HUDBAY MINERALS INC

HudBay Minerals Inc.

Management Discussion and Analysis of
Results of Operations and Financial Condition

For the Three and Six Months
Ended June 30, 2007

August 13, 2007

HUDBAY MINERALS INC

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Unless the context otherwise suggests, references to "we", "us", "our" and similar terms, as well as references to "HudBay" or the "Company", refer to HudBay Minerals Inc. and its subsidiaries. "HBMS" refers to Hudson Bay Mining and Smelting Co., Limited.

This Management's Discussion and Analysis ("MD&A") is prepared as at August 13, 2007 and is intended to supplement and complement the unaudited consolidated financial statements for HudBay for the three and six months ended June 30, 2007, which are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A should also be read in conjunction with both the audited annual consolidated financial statements and annual MD&A. Additional information regarding the Company, including its most recent Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com. All figures are in Canadian dollars unless otherwise noted.

OUR BUSINESS

HudBay Minerals Inc. is an integrated mining company that operates mines, concentrators and a metal production complex in northern Manitoba and Saskatchewan. The Company also owns a zinc oxide production facility in Ontario, the White Pine Copper Refinery in Michigan, and the Balmat zinc mine in New York state.

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EXECUTIVE SUMMARY

Total revenue for the quarter was $358.3 million, resulting from the sale of:

- 33,121 tonnes of zinc at a realized price of US$1.75/lb.;
- 22,565 tonnes of copper at a realized price of US$3.53/lb.;
- 23,696 ounces of gold at a realized price of US$665/troy oz.; and
- 310,477 ounces of silver at a realized price of US$13.33/troy oz.

Earnings before tax in the second quarter of 2007 increased by 29% to $122.0 million compared with $94.6 million in the second quarter of 2006.

Net earnings were $69.1 million for the quarter, or $0.55 per share, compared to $152.8 million for the same quarter in 2006, or $1.71 per share. The lower net earnings are primarily attributable to the draw-down of the tax asset resulting in a non-cash tax expense of $41.9 million this quarter compared to the non-cash tax benefit of $66.7 million in the second quarter of 2006. As the tax assets recorded on the balance sheet are utilized, an equivalent non-cash income tax expense is reported.

The Company continues to benefit from its significant tax pools and, with the exception of $10.8 million in Manitoba mining tax, the Company paid minimal cash income taxes in the second quarter of 2007. The utilization of these tax pools is expected to continue for the balance of 2007, resulting in minimal cash income taxes. However, we expect to continue providing for Manitoba mining taxes throughout 2007.

Cash flow from operating activities was $137.7 million before changes in non-cash working capital for the quarter, or $1.09 per share, compared to $98.3 million, or $1.10 per share, for the same quarter in 2006.

Cash and cash equivalents were $564.7 million at June 30, 2007, cash in excess of debt was $547.2 million and working capital was $790.6 million. During the second quarter, the Company paid $47.0 million related to the 2006 employee profit sharing plan of our wholly-owned subsidiary, HBMS.

Significant by-product credits from copper, precious metals, zinc oxide and other associated revenue for the quarter resulted in a cash cost per pound of zinc sold of negative US$0.30/lb. (refer to “Non-GAAP Performance Measures” on page 31).

Mine production for the quarter was 717,824 tonnes of ore, compared to 612,886 tonnes for the same quarter in 2006. Ore grade for zinc was 5.01% (compared to 4.42%) and for copper was 2.06% (compared to 2.37%), as compared to the same quarter in 2006.

For the quarter compared to the same quarter in 2006, zinc production from our HBMS zinc plant increased by 9% to 29,083 tonnes, and operating costs decreased by 7% to 26.8¢/lb. Similarly, copper production from our smelter increased by 33% to 22,752 tonnes, and operating costs decreased by 10% to 26.6¢/lb. Production in the second quarter of 2006 was affected by scheduled maintenance shutdowns.

Results from HudBay’s ongoing diamond drill program at its Lalor Lake property near Snow Lake in the Flin Flon Greenstone Belt were released in early August 2007. Mineralization intersections to date at approximately 800 metres from surface indicate a strike length of approximately 550 metres and a width of approximately 700 metres measured in plan view. The mineralization remains open in at least three directions. With ten drill holes completed and high zinc grades reported, the Company has assigned four drills to the site to further define the deposit.

HudBay recorded a lost time accident frequency per 200,000 hours worked, including contractors, for the quarter of 0.9 compared to a rate of 1.0 for the same quarter in 2006. There were no significant environmental non-compliances during the quarter.

KEY FINANCIAL AND PRODUCTION RESULTS

		Three Months Ended			Six Months Ended		
		June 30 2007	June 30 2006	% Change	**June 30 2007**	June 30 2006	% Change
Financial Highlights		*($000's except per share amounts)*					
Revenue		**358,298**	261,727	37%	**707,440**	469,690	51%
Earnings before taxes		**121,953**	94,590	29%	**239,468**	156,233	53%
Net earnings		**69,139**	152,836	(55%)	**132,215**	228,822	(42%)
EBITDA [1]		**129,607**	111,962	16%	**274,377**	189,584	45%
Operating cash flow [2]		**137,660**	98,328	40%	**280,160**	176,302	59%
Net earnings per common share		**0.55**	1.71	(68%)	**1.05**	2.62	(60%)
Operating cash flow per common share [1]		**1.09**	1.10	(1%)	**2.22**	2.02	10%
Cash cost per pound of zinc sold [1]		**(US$0.30)**	(US$0.95)	(68%)	**(US$0.32)**	(US$0.34)	(6%)
Operating Highlights							
Production							
Zinc [3]	*tonnes*	**30,805**	26,654	16%	**62,213**	56,560	10%
Copper	*tonnes*	**22,752**	17,066	33%	**44,476**	40,752	9%
Gold	*troy oz.*	**27,617**	18,825	47%	**51,830**	45,336	14%
Silver	*troy oz.*	**343,599**	265,192	30%	**696,046**	655,422	6%
Metal Sold [4]							
Zinc, incl sales to Zochem [5]	*tonnes*	**33,121**	19,774	67%	**64,978**	49,946	30%
Copper	*tonnes*	**22,565**	17,218	31%	**47,227**	36,150	31%
Gold	*troy oz.*	**23,696**	25,062	(5%)	**53,412**	39,908	34%
Silver	*troy oz.*	**310,477**	354,024	(12%)	**694,396**	586,480	18%
Financial Condition		*($000's)*					
Cash and cash equivalents		**564,685**	113,440	398%			
Working capital		**790,625**	336,860	135%			
Cash (less debt) [6]		**547,186**	28,578	1815%			
Total assets		**1,426,587**	929,323	54%			
Shareholders' equity		**1,084,976**	555,408	95%			

[1] EBITDA, operating cash flow per common share, and cash cost per pound of zinc sold are considered non-GAAP measures (refer to "Non-GAAP Performance Measures" on page 31). For EBITDA refer to page 13. For the reconciliation of cash cost per pound of zinc sold, net of by-product credits, refer to page 30.

[2] Before changes in non-cash working capital.

[3] Production in 2007 includes Balmat payable metal in concentrate shipped.

[4] Excludes inventory changes at CMM.

[5] Zinc sales include sales to Zochem and the Balmat payable metal in concentrate shipped (including to HBMS) in 2007.

[6] Cash and cash equivalents of $564,685 less current and long-term portion of the Notes, Province of Manitoba loan and capital leases ($3,409, $7,071, and $7,019 respectively).

OUTLOOK

Exploration & Land Position

HudBay's $45.2 million exploration program for 2007 includes drilling of electromagnetic anomalies, known deposits, and structural re-interpretations as well as exploration in our operating mines to potentially increase our ore reserves and extend the life of our existing mines. Exploration land holdings are 419,422 hectares which includes 379,218 hectares in the Flin Flon Greenstone Belt.

In the first half of 2007 approximately $20.5 million was spent on surface and in-mine exploration activities, including $7.8 million in the first quarter and $12.7 million in the second quarter, compared to $8.1 million in the first half of 2006.

The new Lalor Lake exploration discovery in the Snow Lake area of Manitoba continues to be a major focus. The Lalor Lake property is approximately 3 kilometres off highway 395 and 15 kilometres from HudBay's Snow Lake concentrator, which has additional capacity. Results from the ongoing diamond drill program at the Lalor Lake property were released in early August 2007. Mineralization intersections at approximately 800 metres from surface indicate a strike length of approximately 550 metres and a width of approximately 700 metres measured in plan view. The mineralization remains open in at least three directions. With ten drill holes completed and high zinc grades reported, the Company has assigned four drills to the site to further define the deposit.

The Company expects to provide regular updates of its exploration program at Lalor Lake, as well as its other exploration activities.

Production & Costs

Production for the year is expected to be consistent with earlier guidelines. Operating costs in 2007 are generally expected to be somewhat higher compared to 2006 due to increased production and sales and changes in inventory together with inflation, especially related to consumables. As Balmat commenced commercial production on January 1, 2007, the Company will incur additional operating costs that will cause a higher unit cost during the production ramp up. We also expect continued higher unit costs for the Trout Lake mine because a greater proportion of its 2007 production will be from the pillar extraction project, compared to 2006.

Capital Spending

The capital spending outlook for 2007, excluding capitalized mine exploration, has increased by $5.9 million due largely to the increased requirements to improve the ventilation systems at the Balmat mine and increases to the cost of the water treatment capacity of Chisel North mine. Refer to "2007 Capital Spending" on page 15.

