HUDBAY MINERALS INC

HudBay Minerals Inc.

Management Discussion and Analysis of
Results of Operations and Financial Condition

For the Three Months
Ended March 31, 2007

May 9, 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 May 9, 2007 and is intended to supplement and complement the unaudited consolidated financial statements for HudBay for the periods ended March 31, 2007 and 2006, 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 $349.1 million, resulting from the sale of:

- 31,857 tonnes of zinc at a realized price of US$1.65/lb.;
- 24,662 tonnes of copper at a realized price of US$2.81/lb.;
- 29,716 ounces of gold at a realized price of US$651/troy oz.; and
- 383,919 ounces of silver at a realized price of US$13.44/troy oz.

Earnings before tax in the first quarter of 2007 increased by 91% to $117.5 million compared with $61.6 million in the first quarter of 2006, which demonstrates the Company's strong underlying earnings.

Net earnings were $63.1 million for the quarter, or $0.50 per share, compared to $76.0 million for the same quarter in 2006, or $0.89 per share. Lower year-over-year net earnings is 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 $15 million in the first quarter of 2006.

The Company continues to benefit from its significant tax pools, and with the exception of $13 million in mining tax, the Company had no cash income taxes payable in the first quarter of 2007. The benefit of these losses is expected to continue for the balance of 2007, resulting in no or minimal cash income taxes. However, we expect to pay Manitoba mining taxes in 2007.

Cash flow from operating activities was $142.5 million before changes in non-cash working capital for the quarter, or $1.13 per share, compared to $78.0 million, or $0.91 per share, for the same quarter in 2006.

Cash and cash equivalents were $517.8 million at March 31, 2007, cash in excess of debt was $495.1 million and working capital was $728.5 million.

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$0.33/lb. (refer to "Non-GAAP Performance Measures" on page 29).

Mine production for the quarter was 719,303 tonnes of ore, compared to 600,500 tonnes for the same quarter in 2006. Ore grade for copper was 1.98% (compared to 1.81%) and for zinc was 4.97% (compared to 5.95%), as compared to the same quarter in 2006.

Copper production from our smelter decreased by 8% to 21,724 tonnes for the quarter compared to the same quarter in 2006, and unit operating costs increased by 8% to 26.7¢/lb. Zinc production from our zinc plant decreased by 8% to 27,604 tonnes for the quarter compared to the same quarter in 2006, and unit operating costs increased by 13% to 29.8¢/lb.

In an effort to ensure the economic return on the Bur deposit, the Company implemented a price protection program on potential future production from the deposit. The program consists of 45,900 tonnes of zinc swaps with an average price of US$1.32/lb. and 14,400 tonnes of copper swaps at an average price of US$2.44/lb., protecting approximately 80% of the Bur expected production between 2008 and 2010.

Lost time accident frequency for the first quarter of 2007 of 1.3 is unchanged from the same quarter in 2006. There were no significant environmental non-compliances during the quarter.

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 pay the principal of US$2.9 million, and 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.

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KEY FINANCIAL AND PRODUCTION RESULTS

		Three Months Ended		
		Mar 31, 2007	Mar 31, 2006	% Change
Financial Highlights		*($000's except per share amounts)*		
Revenue		**349,142**	207,963	+ 68
Earnings before taxes		**117,515**	61,643	+ 91
Net earnings		**63,076**	75,986	- 17
EBITDA [1]		**144,770**	77,727	+ 86
Operating cash flow		**142,500**	77,973	+ 83
Net earnings per common share		**$0.50**	$0.89	- 44
Operating cash flow per common share [1]		**$1.13**	$0.91	+ 24
Cash cost per pound of zinc sold [1]		**(US$0.33)**	US$0.05	- 760
Operating Highlights				
Production				
Zinc [2]	*tonnes*	**1,408**	29,906	+ 5
Copper	*tonnes*	**21,724**	23,686	- 8
Gold	*troy oz.*	**24,213**	26,511	- 9
Silver	*troy oz.*	**352,447**	390,230	- 10
Metal Sold [3]				
Zinc, incl sales to Zochem [2]	*tonnes*	**31,857**	30,172	+ 6
Copper	*tonnes*	**24,662**	18,932	+ 30
Gold	*troy oz.*	**29,716**	14,846	+ 100
Silver	*troy oz.*	**383,919**	232,456	+ 65
Financial Condition		*($000's)*		
Cash and cash equivalents		**517,772**	127,364	+ 307
Working capital		**728,485**	262,665	+ 177
Cash (less debt) [4]		**495,112**	(79,862)	+ 720
Total assets		**1,391,841**	815,777	+ 71
Shareholders' equity		**1,020,771**	341,255	+ 199

