MOODY'S
INVESTORS SERVICE

Rating Action: Moody's confirms HudBay's rating at B3, outlook negative

Global Credit Research - 29 Feb 2016

Approximately US$920 million of rated debt affected

Toronto, February 29, 2016 -- Moody's Investors Service ("Moody's") confirmed HudBay Minerals, Inc.'s (HudBay) Corporate Family (CFR) rating at B3 and Probability of Default Rating at B3-PD. The company's senior unsecured notes were downgraded to Caa1 from B3. HudBay's Speculative Grade Liquidity Rating (SGL) was affirmed at SGL-3. The rating outlook is negative. This concludes the review for possible downgrade initiated on January 21, 2016. The unsecured notes are rated one notch below the B3 CFR because of $550mm of prior-ranking total availability on secured credit facilities.

"The negative rating outlook on HudBay is driven by continued weakness in commodity prices and the potential that total leverage could move above 4x in 2016 should copper see a further decline", said Jamie Koutsoukis, Moody's Vice President, Senior Analyst.

This rating action reflects Moody's view that there has been a fundamental downward shift in the mining sector with the downturn being deeper and prospects for a recovery extended, resulting in increased credit risk and weaker metrics for Hudbay as well as the global mining sector. Consequently, ratings need to be recalibrated to reflect expected performance over a more protracted challenging operating environment. The slowing economic growth rates in China materially impact the demand for base metals leading to lower prices. While lower oil prices, lower freight costs, and currency depreciation contribute to reduced costs, the drop in prices has and will continue to significantly impact performance. In addition, the strong US dollar is a further factor contributing to weakening demand and driving prices lower since most metals are traded in dollars.

RATINGS RATIONALE

HudBay's B3 corporate family rating is driven by its modest scale and the effect weak commodity prices will have on profitability given its leverage to movements in copper and zinc prices. HudBay reached full capacity at its Constancia copper mine in Peru during 2015 and performance at the mine has been encouraging, however given that the one mine is expected to generate over half of the company's revenues in 2016, there is significant concentration risk and HudBay could experience material reductions in cash flows if Constancia had operational issues . Though leverage is expected to improve in 2016 with the increased cash flow contribution from Constancia (we expect adjusted Debt/EBITDA to be 3.5x in 2016), weak commodity prices have limited the improvement and there remains considerable risk to the downside with HudBay's exposure to copper and zinc prices which have seen sharp declines.

The negative rating outlook on HudBay is driven by continued weakness in commodity prices and the potential that leverage could move above 4x in 2016 should copper and zinc see a further decline beyond our Moody's base case expectations.

HudBay's liquidity is adequate (SGL-3). The company's liquidity sources include $53.9 million of cash at December 31, 2015 and about US$200 million of availability under its US$400 revolving credit facility secured by its Manitoba assets and a US$135 million standby facility secured by the Peru assets. HudBay has received commitments from lenders under its two secured credit facilities to consolidate the lender groups and restructure the two facilities. Once finalized both facilities will be mature in March 2019 and 2016 scheduled principal amortization payments of $53.4 million will be deferred. We expect HudBay will remain modestly free cash flow positive through 2016 and 2017 and maintain good headroom to bank maintenance covenants. HudBay has minimal current debt maturities. Most of its debt matures in 2019 ($550 million) and 2020 ($920 million).

HudBay's CFR could be upgraded if there is a sustained recovery in commodity prices that improve the company's profitability and HudBay is able to maintain total adjusted debt/EBITDA at or below 3.5x.

HudBay's rating could be downgraded if:

• the company experiences operating challenges at Constancia leading to negative cash flow generation.

• the company's liquidity weakens, or;

• we expect the company's total adjusted debt/EBITDA to remain over 5x.

Downgrades:

..Issuer: HudBay Minerals, Inc.

....Senior Unsecured Regular Bond/Debenture, Downgraded to Caa1(LGD5) from B3(LGD4)

Outlook Actions:

..Issuer: HudBay Minerals, Inc.

....Outlook, Changed To Negative From Rating Under Review

Confirmations:

..Issuer: HudBay Minerals, Inc.

.... Probability of Default Rating, Confirmed at B3-PD

.... Corporate Family Rating, Confirmed at B3

Affirmations:

..Issuer: HudBay Minerals, Inc.

.... Speculative Grade Liquidity Rating, Affirmed SGL-3

Headquartered in Toronto, Ontario, Canada, HudBay Minerals is a growth-oriented, integrated mining company mainly focused on copper through its 777, Lalor and Reed (70%-owned) mines in Manitoba, Canada and its Constancia mine in Peru. The company also owns and operates ore concentrators and a zinc production facility in northern Manitoba and Saskatchewan.

The principal methodology used in these ratings was Global Mining Industry published in August 2014. Please see the Ratings Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

The rating has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

Moody's has not provided advisory services but may have provided Ancillary or Other Permissible Service(s) to the rated entity, its related third parties and/or the party that requested the rating within the past two years (including during the most recently ended fiscal year). Please see the special report "Ancillary or other permissible services provided to entities rated by MIS's credit rating agency in Canada" on the ratings disclosure page www.moodys.com/disclosures on our website for further information.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Jamie Koutsoukis
Vice President - Senior Analyst
Corporate Finance Group
Moody's Canada Inc.
70 York Street
Suite 1400
Toronto, ON M5J 1S9
Canada
(416) 214-1635

Donald S. Carter, CFA
MD - Corporate Finance
Corporate Finance Group
(416) 214-1635

Releasing Office:
Moody's Canada Inc.
70 York Street
Suite 1400
Toronto, ON M5J 1S9
Canada
(416) 214-1635

MOODY'S
INVESTORS SERVICE