Balmat

Balmat is expected to increase production during the third and fourth quarters of 2007 to reach full production capacity of 60,000 tons of zinc in concentrate at the end of 2007. At current metal prices the mine is expected to positively contribute to earnings prior to year-end.

Bur Deposit

HudBay's $8.5 million Bur deposit project continues. The Bur deposit is 22 kilometres from HudBay's Snow Lake concentrator and can be easily accessed. The Company has accessed the site and a feasibility study is underway. A decision on whether or not to proceed with the project will follow completion of the feasibility study expected later in the year.

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TREND ANALYSIS AND QUARTERLY REVIEW

The following table sets forth our selected consolidated financial information for each of the eight most recently competed quarters.

	2007		2006				2005	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	($000's)							
Revenue	**358,298**	349,142	313,110	346,203	261,727	207,963	173,051	169,264
EBITDA [1]	**129,607**	144,770	150,213	161,320	111,962	77,727	40,308	32,743
Operating cash flow [2]	**137,660**	142,500	148,508	165,987	98,328	77,973	32,349	33,163
Earnings before taxes	**121,953**	117,515	134,636	151,582	94,590	61,643	23,864	27,156
Net earnings	**69,139**	63,076	165,788	169,381	152,836	75,986	43,941	23,405

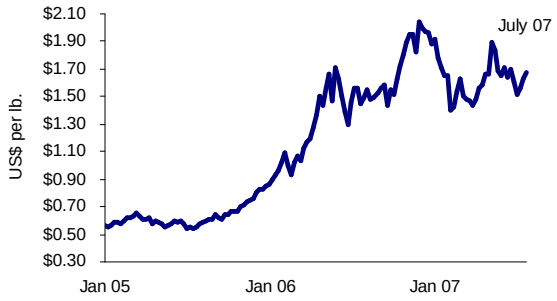
[1] EBITDA is considered non-GAAP measure (refer to "Non-GAAP Performance Measures" on page 31).

[2] Before changes in non-cash working capital.

Higher zinc and copper prices have increased our revenues and earnings. Prior to this year, earnings have been positively affected by increases in tax assets previously unrecognized. For 2007, there is a draw-down of the tax assets, resulting in significant non-cash tax expenses included in net earnings (refer to "Tax Expense" on page 12).

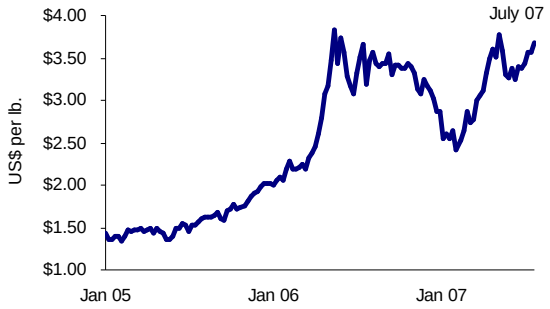
The price, quantity and mix of metals sold affects our revenue and earnings. Revenue from metal sales can vary from quarter to quarter due to production levels, shipping volumes and schedules, price determination terms, and risk and title transfer terms with the Company's various customers.

LME Zinc Cash Settlement Price Weekly Average
January 2005 to July 2007



US$/lb.	Realized	LME Average
Q2 2006	$1.55	$1.49
Q2 2007	$1.75	$1.66

LME Copper Cash Settlement Price Weekly Average
January 2005 to July 2007



US$/lb.	Realized [1]	LME Average
Q2 2006	$3.50	$3.37
Q2 2007	$3.53	$3.47

[1] The Company's sales contracts are primarily based on Comex copper prices.

An appreciation of the Canadian dollar relative to the US dollar has a negative impact on our earnings as the prices of our products are primarily denominated in US dollars and approximately half of our operating costs are Canadian dollar based.

For the Company's sensitivity to metal prices and foreign exchange rates, refer to "Sensitivity Analysis" in our 2006 Annual Report.

FINANCIAL REVIEW

Revenue

For the quarter, total revenue was $358.3 million, $96.6 million higher than for the same quarter last year due to higher metal prices and higher sales volumes of copper and zinc, partially offset by the impact of lower US dollar exchange rates estimated at $7.0 million. This quarter's revenue resulted from the sale of 33,121 tonnes of zinc (which includes 7,676 tonnes to our Zochem facility and 4,868 tonnes of payable zinc metal from the Balmat mine concentrate), 22,565 tonnes of cathode copper, 23,696 ounces of gold and 310,477 ounces of silver. Zochem had sales of 9,443 tonnes of zinc oxide.

For the six months ended June 30, 2007, total revenue was $707.4 million, $237.8 million higher than for the same period last year due to higher metal prices and higher sales volumes, partially offset by the impact of lower US dollar exchange rates estimated at $3.0 million.

Realized Metal Prices and Exchange Rate [1]

			HudBay Realized Prices					
		Q2 2007	Three Months Ended			Six Months Ended		
		Average Prices [2]	**June 30 2007**	June 30 2006	% Change	**June 30 2007**	June 30 2006	% Change
Zinc	*US$/lb.*	1.66	**1.75**	1.55	13%	**1.70**	1.26	35%
Copper	*US$/lb.*	3.47	**3.53**	3.50	1%	**3.16**	2.89	9%
Gold	*US$/troy oz.*	667	**665**	593	12%	**657**	567	16%
Silver	*US$/troy oz.*	13.34	**13.33**	10.95	22%	**13.39**	10.25	31%
C$/US$ exchange rate		1.10	**1.10**	1.12	(2%)	**1.13**	1.14	(1%)

[1] Realized prices are before refining and treatment charges.

[2] London Metals Exchange ("LME") average for zinc, copper and gold prices, London Spot US equivalent for silver prices.

Expenses

Operating Expenses

For the second quarter of 2007, operating expenses were $197.3 million, an increase of approximately 42% compared to $138.9 million in the same quarter of 2006. This increase related primarily to:

- Increased unit cost and increased volumes of purchased copper and zinc concentrates, resulting in cost increases of $30.0 million;
- Additional operating costs at Balmat of $9.1 million during the quarter due to commencement of commercial production on January 1, 2007 plus cost increases at other mining and processing operations of $8.6 million due to higher production levels and higher consumable and contractor costs; and
- Increased cost of sales of $11.6 million arising from increased sales volumes, which exceeded production volumes during the second quarter of 2007.

For the six months ended June 30, 2007, operating expenses were $381.9 million, an increase of approximately 46% compared to $260.8 million in the same period in 2006. This increase related primarily to:

- Increased unit cost and increased volumes of purchased copper and zinc concentrates, resulting in cost increases of $35.2 million;
- Additional operating costs at Balmat of $18.7 million during the six months ending June 30, 2007 due to commencement of commercial production on January 1, 2007 plus costs at other mining and processing operations, which increased by $14.5 million due to higher production levels and higher consumable and contractor costs; and
- Increased cost of sales of approximately $34.3 million arising from increased sales volumes, which exceeded production volumes during the six months ended June 30, 2007.

Key inventory levels at June 30, 2007 were as follows:

- Inventory in concentrate – Domestic zinc concentrate approximately 5,200 tonnes and domestic copper concentrate approximately 27,900 tonnes.
- Inventory in process – Copper anodes of approximately 10,500 tonnes.
- Inventory in finished metal – Zinc approximately 15,500 tonnes and copper approximately 1,900 tonnes.

During the second quarter, the Company paid $47.0 million related to the 2006 HBMS employee profit sharing plan. The profit sharing plan (10% of HBMS annual profit excluding future tax expense and other adjustments) provides significant benefits to the Company through improved labour stability and low employee turnover. Expense accruals continue to be made for 2007 and have increased somewhat from amounts recorded during the same periods of 2006 as a result of higher HBMS net income (increased profit sharing expenses of approximately $2.0 million in the second quarter and $7.5 million during the six months ended June 30, 2007).

HUDBAY MINERALS INC

Operating Costs		Three Months Ended June 30 2007	Three Months Ended June 30 2006	Three Months Ended % Change	Six Months Ended June 30 2007	Six Months Ended June 30 2006	Six Months Ended % Change
Mines							
777	*$/tonne*	**36.50**	34.83	5%	**37.96**	35.99	5%
Trout Lake	*$/tonne*	**46.25**	35.85	29%	**48.02**	37.41	28%
Chisel North	*$/tonne*	**65.46**	46.30	41%	**58.49**	51.79	13%
Balmat	*$/tonne*	**62.19**	-	-	**73.50**	-	-
Total Mines	*$/tonne*	**45.17**	36.67	23%	**46.84**	38.54	22%
Concentrators							
Flin Flon	*$/tonne*	**10.14**	8.55	19%	**9.74**	8.34	17%
Snow Lake	*$/tonne*	**20.70**	17.93	15%	**20.61**	18.20	13%
Balmat	*$/tonne*	**11.31**	-	-	**12.64**	-	-
Metallurgical Plants							
Zinc Plant	*$/lb. Zn*	**0.268**	0.289	(7%)	**0.282**	0.276	2%
Zochem	*$/lb. ZnO*	**0.131**	0.109	20%	**0.138**	0.112	23%
Copper Smelter	*$/lb. Cu*	**0.266**	0.297	(10%)	**0.266**	0.269	(1%)
WPCR	*US$/lb. Cu*	**0.070**	0.066	6%	**0.072**	0.064	13%
Non-GAAP Detailed Operating Expenses		*(C$000's)*					
Mines							
777		**13,048**	11,612	12%	**27,145**	23,579	15%
Trout Lake		**9,553**	7,127	34%	**19,701**	14,884	32%
Chisel North		**5,180**	3,737	39%	**9,569**	8,306	15%
Balmat [1]		**5,241**	-		**11,518**	-	
Concentrators							
Flin Flon		**5,634**	4,834	17%	**10,887**	9,314	17%
Snow Lake		**1,640**	1,493	10%	**3,369**	2,976	13%
Balmat [1]		**961**	-		**1,967**	-	
Metallurgical Plants							
Zinc Plant		**17,178**	17,001	1%	**35,288**	34,363	3%
Copper Smelter		**13,346**	11,174	19%	**26,134**	24,132	8%
WPCR		**2,942**	2,735	8%	**6,299**	5,588	13%
Other							
Purchased concentrate treated		**86,646**	56,635	53%	**142,608**	107,367	33%
Anode freight & refining [2]		**2,325**	1,974	18%	**4,602**	4,331	6%
Services & administration		**14,082**	6,921	103%	**25,937**	13,910	86%
HBMS employee profit sharing		**12,690**	10,714	18%	**25,437**	17,926	42%
Other [3]		**6,878**	2,985	130%	**31,391**	(5,847)	(637%)
Total Operating Expenses, per financials		**197,344**	138,942	42%	**381,852**	260,829	46%

[1] Balmat mine and concentrator were not in commercial production in 2006.