[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 29). For EBITDA refer to page 12. For the reconciliation of cash cost per pound of zinc sold, net of by-product credits refer to page 28.

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

[3] Excludes inventory changes prior to the contractual change with our joint venture company Considar Metal Marketing Inc. ("CMM").

[4] Cash and cash equivalents of $517,772 less current and long-term portion of the Notes, Province of Manitoba loan and capital leases ($3,724, $10,914, and $8,022 respectively).

OUTLOOK

Exploration & Increased Land Position

In 2007, we've targeted $45.2 million for exploration, including $8.5 million on the Bur deposit, which is a significant increase from 2006. During the first quarter, approximately $7.7 million was spent on exploration activities, compared to the $3.1 million spent in the first quarter of 2006.

Exploration work increased in the Snow Lake and Flin Flon area during the quarter. Land holdings overall continued to increase and now total 419,605 hectares, including 379,401 hectares in the Flin Flon Greenstone Belt.

The results of a new exploration discovery at Lalor Lake, close to the Chisel North mine property and 17 kilometers from our concentrator, were announced in early March 2007. Drill hole DUB 168 intersected massive sulfide mineralization that assayed 0.19% Cu and 17.26% Zn over a core length of 16.45 metres. The intersection is encouraging, and the mineralization is similar to that at the nearby Chisel North mine.

Bur Deposit

HudBay's $8.5 million Bur deposit project continues to advance. The Company is in the process of completing an underground decline, 10,000 tonne ore sample and feasibility study. The Bur deposit is 22 kilometers from HudBay's Snow Lake concentrator and can be easily accessed. A production decision continues to be anticipated for late 2007.

A portion of our $45.2 million 2007 exploration program is allocated to exploration drilling in our operating mines to potentially increase our ore reserves and extend the life of our existing mines.

Production

Production for the year is expected to be on target with earlier guidelines.

Costs

Operating costs in 2007 are generally expected to be similar to 2006, with the exception of the Balmat and Trout Lake mines. As Balmat commenced commercial production on January 1, 2007, the Company will incur additional operating costs which will be at 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. Other cost increases are expected from inflation on consumables and labour.

Capital Spending

The estimated capital spending for 2007 increased by $9.0 million due largely to the requirement for increased ventilation at the Balmat mine of $3.5 million, $4.5 million for a plant to increase the water treatment capacity of Chisel North mine and an increase of approximately $2.7 million associated with the expansion of the electrolytic cellhouse, and installation of a solution control facility at White Pine Copper Refinery ("WPCR"). Refer to "2007 Capital Spending" on page 13.

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TREND ANALYSIS AND QUARTERLY REVIEW

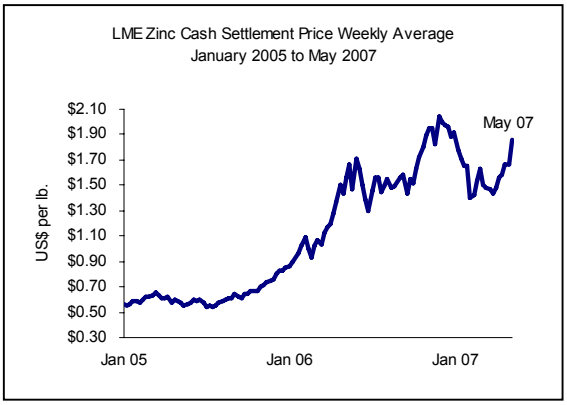
The following table sets forth our selected consolidated financial information for each of the eight most recently competed quarters.

