Reed Copper Project

Project Information Session

April 4, 2013

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Forward Looking Information

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- the accuracy of geological, mining and metallurgical estimates;
- the costs of development;
- no significant unanticipated operational or technical difficulties;
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- no significant and continuing adverse changes in general economic conditions.
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History of Hudbay in the Area

- Flin Flon mining camp started in 1915
- Operating in the Flin Flon area since the 1920's
- Operating in the Snow Lake area since the late 1950's

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Project Overview

- Area in and around the Reed deposit has been under exploration in some form since 1974
- VMS Ventures discovered the Reed Copper deposit in 2007
- At full production mining rate is anticipated to be 1,300 tonnes/day
- All ore will be trucked and processed in Flin Flon
- Approximate 5 year mine life
- $71.9 million CAPEX (2012-2013)
- Will provide 88 jobs at full production

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Project Location

- The site is between Snow Lake and Flin Flon
- The site lies just south of PTH #39 and is accessed via a 1.4 km access road, previously developed as a logging road.
- Site located on the southern edge of the Grass River Provincial Park.
- Grass River Provincial Park
  - Classified as a “natural park” that will accommodate commercial resources, including mining, where such activities do not compromise other park purposes.
  - The Reed Property is categorized for “resource management” under the Provincial Parks Designation Regulation (Manitoba Regulation 37/97)).

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Reed AEP Site looking north, southern reach of Reed Lake approximately 3km in background (August 2012)

Existing Advanced Exploration Project (AEP) Site

- The AEP Closure Plan was accepted by the Mines Branch on October 31, 2011, and development is currently ongoing.

- The AEP was planned to encompass a site of approximately 14 hectares, but only 7 hectares have been cleared to support AEP activities.

AEP Site – Looking West

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Reed AEP Site under Development, looking east (August 2012)

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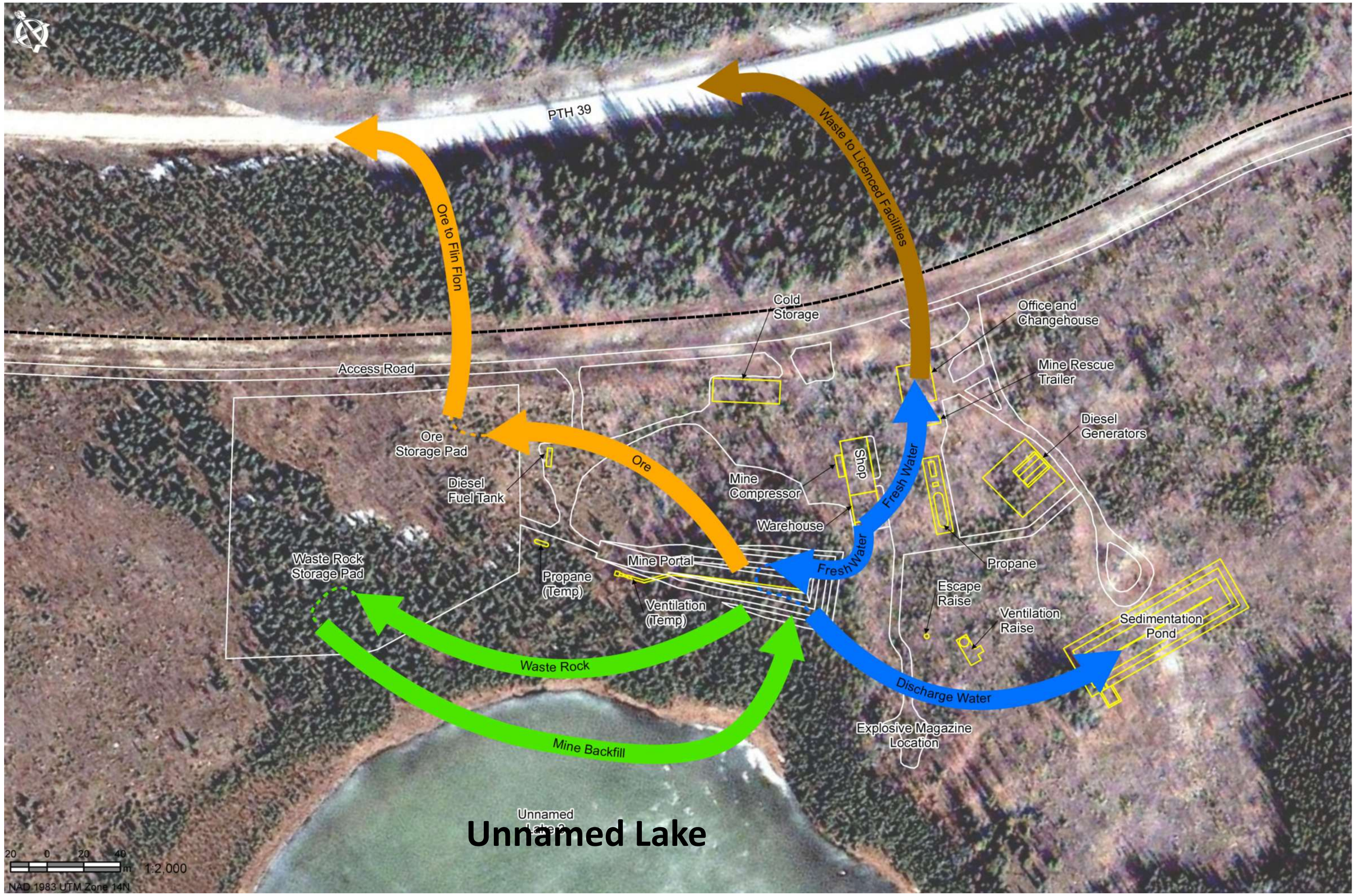
Additional Development Needed for Reed Mine