[2] For 2007, refining costs deducted from metal sales invoices have been classified as sales deductions.

[3] Includes changes in domestic inventory, share of CMM and miscellaneous provisions.

Depreciation and Amortization

Depreciation and amortization expenses for the quarter were $23.3 million compared to $15.6 million for the same quarter in 2006. Of the $7.7 million increase, $3.7 million represents the addition of Balmat mine depreciation and amortization expense since it reached commercial production the beginning of this year. The remaining increase related primarily to increases in the Trout Lake mine amortization rate per tonne due to changes in ore reserves and anticipated future development costs. Production tonnages were also higher at the Trout Lake and 777 mines.

For the six months ended June 30, 2007, depreciation and amortization expenses were $45.2 million compared to $31.2 million for the same period in 2006. Of the $14.0 million increase, $5.7 million represents the addition of Balmat mine's depreciation and amortization expense, the remaining increase primarily related to increases in unit rates at the Trout Lake mine, and increases related to higher ore production at the mines.

We expect depreciation and amortization for 2007 to be higher than in 2006 due to the additional Balmat mine amortization and depreciation and the higher unit rates associated with the Trout Lake mine.

General and Administrative

Total general and administrative expenses for the quarter were $4.9 million compared to $4.5 million for the same quarter of 2006.

For the six months ended June 30, 2007, general and administrative expenses were $9.5 million compared to $8.2 million for the same period of 2006, resulting from a general increase in compliance costs and other items.

Foreign Exchange Gains and Losses

The Company's US dollar cash balance required for US operating costs and accounts receivables from US sales declined in value during the second quarter of 2007 due to the Canadian dollar appreciation relative to the US dollar. This resulted in a loss of $13.1 million. For the quarter ended June 30, 2006, foreign exchange rates were relatively stable.

For the six months ended June 30, 2007, the appreciation of the Canadian dollar resulted in a loss of $15.1 million. For the six months ended June 30, 2006, movement in foreign exchange rates resulted in a gain of $1.3 million.

Operating Earnings

For the quarter, operating earnings were $116.8 million compared to $100.2 million for the three months ended June 30, 2006. The favourable variance of $16.6 million is mainly attributable to higher metal prices and increased sales volumes, which more than offset the negative impact of the appreciating Canadian dollar of approximately $5.0 million and increased costs for purchased concentrates used in production, profit sharing, general and administration and other operating expenses.

For the six months ended June 30, 2007, operating earnings were $247.5 million compared to $165.4 million for the same period in 2006. The favourable variance of $82.1 million is mainly attributable to higher metal prices and increased sales volumes, which more than offset the negative impact of the appreciating Canadian dollar of approximately $2.0 million and increased costs for purchased concentrates, profit sharing, general and administration and other operating expenses.

Gain (Loss) on Derivative Instruments

For the second quarter of 2007, the Company recorded in earnings a $2.9 million gain on derivative instruments related to the increased market value of our US dollar put options and a gain related to the ineffective portion of the zinc and copper hedging relationships (refer to "Risk Management" on page 16).

During the same period of 2006, there was a $9.2 million gain for the quarter ended June 30, 2006. The gain in the second quarter of 2006 related mainly to derivative forward contracts for zinc related to fixed price customer sales contracts for zinc and, to a lesser extent, zinc oxide to effectively convert the fixed price sales contract to floating prices. Effective January 1, 2007, as a result of our adoption of the new CICA accounting standards for financial instruments, we recorded the gains and losses on these zinc forward contracts in revenue to essentially match the sales contracts associated with them.

For the six months ended June 30, 2007, the Company recorded an $8.1 million loss on derivative instruments compared to a $13.6 million gain for the same period in 2006. For the first six months of 2007, the loss on derivative instruments recorded in earnings related primarily to the zinc and copper hedging relationships described above, partially offset by the increased value of the US dollar put contracts (refer to "Risk Management" on page 16). The gain in 2006 related mainly to derivative forward contracts for zinc related to fixed price customer sales contracts for zinc and, to a lesser extent, zinc oxide to effectively convert the fixed price sales contract to floating prices. Effective January 1, 2007, as a result of our adoption of the new CICA accounting standards for financial instruments, we recorded the gains and losses on these zinc forward contracts in revenue to essentially match the sales contracts associated with them.

Interest and Other Income

Other income includes a $6.0 million receipt for the finalization of the sale of shares held in Stikine Copper Limited. The investment in these shares was obtained many years ago and had been assigned no value.

Interest Expense

Interest expense for the quarter of $0.4 million was significantly lower than for the same quarter in 2006 as a result of long-term debt repurchases last year. We expect interest expense for 2007 to be lower compared to 2006 due to significantly reduced debt levels.

For the six months ended June 30, 2007, interest expense of $0.8 million was lower by $7.2 million than for the same period in 2006 due to significantly reduced debt levels.

Exploration Expenses

Exploration expenses of $10.5 million were incurred in the second quarter of 2007, as compared to $3.9 million for the same period in 2006.

For the six months ended June 30, 2007, exploration expenses of $18.3 million were incurred, reflecting an increase of $ 11.3 million over the same period in 2006. For further information on the $45.2 million exploration program in 2007, refer to the Company's 2006 Annual Report.

Tax Expense

At December 31, 2006, the Company had fully recognized its future income tax asset, with the exception of those related to timing differences for long-term obligations that relate primarily to closure and assets that are not likely to be realized. In this quarter there has been a $38.7 million draw-down of this future income tax asset, and a non-cash future income tax expense has been reflected on the Company's income statement. We anticipate that the tax pools reflected in the future income tax asset will be sufficient to shelter most, if not all, of the Company's taxable income for the year. While the Company is recording a future income tax expense, minimal cash income tax payments are expected for the year. Although the effective rate per quarter will vary, depending on several factors such as the level and composition of income, as well as changes in substantially enacted tax rates, the estimated future income tax rate is anticipated to be approximately 32.3% on earnings before tax for the current year.

In the fourth quarter of 2006, the Company also recognized a future Manitoba mining tax asset based on the next three future years of expected earnings. Three years is considered appropriate due to the uncertainties of future longer-term metal prices, exchange rates, the magnitude of prior losses, net operating earnings from non-Manitoba sources of ore and the restricted rate of deductions for mining tax purposes. Factors to recognize the future mining tax asset will continue to be reviewed on a quarterly basis. The future mining tax asset is expected to be partially drawn down during 2007, and in the second quarter a $3.3 million reduction in the future mining tax asset has been reflected as a non-cash future mining tax expense. Due to restricted levels of deductions available to determine Manitoba mining profits, the Company anticipates paying current mining taxes during 2007, the related portion of which has been reflected as a current mining tax expense. Although the effective tax rate will vary depending on the factors to be considered as indicated above, the estimated mining tax rate is anticipated to be 12.5% on the Company's earnings before tax for the current year.

	Three Months Ended		Six Months Ended	
Breakdown of Tax Expense (Benefit)	**June 30 2007**	June 30 2006	**June 30 2007**	June 30 2006
Non-cash - income tax expense [1]	**38,685**	(66,705)	**77,273**	(81,643)
Non-cash - mining tax expense [1]	**3,255**	-	**6,526**	-
Total non-cash draw-down	**41,940**	(66,705)	**83,799**	(81,643)
Estimated taxes payable – income tax	**115**	119	**136**	714
Estimated taxes payable – mining tax	**10,759**	8,340	**23,318**	8,340
Total estimated taxes payable	**10,874**	8,459	**23,454**	9,054
Tax expense (benefit)	**52,814**	(58,246)	**107,253**	(72,589)

[1] Non-cash tax expenses represent the non-cash future income and mining tax asset draw-down.

EBITDA [1]

The following chart presents the calculation of EBITDA for the periods indicated.

	Three Months Ended		Six Months Ended	
	June 30 2007	June 30 2006	**June 30 2007**	June 30 2006
	($000's)			
Operating earnings per consolidated financial statements	**116,825**	100,184	**247,470**	165,398
Adjustments				
Depreciation and amortization	**23,294**	15,649	**45,168**	31,191
Exploration	**(10,512)**	(3,871)	**(18,261)**	(7,005)
EBITDA	**129,607**	111,962	**274,377**	189,584

[1] Refer to "Non-GAAP Performance Measures" on page 31. EBITDA represents earnings before interest, taxes, depreciation and amortization, loss/gain on derivative instruments, interest and other income and other.

CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes our cash flows for the three and six months ended June 30, 2007 and June 30, 2006.

	Three Months Ended		Six Months Ended	
	June 30 2007	June 30 2006	**June 30 2007**	June 30 2006
	($000's)			
Net earnings for the period	**69,139**	152,836	**132,215**	228,822
Items not affecting cash	**68,521**	(54,508)	**147,945**	(52,520)
Net change in non-cash items	**(54,650)**	(13,974)	**(41,259)**	(65,822)
Cash provided by operating activities	**83,010**	84,354	**238,901**	110,480
Cash required for financing activities	**(579)**	(55,755)	**(60)**	(52,410)
Cash required for investing activities	**(26,929)**	(41,107)	**(50,890)**	(85,136)
Effect of exchange rate changes on cash and equivalents	**(8,589)**	(1,416)	**(9,130)**	(1,154)
Increase (decrease) in cash and cash equivalents	**46,913**	(13,924)	**178,821**	(28,220)

As of June 30, 2007, HudBay had cash and cash equivalents of $564.7 million compared to $385.9 million as at December 31, 2006 and $113.4 million as at June 30, 2006. As at June 30, 2007, there were outstanding letters of credit in the amount of $32.7 million.

Cash flow from operating activities totaled $83.0 million for the quarter, similar to $84.4 million for the quarter ended June 30, 2006. Higher realized metal prices and volumes generated higher cash earnings, offset by significant changes in non-cash working capital. These included cash outflows resulting from increases in inventories of $14.3 million and decreases in accounts payable of $35.2 million (primarily related to 2006 profit sharing payments during the second quarter) and lower cash inflows due to increases in accounts receivables of $9.1 million. The remaining difference resulted from normal working capital fluctuations.

For the six months ended June 30, 2007, cash flow from operating activities totaled $238.9 million, compared to $110.5 million for the same period ended June 30, 2006, primarily due to significantly higher realized metal volumes and prices. Significant changes in non-cash working capital included cash outflows resulting from increases in inventories of $25.0 million, decreases in accounts payable of $24.3 million and taxes payable of $16.9 million, offset in part by a cash inflow from a decrease in accounts receivable of $22.5 million. The remaining difference resulted from normal working capital fluctuations.

Financing activities during the quarter resulted in cash outflows of $0.6 million, with proceeds from the exercise of stock options of approximately $4.4 million offset by a $1.0 million repayment of capital lease obligations and a $4.0 million repayment of the Province of Manitoba loan.

For the six months ended June 30, 2007, financing activities resulted in cash outflows of $0.1 million, with proceeds from the exercise of stock options of approximately $5.9 million offset by a $2.0 million repayment of capital lease obligations and a $4.0 million repayment of the Province of Manitoba loan.

During the quarter, a total of $26.9 million was required for investing activities related to capitalized mine development and other sustaining capital expenditures of $26.5 million. Investing activities in the same quarter of 2006 related to capitalized mine development and other sustaining capital expenditures of $41.2 million, including Balmat start-up capital.

For the six months ended June 30, 2007, a total of $50.9 million was required for investing activities, related to capitalized mine development and other sustaining capital expenditures of $50.5 million. Investing activities in the same period of 2006 related to capitalized mine development and other sustaining capital expenditures of $68.2 million, including higher Balmat start-up capital, and the Company's $17.0 million acquisition of the White Pine Copper Refinery ("WPCR").

Cash inflow for the quarter was $46.9 million, compared to a cash outflow of $13.9 million for the quarter ended June 30, 2006.

For the six months ended June 30, cash inflow was $178.8 million, compared to a cash outflow of $28.2 million for the period ended June 30, 2006.

On February 21, 2007, HBMS completed the covenant defeasance of HBMS' outstanding 9⅝% Senior Secured Notes due 2012 (the "Notes"). The covenant defeasance involved the irrevocable deposit in trust by HBMS with The Bank of New York, as trustee, of approximately US$3.3 million of U.S. government securities, such amount being sufficient to satisfy the principal of US$2.9 million, interest and premium on the outstanding Notes to the redemption date of January 15, 2009. Pursuant to the terms of the indenture governing the Notes, the collateral securing the Notes was released.

2007 Capital Spending

The following is our capital spending by mine and processing facility.

	Three Months Ended		Six Months Ended		Full Year Outlook 2007
	June 30 2007	June 30 2006	**June 30 2007**	June 30 2006	
			($ millions)		
777 Mine	**5.5**	6.1	**11.5**	12.5	23.7
Trout Lake Mine	**6.9**	6.9	**13.6**	13.1	23.6
Chisel North Mine	**2.5**	1.5	**3.8**	2.3	13.7
Balmat Mine and Concentrator	**5.0**	11.6	**10.4**	19.9	30.9
Flin Flon and Snow Lake Concentrators	**0.5**	0.7	**1.1**	1.0	4.0
Copper Smelter	**0.1**	10.0	**0.4**	11.6	3.0
White Pine Copper Refinery	**2.4**	0.9	**4.5**	1.2	8.4
Zinc Plant	**1.3**	1.1	**1.7**	2.4	7.0
Flin Flon and Snow Lake General Plant	**2.3**	2.1	**3.3**	3.2	15.5
Zinc Oxide Plant	**-**	0.3	**0.2**	1.0	1.1
Total	**26.5**	41.2	**50.5**	68.2	130.9

	Three Months Ended		Six Months Ended		Expected 2007
	June 30 2007	June 30 2006	**June 30 2007**	June 30 2006	
			($ millions)		
Plant and Equipment	**10.0**	16.6	**17.1**	22.1	58.5
Capital Development	**14.3**	24.1	**31.2**	45.0	65.5
Capitalized Exploration	**2.2**	0.5	**2.2**	1.1	6.9
Total	**26.5**	41.2	**50.5**	68.2	130.9

FINANCIAL CONDITION

Financial Condition at June 30, 2007 Compared to Financial Condition as at December 31, 2006

Cash and cash equivalents increased by $178.8 million to $564.7 million as at June 30, 2007, compared to December 31, 2006.

Working capital improved by $142.9 million to $790.6 million from December 31, 2006 to June 30, 2007. The significant changes, other than the increase in cash, included draw-downs in the current portion of future income and mining tax assets of $70.7 million, normal operating decreases in accounts receivable of $22.5 million, increases in inventories of $25.0 million, decreases in payables of $24.3 million, and decreased taxes payable of $16.9 million.

Common share capital increased by $1.0 million due to the exercise of warrants and options of $8.3 million, partially offset by the renunciation of $7.3 million of eligible exploration expenditures.
HudBay's contractual obligations at June 30, 2007 are materially unchanged from December 31, 2006.

Subsequent to June 30, 2007, the Company extended the HBMS $80.0 million revolving credit facility maturity date to November 30, 2007. No draw-down has been made to date on this facility.

RISK MANAGEMENT

From time to time the Company maintains price protection programs and conducts commodity price risk management to reduce risk through the use of financial instruments.

Bur Deposit

In the first quarter of 2007, we implemented a price protection program for the Bur deposit to enhance the feasibility study expected in the third quarter this year.

The Bur deposit is unique and incremental to the Company's expected production. Mining the higher operating cost Bur deposit will reduce the Company's requirement for purchased concentrates at the Flin Flon zinc plant and copper smelter, which will result in higher earnings and cash flow for the Company.

In entering into zinc and copper swap contracts with settlement dates from 2008 through 2010, the Company has effectively locked in, for accounting purposes, the following prices in order to mitigate metal price risk associated with the Bur deposit.

Hedge Prices		2008	2009	2010	Total
Zinc swap contracts	*tonnes*	15,300	15,300	15,300	45,900
	US$/lb.	1.45	1.31	1.22	1.32
Copper swap contracts	*tonnes*	4,200	5,100	5,100	14,400
	US$/lb.	2.69	2.45	2.22	2.44

The hedges noted above meet the requirement for hedge accounting under GAAP.

For the quarter ended June 30, 2007, we recorded in earnings an unrealized, mark-to-market gain of $0.5 million related to the ineffective portion of the Bur price protection program. We recorded in other comprehensive income ("OCI") a pre-tax loss of $17.6 million ($11.3 million after future income taxes) to reflect the effective portion of gains and losses under the cash flow hedges.

For the six months ended June 30, 2007, we have an unrealized, non-cash loss of $10.3 million in earnings related to these hedges. Approximately $9.3 million of this was a one-time, non-cash loss recorded for the period between executing the swap contracts and generating the required hedge accounting documentation. This $9.3 million loss is considered a one-time charge, as the Company expects these hedges to remain highly effective for hedge accounting in the future. The remaining unrealized, non-cash loss of $1.1 million represents the ineffective portion of gains and losses under the cash flow hedges. A $22.3 million pre-tax loss ($14.2 million after future income taxes) was reflected in OCI for the six months ended June 30, 2007. The fair value of the metal swaps as at June 30, 2007 was negative $29.8 million.

The Company's swap agreements are with creditworthy counterparties and are governed by master agreements with customary wording under which collateral is not required.

Zinc and Zinc Oxide

To provide a high level of service to our customers who purchase finished metal from our plants and require known future prices, we enter into fixed price sales contracts regarding zinc and zinc oxide. To ensure that we continue to receive a floating or unhedged realized zinc price, we enter into zinc forward contracts that effectively offset the fixed price sales contracts with our customers.