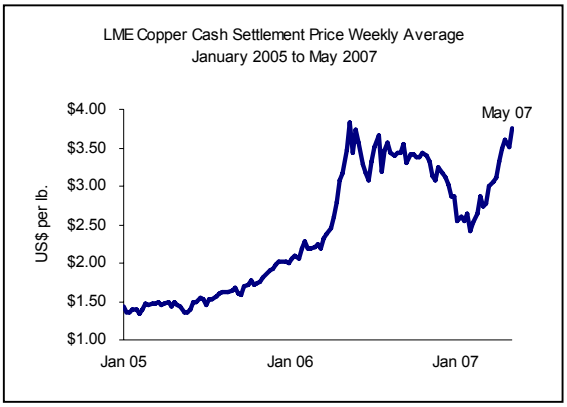
	2007	2006				2005		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	($000's)							
Revenue	**349,142**	313,110	346,203	261,727	207,963	173,051	169,264	158,188
EBITDA [1]	**144,770**	150,213	161,320	111,962	77,727	40,308	32,743	34,690
Operating cash flow	**142,500**	148,508	165,987	98,328	77,973	32,349	33,163	32,851
Earnings before taxes	**117,515**	134,636	151,582	94,590	61,643	23,864	27,156	11,412
Net earnings	**63,076**	165,788	169,381	152,836	75,986	43,941	23,405	8,691

[1] EBITDA is considered non-GAAP measure (refer to "Non-GAAP Performance Measures" on page 29).

As zinc and copper metal prices have increased, revenues and earnings correspondingly increased. Prior to this quarter, 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 11).

The price, quantity and mix of metals sold affects our revenue and earnings. The recognition of 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.





US$/lb.	Realized	LME Average
Q1 2006	$1.08	$1.02
Q1 2007	$1.65	$1.57

US$/lb.	Realized [1]	LME Average
Q1 2006	$2.33	$2.24
Q1 2007	$2.81	$2.69

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

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

FINANCIAL REVIEW

Revenue

For the quarter, total revenue was $349.1 million, $141.2 million higher than for the same quarter last year due to higher metal prices and higher sales volumes. This quarter's revenue resulted from the sale of 31,857 tonnes of zinc (which includes 6,505 tonnes to our Zochem facility and 3,949 tonnes of payable zinc metal from the Balmat mine concentrate), 24,662 tonnes of cathode copper, 29,716 ounces of gold and 383,919 ounces of silver. Zochem had sales of 9,031 tonnes of zinc oxide.

Over the quarter, realized prices, before refining and treatment charges, averaged US$1.65/lb. zinc, US$2.81/lb. copper, US$651/troy oz. gold, and US$13.44/troy oz. silver. The Canadian to US dollar exchange rate averaged C$1.17 per US$1.00 for the quarter.

			HudBay Realized Prices		
		Average Three Month	Three Months Ended		Year Ended
Realized Metal Prices & Exchange Rate		Prices [1]	**Mar 31, 2007**	Mar 31, 2006	Dec 31, 2006
Zinc	*US$/lb.*	1.57	**1.65**	1.08	1.53
Copper	*US$/lb.*	2.69	**2.81**	2.33	3.15
Gold	*US$/troy oz.*	650	**651**	532	603
Silver	*US$/troy oz.*	13.31	**13.44**	9.29	11.13
C$/US$ exchange rate		1.17	**1.17**	1.15	1.13

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

Finished metals inventories at the end of the first quarter of 2007 contained approximately 13,500 tonnes of zinc and 3,500 tonnes of copper, representing decreases from the end of 2006 levels of 300 tonnes of zinc and 700 tonnes of copper from 2006. Inventories of copper anodes in process were approximately 9,600 tonnes, a decrease of 3,000 tonnes.

Inventories of zinc concentrate in Flin Flon increased during the quarter by approximately 3,400 to 6,300 tonnes. Copper concentrate inventories decreased by approximately 900 to 37,900 tonnes. Concentrate inventory at Balmat was approximately 2,050 tonnes at March 31, 2007.

