# Hudbay Announces 2013 Production Guidance and Capital and Exploration Expenditure Forecasts

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**Highlights**

- Capital investment forecast of approximately $1.24 billion, including $1.16 billion in growth initiatives

- Investment in exploration of $40 million, intended to fund approximately 75,000 metres of drilling primarily focused near existing and planned processing infrastructure in Manitoba and Peru

- Commercial production from the initial workings at Lalor expected to be declared in the second quarter of 2013

- Contained zinc production in concentrate expected to increase over 2012 levels due to the full year of production expected from the main ventilation shaft at Lalor

TORONTO, ONTARIO -- (Marketwire) -- 01/09/13 -- HudBay Minerals Inc. ("Hudbay" or the "company") (TSX: HBM)(NYSE: HBM) today released its production guidance along with its exploration and capital expenditure forecasts for 2013.

Full year 2012 production of all metals met Hudbay's published 2012 guidance, representing the sixth consecutive year that the company has met its production targets. Contained copper production in concentrate in 2013 is expected to decrease slightly over 2012 because of the closures of the Trout Lake and Chisel North mines in 2012 following the end of their mine lives. Contained zinc production in concentrate in 2013 is expected to increase over 2012 levels, due to the full year of production expected from the main ventilation shaft at Lalor. Precious metal production is expected to remain essentially unchanged from 2012 levels.

| Contained Metal in Domestic Concentrate(1) | | 2013 Guidance | 2012 Production | 2012 Guidance |
|---|---|---|---|---|
| Copper | Tonnes | 33,000 - 38,000 | 39,587 | 35,000 - 40,000 |
| Zinc | Tonnes | 85,000 - 100,000 | 80,866 | 70,000 - 85,000 |
| Precious Metals(2) | Ounces | 85,000 - 105,000 | 101,059 | 85,000 - 105,000 |

(1) Metal reported in concentrate is prior to refining losses or deductions associated with smelter terms

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

Lalor Concentrator to Start Construction, Production Shaft Sinking Expected to Finish in 2013

As of November 30, 2012, Hudbay has invested approximately $316.5 million of the $704 million capital construction budget for its wholly owned Lalor project near Snow Lake, Manitoba and has entered into an additional $89.7 million in commitments for the project. Capital expenditures at Lalor in 2013 are expected to total approximately $163 million.

During the third quarter of 2012, Hudbay commissioned the hoisting system in the main ventilation shaft, which is now capable of hoisting 1,400 tonnes of combined ore and waste per day. First ore production from the base metal lens #10 began in August, and approximately 72,000 tonnes of ore were hoisted from August to the end of the year. The main production shaft is now sunk to approximately 434 metres and is 44% complete. Shaft sinking is expected to be complete in the third quarter of 2013.

Lalor ore will be processed at the nearby Snow Lake concentrator until completion of the production shaft and new concentrator, which is expected in late 2014.

Basic engineering for the new concentrator is ongoing with value engineering reviews and design optimization underway. Construction of the new concentrator is expected to begin in the third quarter of 2013, subject to receipt of required permits. Lalor's main substation is expected to be completed in the fourth quarter of 2013. The first full year of production is expected in 2015.

Hudbay has submitted an application for an Environmental Act licence for the Lalor mine, which would allow for production from the main production shaft. The company expects to submit applications for Environmental Act licences for the new concentrator and tailings facility expansion in the first quarter of 2013 and the fourth quarter of 2013, respectively.

Given the nature of the Lalor project, Hudbay expects to refer to two phases of the Lalor project when determining commercial production for accounting purposes. The first phase of the project is expected to include the main ventilation shaft and associated surface and underground workings that will contribute to the production of ore between 2012 and 2014. Hudbay expects to achieve commercial production for accounting purposes for the first phase in the second quarter of 2013. The second phase of the project is expected to include the main production shaft and the new Lalor concentrator, and the company expects to achieve commercial production for accounting purposes for the second phase in the first half of 2015.