Foreign Exchange

The Company has forward exchange contracts to limit the effects of movements in exchange rates on foreign currency denominated assets and liabilities and future anticipated transactions. At June 30, 2007, the Company held US dollar put options giving it the right, but not the obligation, to sell up to US$30.6 million in equal quarterly amounts at $1.20482 per US dollar continuing to January 2009. As at June 30, 2007, the fair value of the US dollar put options increased to $4.3 million due to the appreciation in the Canadian dollar during the second quarter.

In the current environment of strong base metal prices, the Company has significantly benefited from the exposure to metal prices. In the future, we may consider implementing other protection programs to limit the effects of future price changes.

HEALTH, SAFETY, ENVIRONMENT AND PRODUCT QUALITY

HudBay's total operations recorded a Lost Time Accident ("LTA") frequency rate of 0.9 for the second quarter of 2007, compared to a rate of 1.0 in the same quarter in 2006. For the six months ended June 30, 2007, the rate is 1.2 compared to 1.1 for the same period last year. This represents the number of lost time injuries per 200,000 hours worked for employees and contractors.

There were no significant environmental non-compliances during the quarter.

All operations, with the exception of the WPCR, continue to have management systems certified to both OHSAS 18001:1999 for occupational health and safety and ISO 14001:2004 for the environment. In addition, the production and supply of HBMS' final products are registered to the ISO 9001:2000 quality standard. Certification of these management systems at the WPCR is planned for 2007.

HudBay publishes an annual sustainability report that specifies the Company's environmental, health and safety performance. The 2006 report is available on the Company's web site.

OPERATIONS OVERVIEW

Mines and Concentrators

777 Mine

The 777 mine is located immediately adjacent to the Company's principal concentrator and metallurgical plant in Flin Flon, Manitoba.

Ore production at the 777 mine for the second quarter increased by 7% compared to the same period in 2006. Zinc grades were higher by 5% while copper grades were lower by 4% due to planned variations in the mining sequence. Operating costs per ore tonne in the quarter were higher by 5% as a result of increased cost of consumables and increased usage of cement in higher volumes of mine paste backfill.

For the six months ended June 30, 2007, ore production increased by 9% compared to the same period in 2006. Improvements in the mine ore handling systems have allowed mine production to improve. Zinc grades were lower by 11% while copper grades were similar due to planned changes in the mining sequence. Gold grades were 13% higher and silver grades 1% higher, related to mining locations. Operating costs per ore tonne were 5% higher due to increases in consumable costs and the volume of cement consumption in mine paste backfill.

		Three Months Ended			Six Months Ended		
777 Mine		**June 30 2007**	June 30 2006	% Change	**June 30 2007**	June 30 2006	% Change
Production	*tonnes*	**357,445**	333,374	7%	**715,000**	655,223	9%
Zinc grade	*%*	**4.29**	4.08	5%	**4.46**	5.03	(11%)
Copper grade	*%*	**2.89**	3.02	(4%)	**2.59**	2.60	0%
Gold grade	*g/tonne*	**2.86**	2.32	23%	**2.54**	2.24	13%
Silver grade	*g/tonne*	**26.83**	25.95	3%	**26.18**	25.82	1%
Operating costs	*$/tonne*	**36.50**	34.83	5%	**37.96**	35.99	5%

Trout Lake Mine

The Trout Lake mine is located approximately six kilometres from the Company's principal ore concentrator and metallurgical complex in Flin Flon, Manitoba.

Ore production at the Trout Lake mine for the second quarter increased by 4% compared to the same quarter in 2006, primarily related to additional tonnage being mined from pillar recovery. Zinc grade increased by 19% and copper grade decreased by 4%, consistent with the mining plan. Higher gold and lower silver grades were also consistent with the mine plan. Operating costs per ore tonne increased by 29% due to greater volumes of higher cost ore being mined from pillars. The pillar extraction project mined 21,771 ore tonnes at a grade of 4.40% zinc and 1.63% copper during the quarter. As planned, the cost per ore tonne of ore mined from pillars was $82 per tonne mined and was significantly higher than conventionally mined Trout Lake ore. Increases in consumable prices also affected the increased cost per ore tonne.

For the six months ended June 30, 2007, ore production increased by 3% compared to the same period in 2006, primarily related to greater tonnage mined from pillars. Zinc grades were 7% lower and copper grades were 22% higher; the higher copper grade was from pillars mined containing greater quantities of copper. Lower gold and silver grades were consistent with the mine plan. Operating costs per ore tonne mined were 28% higher, related to increased tonnage of higher cost ore mined from pillars and increased costs for consumables.

Trout Lake Mine		Three Months Ended			Six Months Ended		
		June 30 2007	June 30 2006	% Change	**June 30 2007**	June 30 2006	% Change
Production	*tonnes*	**206,545**	198,803	4%	**410,229**	397,776	3%
Zinc grade	*%*	**4.04**	3.40	19%	**3.79**	4.09	(7%)
Copper grade	*%*	**2.08**	2.16	(4%)	**2.48**	2.03	22%
Gold grade	*g/tonne*	**1.32**	1.29	2%	**1.32**	1.33	(1%)
Silver grade	*g/tonne*	**12.70**	14.46	(12%)	**11.47**	15.83	(28%)
Operating costs	*$/tonne*	**46.25**	35.85	29%	**48.02**	37.41	28%

Chisel North Mine

The Chisel North mine is located approximately 10 kilometres west of the Company's Snow Lake ore concentrator, which is approximately 215 kilometres from Flin Flon, Manitoba.

Ore production at the Chisel North mine for the second quarter was 2% lower than the same quarter in 2006. Zinc grade increased by 6%, consistent with the mine plan. Operating costs increased by 41% primarily related to the planned overhaul of major underground mobile equipment charged to operating costs during the quarter.

For the six months ending June 30, 2007, production was 2% higher than the same period in 2006. Zinc grade increased by 2% consistent with the mine plan. Operating costs increased by 13%, primarily related to mobile equipment overhauls during the second quarter which are not expected to occur in subsequent quarters.

Chisel North Mine		Three Months Ended			Six Months Ended		
		June 30 2007	June 30 2006	% Change	**June 30 2007**	June 30 2006	% Change
Production	*tonnes*	**79,125**	80,709	(2%)	**163,616**	160,387	2%
Zinc grade	*%*	**8.79**	8.33	6%	**8.59**	8.46	2%
Operating costs	*$/tonne*	**65.46**	46.30	41%	**58.49**	51.79	13%

Balmat Mine

HudBay restarted concentrate production from the Balmat mine, located in upper New York state, in May 2006 according to plan. Pre-production ramped up throughout 2006, and Balmat reached commercial production as of January 1, 2007.

For the second quarter ending June 30, 2007, ore production was 74,709 tonnes at a grade of 7.12% zinc. Operating costs per ore tonne were US$56.63 (C$62.19). The mine was not in commercial production in the second quarter of 2006.

For the six months ended June 30, 2007, ore production was 148,282 tonnes at 6.89% zinc. The planned ramp-up in production will continue in the remaining quarters of 2007. Operating costs were US$64.76 (C$73.50) per ore tonne. Operating costs per ore tonne are expected to reduce as production tonnage increases during 2007. The mine was not in commercial production in 2006.

Balmat Mine		Three Months Ended			Six Months Ended		
		June 30 2007	June 30 2006	% Change	**June 30 2007**	June 30 2006	% Change
Production	*tonnes*	**74,709**	-		**148,282**	-	
Zinc grade	*%*	**7.12**	-		**6.89**	-	
Operating costs	*US$/tonne*	**56.63**	-		**64.76**	-	

Flin Flon Concentrator

The Flin Flon concentrator produces zinc and copper concentrates from ore mined at the 777 and Trout Lake mines.

For the second quarter of 2007, the Flin Flon concentrator throughput decreased by 2% compared to the same period in 2006 due to a planned 5-day plant shutdown for maintenance in April. Zinc head grade increased by 5% and copper head grade decreased by 1% as a result of changes in the Trout Lake and 777 mine ore grades. Changes in the recovery of zinc and copper metal to concentrate for the quarter compared to the same quarter in 2006 were not significant. Operating cost per ore tonne throughput increased by 19% primarily related to purchase price increases for reagents and grinding media consistent with general commodity price increases. Maintenance costs also increased in the quarter due to a planned maintenance shutdown for regular replacement of liners in the grinding circuit. Operating costs per ore tonne are expected to be lower in the next quarter.

For the six months ended June 30, 2007, throughput was similar to the same period last year. Zinc head grade decreased by 9% while copper grade increased by 7%, consistent with the changes in ore grades from the 777 and Trout Lake mines. Recovery of zinc and copper metal to concentrates did not change from the same period in 2006. Operating costs for the six-month period increased by 17% primarily related to increased purchase prices for reagents and grinding media.