Expenses

Operating Expenses

Operating expenses were $184.5 million in the first quarter of 2007, an increase of approximately 52% compared to $121.8 million in the same quarter in 2006. This increase related primarily to:

- Increased sales over production resulted in a reduction in inventory levels between the first quarter of 2007 compared to the same quarter in 2006. During the first quarter of 2006, inventory increased primarily due to an increase in anode inventory at the WPCR to allow refinery production during the planned smelter shutdown resulting in lower operating costs in this quarter. These fluctuations represent approximately $22.7 million of the increase in operating costs;
- $9.8 million in mine operating costs for the Balmat mine, which began commercial production on January 1, 2007 and is contributing to significant growth in production in 2007 and increased costs in HBMS operations of $8.5 million;

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- Increased HBMS employee profit sharing expenses (10% of HBMS profit after adjustments) of $5.5 million due to strong yearly increase in HBMS profit. The profit sharing plan provides significant benefits to the Company through improved labour stability and low employee turnover; and
- Increased zinc concentrate purchase costs of net $5.2 million; and increased distribution costs (mainly due to the change in relationship with CMM in 2006) of $2.6 million.

		Three Months Ended		
Operating Costs		**Mar 31, 2007**	Mar 31, 2006	% Change
Mines				
777	*$/tonne*	**39.43**	37.18	+ 6
Trout Lake	*$/tonne*	**49.82**	38.99	+ 28
Chisel North	*$/tonne*	**51.95**	57.34	- 9
Balmat	*$/tonne*	**85.55**	-	-
Total Mines	*$/tonne*	**48.56**	40.45	+ 20
Concentrators				
Flin Flon	*$/tonne*	**9.34**	8.15	+ 15
Snow Lake	*$/tonne*	**20.52**	18.48	+ 11
Balmat	*$/tonne*	**14.08**	-	-
Metallurgical Plants				
Copper Smelter	*$/lb. Cu*	**0.267**	0.248	+ 8
WPCR	*US$/lb. Cu*	**0.075**	0.063	+ 19
Zinc Plant	*$/lb. Zn*	**0.298**	0.264	+ 13
Zochem	*$/lb. ZnO*	**0.148**	0.115	+ 29
Non-GAAP Detailed Operating Expenses				
Mines	*(C$000's)*			
777		**14,097**	11,967	+ 18
Trout Lake		**10,148**	7,757	+ 31
Chisel North		**4,390**	4,569	- 4
Balmat		**6,276**	-	-
Concentrators				
Flin Flon		**5,253**	4,481	+ 17
Snow Lake		**1,729**	1,483	+ 17
Balmat		**1,006**	-	-
Metallurgical Plants				
Copper Smelter		**12,788**	12,958	- 1
WPCR		**3,357**	2,853	+ 18
Zinc Plant		**18,110**	17,362	+ 4
Other				
Purchased concentrate treated		**55,962**	50,733	+ 10
Anode freight & refining [1]		**2,276**	2,357	- 3
Services & administration		**11,855**	6,989	+ 70
HBMS employee profit sharing		**12,747**	7,212	+ 77
Other [2]		**24,514**	(8,939)	- 374
Total Operating Expenses, per financials		**184,508**	121,782	+ 52

[1] For 2007, refining costs deducted from metal sales invoices have been reclassified to sales deductions.

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

Depreciation and Amortization

Depreciation and amortization expenses for the quarter were $21.9 million compared to $15.5 million for the same quarter in 2006. Of the $6.4 million increase, $2.4 million represents the addition of Balmat mine's depreciation and amortization expense since it reached commercial production this quarter. The remaining increase related primarily to the Trout Lake mine.

We expect depreciation and amortization for 2007 to be higher than in 2006 due to the Balmat mine being in commercial production on January 1, 2007 and the higher costs associated with the Trout Lake mine pillar extraction program.

General and Administrative

Total general and administrative expenses for the quarter were $4.6 million compared to $3.7 million for the same quarter of 2006. The increased expenses represent higher compliance consulting costs from programs initiated in 2006, and are expected to continue for the remainder of 2007.

