HudBay Minerals

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News release

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HudBay Minerals Announces 2012 Production Guidance and Capital and Exploration Budgets

New Copper Mine to Be Constructed at Reed

TORONTO, ONTARIO -- (MARKETWIRE) -- 12/19/11 -- ***HudBay Minerals Inc.*** (TSX:HBM)(NYSE:HBM) -

Highlights

- Capital investment budget of approximately $391 million, including $296 million in growth initiatives.
- Investment in exploration of approximately $54 million, which includes $31 million in grassroots efforts in the Flin Flon Greenstone Belt, $13 million in South America and $10 million on other North American exploration initiatives.
- Reed copper project receives Board approval to proceed to full construction with first production expected by late 2013. Annual copper production in concentrate from the Reed mine expected to average 17,000 tonnes over the five year mine life.

HudBay Minerals Inc. ("HudBay", the "company") (TSX:HBM)(NYSE:HBM) today released its production guidance and its exploration and capital expenditure budgets for 2012.

"Throughout our operating history in the Flin Flon Greenstone Belt, we have seen a strong correlation between exploration dollars spent and mineral discoveries, which is why we have committed $54 million, in the belief that we can replicate this success across the Americas," said David Garofalo, president and chief executive officer. "We have also committed to $296 million in capital expenditures to grow our production profile, including the commencement of development of the Reed copper project, the ongoing construction at Lalor and continued procurement and engineering activities at Constancia, where we expect to make a full project decision in the first quarter of 2012."

Production Decision Made at Reed Copper Project

Today, HudBay''s Board of Directors approved a capital investment of $71 million towards the construction of the 70% owned Reed copper project. A summary of the project''s economics follows (100% basis):

- Approximate daily ore production of 1,300 tonnes per day at Reed is expected by late 2013, subject to receipt of required permits.
- Average production grades are expected to be 3.78% copper, 0.45 g/t gold and 5.77 g/t silver. Assumed metal recoveries in the Flin Flon concentrator are 94% copper, 58% gold and 62% silver.
- Average production in concentrate is expected to be approximately 17,000 tonnes per year of contained copper metal.
- Total operating costs are estimated to average approximately $91 per tonne milled ($67 per tonne mining, $16 per tonne milling and $8 per tonne administration) over the five year mine life.
- Sustaining capital expenditures are expected to total approximately $55 million over the five year mine life.

The Reed copper project will have a very limited environmental footprint with ore being trucked to HudBay''s Flin Flon concentrator. Production at Reed is scheduled to begin at the 260 metre level from Zones 10 and 20 and in Zone 30 from the 135 metre level during the second half of 2013. In 2018, mining at Reed is expected to finish in Zone 30 from the 85 metre level, in Zone 20 from the 110 metre level and in Zone 10 on the 285 metre level. To view a long section of the proposed mine plan at Reed visit http://www.hudbayminerals.com/ourBusiness/snowLake.php.

The preliminary economic assessment prepared by the company in respect of the Reed deposit is preliminary in nature, includes inferred resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty the preliminary economic assessment will be realized.

2012 Guidance on Production from Existing Mines

Full year 2011 production of all metals remains on track to achieve our previous guidance. Contained copper metal production in concentrate in 2012 is expected to be lower than 2011 because of the pending closures of the Trout Lake and Chisel North mines during 2012, while precious metal and zinc production are expected to remain essentially unchanged from 2011 levels.

Contained Metal in Domestic Concentrate		*2012 Guidance*
Copper	Tonnes	35,000 - 40,000
Zinc	Tonnes	70,000 - 85,000
Precious Metals[1]	Ounces	85,000 - 105,000

[1] Precious metals production includes gold and silver production. Silver converted to gold at a ratio of 50:1

Major Commitment to Growth Opportunities

HudBay''s board of directors has approved a capital budget for 2012 of $391 million, of which $296 million is allocated toward growth opportunities. Capital expenditures at Lalor are expected to total approximately $147 million. With the ramp from Chisel North to Lalor completed on time and on budget, the focus at Lalor has turned to completion of the ventilation shaft to allow first ore production up the temporary hoisting facilities by the middle of 2012.

Other major activities at Lalor will include the commencement of production shaft sinking early in 2012, delivery of underground equipment and completion of engineering and procurement for the new concentrator.

Capital expenditures at Constancia for the first quarter of 2012 and other capitalized costs in Peru are expected to total approximately $107 million, in addition to the approximately $45 million of capital expenditures expected to have been incurred by the end of 2011. HudBay expects to make a formal production decision in respect of Constancia in the first quarter of 2012, at which time the company intends to provide a further update on expected Constancia capital spending.

HudBay is well positioned to fund these growth investments with available liquidity of approximately $1.1 billion and no debt. Subject to a project construction decision by the board of directors, the company also intends to arrange additional debt financing at the Constancia project level to maintain optimum financial flexibility.