Flin Flon Concentrator		Three Months Ended			Six Months Ended		
		June 30 2007	June 30 2006	% Change	**June 30 2007**	June 30 2006	% Change
Ore processed	*tonnes*	**555,638**	565,350	(2%)	**1,117,793**	1,115,639	0%
Zinc grade	*%*	**4.20**	3.99	5%	**4.20**	4.62	(9%)
Copper grade	*%*	**2.62**	2.65	(1%)	**2.56**	2.40	7%
Gold grade	*g/tonne*	**2.28**	1.94	18%	**2.10**	1.88	12%
Silver grade	*g/tonne*	**21.34**	21.71	(2%)	**20.84**	21.76	(4%)
Zinc concentrate	*tonnes*	**38,329**	36,536	5%	**77,270**	84,715	(9%)
Concentrate grade	*Zn %*	**51.87**	51.91	0%	**51.58**	51.87	(1%)
Copper concentrate	*tonnes*	**55,785**	55,357	1%	**107,101**	100,603	6%
Concentrate grade	*Cu %*	**24.41**	25.34	(4%)	**24.71**	24.74	0%
Zinc recovery	*%*	**85.1**	84.2	1%	**85.0**	85.2	0%
Copper recovery	*%*	**93.4**	93.7	0%	**92.6**	93.0	0%
Gold recovery	*%*	**68.2**	69.9	(2%)	**67.9**	70.2	(3%)
Silver recovery	*%*	**57.4**	63.7	(10%)	**58.7**	62.3	(6%)
Operating costs	*$/tonne*	**10.14**	8.55	19%	**9.74**	8.34	17%

Snow Lake Concentrator

The Snow Lake concentrator is approximately 215 kilometres from the Flin Flon, Manitoba metallurgical complex. The facility processes only the Chisel North mine zinc ore and produces zinc concentrate that is trucked to the Flin Flon zinc plant for treatment.

For the second quarter of 2007, ore processed at the Snow Lake concentrator decreased by 5% compared to the same quarter in 2006, consistent with lower tonnage from the Chisel North mine. Zinc head grade was 5% higher due to the improved mining grades from Chisel North mine, and recovery of metal to concentrate was 1% lower than for the same period last year but still within good operating range for the ore grades milled. Operating cost per ore tonne processed, which includes the cost of transportation to Flin Flon, increased by 15% primarily due to the increased cost of reagents and grinding media consistent with general commodity price increases. During the quarter, replacement tailings piping for portions of the tailings line was also purchased, also increasing operating costs.

For the six months ended June 30, 2007, ore processed tonnage at 163,478 tonnes was similar to the same period in 2006. Zinc head grade increased by 1% and zinc recovery decreased marginally by 1%. Operating costs increased by 13% primarily related to increased costs for reagents and grinding media and purchase of tailings piping as noted above.

		Three Months Ended			Six Months Ended		
Snow Lake Concentrator		**June 30 2007**	June 30 2006	% Change	**June 30 2007**	June 30 2006	% Change
Ore processed	*tonnes*	**79,209**	83,254	(5%)	**163,478**	163,495	0%
Zinc grade	*%*	**8.78**	8.35	5%	**8.58**	8.47	1%
Zinc concentrate	*tonnes*	**13,171**	13,212	0%	**26,517**	26,224	1%
Concentrate grade	*Zn %*	**51.21**	51.47	(1%)	**51.34**	51.51	0%
Zinc recovery	*%*	**97.0**	97.8	(1%)	**97.0**	97.5	(1%)
Operating costs [1]	*$/tonne*	**20.70**	17.93	15%	**20.61**	18.20	13%

[1] Operating costs include the cost of trucking concentrates to the Flin Flon metallurgical plant.

Balmat Concentrator

The Balmat concentrator is at the Balmat mine site in upper New York State, approximately 158 kilometres south of the CEZ refinery (a third party) near Montreal.

For the second quarter of 2007, ore processed was 75,659 tonnes at a zinc grade of 7.10%. The throughput was consistent with mine production. The mine and concentrator were not in commercial production during 2006.

Production of zinc concentrate was 9,104 tonnes containing 5,215 tonnes of zinc. Recovery of zinc to concentrate was 96.6%. Operating costs were US$10.30 (C$11.31) per ore tonne, consistent with expectations.

For the six months ended June 30, 2007, 147,315 tonnes of ore were processed at a head grade of 6.87% zinc. 17,163 tonnes of zinc concentrate were produced containing 9,623 tonnes of zinc metal. Recovery of zinc to concentrate was 95%. Operating costs for the first six months were US$11.14 (C$12.64) per ore tonne, consistent with expectations.

Zinc concentrate produced at Balmat is sold to Xstrata and treated at its CEZ refinery near Montreal. The agreement with Xstrata provides for an annual election by HudBay for an amount up to 50% of Balmat's

zinc concentrate production sold to Xstrata to be purchased by HudBay, from a closer location, as equivalent zinc concentrate, for treatment at HudBay's zinc plant in Manitoba.

		Three Months Ended			Six Months Ended		
Balmat Concentrator		**June 30 2007**	June 30[1] 2006	% Change	**June 30 2007**	June 30 2006	% Change
Ore processed	*tonnes*	**75,659**	-		**147,315**	-	
Zinc ore	*%*	**7.10**	-		**6.87**	-	
Zinc concentrate	*tonnes*	**9,104**	-		**17,163**	-	
Concentrate grade	*Zn %*	**57.29**	-		**56.44**	-	
Zinc recovery	*%*	**96.6**	-		**95.0**	-	
Operating costs	*US$/tonne*	**10.30**	-		**11.14**	-	
Zinc metal sold	*tonnes*	**4,868**	-		**8,817**	-	
Zinc metal in concentrate produced	*tonnes*	**5,215**	-		**9,623**	-	

[1] Balmat mine and concentrator were not in commercial production in 2006.

Metallurgical Plants

Zinc Plant

The zinc plant, located in Flin Flon, Manitoba, uses leading-edge technology and includes an oxygen plant, a two-stage pressure leach plant, four-step solution purification, an electrolysis plant and a casting plant. The zinc plant produces special high grade zinc and other zinc alloys for sale.

For the second quarter of 2007 production of cast zinc metal, compared to the same quarter in 2006, increased by 9% to 29,083 tonnes. Production in the second quarter of 2006 was lower than normal due to a routine annual maintenance shutdown. Operating costs per pound of zinc metal produced decreased by 7% compared to the same quarter last year, in large part related to the higher production.

For the six months ended June 30, 2007, cast metal production was 56,687 tonnes, similar to the same period in 2006. Operating costs per pound of zinc were 2% higher primarily due to higher costs of process and maintenance materials.

		Three Months Ended			Six Months Ended		
Zinc Plant		**June 30 2007**	June 30 2006	% Change	**June 30 2007**	June 30 2006	% Change
Domestic conc. treated	*tonnes*	**52,252**	52,069	0%	**101,185**	110,276	(8%)
Purchased conc. treated	*tonnes*	**7,774**	852	812%	**12,539**	852	1,372%
Total conc. treated	*tonnes*	**60,026**	52,921	13%	**113,724**	111,128	2%
Operating costs [1]	*$/tonne*	**286.18**	320.35	(11%)	**310.30**	309.22	0%
Zinc produced	*tonnes*	**29,083**	26,654	9%	**56,687**	56,560	0%
Operating costs	*¢/lb. Zn*	**26.8**	28.9	(7%)	**28.2**	27.6	2%

[1] Per tonne of concentrate treated.

Zinc Oxide Facility – Zochem

Zochem is HudBay's zinc oxide production facility in Brampton, Ontario and is the third largest producer of zinc oxide in North America, accounting for approximately 20% of the North American market. Zochem has an annual production capacity of 45,000 tonnes of zinc oxide, which equates to approximately 37,000 tonnes of zinc metal.

For the second quarter of 2007, Zochem consumed 7,676 tonnes of our zinc and sold 9,443 tonnes of zinc oxide. Zinc oxide production was 19% lower than the second quarter of 2006, primarily related to market demand. Operating costs per pound of zinc oxide increased primarily due to lower production volumes.

For the six months ended June 30, 2007, production of zinc oxide was 17,273 tonnes, 22% lower than the same period in 2006. The lower production was related to market demand. Operating costs of 13.8 cents per pound of zinc oxide were 23% higher, related primarily to the lower production volumes.

In 2006, Zochem began installing an auto-palletizing system using robots to bag zinc oxide to reduce employee ergonomic risk and increase productivity. The system is now operational.

		Three Months Ended			Six Months Ended		
Zinc Oxide Facility - Zochem		**June 30 2007**	June 30 2006	% Change	**June 30 2007**	June 30 2006	% Change
Zinc from HudBay	*tonnes*	**7,676**	9,408	(18%)	**14,181**	18,179	(22%)
Zinc from others	*tonnes*	**-**	-	-	**-**	52	(100%)
Total zinc consumption	*tonnes*	**7,676**	9,408	(18%)	**14,181**	18,231	(22%)
Zinc oxide produced	*tonnes*	**9,330**	11,487	(19%)	**17,273**	22,177	(22%)
Operating costs	*¢/lb. Oxide*	**13.1**	10.9	20%	**13.8**	11.2	23%

Copper Smelter

The copper smelter is located in Flin Flon and treats copper concentrate and produces copper anodes, which are railed to the WPCR in Michigan, USA for electrolysis and production of cathode copper prior to sale.

Both copper concentrate from HudBay owned mines and copper concentrate purchased from others are treated at the smelter. Approximately 31% of the concentrate treated in the second quarter was purchased concentrate, an increase from 26% treated in the same quarter in 2006. Purchased concentrate is sourced mainly from our long-term contracts with Highland Valley Copper and Montana Resources.

For the second quarter of 2007, copper production increased by 33% compared to the same quarter in 2006 related to lower production in the same quarter of 2006 due to a scheduled smelter shutdown and furnace rebuild. Operating costs per pound of copper anode produced were 10% lower in the second quarter of 2007, reflecting the increase in copper production.

For the six months ended June 30, 2007, copper production was 9% higher than the first six months of 2006, primarily reflecting the lower production in the same period of 2006 related to the shutdown. Operating costs per pound of copper were 1% lower in the six months ended June 30, 2007 as compared to the same period in 2006, related to higher copper production.