**Construction Activities to Continue at Constancia in 2013**

Of the company's US$1.5 billion capital construction budget for its wholly owned Constancia project in Peru, Hudbay has invested approximately US$257 million on the project to November 30, 2012 and has entered into an additional US$672 million in commitments for the project. Capital expenditures at Constancia are expected to total approximately $901 million in 2013. The Constancia development schedule contemplates nine quarters of construction, with initial production in late 2014 and full production commencing in the second quarter of 2015.

Site activity to date includes substantial completion of 2,800 beds in the construction camp, which is scheduled to expand to 3,500 beds by early 2013 to accommodate peak construction needs. Hudbay's major earthworks contractor has mobilized and is currently constructing the tailings management facility, haul roads and water diversion infrastructure. The access roads for heavy haulage are expected to be completed in the second quarter of 2013, with the tailings management and waste rock facilities completed in the third quarter of 2013.

The Pampacancha feasibility study is underway and further characterization of geotechnical and hydrogeological information will be incorporated in the study.

Major long lead items are secured and include mills, crushers, flotation cells, pumps, regrind mills and mine equipment, including trucks, shovels and drills. Pre-stripping activities are scheduled to be initiated in the fourth quarter of 2013 along with the completion of the primary crusher mechanical installation and the SAG mills. A procurement contract for tires is expected to be executed in the near future. In addition, a contract was executed for the construction of the 70 kilometre power transmission line from Tintaya. The principal port operator has provided assurances that the concentrate shipments can be accommodated and discussions are currently focused on optimizing the storage and loading methodologies.

In accordance with agreements entered into with local communities, relocation of affected families is underway with the construction of new housing in progress. Thirteen families have received their new homes and are in the process of moving. The remaining 23 families are scheduled to be relocated in 2013.

**First Production at Reed Expected in 2013**

Of the company's $72 million capital construction budget for its 70% owned Reed copper project in northern Manitoba, Hudbay has invested approximately $19.7 million on the project to November 30, 2012 and has entered into an additional $17.8 million in commitments for the project. Capital expenditures at Reed are expected to total approximately $44 million in 2013. After completing the first portal development round in October 2012, the underground ramp has advanced approximately 72 metres. Hudbay has submitted the Environmental Act licence application for Reed to the provincial government. Initial production is expected by the fourth quarter of 2013 and full production of approximately 1,300 tonnes of ore per day is expected by the first quarter of 2014.

| **Capital Expenditures** | 2013 Forecast C$ Millions |
|---|---|
| Growth | |
| Lalor | 163 |
| Constancia | 901 |
| Reed | 44 |
| Capitalized Interest and Other | 49 |
| Total Growth Capital | 1,157 |
| Sustaining | 78 |
| Total Capital Expenditures | 1,235 |

Hudbay is well positioned to fund its projects with cash and cash equivalents of $1,499 million as at September 30, 2012 together with approximately US$485 million in other committed funding sources.

**Exploration Budget**

Hudbay has budgeted exploration expenditures of $40 million, more than half of which is focused on brownfield opportunities near the company's existing deposits.

The company's total exploration budget will enable approximately 55,000 metres of drilling in the Flin Flon Greenstone Belt, approximately 10,000 metres in Peru and approximately 10,000 metres in greenfield projects in North and South American areas, including Chile and Colombia. Within the Flin Flon Greenstone Belt, Hudbay intends to explore near its active and historical mining areas.

In Peru, Hudbay expects to continue exploration activities at Constancia, where its focus is to expand the current resource outside the Constancia reserve pit shell. The company also expects to continue drilling the Chilloroya South skarn target and geophysical anomaly, where favourable geology has been intersected in several drill holes, showing various thicknesses of mineralized skarn.

| **Total Exploration Expenditures** | 2013 Budget C$ Millions |
|---|---|
| Manitoba | 20.2 |
| South America | 18.2 |
| Other North America | 1.6 |
| Total Exploration Expenditures | 40.0 |
| Manitoba Capitalized Spending | (4.4) |
| Manitoba Investment Tax Credits | (0.5) |
| Total Exploration Expense | 35.1 |