- Underground Backfill Raise
- Deeper underground ramp and level development
- Campsite (increases from 42 to 50 person camp)

Operations on Site



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Special Considerations During Site Development

- Kept tree clearing to a minimum by using existing roads and clearings
- Maintained tree buffer with the highway and around site
- Used local limestone for fill
- Designed surface facilities to fit a small area
- No crushing on site to minimize noise and dust
- No overhead power line on site
- Special signpost and limestone barricades

Use of Existing Access Road

- The existing 1.4 km access road, formerly developed as a logging road, has been upgraded and slightly widened in some areas to enable handling of the trucking and hauling needs of the AEP and potential mining.
- The connection to PTH#39 has been restored.
- The straightening avoided stream crossings and lake shores, and is the shortest route that disturbs the least amount of environment.
- Crushed limestone was used for the upgrades

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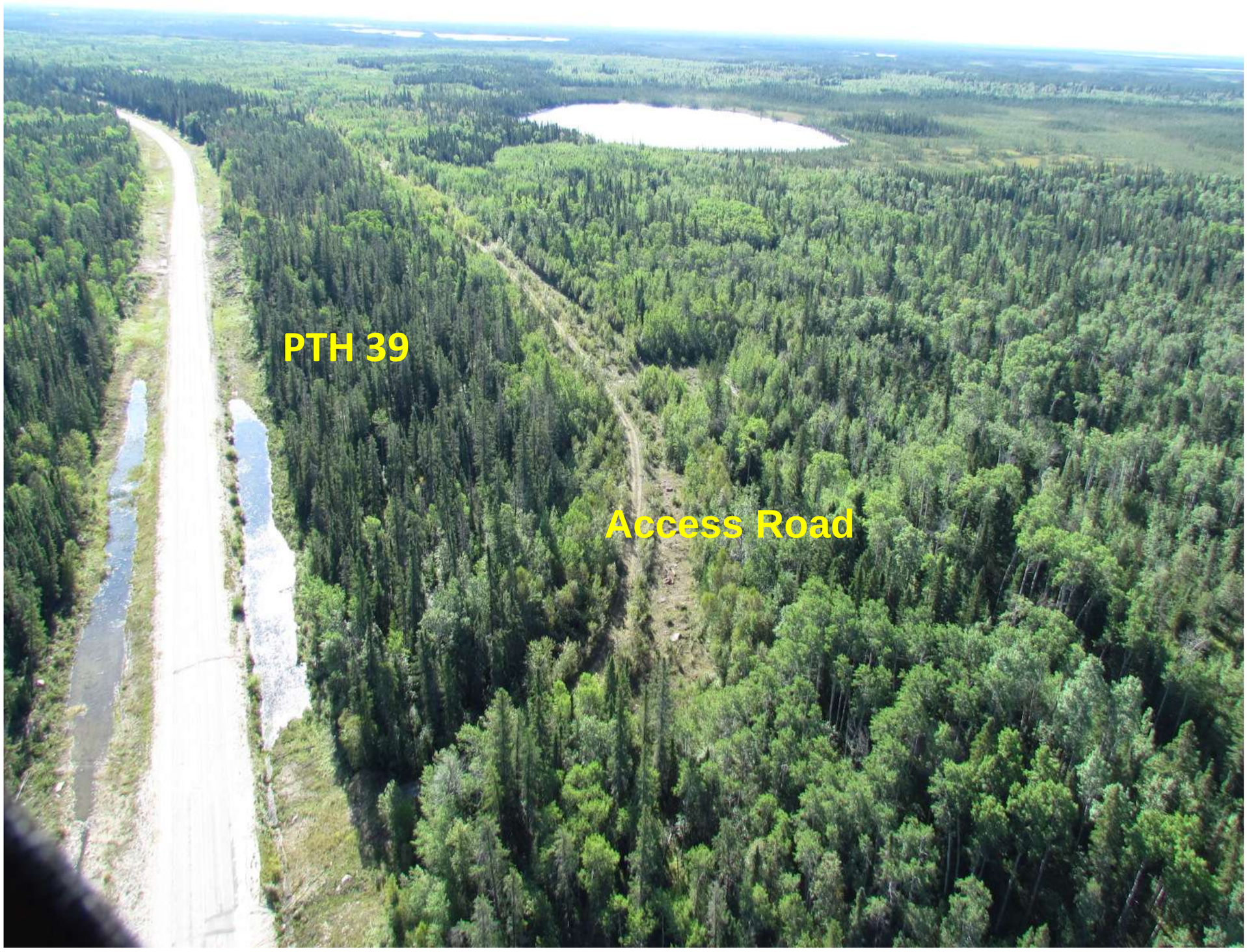

Looking East Toward AEP Site Along Existing Access Road (2011)

Freshwater Supply

- There is no use of surface water at the site.
- Water for domestic use (except drinking water) is derived from groundwater wells developed at the site (License 2012-025).
- Bottled water from a local supplier is provided as the drinking water source.

Groundwater Wells

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Water Management

- Process water is pumped from a groundwater well located on the site to supply office, dry, shop, and underground operations.

- Discharge process water is retained in an on-site polishing pond.

- Sewage is collected in sewage holding tanks and trucked to a licensed facility off site.

Polishing Pond

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Groundwater Management

- High pressure grouting practice will minimize groundwater seepage during underground activities.

- Groundwater encountered during underground operations will be discharged to the polishing pond.

- Water from the polishing pond may be used as a water supply source for fire suppression.

Electrical Power

- Provided by diesel generators on site.
- Fuel for generators is stored in SCAT tanks located at the site.

Generators and Power Lines

- Generators are enclosed and equipped with engineered controls to minimize noise to the maximum extent possible.

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Domestic Waste and Hazardous Materials Management

- Garbage collection bins have been established on site. Will be sent for recycling and/or disposal at local approved facilities.
- Hazardous materials, waste oil, lubricants and other petroleum products are appropriately stored on-site until disposed of or recycled by a petroleum supplier.