Capital Expenditures	***2012 Budget*** C$ millions
Growth	
Lalor	147
Constancia (Q1 2012)	107
Back Forty	2
Reed	34
777 North	6
Total Growth Capital	***296***
Sustaining	***95***
Total Capital Expenditures	***$ 391***

Consistent Commitment to Exploration in 2012

HudBay is planning another year of strong exploration investments in 2012 with total budgeted expenditures of approximately $54 million, which would enable over 130,000 meters of drilling across the company''s portfolio. Within the Flin Flon Greenstone Belt, the company intends to explore near HudBay''s active and historical mining areas as well as fund grassroots exploration projects. In South America, HudBay expects to continue exploration activities at Constancia along with funding other initiatives within Peru, Chile and Colombia. Exploration spending in North America will include spending on the Back Forty project, Tom and Jason deposits and other opportunities.

Exploration expenditures at Constancia for the first quarter of 2012 are expected to total approximately $2 million. HudBay intends to provide an update on Constancia exploration spending for the full year 2012 at the time of a formal project decision, expected in the first quarter of 2012.

Total Exploration Expenditures	***2012 Budget*** C$ millions
Manitoba	31
South America	13
Other North America	10

Total Exploration Expenditures	***54***
Manitoba Capitalized Spending	(5)
Total Exploration Expense	***49***

Mines

2012 Production Guidance		***777***	***Trout Lake***	***Chisel North***	***Lalor***[1]
Ore Mined	Tonnes	1,553,000	230,000	165,000	86,000
Grades					
Copper	%	2.3	1.8	0.7[2]	0.4
Zinc	%	4.3	2.3	5.0	10.1
Gold	g/t	1.9	1.5	-	1.1
Silver	g/t	28.0	7.1	-	16.9
Unit Operating Costs[3]	***C$/tonne***	***$38-42***	***$60-74***	***$93-114***	

[1] Revenues and costs from Lalor operations prior to commencement of commercial production will be capitalized

[2] The 165,000 tonnes of forecast production from the Chisel North mine is anticipated to consist of 108,000 tonnes of zinc ore at 7.1% zinc to be processed at HudBay''s Snow Lake concentrator, and 57,000 tonnes of copper/gold ore to be processed at the Flin Flon concentrator. The expected grade for the copper/gold ore is 2.1 g/t Au, 20.6 g/t Ag, 1.6% Cu and 0.9% Zn.

[3] 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. For a reconciliation of the costs that are included in unit operating costs to total operating costs in accordance with IFRS, refer to the Non-IFRS detailed cost of sales table in HudBay''s MD&A for the nine months ended September 30, 2011.

Strong production is expected again in 2012 from HudBay''s flagship 777 mine. Copper grades at 777 are expected to be slightly higher than reserve grades mainly due to the areas planned for mining during 2012. Operating costs are expected to be similar to costs experienced in the past several years. Costs in the first and fourth quarters are expected to be higher due to additional heating and other seasonal costs.

With the Trout Lake and Chisel North mines nearing the end of their mine-life, mining is expected to continue to be challenging. Closure of the Trout Lake mine is expected in June of 2012 once the deposit is exhausted. Some copper/gold ore is expected to be mined at Chisel North in 2012, which will be transported to the Flin Flon concentrator for processing. Unit operating costs are expected to remain high due to the complex nature of these late-stage mining operations and reduced cost capitalization given the short remaining mine life.

Grades in any particular quarter may vary from the annual guidance above based on the areas mined in that quarter. 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

2012 Guidance		***Flin Flon***	***Snow Lake***
Ore Milled	Tonnes	1,840,000	190,000
Recoveries			
Copper	%	93%	80%
Zinc	%	85%	95%
Gold	%	70%	65%
Unit Operating Costs[1]	***C$/tonne***	***$12-15***	***$32-37***

[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. For a reconciliation of the costs that are included in unit operating costs to total operating costs in accordance with IFRS, refer to the Non-IFRS detailed cost of sales table in HudBay''s MD&A for the nine months ended September 30, 2011.

Ore milled at the Flin Flon concentrator is expected to be somewhat lower than in 2011 due to reduced production from the Trout Lake mine, with correspondingly higher unit operating costs. Recoveries are expected to be consistent with recent experience. Estimated concentrate production at the Snow Lake concentrator includes a combination of Chisel North ore early in 2012 and Lalor ore in the second half of 2012. Costs for the Snow Lake concentrator include the cost to truck concentrates from Snow Lake to Flin Flon. 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 Zinc Plant

2012 Guidance			
Domestic zinc concentrate treated	tonnes		164,000
Purchased zinc concentrate treated	tonnes		56,000
Total zinc concentrate treated	tonnes		220,000
Recovery	%		97%
Zinc Produced	tonnes		113,000
Unit Operating Costs[1]	***C$/lb***	***$***	***0.32-0.37***

[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. For a reconciliation of the costs that are included in unit operating costs to total operating costs in accordance with IFRS, refer to the Non-IFRS detailed cost of sales table in HudBay''s MD&A for the nine months ended September 30, 2011.

HudBay''s domestic zinc concentrate production in 2012 is expected to supply approximately 74.5% of total zinc metal production. An additional 56,000 tonnes of zinc concentrate is expected to be purchased from third parties.

