting for directors; and
- Performance-based incentives to align management more closely with shareholder interests.

I believe these measures will provide transparency, and help ensure that HudBay is managed in the best interests of shareholders.

Fourth, the board committed to develop a strategic plan, which I will review later. Firstly, however, I'll speak to the closure of HudBay's copper smelter and refinery.

Although in the past we have publicly spoken about the closure of the smelter, we have now confirmed that it will be closed before July 1, 2010. Commercial production at the Flin Flon copper smelter and the White Pine copper refinery in Michigan will cease.

There are two main reasons driving this decision: First, the smelter is 80 years old and is not economical to operate given its design, location and the projected availability of copper concentrate. Second, emissions from the plant, while compliant with current regulations, will not be able to comply with evolving requirements, and installing the equipment necessary to meet future requirements cannot be economically justified.

After the copper smelter closes, we plan to sell our copper concentrate and are constructing a filter plant to allow for ocean shipment, if necessary. We expect the filter plant will be ready prior to smelter closure.

HudBay expects to incur minimal immediate closure charges, and the cost to process our copper concentrates are unlikely to change substantially. The smelter is part of our integrated facility at Flin Flon, and reclamation will not be necessary until the entire metallurgical complex closes.

I'd like to take this opportunity to thank our smelter employees in Flin Flon and our employees in White Pine for their support and patience during this period of protracted uncertainty.

Now I'll discuss our **opportunities for growth**.

1. First, our Fenix project in Guatemala.

- We acquired this property from our business combination with Skye Resources in 2008.
- Fenix is a brownfield lateritic nickel property with approximately 41 million tonnes of nickel reserves as saprolite, which can be processed in the onsite pyrometallurgical plant.
- It will support 30 years of operations and produce some 50 million pounds of nickel as ferronickel each year.
- Environmental and construction permits are in hand, and construction was under way when we acquired the project. But we limited our expenditures in November 2008 when declining metal prices impaired our ability to fund the project.
- We are using this time to evaluate enhancing the project's power supply.
- I want to emphasize that we will not resume full expenditures on the project until we are satisfied that it will not jeopardize HudBay.

2. Our second organic growth opportunity is the ongoing exploration of the Flin Flon Greenstone Belt.

- Largely unexplored, it has been HudBay's home base for over 80 years, and we plan to continue to apply our award-winning high-technology geophysics to seek out new deposits.

That being said, in the current financial environment our exploration program is somewhat reduced, dropping from approximately \$46 million in 2008 to a still substantial \$26 million this year. And, about \$13 million of that will be spent specifically on our Lalor deposit.

3. And that brings me to our third, and most exciting, new property of Lalor.

- This is a 100%-owned zinc deposit located in Snow Lake, Manitoba. It's one of the largest recent zinc discoveries in Canada.
- Of particular note are the separate gold zones that we have identified in addition to zinc.
- We discovered Lalor using geophysical methods, and this year PDAC awarded HudBay the Bill Dennis Award for the discovery.
- To date, we have completed 154,000 metres of diamond-drilling in 146 holes, and have filed an NI 43-101 Technical Report for the base metal resources only.
- A major advantage of this property is its proximity to infrastructure and the Snow Lake concentrator *[speak to map]*
- We are very excited about Lalor, especially the separate gold zones, where we are focusing exploration to further extend and confirm continuity.
 - We have also begun scoping studies to identify access and mine development alternatives; and
 - We are also evaluating an underground exploration program to establish opportunities for early production.
- I expect to provide you with updates on our Lalor program in the months ahead.

Now I'd like to outline the company's Strategic Plan. We believe HudBay has exceptional growth potential. Our plan is to build on our knowledge base, financial strength and our cash generation capability to grow into a dominant Canadian metals producer. This will enhance our ability to acquire and develop significant assets at home and in attractive locations around the world.

While we do this, we will continue to grow our principal operating platform in the Flin Flon Greenstone Belt, which will remain our cornerstone.

Most importantly, we will grow in a manner that provides superior returns to our shareholders while protecting shareholder value through prudent risk management.

Our strategy is designed to capitalize on our key strengths.