Waste Rock Management

- All waste rock is transported to 20,000 m² waste rock storage pad for stockpiling.

- An ore storage pad capable of holding 5,000 tonnes will also be developed on-site.

- Storage pads will be lined where required.

- Waste rock (NAG and PAG) will be placed back underground as backfill.

Environmental Setting

- Three distinct floral communities:
  - Clear-Cut Area (re-growth, immature trees)
  - Mature Mixed Forest (high diversity and productivity)
  - Wet Fen (sphagnum mats, pitcher plants, low wildlife value)

- Several bird and mammal species (including Woodland Caribou) in the project region (within 10 km of Reed site).

- Water bodies in the region include Whitehouse Creek, Grass River and Reed Lake and several unnamed lakes and creeks.

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Reed Mine
Environment Act Proposal
Hudson Bay Mining and Smelting Co., Limited

Reed Mine Site Plan

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Environmental Assessment Process

- Define project components (including support infrastructure and facilities)
- Define existing environment
- Identify potential environmental inputs/outputs required for project
- Evaluate interactions between the project and existing environment
- Develop management and mitigation measures to reduce or eliminate potential environmental effects
- Determine residual impact remaining after mitigation

Environmental Components Examined

Physical

- Topography
- Geology
- Soil
- Air
- Noise and Vibration
- Climate
- Groundwater

Aquatic

- Surface Water Hydrology
- Bathymetry
- Surface Water Quality
- Sediment Quality
- Aquatic Invertebrates
- Fish and Fish Habitat

Terrestrial

- Flora and Fauna

Socio-Economic

- Heritage Resources
- Economy
- Recreation
- Resource Use
- Aesthetics
- Accidents and Malfunctions

Scope of the Assessment

Temporal Boundaries

- **Pre-Production Phase** – Upgrades to existing AEP infrastructure in 2012 to enable ore extraction.
- **Production Phase** – production mining from 2013 to 2018.
- **Closure Phase** – anticipated to occur from 2018 into the future.

Geographic Boundaries

- **Project Site** - Includes the Reed Mine site
- **Project Area** - includes any area, up to 2,000 m beyond the Project Site
- **Project Region** includes an area up to 10 km beyond the Project Site that may be affected by project activities.

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Environmental Effects Assessment

Soil and Geology

- Since the site has been previously cleared as part of the AEP, no additional impact to soils and geology is expected during pre-production.

- During production, any impacts due to ARD will be mitigated by lining storage pads.

- The closure phase will involve the reapplication of appropriate soils to the site, to return the site to native conditions to the extent practical.

- Remediation of contaminated soil will be conducted, if required.

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Environmental Effects Assessment

Vegetation and Wildlife

- Habitat within the Project Site is not considered unique to the area, as such no critical wildlife habitat is expected to be disturbed.

- Habitat disturbance limited to the project site and kept to a minimum.

- Mitigation measures will be implemented to minimize impacts to vegetation and wildlife (eg. participation in regional caribou-related initiatives).