Exploration Expenses

Exploration expenditures of $7.7 million were incurred in the first quarter of 2007, primarily funded by a previously announced flow-through share program. Refer to "Exploration" in the 2006 Annual Report for more information on the $45.2 million program planned for this year. During the first quarter of 2006, the level of exploration expenditures was significantly lower given the smaller relative size of the exploration program.

Foreign Exchange Gains and Losses

During the first quarter of 2007, the US dollar depreciated, decreasing the value of the Company's US dollar denominated cash and accounts receivable balances, resulting in a loss of $2.0 million. For the quarter ended March 31, 2006, movement in foreign exchange rates resulted in a gain of $1.3 million.

Operating Earnings

For the quarter, operating earnings were $130.6 million compared to $65.3 million for the three months ended March 31, 2006. The favourable variance of $65.3 million is mainly attributable to higher metal prices and increased sales volumes, which more than offset increased costs for concentrates, profit sharing, general and administration and other operating expenses.

Interest Expense

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

Loss on Derivative Instruments

For the quarter, the Company recorded an $11.0 million loss on derivative instruments compared to a $4.3 million gain for the quarter ended March 31, 2006. The gain in the first 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 record the gains and losses on these zinc forward contracts in revenue to essentially match the sales contracts associated with them. For the first quarter of 2007, the loss on derivative

instruments recorded in earnings related primarily to zinc and copper swaps entered into to ensure the economic viability of the Bur deposit (refer to "Risk Management" on page 14).

Tax Expense

By the end of December 31, 2006, the Company had recognized its future income tax asset, with the exception of timing differences for the long-term obligations that relate primarily to closure and assets that are more likely than not to be realized. Therefore, given that there has been a $38.6 million draw-down of this future income tax asset, 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 32.8% 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 drawn-down during 2007, and this $3.3 million reduction in the future mining tax asset will be reflected as a non-cash future mining tax expense. In addition, due to the restricted levels of deductions available to determine Manitoba mining profits, the Company anticipates paying current mining taxes during 2007, which is reflected as a current mining tax expense. Although the effective cash rate will vary depending on the factors to be considered as indicated above, the estimated mining tax rate is anticipated to be 13.5% on the Company's earnings before tax for the current year.

	Three Months Ended	
Breakdown of Tax Expense (Benefit)	**Mar 31, 2007**	Mar 31, 2006
Non-cash - income tax expense [1]	**$38,588**	($14,939)
Non-cash - mining tax expense [1]	**$3,271**	-
Total non-cash draw-down	**$41,859**	($14,939)
Estimated taxes payable - income tax	**22**	596
Estimated taxes payable - mining tax	**12,558**	-
Total estimated taxes payable	**12,580**	596
Tax expense (benefit)	**$54,439**	($14,343)

[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	
	Mar 31, 2007	Mar 31, 2006
	($000's)	
Operating earnings per consolidated financial statements	**130,645**	65,319
Adjustments		
Depreciation and amortization	**21,874**	15,542
Exploration	**(7,749)**	(3,134)
EBITDA	**144,770**	77,727

[1] Refer to "Non-GAAP Performance Measures" on page 29. 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 months ended March 31, 2007, March 31, 2006 and the twelve months ended December 31, 2006.

	Three Months Ended		Year Ended
	Mar 31, 2007	Mar 31, 2006	Dec 31, 2006
	($000's)		
Net earnings for the period	**63,076**	75,986	563,991
Items not affecting cash	**79,424**	1,987	(73,194)
Net change in non-cash items	**13,391**	(51,847)	(66,871)
Cash provided by operating activities	**155,891**	26,126	423,926
Cash provided by (required for) financing activities	**519**	3,345	(44,522)
Cash required for investing activities	**(23,961)**	(44,029)	(135,686)
Effect of exchange rate changes on cash and equivalents	**(541)**	262	486
Increase (decrease) in cash and cash equivalents	**131,908**	(14,296)	244,204

As of March 31, 2007, HudBay had cash and cash equivalents of $517.8 million compared to $385.9 million as at December 31, 2006 and $127.4 million as at March 31, 2006. As at March 31, 2007, there were outstanding letters of credit in the amount of $36.5 million.