Copper Smelter		Three Months Ended June 30 2007	Three Months Ended June 30 2006	Three Months Ended % Change	Six Months Ended June 30 2007	Six Months Ended June 30 2006	Six Months Ended % Change
Domestic conc. Treated	*tonnes*	**53,454**	45,132	18%	**110,021**	102,846	7%
Purchased conc. Treated	*tonnes*	**24,042**	15,776	52%	**46,838**	40,139	17%
Total	*tonnes*	**77,496**	60,908	27%	**156,859**	142,985	10%
Operating costs [1]	*$/tonne*	**172.15**	183.46	(6%)	**166.57**	168.78	(1%)
Copper produced	*tonnes*	**22,752**	17,066	33%	**44,476**	40,752	9%
Gold	*troy oz.*	**27,617**	18,825	47%	**51,830**	45,336	14%
Silver	*troy oz.*	**343,599**	265,192	30%	**696,046**	655,422	6%
Operating costs	*¢/lb. Cu*	**26.6**	29.7	(10%)	**26.6**	26.9	(1%)

[1] Of concentrate treated.

White Pine Copper Refinery

The White Pine Copper Refinery is located in the upper peninsula of Michigan state close to the border with Canada.

The refinery electro-refines copper anode, produced at HudBay's Flin Flon smelter, into market standard cathode copper. During processing, anode slimes containing precious metals are recovered, dried and sold. Approximately 18% of the copper anode processed at the refinery remains after electro-refining and is sold to third parties. LME grade copper cathode is sold to various customers in the business of making wire, tube and brass.

For the second quarter of 2007, copper cathode production increased by 2% compared to the same quarter last year due to the completion of the cellhouse expansion in June 2007. Operating costs per pound of cathode copper produced increased by 6%, primarily due to the increase in electrical energy costs, which included a pricing adjustment from a prior period that is not expected to have an impact after the second quarter of 2007.

For the six months ended June 30, 2007, copper cathode production was 33,729 tonnes, or 2% lower than the same period in 2006. Operating costs per pound of cathode produced increased by 13% related to power cost adjustments from prior periods.

White Pine Copper Refinery		Three Months Ended June 30 2007	Three Months Ended June 30 2006	Three Months Ended % Change	Six Months Ended June 30 2007	Six Months Ended June 30 2006	Six Months Ended % Change
Anodes received	*tonnes*	**23,023**	20,818	11%	**42,742**	41,706	2%
Cathode produced	*tonnes*	**16,983**	16,621	2%	**33,729**	34,382	(2%)
Spent anode produced	*tonnes*	**3,832**	3,113	23%	**7,160**	6,335	13%
Liberator anode produced	*tonnes*	**670**	545	23%	**1,351**	1,188	14%
Cathode shipped	*tonnes*	**17,863**	16,526	8%	**36,280**	35,208	3%
Slimes produced	*tonnes*	**49**	50	(2%)	**95**	98	(3%)
Operating costs	*US¢/lb. Cu cathode*	**7.0**	6.6	6%	**7.2**	6.4	13%

OUTSTANDING SHARE DATA

As of August 13, 2007, there were 127,272,746 common shares of the Company issued and outstanding, as well as 22,521 warrants (pre-consolidated) exercisable for a maximum aggregate of 750 common shares. In addition, options exercisable for an aggregate maximum of 3,171,586 common shares were outstanding.

ADOPTION OF NEW ACCOUNTING STANDARDS

On January 1, 2007, the Company adopted three new accounting standards that were issued by the Canadian Institute of Chartered Accountants (CICA): Handbook Section 1530, Comprehensive Income, Section 3855, Financial Instruments - Recognition and Measurement, and Section 3865, Hedges. These standards were adopted prospectively; accordingly, comparative amounts for prior periods have not been restated.

For more information on our transition to the new accounting standards, refer to note 3(a) of the June 30, 2007 interim consolidated financial statements.

HUDBAY MINERALS INC

PRODUCTION DETAIL

Second Quarter Results

		Three Months Ended			Six Months Ended		
		June 30 2007	June 30 2006	% Change	**June 30 2007**	June 30 2006	% Change
Mines							
777							
Ore	*tonnes*	**357,445**	333,374	7%	**715,000**	655,223	9%
Zinc	*%*	**4.29**	4.08	5%	**4.46**	5.03	(11%)
Copper	*%*	**2.89**	3.02	(4%)	**2.59**	2.60	0%
Gold	*g/tonne*	**2.86**	2.32	23%	**2.54**	2.24	13%
Silver	*g/tonne*	**26.83**	25.95	3%	**26.18**	25.82	1%
Trout Lake							
Ore	*tonnes*	**206,545**	198,803	4%	**410,229**	397,776	3%
Zinc	*%*	**4.04**	3.40	19%	**3.79**	4.09	(7%)
Copper	*%*	**2.08**	2.16	(4%)	**2.48**	2.03	22%
Gold	*g/tonne*	**1.32**	1.29	2%	**1.32**	1.33	(1%)
Silver	*g/tonne*	**12.70**	14.46	(12%)	**11.47**	15.83	(28%)
Chisel North							
Ore	*tonnes*	**79,125**	80,709	(2%)	**163,616**	160,387	2%
Zinc	*%*	**8.79**	8.33	6%	**8.59**	8.46	2%
Balmat							
Ore	*tonnes*	**74,709**	- [1]		**148,282**	- [1]	
Zinc	*%*	**7.12**	- [1]		**6.89**	- [1]	
Total Mines							
Ore	*tonnes*	**717,824**	612,886	17%	**1,437,127**	1,213,386	18%
Zinc	*%*	**5.01**	4.42	13%	**4.99**	5.17	(3%)
Copper	*%*	**2.06**	2.37	(13%)	**2.03**	2.09	(3%)
Gold	*g/tonne*	**1.86**	1.77	5%	**1.69**	1.75	(3%)
Silver	*g/tonne*	**20.10**	21.74	(8%)	**19.02**	21.82	(13%)

[1] Not in commercial production.

HUDBAY MINERALS INC

Second Quarter Results

		Three Months Ended			Six Months Ended		
		June 30 2007	June 30 2006	% Change	**June 30 2007**	June 30 2006	% Change
Concentrators							
Flin Flon Concentrator							
Ore	*tonnes*	**555,638**	565,350	(2%)	**1,117,793**	1,115,639	0%
Zinc	*%*	**4.20**	3.99	5%	**4.20**	4.62	(9%)
Copper	*%*	**2.62**	2.65	(1%)	**2.56**	2.40	7%
Gold	*g/tonne*	**2.28**	1.94	18%	**2.10**	1.88	12%
Silver	*g/tonne*	**21.34**	21.71	(2%)	**20.84**	21.76	(4%)
Zinc concentrate	*tonnes*	**38,329**	36,536	5%	**77,270**	84,715	(9%)
Concentrate grade	*% Zn*	**51.87**	51.91	0%	**51.58**	51.87	(1%)
Copper concentrate	*tonnes*	**55,785**	55,357	1%	**107,101**	100,603	6%
Concentrate grade	*% Cu*	**24.41**	25.34	(4%)	**24.71**	24.74	0%
Zinc recovery	*%*	**85.1**	84.2	1%	**85.0**	85.2	0%
Copper recovery	*%*	**93.4**	93.7	0%	**92.6**	93.0	0%
Gold recovery	*%*	**68.2**	69.9	(2%)	**67.9**	70.2	(3%)
Silver recovery	*%*	**57.4**	63.7	(10%)	**58.7**	62.3	(6%)
Snow Lake Concentrator							
Ore	*tonnes*	**79,209**	83,254	(5%)	**163,478**	163,495	0%
Zinc	*%*	**8.78**	8.35	5%	**8.58**	8.47	1%
Zinc concentrate	*tonnes*	**13,171**	13,212	0%	**26,517**	26,224	1%
Concentrate grade	*% Zn*	**51.21**	51.47	(1%)	**51.34**	51.51	0%
Zinc recovery	*%*	**97.0**	97.8	(1%)	**97.0**	97.5	(1%)
Balmat Concentrator							
Ore	*tonnes*	**75,659**	- [1]		**147,315**	- [1]	
Zinc	*%*	**7.10**	- [1]		**6.87**	- [1]	
Zinc concentrate	*tonnes*	**9,104**	- [1]		**17,163**	- [1]	
Concentrate grade	*% Zn*	**57.29**	- [1]		**56.44**	- [1]	
Zinc recovery	*%*	**96.6**	- [1]		**95.0**	- [1]	

[1] Not in commercial production.