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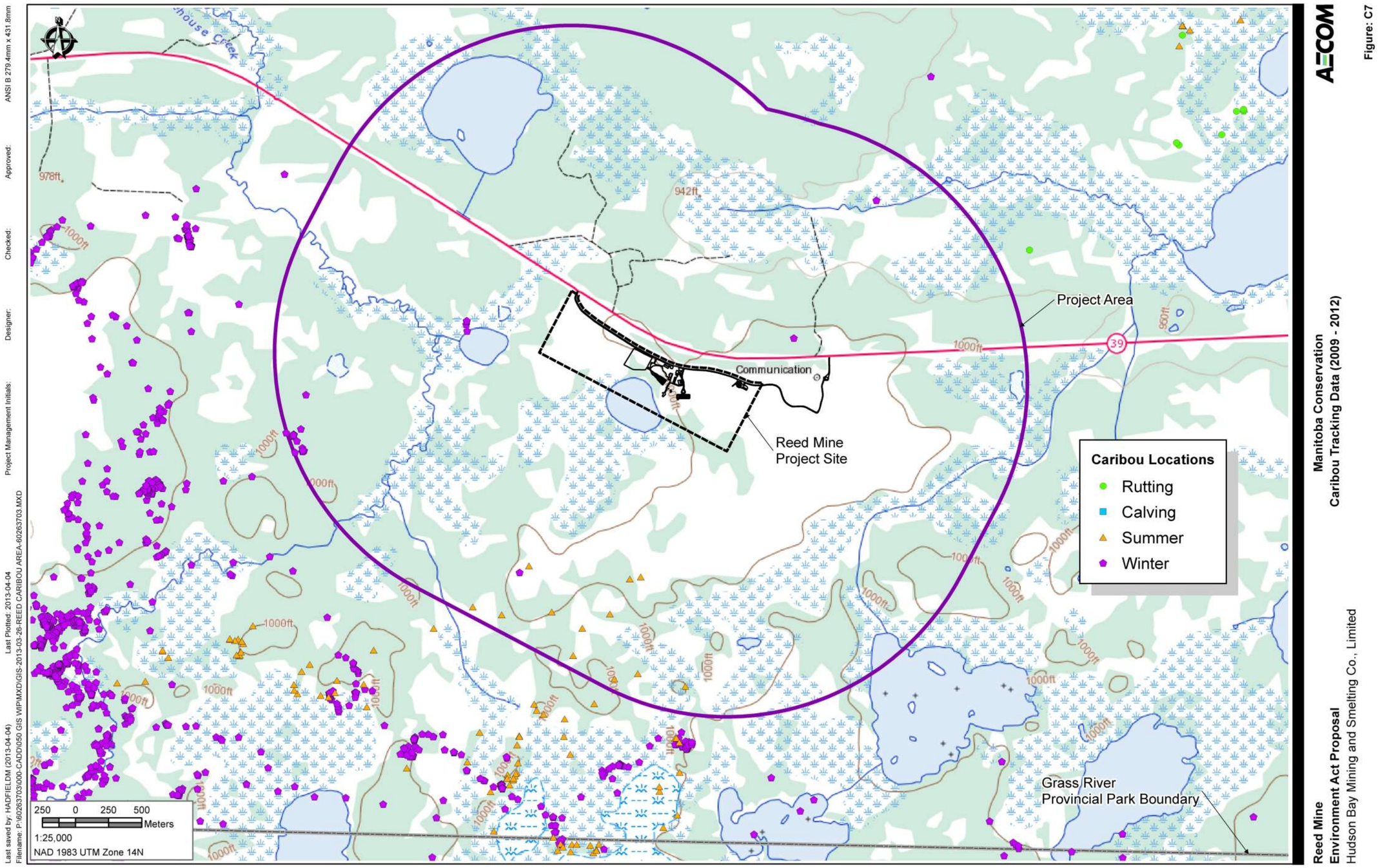
Environmental Effects Assessment



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Environmental Effects Assessment

Vegetation and Wildlife

- As part of the closure phase, the site will be re-vegetated with appropriate vegetation species.

- At closure, the access road will be scarified to prevent access to the site and promote growth of natural vegetation in the area.

- There will be negligible impact on vegetation and wildlife habitat.

