

Hudbay Announces US\$115 Million Gold Prepay to Fully Fund Snow Lake Gold Growth

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TORONTO, May 07, 2020 - [HudBay Minerals Inc.](#) (TSX, NYSE: HBM) today announced that the company has entered into a gold forward sale and prepay arrangement with a syndicate of its existing lenders whereby the company will receive an upfront payment of US\$115 million in exchange for delivering a total of 79,954 gold ounces in 2022 and 2023 based on gold forward curve prices averaging approximately US\$1,682 per ounce. The upfront payment is not subject to any conditions and will be paid on May 11, 2020.

We are pleased to bolster our liquidity position and prefund the entire capital budget for the New Britannia gold mill refurbishment, which is a low-risk, high-return investment with a short payback that is expected to more than double our gold production in Snow Lake to over 150,000 ounces per year by 2022, said Peter Kukielski, Hudbay's President and Chief Executive Officer. This transaction allows us to take advantage of the strong gold price environment at a forward price that is significantly higher than our internal gold price forecasts used for reserve calculations and budgeting.

The Gold Prepay was executed by National Bank Financial, as lead arranger, and includes Bank of Montreal, ING Capital Markets LLC and Canadian Imperial Bank of Commerce as counterparties. The highlights of the Gold Prepay are as follows:

- Upfront proceeds of US\$115 million to fund 100% of the New Britannia gold mill refurbishment budget over the course of the next 18 months, which is expected to increase Lalor's annual gold production to over 150,000 ounces commencing 2022.
- Delivery of 3,331 gold ounces on a monthly basis for a total of 79,954 ounces over a 24-month period from January 2022 to December 2023.
- Delivery represents approximately 25% of Lalor's forecasted annual gold production in each of 2022 and 2023 and approximately 3.6% of total Snow Lake gold reserves, though delivery can be satisfied by gold production from any of Hudbay's mines.
- Average forward price of US\$1,682 per ounce based on the gold forward curve at the monthly delivery schedule.
- An attractive cost of capital of approximately 5.95% per annum using the average forward price of US\$1,682 per ounce, or an implied cost of capital of approximately 2.7% using current consensus gold prices for 2022 and 2023.
- The Gold Prepay is not subject to financial covenants. Under the revolving credit facilities and note indenture, the Gold Prepay will be treated as deferred revenue and will not be considered as debt. As a result, the Gold Prepay adds to Hudbay's cash balance and will be accretive to the company's credit facility availability under the recently renegotiated net debt to EBITDA covenants.

We are very pleased to receive additional credit support from our lenders and achieve this low cost of capital, non-dilutive financing, particularly in this challenging credit environment, said Eugene Lei, Hudbay's Senior Vice President, Corporate Development & Strategy and Interim Chief Financial Officer. This uniquely structured transaction allows us to prudently fund our Snow Lake gold growth initiatives by utilizing a fraction of New Britannia's first two years of gold production, while protecting our balance sheet, preserving our existing cash and improving our total available liquidity. Further, this transaction is a low-risk way to facilitate our significant near-term gold growth, which provides an attractive countercyclical hedge to our base metals business in these volatile markets while retaining the extensive upside in Snow Lake Gold's 18-year mineral reserves.

On March 30, 2020, Hudbay announced its annual reserve and resource update, which included a 35% increase in Snow Lake gold reserves to 2.2 million ounces and extended the mine life to 18 years. The company also released an updated mine plan for its Lalor mine that increased life-of-mine gold production by 41% compared to the previous mine plan, and more than doubled the average annual gold production to

more than 150,000 ounces over the first eight years after the New Britannia mill is refurbished. Lalor's gold and copper-gold zones are expected to be processed at the nearby New Britannia gold mill in Snow Lake, which capitalizes on existing infrastructure, and the US\$115 million refurbishment cost is a short-payback, high-return investment opportunity. The New Britannia gold mill is expected to achieve gold recoveries of approximately 93% compared to current gold recoveries of approximately 53% at the Stall mill, which enables increased reserves and increases the potential for future conversion of resources to reserves due to the significantly higher gold recoveries and increased value per tonne of ore. Based on the updated reserve, Lalor will remain a low-cost gold mine with cash costs and sustaining cash costs, net of by-product credits, of approximately US\$480 and US\$655 per ounce, respectively, over the first eight years once New Britannia is in production, positioning Lalor in the lowest quartile on the global cost curvesⁱⁱ.