**Mines**

| 2013 Production Guidance | | 777(1) | Lalor(2) | Reed(2) |
|---|---|---|---|---|
| Ore Mined | Tonnes | 1,620,000 | 418,000 | 51,000 |
| Grades | | | | |
| Copper | % | 2.18 | 0.54 | 3.43 |
| Zinc | % | 4.41 | 9.89 | 1.18 |
| Gold | g/t | 1.94 | 1.23 | 0.72 |
| Silver | g/t | 30.89 | 17.70 | 8.80 |
| Unit Operating Costs | C$/tonne | 38 - 42 | 75 - 95 | |

(1) 777 production guidance includes 777 and 777 North
(2) Revenues and costs from Lalor and Reed operations prior to commencement of commercial production will be capitalized. Lalor unit operating cost guidance is for periods following commercial production.

Steady production is expected in 2013 from Hudbay's flagship 777 mine, including contributions from the 777 North expansion beginning in the first quarter of 2013. Operating costs are expected to be similar to costs experienced in the past several years as a result of ongoing productivity efforts. As in past years, costs in the first and fourth quarters are expected to be higher due to additional heating and other seasonal costs.

Hudbay expects its first full year of production at Lalor from the main ventilation shaft, with commercial production expected to be declared in the second quarter of 2013. Production will continue from the zinc-rich base metal lens #10.

Initial production at the Reed copper project is expected by the third quarter of 2013, subject to receipt of required permits, with 51,000 tonnes of ore expected to be mined in 2013.

Grades and recoveries in any particular quarter may vary from the annual guidance based on the areas mined in that quarter and other factors. Mining and processing costs in any particular quarter can also vary from the annual guidance above based on a variety of factors including the scheduling of maintenance events and seasonal heating requirements.

**Flin Flon and Snow Lake Concentrators**

| **2013 Guidance** | | Flin Flon | Snow Lake |
|---|---|---|---|
| Ore Milled | Tonnes | 1,719,000 | 369,000 |
| Recoveries | | | |
| Copper | % | 92 | 82 |
| Zinc | % | 85 | 95 |
| Gold | % | 69 | 65 |
| Unit Operating Costs(1) | C$/tonne | 12 - 16 | 25 - 30 |

(1) Forecast unit operating costs are calculated on the same basis as reported unit operating costs in Hudbay's quarterly and annual management's discussion and analysis.

Ore milled at the Flin Flon concentrator is expected to be somewhat lower than in 2012 due to the planned closure of the Trout Lake mine during 2012. Unit operating costs are expected to be in line or slightly higher than 2012 due to reduced throughput. Recoveries are expected to be consistent with the prior year. Estimated concentrate production at the Snow Lake concentrator includes a full year of Lalor ore from the zinc-rich base metal lens #10. Unit operating costs for the Snow Lake concentrator, which include the cost to truck concentrates from Snow Lake to Flin Flon, are expected to be lower than 2012 due to higher throughput levels.

**Flin Flon Zinc Plant**

**2013 Guidance**

| | | |
|---|---|---|
| Domestic zinc concentrate treated | tonnes | 199,000 |
| Purchased zinc concentrate treated | tonnes | 2,600 |
| Total zinc concentrate treated | Tonnes | 201,600 |
| Recovery | % | 97 |
| Zinc metal produced | tonnes | 101,000 |
| Unit Operating Costs(1) | C$/lb | 0.33 - 0.39 |

(1) Forecast unit operating costs are calculated on the same basis as reported unit operating costs in Hudbay's quarterly and annual management's discussion and analysis.

Hudbay's domestic zinc concentrate production in 2013, together with total year-end zinc concentrate inventory of approximately 18,000 tonnes is expected to result in zinc plant production at levels consistent with 2012 results. The company does not expect to require new third party purchased concentrate to achieve these production levels. Operating costs at the zinc plant in 2013 are expected to be comparable to 2012 levels.