HUDBAY MINERALS INC

Second Quarter Results

		Three Months Ended			Six Months Ended		
		June 30 2007	June 30 2006	% Change	**June 30 2007**	June 30 2006	% Change
Zinc Plant							
Zinc Concentrate Treated							
Domestic	*tonnes*	**52,252**	52,069	0%	**101,185**	110,276	(8%)
Purchased	*tonnes*	**7,774**	852	812%	**12,539**	852	1,372%
Total	*tonnes*	**60,026**	52,921	13%	**113,724**	111,128	2%
Zinc Oxide							
Zinc from HudBay	*tonnes*	**7,676**	9,408	(18%)	**14,181**	18,179	(22%)
Zinc from others	*tonnes*	**-**	-	-	**-**	52	(100%)
Total zinc consumption	*tonnes*	**7,676**	9,408	(18%)	**14,181**	18,231	(22%)
Zinc oxide produced	*tonnes*	**9,330**	11,487	(19%)	**17,273**	22,177	(22%)
Smelter							
Copper Concentrate Treated							
Domestic	*tonnes*	**53,454**	45,132	18%	**110,021**	102,846	7%
Purchased	*tonnes*	**24,042**	15,776	52%	**46,838**	40,139	17%
Total	*tonnes*	**77,496**	60,908	27%	**156,859**	142,985	10%
White Pine Copper Refinery							
Anodes received	*tonnes*	**23,023**	20,818	11%	**42,742**	41,706	2%
Cathode produced	*tonnes*	**16,983**	16,621	2%	**33,729**	34,382	(2%)
Spent anode produced	*tonnes*	**3,832**	3,113	23%	**7,160**	6,335	13%
Liberator anode produced	*tonnes*	**670**	545	23%	**1,351**	1,188	14%
Slimes produced	*tonnes*	**49**	50	(2%)	**95**	98	(3%)

HUDBAY MINERALS INC

Second Quarter Results

		Three Months Ended			Six Months Ended		
		June 30 2007	June 30 2006	% Change	**June 30 2007**	June 30 2006	% Change
Metal Produced [1]							
Metal from HBMS Concentrates							
Zinc	*tonnes*	**25,206**	26,229	(4%)	**50,269**	56,122	(10%)
Copper	*tonnes*	**13,881**	11,378	22%	**28,062**	26,474	6%
Gold	*troy oz.*	**27,007**	18,482	46%	**50,754**	44,556	14%
Silver	*troy oz.*	**225,952**	198,867	14%	**462,435**	480,545	(4%)
Metal from HBMS Purchased Concentrates							
Zinc	*tonnes*	**3,877**	425	812%	**6,418**	438	1,356%
Copper	*tonnes*	**8,871**	5,688	56%	**16,414**	14,278	15%
Gold	*troy oz.*	**610**	343	78%	**1,076**	780	38%
Silver	*troy oz.*	**117,647**	66,325	77%	**233,611**	174,877	34%
Total HBMS Metal Produced							
Zinc	*tonnes*	**29,083**	26,654	9%	**56,687**	56,560	0%
Copper	*tonnes*	**22,752**	17,066	33%	**44,476**	40,752	9%
Gold	*troy oz.*	**27,617**	18,825	47%	**51,830**	45,336	14%
Silver	*troy oz.*	**343,599**	265,192	30%	**696,046**	655,422	6%
Balmat							
Zinc metal in concentrate for sale	*tonnes*	**5,215**	- [2]		**9,623**	- [2]	
Metal in equivalent concentrate purchased by HudBay [3]	*tonnes*	**(3,493)**	- [2]		**(4,097)**	- [2]	
Total Produced [4]							
Zinc	*tonnes*	**30,805**	26,654	16%	**62,213**	56,560	10%
Copper	*tonnes*	**22,752**	17,066	33%	**44,476**	40,752	9%
Gold	*troy oz.*	**27,617**	18,825	47%	**51,830**	45,336	14%
Silver	*troy oz.*	**343,599**	265,192	30%	**696,046**	655,422	6%
Metal Sold [5]							
Zinc, incl sales to Zochem	*tonnes*	**33,121**	19,774	67%	**64,978**	49,946	30%
Copper	*tonnes*	**22,565**	17,218	31%	**47,227**	36,150	31%
Gold	*troy oz.*	**23,696**	25,062	(5%)	**53,412**	39,908	34%
Silver	*troy oz.*	**310,477**	354,024	(12%)	**694,396**	586,480	18%

[1] Metal from concentrates and purchased concentrates include copper, gold and silver returned to the copper smelter for re-processing as part of the normal production process. Metal reported in concentrate is prior to refining losses or deductions associated with smelter terms.

[2] Not in commercial production in 2006.

[3] Includes tonnes from metal in Balmat equivalent purchased concentrates, purchased from Xstrata. Through an arrangement to decrease costs, HudBay sells all concentrates from its Balmat zinc mine to Xstrata and elects annually to purchase up to 50% of Balmat equivalent concentrates from Xstrata.

[4] Includes production of metal and metal in concentrate.

[5] Excludes inventory changes at CMM.

CASH COST PER POUND OF ZINC SOLD

HudBay's cash cost of zinc sold, net of by-product credits, for the second quarter of 2007 was negative US$0.30 per pound.

Non-GAAP Reconciliation of Cash Cost per Pound of Zinc Sold, Net of By-Product Credits (refer to "Non-GAAP Performance Measures" on page 31)

	Three Months Ended			Six Months Ended		
	June 30 2007	June 30 2006	% Change	**June 30 2007**	June 30 2006	% Change
	($000's except as noted)					
Expenses	**241,473**	161,543	49 %	**459,971**	304,292	51%
Non-cash operating costs [1]	**(39,231)**	(18,106)	117%	**(68,647)**	(35,291)	95%
Less by-product credits [2]	**(226,339)**	(189,743)	19%	**(442,582)**	(311,496)	42%
Cash cost net of by-products	**(24,097)**	(46,306)	(48%)	**(51,258)**	(42,495)	21%
Exchange rate (C$/US$) [3]	**1.098**	1.122	(2%)	**1.132**	1.138	(1%)
Cash cost net of by-products	**(21,946)**	(41,271)	(47%)	**(45,281)**	(37,342)	21%
Zinc sales (000's lbs.)	**73,019**	43,594	67%	**143,252**	110,111	30%
Cash cost per pound of zinc, net of by-product credits in US$/lb.	**(0.30)**	(0.95)	(68%)	**(0.32)**	(0.34)	(6%)

[1] Non-cash operating costs include depreciation and amortization, stock based compensation, accretion expense and foreign exchange gains (losses) and other non-cash items.

[2] By-product credits include revenues from sale of copper, gold, silver, the value added by converting zinc to zinc oxide, and the Company's proportionate share of by-product sales by CMM.

[3] Weighted average exchange rate for sales during the period.

The above table shows a US$0.65 per pound net increase in the cash cost per pound of zinc sold for the quarter ended June 30, 2007 compared to the quarter ended June 30, 2006. The increase per pound of zinc consists of a favourable by-product credit increase of approximately US$0.51 per pound of zinc sold costs, offset by the impact of a stronger Canadian dollar of US$0.03, an increase of US$0.75 for higher costs, about half of which related to purchased concentrate costs, and an increase due to volumes of US$0.38. The second quarter of 2006 was abnormally affected by the impact of the CMM agency changeover, resulting in low zinc sales but high by-product credits.

For the six months ended June 30, 2007, the above table shows a US$0.02 per pound net increase in the cash cost per pound of zinc sold compared to the period ended June 30, 2006. The increase per pound of zinc consists of a favourable by-product credit increase of approximately US$0.82 per pound of zinc sold costs offset by the impact of a stronger Canadian dollar of US$0.01, an increase of US$0.75 for higher costs, and an increase due to volumes of US$0.08.

The calculation of cash cost per pound of zinc sold is significantly influenced by by-product metal prices, which may fluctuate going forward.

Balmat Costs

For 2007, Balmat zinc in concentrate sales volumes have been included with zinc sales, and the associated operating costs have been included in the expenses when determining the cash cost of zinc.

In the second quarter of 2007, Balmat's cash costs per pound of zinc (excluding concentrate treatment charges) were US$0.84/lb. Balmat is expected to increase production during the third and fourth quarters of 2007 to reach full production capacity of 60,000 tons of zinc in concentrate at the end of 2007.

For the six months ended June 30, 2007, Balmat's cash costs per pound of zinc (excluding concentrate treatment charges) were US$0.92/lb.

NON-GAAP PERFORMANCE MEASURES

EBITDA, operating cash flow per common share, and cash cost per pound of zinc sold are included in this MD&A because these statistics are key performance measures that management uses to monitor performance. Management uses these statistics to assess how well the Company is performing compared to plan and to assess the overall effectiveness and efficiency of mining operations. Management believes that the inclusion of these statistics in the MD&A helps an investor to assess performance "through the eyes of management" and that certain investors use these statistics to assess the Company's performance. These performance measures do not have a meaning within GAAP and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

RISKS, UNCERTAINTIES AND OTHER INFORMATION

Readers are encouraged to read and consider the risk factors, and additional information regarding the Company, included in its most recent AIF filed with the Canadian securities regulators, a copy of which is posted on the SEDAR web site at www.sedar.com.

FORWARD-LOOKING INFORMATION

This document contains "forward-looking information", within the meaning of applicable Canadian securities legislation, concerning the business, operations and financial performance and condition of HudBay. Forward-looking information involves a number of risks and uncertainties. Forward-looking information includes, but is not limited to, information with respect to estimated future production, a production decision with respect to the Bur deposit, the estimated impact of the Bur deposit price protection program and the potential impact of mining the Bur deposit, estimated operating costs, drilling programs with respect to the Lalor Lake property, costs of production, estimated capital spending, estimated depreciation and amortization, and taxation policies and reserves and pools. 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", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state 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 they are 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 but not limited to risks related to: the mining industry such as government regulation, environmental and reclamation risks, title disputes or claims, success of exploration activities, future commodity prices, costs of production, possible variations in ore reserves,

resources, grade or recovery rates, failure of plant, equipment or processes to operate as anticipated, accidents, labour disputes and the availability of skilled labour, the timing and amount of estimated future production, financial market fluctuations, requirements for additional capital, conclusions of economic evaluations possible variations in ore reserves, resources, grade or recovery rates, taxation policies, changes in project parameters as plans continue to be refined, conclusions of economic evaluations as well as those factors discussed in the section entitled "Risk Factors" in HudBay's Annual Information Form for the year ended December 31, 2006, available under the profile of HudBay at www.sedar.com. 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. There can be no assurance that such 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 in accordance with applicable securities laws.