The updated resource model at Lalor includes 4.4 million tonnes of inferred mineral resources, which have the potential to further extend the Lalor mine life. In addition, the gold and copper-gold rich lenses remain open down plunge and offer opportunities to expand Lalor's resource base once suitable underground drilling platforms have been established over the next two years. The mineral resources at Hudbay's satellite gold deposits in the Snow Lake region have the potential to provide additional feed for the New Britannia processing facilities and further extend the mine life.

Qualified Person

The scientific and technical information contained in this news release related to the Lalor mine and the Snow Lake properties has been approved by Olivier Tavchandjian, P. Geo, Hudbay's Vice-President, Exploration and Geology. Mr. Tavchandjian is a qualified person pursuant to NI 43-101. For a description of the key assumptions, parameters and methods used to estimate mineral reserves and resources at Hudbay's material properties, as well as data verification procedures and a general discussion of the extent to which the estimates of scientific and technical information may be affected by any known environmental, permitting, legal title, taxation, sociopolitical, marketing or other relevant factors, please see the technical reports for the company's material properties as filed by Hudbay on SEDAR at www.sedar.com.

Forward-Looking Information

This news release contains forward-looking information within the meaning of applicable Canadian and United States securities legislation. Forward-looking information includes, but is not limited to, expectations regarding the completion of the Gold Prepay transaction and its impact on the company's liquidity position and financing plans for the New Britannia project, expectations regarding the Lalor gold strategy, including the cost and schedule for the refurbishment of the New Britannia mill, and the possibility of optimizing the value of the gold resources in Manitoba, the future potential of the Snow Lake satellite deposits, including the possibility of identifying additional gold resources, the possibility of converting inferred mineral resource estimates to higher confidence categories, anticipated project schedules, mine plans and metals prices and forecasted production and costs. 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 the company 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 successful completion of the New Britannia project on budget and on schedule and no significant interruptions to the company's operations in Manitoba or significant delays to its development projects in Manitoba due to the COVID-19 pandemic.

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), risks related to the new Lalor mine plan, including the schedule and cost for the refurbishment of the New Britannia mill and the ability to convert inferred mineral resource estimates to higher confidence categories, risks associated with the COVID 19 coronavirus and its effect on our operations, projects, financial condition and prospects (including the

company's ability to restart operations in Peru), the company's ability to abide by the covenants in its debt instruments, as well as the risks discussed under the heading "Risk Factors" in Hudbay'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.

About Hudbay

Hudbay (TSX, NYSE: HBM) is a diversified mining company primarily producing copper concentrate (containing copper, gold and silver) and zinc metal. Directly and through its subsidiaries, Hudbay owns three polymetallic mines, four ore concentrators and a zinc production facility in northern Manitoba and Saskatchewan (Canada) and Cusco (Peru), and copper projects in Arizona and Nevada (United States). The company's growth strategy is focused on the exploration, development, operation and optimization of properties it already controls, as well as other mineral assets it may acquire that fit its strategic criteria. Hudbay's vision is to be a responsible, top-tier operator of long-life, low-cost mines in the Americas. Hudbay's mission is to create sustainable value through the acquisition, development and operation of high-quality, long-life deposits with exploration potential in jurisdictions that support responsible mining, and to see the regions and communities in which the company operates benefit from its presence. 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. Further information about Hudbay can be found on www.hudbay.com.

For further information, please contact:

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ⁱ Assuming consensus gold prices of US\$1,550 per ounce in 2022 and US\$1,540 per ounce in 2023.

ⁱⁱ Based on S&P Global's 2020 C1 cash cost and all-in sustaining cost curves.

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