HUDBAY

TMX, NYSE – HBM
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News Release

Hudbay Announces 2017 Production and Cost Guidance and Management Appointment

Toronto, Ontario, January 17, 2017 – Hudbay Minerals Inc. ("Hudbay" or the "company") (TSX, NYSE: HBM) today released its production and operating cost guidance along with its capital and exploration expenditure forecasts for 2017. All amounts are in US dollars, unless otherwise noted.

Summary:

- Copper and precious metals production from the Constancia mine in Peru exceeded 2016 guidance and production of all key metals at the Manitoba Business Unit was within 2016 guidance ranges.
- Production of zinc in concentrate in 2017 is forecast to increase by approximately 25% compared to 2016 production, primarily due to the ongoing ramp-up of the Lalor mine and the re-sequencing of the mine plan at 777 to mine stopes containing higher zinc grades and take advantage of favourable expected zinc prices[1].
- Production of copper and precious metals contained in concentrate in 2017 is forecast to decrease by 17% and 5%, respectively, compared to 2016 production, primarily due to lower copper grades at Constancia, as per the recently released technical report, as well as lower ore production and copper grades at the 777 mine due to the age of the mine and the emphasis on higher value zinc ore production in the new mine plan.
- Sustaining capital expenditures are expected to be $185 million in 2017. In addition, growth capital expenditures of $40 million on the Lalor paste backfill plant, $25 million on the development of the high-grade Pampacancha deposit near Constancia and $20 million on the advancement of the Rosemont project are expected in 2017.

[1] The increase in zinc production assumes the mid-point of the 2017 guidance range is achieved.

Contained Metal in Concentrate[1]		2017 Guidance	2016 Production	2016 Guidance
Manitoba[2]				
Copper	(tonnes)	32,500 – 42,500	41,059	40,000 – 50,000
Zinc	(tonnes)	125,000 – 150,000	110,582	100,000 – 125,000
Precious Metals[3]	(oz)	90,000 – 110,000	102,242	95,000 – 115,000
Peru				
Copper	(tonnes)	100,000 – 115,000	133,432	110,000 – 130,000
Precious Metals[3]	(oz)	55,000 – 65,000	65,709	50,000 – 65,000
Total				
Copper	(tonnes)	132,500 – 157,500	174,491	150,000 – 180,000
Zinc	(tonnes)	125,000 – 150,000	110,582	100,000 – 125,000
Precious Metals[3]	(oz)	145,000 – 175,000	167,951	145,000 – 180,000

[1] Metal reported in concentrate is prior to refining losses or deductions associated with smelter terms.
[2] Includes 100% of Reed mine production; Hudbay owns a 70% interest in the Reed mine.
[3] Precious metals production includes gold and silver production on a gold-equivalent basis. Silver converted to gold at a ratio of 70:1.

Copper, zinc and precious metals production in 2016 met or exceeded guidance ranges in both Manitoba and Peru and increased over 2015 levels by 18%, 7% and 20%, respectively, due mainly to a full year of commercial production at the Constancia mine and the ongoing ramp up of Lalor production.

In 2017, production of zinc contained in concentrate is forecast to increase by approximately 25% compared to 2016 production, reflecting the continued ramp up of Lalor ore production and the re-sequencing of the mine plan at 777 to prioritize stopes containing higher zinc grades in order to take advantage of favourable expected zinc prices. Copper and precious metal production in 2017 is expected to decline by 17% and 5%, respectively, from 2016 levels due to lower copper grades at Constancia, as per the recently released 43-101 technical report, as well as reduced mining rates and lower copper grades at the 777 mine[2]. Declining production at the 777 mine reflects more challenging operating conditions as the mine ages. Lower expected copper grades at the 777 mine are due to the re-sequencing of the mine plan to prioritize stopes containing higher zinc grades and is expected to result in improved overall economics per tonne at 777.

[2] Year-over-year forecasted changes to zinc, copper and precious metals production assumes the mid-point of the 2017 guidance ranges is achieved.