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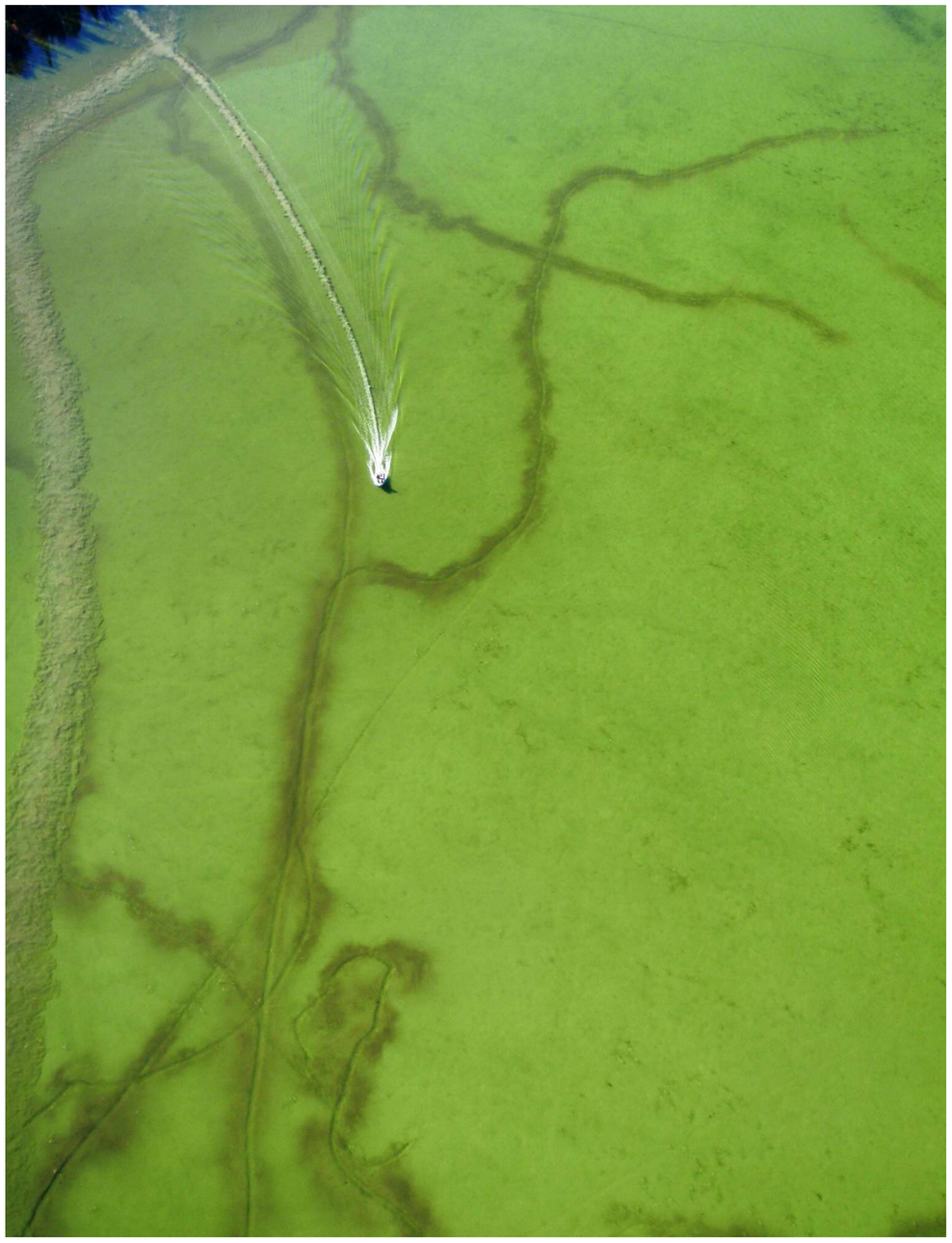
Environmental Effects Assessment

Aquatic Resources

- No impacts on aquatic resources from pre production activities.
- Overflow from polishing pond will be discharged through an adjacent marsh, which flows into Unnamed Lake 3.
- Unnamed Lake 3 is a shallow waterbody, with limited connectivity and an average depth of 1.1 m. It contains no large-bodied fish, and has no recreation or commercial fishing value.



Looking Down on Unnamed Lake 1

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Environmental Effects Assessment

Aquatic Resources

- Re-vegetation during closure will reduce the amount of surface runoff to surrounding waterbodies

- Negligible impacts to aquatic resources and no impacts to fish are expected in the surrounding waterbodies.