**Forward-Looking Information**

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

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

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

- the success of mining, processing, exploration and development activities;
- the accuracy of geological, mining and metallurgical estimates;
- the costs of production;
- the supply and demand for metals Hudbay produces;
- the volatility of commodity prices;
- the volatility in foreign exchange rates;
- the supply and availability of concentrate for Hudbay's processing facilities;
- the supply and availability of reagents for Hudbay's concentrators;
- the 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 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 our 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;
- maintaining good relations with the communities in which Hudbay operates, including the communities surrounding its Constancia project;
- no significant unanticipated challenges with stakeholders at our various projects;
- no significant unanticipated events relating to regulatory, environmental, health and safety matters;
- no contests over title to 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;
- any assumptions related to taxes, including, but not limited to current tax laws and regulations; and
- no significant and continuing adverse changes in general economic conditions or conditions in the financial markets.

The risks, uncertainties, contingencies and other factors that may cause actual results to differ materially from those expressed or implied by the forward-looking information may include, but are not limited to, risks generally associated with the mining industry, such as economic factors (including future commodity prices, currency fluctuations and energy prices), uncertainties related to the development and operation of Hudbay's projects, depletion of Hudbay's reserves, risks related to political or social unrest or change and those in respect of aboriginal and community relations and title claims, operational risks and hazards, including unanticipated environmental, industrial and geological events and developments and the inability to insure against all risks, failure of plant, equipment, processes, transportation and other infrastructure to operate as anticipated, compliance with government and environmental regulations, including permitting requirements and anti-bribery legislation, dependence on key personnel and employee relations, volatile financial markets that may affect Hudbay's ability to obtain financing on acceptable terms, uncertainties related to the geology, continuity, grade and estimates of mineral reserves and resources and the potential for variations in grade and recovery rates, uncertain costs of reclamation activities, Hudbay's ability to comply with its pension and other post-retirement obligations, Hudbay's ability to abide by the covenants in its debt instruments, as well as the risks discussed under the heading "Liquidity and Capital Resources" in Hudbay's MD&A dated November 1, 2012 and the risks discussed under the heading "Risk Factors" in Hudbay's most recent Annual Information Form, Form 40-F and MD&A dated August 14, 2012.

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 news release or to explain any material difference between subsequent actual events and any forward-looking information, except as required by applicable law.

**Note to United States Investors**

Information concerning Hudbay's mineral properties has been prepared in accordance with the requirements of Canadian securities laws, which differ in material respects from the requirements of Securities and Exchange Commission (the "SEC") Industry Guide 7.

Under SEC 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 United States Industry Guide 7 definition of "Reserve".

In accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101") of the Canadian Securities Administrators, the terms "mineral reserve", "proven mineral reserve", "probable mineral reserve", "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Definition Standards for Mineral Resources and Mineral Reserves adopted by the CIM Council on December 11, 2005.

While the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are recognized and required by NI 43-101, the SEC does not recognize them. You are cautioned that, except for that portion of mineral resources classified as mineral reserves, mineral resources do not have demonstrated economic value. Inferred mineral resources have a high degree of uncertainty as to their existence and as to whether they can be economically or legally mined.

It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Therefore, you are cautioned not to assume that all or any part of an inferred mineral resource exists, that it can be economically or legally mined, or that it will ever be upgraded to a higher category. Likewise, you are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be upgraded into mineral reserves. You are urged to consider closely the disclosure on the technical terms in Schedule A "Glossary of Mining Terms" of Hudbay's annual information form for the fiscal year ended December 31, 2011, available on SEDAR at www.sedar.com and incorporated by reference as Exhibit 99.1 in Hudbay's Form 40-F filed on April 2, 2012 (File No. 001-34244).

**About Hudbay**

Hudbay (TSX: HBM)(NYSE: HBM) is a Canadian integrated mining company with assets in North and South America principally focused on the discovery, production and marketing of base and precious metals. Hudbay's objective is to maximize shareholder value through efficient operations, organic growth and accretive acquisitions, while maintaining its financial strength. A member of the S&P/TSX Composite Index and the S&P/TSX Global Mining Index, Hudbay is committed to high standards of corporate governance and sustainability. Further information about Hudbay can be found on www.hudbayminerals.com.

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