Capital Expenditure Guidance

2017 Capital Expenditure Guidance[1]	Millions
Sustaining Capital	
Manitoba	65
Peru	120
Total Sustaining Capital	**185**
Growth Capital	
Manitoba	40
Peru	25
Arizona[2]	20
Total Growth Capital	**85**
Capitalized Exploration	2
Total Capital Expenditure	**272**

[1] Excludes capitalized interest.
[2] Capitalized spending.

Peru's planned sustaining capital expenditures in 2017 include approximately $52 million of expenditures related to the tailings management facility and approximately $15 million of capitalized stripping costs. Expenditures on the tailings management facility are expected to decline substantially after 2017.

Manitoba growth capital of $40 million is allocated to the construction of a new paste backfill plant for the Lalor mine. The paste backfill plant is intended to reduce operating costs, increase mining rates and maximize ore recovery. Peru growth capital of $25 million is allocated to initial expenditures for developing the Pampacancha deposit, which is expected to begin ore production in late 2018. Arizona spending of $20 million on the Rosemont project is intended to support ongoing permitting efforts.

Exploration Guidance

During the recent downturn in metals prices, Hudbay's exploration activities have focused on drilling at the Lalor mine and acquiring grassroots exploration properties in Canada, Peru and Chile. Exploration spending of $10 million is conservatively budgeted for 2017, but additional funds may be committed to high-priority drilling targets depending on Hudbay's free cash flow generation during the year.

2017 Exploration Guidance	Millions
Manitoba	4
Peru	2
Arizona	-
Generative and Other	4
Total Exploration Expenditures	**10**
Capitalized Spending[1]	(2)
Total Exploration Expense	**8**

[1] Assumes $2 million of Manitoba expenditures will be capitalized.

Senior Management Appointment

Hudbay has appointed Eugene Lei as Senior Vice President, Corporate Development and Strategy. In this role, Mr. Lei will be responsible for corporate strategy and optimizing Hudbay's portfolio of long life, low cost assets through acquisitions, divestitures, joint ventures and strategic partnerships. Mr. Lei has over 15 years of global mining investment banking and corporate development experience. Joining Hudbay in 2012 and leading the company's corporate development activities since 2014, Mr. Lei has progressed through several senior management roles and executive responsibilities.

Production and Unit Cost Guidance by Business Unit

2017 Production and Unit Cost Guidance By Business Unit		**Manitoba Operations 777, Lalor and Reed[2]**	**Peru Operations Constancia**	**Total**
Contained Metal in Concentrate Produced[1]				
Copper	(tonnes)	32,500 – 42,500	100,000 – 115,000	132,500 – 157,500
Zinc	(tonnes)	125,000 – 150,000	–	125,000 – 150,000
Precious Metals	(oz)[3]	90,000 – 110,000	55,000 – 65,000	145,000 – 175,000
Combined Unit Operating Costs ($/tonne ore processed)[4]		C$88 – 108	US$7.2 – 8.8	

[1] Metal reported in concentrate is prior to refining losses or deductions associated with smelter terms.
[2] Includes 100% of Reed mine production; Hudbay owns a 70% interest in the Reed mine.
[3] Precious metals production includes gold and silver production on a gold-equivalent basis. Silver converted to gold at a ratio of 70:1.
[4] Reflects combined mine, mill and G&A costs per tonne of milled ore. Peru costs are presented in USD and reflect the deduction of expected capitalized stripping costs. Manitoba costs are presented in CAD and include the cost of ore purchased from the joint venture partner at the Reed mine.

Combined unit costs for Manitoba are forecast to be higher than 2016 revised guidance of C$80-100/tonne, due mainly to reduced 777 ore production and the expected cessation of capitalized development in the second half of 2017 when the Reed mine will have less than one year of expected mine life remaining. Combined unit cost guidance for Peru in 2017 is in line with actual costs during the first nine months of 2016.