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Environmental Effects Assessment

Groundwater

- Storage of explosives will include spill containment measures.
- Charges will be designed to be as small as possible to minimize blast residues.
- Emulsion type explosives will be used in wet areas to minimize the potential for ammonium nitrate to dissolve in groundwater.
- Potential effects from ARD during surface storage will be mitigated by lining waste pads with limestone and a sand filter, and ore pad with a geosynthetic liner and limestone.

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Environmental Effects Assessment

Air Quality and Noise

- Mature tree buffer maintained with the highway and around site.
- No crushing on site will minimize noise and dust.
- Ventilation fan will be installed underground, resulting in reduced noise.
- Speed limit of 40 km/hr on access road and 20 km/hr on site will minimize dust generation
- Due to the isolated nature of site and surrounding vegetation, negligible noise effects to wildlife and human receptors expected.
- Engineered controls will be installed at potential noise-producing structures, and operational controls will be implemented as a mitigation measure if required.

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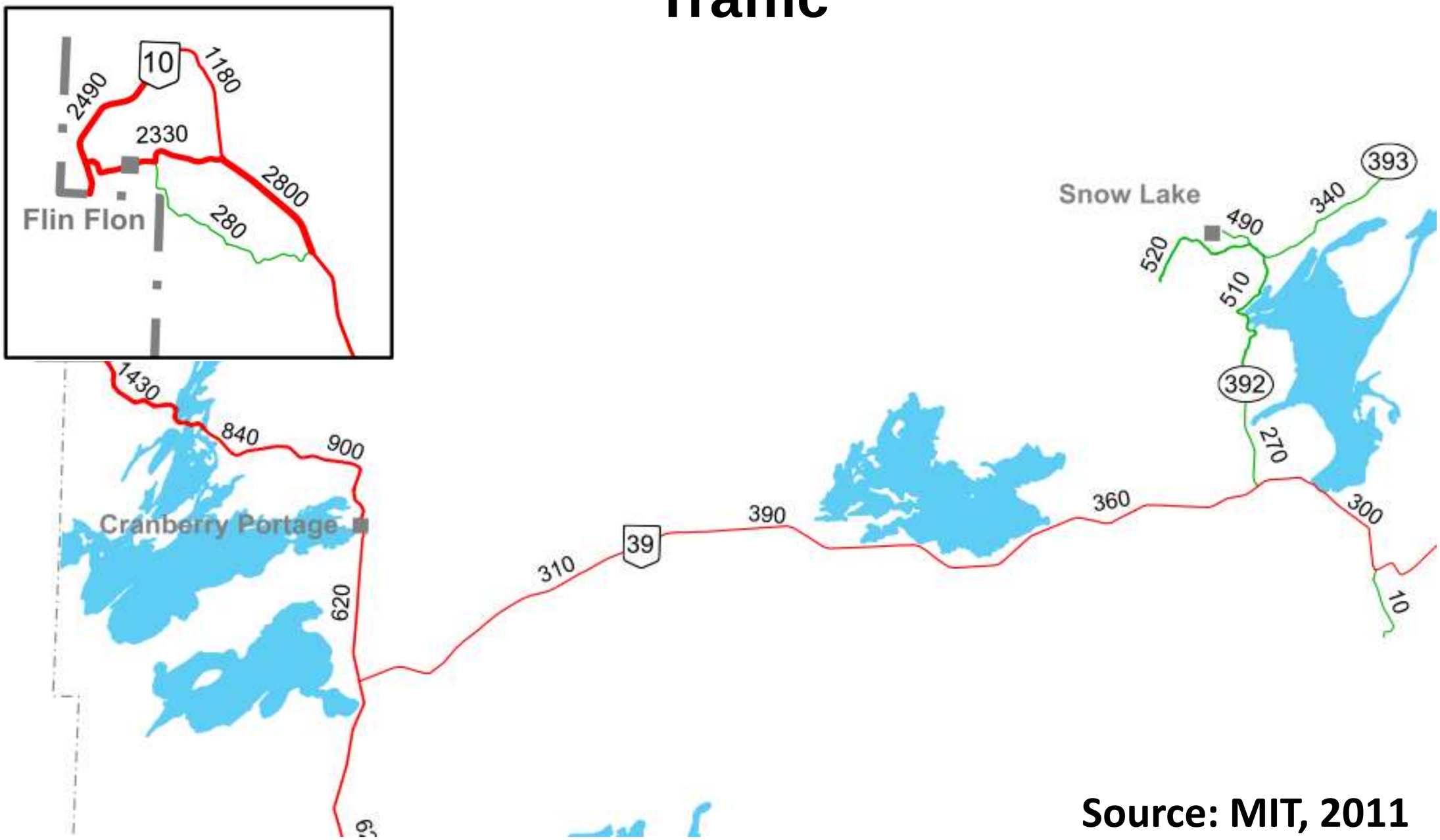
Environmental Effects Assessment