Operating costs at the zinc plant are expected to be similar to 2011 levels. 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.

Reed Copper Project Assumptions and Qualifications

- The portion of the indicated mineral resources and inferred mineral resources for evaluation purposes in the PEA were determined after applying dilution and recovery assumptions based on an assumed mining production schedule from the three zones of mineralization.
- Capital and operating costs are based on historical costs from operating HudBay Minerals Inc. mines in the Flin Flon and Snow Lake area of Manitoba of similar deposit size, production levels and workforce.
- Run of mine material will be transported by truck directly to Flin Flon where it will be crushed to less than 150 millimetres. The Reed ore will be batched independently through the Flin Flon concentrator with assumed metal recoveries of 94% copper, 58% gold and 62% silver producing a copper concentrate.
- Access to the underground Reed mineral resources will be via a trench, portal and decline located near the center of the surface site. The decline will excavated 6 metre wide and 5 metre high to a depth of 510 metres from surface and be able to accommodate a 60 tonne truck. Ore and development waste will be hauled to surface via the decline. Each mining level, spaced 25 metre vertically, will be accessed from the decline and will be 5.5 metre wide by 4.5 metre high to accommodate a 10 yard load, haul and dump scooptram.
- The mineral resources will be extracted using longhole open stope mining method, and the stopes will be backfilled with unconsolidated waste.
- Proposed infrastructure required at site to support mining operation include an employee camp, mine office and changehouse dry, mechanical shop, warehouse, core shack, explosive magazine, electrical generator and fuel storage area, electrical distribution room, electrical office, ventilation downcast building, and compressor building.
- The project will be powered by diesel generators and power distributed to surface buildings and underground.
- During the preproduction development phase a total of 44 employees are required and increased to a total of approximately 77 employees once full production commences.
- An environmental baseline assessment draft completed by AECOM was based on collection of field data from the fall of 2010 and spring of 2011 concluded that there were no major negative environmental or socio-economic impacts expected from the development of the project. The project will be constructed within the Grass River Provincial Park, which will accommodate commercial resource use, such as mining, where such activities do not compromise the other park purposes.
- An application for the Advanced Exploration Project (AEP) plan at Reed was submitted to the Manitoba Government on September 16, 2011. Approval of the AEP is expected before the end of 2011, which will allow early site construction and commencement of underground development to extract a 10,000 tonne bulk sample of the mineralization. An Environmental Act Licence is required before production starts at Reed and no federal permits will be sought or are anticipated.

Qualified Person

The technical and scientific information in this news release has been prepared by or under the supervision of Robert Carter P.Eng., HudBay''s Manager, Project Evaluation. Mr. Carter is a "qualified person" for purposes of National Instrument 43-101.

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, information with respect to the Company''s ability to meet production forecasts, execute on exploration plans, and finance and develop the Reed copper project and its key development projects, the ability of management to execute on key strategic and operational objectives, exploration expenditures and activities and the possible success of such exploration activities, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, mineral pricing, mine life projections, and business and acquisition strategies. Often, but not always, forward-looking information can be identified by the use of forward-looking words like "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "understands", "anticipates", or "does not anticipate", or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved".

Forward-looking information is based on the opinions and estimates of management as of the date such information is provided and is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of HudBay to be materially different from those expressed or implied by such forward-looking information, including the ability to develop and operate its key projects on an economic basis and in accordance with applicable timelines, the ability to receive all regulatory permits required to construct and operate the Lalor, Constancia and Reed projects, geological and technical conditions, the ability to meet required solvency tests to support a dividend payment, risks associated with the mining industry such as economic factors (including future commodity prices, currency fluctuations and energy prices), failure of plant, equipment, processes and transportation services to operate as anticipated, dependence on key personnel and employee relations, environmental risks, government regulation, actual results of current exploration activities, possible variations in ore grade or recovery rates, permitting timelines, capital expenditures, reclamation activities, land titles, and social and political developments and other risks of the mining industry as well as those risk factors discussed or referred to in HudBay''s Annual Information Form for the year ended December 31, 2010 under the heading "Risk Factors". Although HudBay has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended.

In addition, certain forward-looking information in this MD&A relate to prospective results of operations, financial position or cash flows based on assumptions about future economic conditions or courses of action.

Such information is provided in attempt to assist the reader in identifying trends and anticipated events that may affect HudBay''s business, results of operations and financial position and may not be appropriate for other purposes. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

HudBay does not undertake to update any forward-looking information, except as required by applicable securities laws, or to comment on analyses, expectations or statements made by third parties in respect of HudBay, its financial or operating results or its securities.

Note to United States Investors

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

Under Canadian securities laws, estimates of inferred mineral resources may not form the basis of an economic analysis. 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, 2010, available on SEDAR at www.sedar.com and incorporated by reference as Exhibit 99.1 in HudBay''s Form 40-F filed on March 31, 2011 (File No. 001-34244).

HudBay Minerals Inc.

HudBay Minerals Inc. (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. The company''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.

(HBM-G)

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