

**REPORT UNDER NATIONAL INSTRUMENT 62-103
EARLY WARNING REPORT**

The following information is filed pursuant to the provisions listed above under the applicable securities legislation:

1. The name and registered address of the offeror:

HudBay Minerals Inc.
1 Adelaide Street East, Suite 2501
Toronto, Ontario M5C 2V9

2. The designation and number or principal amount of securities and the offeror's securityholding percentage in the class of securities of which the offeror acquired ownership or control in the transaction or occurrence giving rise to the reporting obligation, and whether it was ownership or control that was acquired in those circumstances.

On January 26, 2011, HudBay Minerals Inc. ("**HudBay**") announced that it has entered into a subscription agreement with Copper Reef Mining Corporation ("**Copper Reef**") providing for the sale to HudBay on a private placement basis of 7,000,000 units (the "**Units**") of Copper Reef at a purchase price of C\$0.15 per Unit for total consideration of C\$1,050,000. Each Unit is comprised of one common share of Copper Reef (a "**Share**") issued as a "flow-through share" within the meaning of the *Income Tax Act* (Canada) and one Share purchase warrant of Copper Reef (a "**Warrant**"). Subject to the terms of the Warrants, each Warrant will entitle HudBay to acquire one additional Share at an exercise price of C\$0.15 for a six month period following the closing of the transaction.

3. The designation and number or principal amount of securities and the offeror's securityholder percentage in the class of securities immediately after the transaction or occurrence giving rise to the reporting obligation.

After giving effect to the transaction, HudBay will own and control 7,000,000 Shares (representing approximately 7.9% of the issued and outstanding Shares) and 7,000,000 Warrants. The Shares owned and controlled by HudBay, together with the Shares that may be issued pursuant to the exercise of the Warrants, would represent approximately 14.7% of the issued and outstanding Shares on a partially-diluted basis.

4. The designation and number of principal amount of securities and the percentage of outstanding securities of the class of securities referred to in above paragraph over which:

(i) The offeror, either alone or together with joint actors, has ownership and control.

See item 3 above.

- (ii) **The offeror, either alone or together with joint actors, has ownership but control is held by other persons or companies other than the offeror or any joint actor.**

N/A

- (iii) **The offeror, either alone or together with joint actors, has exclusive or shared control but does not have ownership.**

N/A

5. **The name of the market in which the transaction or occurrence that gave rise to the reporting obligation took place and the value in Canadian dollars of any consideration offered per security if the offeror acquired ownership of a security in the transaction or occurrence giving rise to the reporting obligation:**

N/A

6. **The purpose of the offeror and any joint actors in effecting the transaction or occurrence that gave rise to the reporting obligation, including any future intention to acquire ownership of, or control over, additional securities of the reporting issuer.**

The investment in the Shares and Warrants is being made to assist in the financing of exploration on a mineral property held by Copper Reef near HudBay's 777 mine in Flin Flon, Manitoba.

7. **The general nature and the material terms of any agreement other than lending arrangements, with respect to securities of the reporting issuer entered into by the offeror, or any joint actor, and the issuer of the securities or any other entity in connection with the transaction or occurrence giving rise to the reporting obligation, including agreements with respect to the acquisition, holding, disposition or voting of any securities.**

As described in item 2 above, HudBay entered into a subscription agreement with Copper Reef providing for the private placement sale of the Units. Closing of the subscription, which is subject to certain customary conditions, is expected to occur on February 1, 2011.

8. **The names of any joint actors in connection with the disclosure required by Appendix E to National Instrument 62-103.**

N/A

- 9. In the case of a transaction or occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, the nature and value of the consideration paid by the offeror.**

See item 2 above.

- 10. When applicable, a description of any change in any material facts set out in a previous report under National Instrument 62-103.**

N/A

- 11. When applicable, a description of the exemption from securities legislation being relied on by the offeror and the facts supporting that reliance.**

N/A

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DATED this 27th day of January, 2011.

HUBBAY MINERALS INC.

Per: "H. Maura Lendon"

Name: H. Maura Lendon

Title: Senior Vice President, Corporate
Services and Chief Legal Officer