Traffic



Source: MIT, 2011

It is expected that the project will result in an increase of 45 vehicles per day on PTH 39.

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Environmental Effects Assessment

Heritage Resources

- Reed Property lies within the Grass River Provincial Park.
- No heritage resources located at the Reed site.
- Nearest known heritage resources are pictographs at Tramping Lake, located 30 km east of the Reed site.
- No impact to heritage resources is anticipated.

Pictographs at Tramping Lake

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Environmental Effects Assessment

Recreational Use

- No cottages, lodges or campgrounds located within the Project Area.
- No water bodies of recreation or commercial value located within the Project Area.
- Hunting is not permitted within 300 m of roadways located in Provincial Parks (Manitoba Conservation). This buffer zone would include the Reed Mine site and access road.

Environmental Effects Assessment

Economic Benefits

- A number of employment opportunities are associated with the pre-production, production and closure phases of the Reed Mine.

- Local contractors, supply services and other businesses in Snow Lake, Flin Flon and Cranberry Portage would also benefit from the Reed Mine and associated activities.

Environmental Effects Assessment

Community Support

- Closure of the Trout Lake Mine in Flin Flon has resulted in the displacement of 145 employees.

- Development of the Reed Mine will provide employment for approximately 88 people.

- Without ore from the Reed Mine, the Flin Flon Metallurgical Complex will be short of the feed required to operate at full capacity.

- As a result, development of the Reed Mine has received positive support from residents in and around Snow Lake and Flin Flon.

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Closure Planning

- Hudbay has successfully completed reclamation on many mining operations across Canada, with several of these sites located in the Flin Flon and Snow Lake region

- The area will be returned, to the extent possible, to its natural state following the procedures outlined in Manitoba *Mine Closure Regulation 67/99*
  - Requires detailed assessment of tasks and costs .
  - Manitoba Mines has received financial security for full cost of closure.

Konuto Lake Mine
(Post Closure)

Conclusion

- Development of the Reed Mine would be a significant economic benefit to Northern Manitoba.
- Project will have minor, mitigable and reversible impacts to the surrounding environment, including vegetation, wildlife and aquatic resources.
- Continued operation of the Flin Flon Metallurgical Complex provides additional socio-economic benefit to the City of Flin Flon, Town of Snow Lake and the Province of Manitoba.

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Comments and Questions

AECOM: Clifton Samoiloff
Phone: 204-477-5381
email: Cliff.Samoiloff@aecom.com

AECOM: Somia Sadiq
Phone: 204-928-8494
email: Somia.Sadiq@aecom.com

Hudbay: Stephen West
Phone: 204-687-2229
email: steph.west@hudbayminerals.com

Hudbay: Jay Cooper
Phone: 204-687-2667
email: jay.cooper@hudbayminerals.com

Manitoba Conservation:
Jennifer Winsor
Phone: 204-945-7012
email: jennifer.winsor@gov.mb.ca