Metal production in any particular quarter may vary from the implied annual guidance rate based on variations in grades and recoveries due to the areas mined in that quarter, the timing of planned maintenance, and other factors. Mining and processing costs in any particular quarter can also vary from the annual guidance rate above based on a variety of factors including the scheduling of maintenance events and seasonal heating requirements, particularly in Manitoba.

2017 Production and Unit Cost Guidance Flin Flon Zinc Plant		
Zinc Metal Produced	(tonnes)	95,000 – 115,000
Unit Operating Costs[1]		**C$0.40 – $0.50/lb**

[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 anticipated zinc concentrate production from the Manitoba Business Unit in 2017 is expected to result in full utilization of the Flin Flon zinc plant's processing capacity, with some zinc concentrate planned for sale to third parties.

Forward-Looking Information

This news release contains 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. 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 note.

Forward-looking information includes, but is not limited to, production, cost and capital and exploration expenditure forecasts, the anticipated timing, cost and benefits of developing the Pampacancha deposit and Lalor paste backfill plant, anticipated mine plans and anticipated metals prices. 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 the company 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 scheduled maintenance and availability of Hudbay’s processing facilities;
- the success of Hudbay’s cost reduction initiatives;
- the accuracy of geological, mining and metallurgical estimates;
- anticipated metals prices and the costs of production;
- the supply and demand for metals that Hudbay produces;
- the supply and availability of all forms of energy and fuels at reasonable prices;
- no significant unanticipated operational or technical difficulties;
- the execution of Hudbay’s business and growth strategies, including the success of its strategic investments and initiatives;
- the availability of additional financing, if needed;
- the ability to complete project targets on time and on budget and other events that may affect Hudbay’s 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;
- the ability to secure required land rights to develop the Pampacancha deposit;
- maintaining good relations with the communities in which Hudbay operates, including the communities surrounding its Constancia mine
- no significant unanticipated challenges with stakeholders at Hudbay’s various projects;
- no significant unanticipated events or changes 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;

- certain tax matters, including, but not limited to current tax laws and regulations and the refund of certain value added taxes from the Canadian and Peruvian governments; and
- no significant and continuing adverse changes in general economic conditions or conditions in the financial markets (including commodity prices and foreign exchange rates).

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, energy prices and general cost escalation), dependence on key personnel and employee and union relations, risks related to political or social unrest or change, risks in respect of aboriginal and community relations, rights 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, depletion of Hudbay's reserves, volatile financial markets that may affect Hudbay's ability to obtain additional financing if needed, the failure to obtain required approvals or clearances from government authorities on a timely basis, 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, the company's ability to comply with its pension and other post-retirement obligations, Hudbay's ability to abide by the covenants in its debt instruments and other material contracts, tax refunds, hedging transactions, as well as the risks discussed under the heading "Risk Factors" in the company's most recent Annual Information Form.

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

This news release has been prepared in accordance with the requirements of the securities laws in effect in Canada, which may differ materially from the requirements of United States securities laws applicable to U.S. issuers.

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 May 10, 2014. 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.

About Hudbay

Hudbay (TSX: HBM) (NYSE: HBM) is an integrated mining company producing copper concentrate (containing copper, gold and silver) and zinc metal. With assets in North and South America, the company is focused on the discovery, production and marketing of base and precious metals. Directly and through its subsidiaries, Hudbay owns four polymetallic mines, four ore concentrators and a zinc production facility in northern Manitoba and Saskatchewan (Canada) and Cusco (Peru), and a copper project in Arizona (United States). The company is governed by the *Canada Business Corporations Act* and its shares are listed under the symbol "HBM" on the Toronto Stock Exchange, New York Stock Exchange and Bolsa de Valores de Lima. Hudbay also has warrants listed under the symbol "HBM.WT" on the Toronto Stock Exchange and "HBM/WS" on the New York Stock Exchange. Further information about Hudbay can be found on www.hudbay.com.

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