- We are fortunate to have highly skilled and experienced people in our company.
- A key distinction for HudBay is our expertise in integrated operations, together with
- Strong metal marketing and project evaluation skills.
- Further, we have a proud history of exploration success which will serve us well in the future.
- In addition, our financial strength provides a competitive advantage in the current environment where company and asset valuations are relatively modest.
- Finally, we already have a strong pipeline of organic growth opportunities at both Lalor and Fenix.

Based on these strengths and our vision of the future, our strategy will have two broad themes. First, we will optimize our Manitoba operations through exploration, project development and acquisitions. However, this will not be enough to realize our full potential. Our second key strategy will be to grow further afield to benefit stakeholders through risk diversification, and growth through acquisition and development.

There are a number of key initiatives we plan to take to optimize our Manitoba operations. We will continue to emphasize environment, health and safety practices, and to optimize our current operations.

As discussed, we will cease commercial production at our copper smelter before to July 1, 2010. We will pursue opportunities to run our Flin Flon concentrator and zinc plant at full capacity. We will do this through sourcing purchased concentrate and further developing our supply of domestic ore and concentrate feed to these facilities.

As we look ahead, we are evaluating the circumstances that would enable us to restart mining at Chisel North.

- First, we would need confidence in the sustainability of zinc prices at 10 to 15 per cent higher than current prices.
- We would want to optimize feed to our zinc plant, including the timing of our Trout Lake mine closure.
- And assessing how the development of our Lalor project could impact Chisel's production.

We will aggressively pursue the development of Lalor while prudently evaluating the alternatives for maximizing its value.

Beyond Lalor, we will continue to invest in exploration in the underexplored Flin Flon Greenstone Belt where we have demonstrated an enviable track record.

In addition, we are evaluating other opportunities to leverage our existing processing infrastructure through acquisitions and joint venture opportunities.

These initiatives, executed well, will provide a long and prosperous future for our stakeholders in Manitoba. However, our potential will only be fully realized by growing beyond our Manitoba base. Our most visible opportunity is the Fenix project in Guatemala. We will work to enhance Fenix with a low-cost power strategy, and prepare the project to restart construction once conditions improve.

In addition, we will utilize our competitive advantages, in particular our financial strength, to pursue international acquisition opportunities. I want to emphasize our intent to pursue this strategy using a prudent and disciplined approach.

Our expertise lies in copper, zinc and nickel, and we will tend to focus on these metals, including those with precious metal credits.

Clearly, it is essential that transactions be accretive, and we intend to target lower risk opportunities, with higher returns required in exchange for projects with higher risk.

Achieving our growth potential will require more than just our current cash balance. Fortunately, we could seek additional financing, including corporate debt, precious metal credits, project financing, and partnerships with others. At the same time, however, we must be prudent with the use of debt financing, as we have seen in the past year how excessive leverage can bring otherwise strong mining companies to their knees.

As we grow HudBay, our objective will be to maintain and enhance the overall quality of our asset base.

We believe the longer term future of HudBay lies in first and second quartile projects with substantial growth potential. We will assess projects that, although well advanced in their development, require substantial capital investment to reach production. We will also target longer-term development and exploration projects to the extent that they have the potential to become significant assets.

We believe that we have an attractive set of opportunities available to us that can create long-term value for shareholders. As a result, we are not currently considering a return of cash to shareholders. We are focused on identifying and exploiting opportunities that are in the best interests of HudBay and its shareholders.

We believe that we have the right strategic plan to grow HudBay. A plan is only a plan, however, until it is acted upon. There are a number of key next steps to execute our plan.

In the second half of 2009, we expect a decision on how best to advance the Lalor deposit. We also plan to have copper concentrate sales arrangements in place by the end of 2009, to support the closure of our copper smelter by July 1, 2010.

We expect to have a revised project plan for Fenix, including a revised power strategy, in place in early 2010. And as previously mentioned, we will continuously review opportunities to restart the Chisel North mine.

A key milestone will be the announcement of a significant acquisition or joint venture transaction. We do not believe it is appropriate to commit to a specific timetable, but I can confirm that it is a top priority.

I would like to take this opportunity to express my appreciation to the board of directors for their advice and counsel, to management and staff for their skills and hard work, and to you, our shareholders, for your continued belief in the people of HudBay.

That concludes the presentation. Now we'll be pleased to answer any questions you may have.