Cash flow from operating activities totaled $155.9 million for the quarter, compared to $26.1 million for the quarter ended March 31, 2006, primarily due to significantly higher realized metal prices. Significant changes in non-cash working capital affecting the quarterly cash flow were changes in accounts receivable of $31.7 million, offset in part by changes in inventory of $10.6 million and changes in taxes payable of $19.3 million. The remaining difference resulted from normal working capital fluctuations.

During the quarter, a total of $24.0 million was required for investing activities, which were related to capitalized mine development and other sustaining capital expenditures of $23.5 million. Investing activities in the same quarter of 2006 included the Company's $17.0 million acquisition of the WPCR.

Financing activities during the quarter resulted in cash inflows of $0.5 million, with approximately $1.5 million proceeds from the exercise of warrants and stock options offset by a $1.0 million repayment under capital lease obligations.

Cash inflow for the quarter was $131.9 million, compared to a cash outflow of $14.3 million for the quarter ended March 31, 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.

Subsequent to March 31, 2007, the Company paid $47.0 million (or $33,059 per eligible HBMS employee) related to the HBMS' employee profit sharing plan, based on 10% of HBMS' 2006 eligible income. This payment was accrued in the 2006 annual consolidated financial statements.

2007 Capital Spending [1]

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

	Three Months Ended		
	Mar 31, 2007	Mar 31, 2006	Expected 2007
	($ millions)		
777 Mine	**6.0**	6.4	24.1
Trout Lake Mine	**6.7**	6.2	21.9
Chisel North Mine	**1.3**	0.8	8.3
Balmat Mine and Concentrator	**5.4**	8.3	22.5
Flin Flon and Snow Lake Concentrators	**0.6**	0.3	4.8
Copper Smelter	**0.3**	1.6	4.4
WPCR	**2.1**	0.3	8.2
Zinc Plant	**0.4**	1.2	7.1
Flin Flon and Snow Lake General Plant	**1.0**	1.1	15.8
Zinc Oxide Plant	**0.2**	0.7	1.1
Total	**24.0**	26.9	118.2

[1] Excludes capitalized exploration in operating mines.

FINANCIAL CONDITION

Financial Condition at March 31, 2007 Compared to Financial Condition as at December 31, 2006

Cash and cash equivalents at March 31, 2007 increased by $131.9 million to $517.8 million compared to December 31, 2006.

Working capital improved by $80.8 million to $728.5 million from December 31, 2006 to March 31, 2007. The significant changes, other than the increase in cash, included draw-downs in the future income and mining tax assets of $35.7 million, normal operating decreases in accounts receivable of $30.8 million, and increases in inventories of $10.6 million and payables of $10.9 million related to higher volumes and higher unit prices of purchased concentrates, as well as reductions in domestic inventories.

Common share capital decreased by $5.2 million due to the renunciation of $7.3 million of eligible exploration expenditures, partially offset by the exercise of warrants and options of $2.0 million.

HudBay's contractual obligations at March 31, 2007 are materially unchanged from December 31, 2006.

During the quarter ended March 31, 2007, the Company increased HBMS' revolving credit facility from $50.0 million to $80.0 million and subsequently extended the maturity date to July 31, 2007. We have not drawn-down 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

During the quarter, the Company implemented a price protection program for the Bur deposit. The following are the highlights of the program:

- The metal swaps ensure the economic viability of the Bur deposit;
- The program protects approximately 80% of the zinc and copper exposure associated with the Bur deposit;
- A reliable economic return on Bur will enhance the feasibility study expected later this year; and
- The Bur deposit is unique and incremental to the Company's HBMS 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
	$/lb.	1.45	1.31	1.22	1.32
Copper swap contracts	*tonnes*	4,200	5,100	5,100	14,400
	$/lb.	2.69	2.45	2.22	2.44

The hedges noted above meet the requirement for hedge accounting under GAAP. The hedge prices do not reflect the ineffective portion of gains and losses that may continue to be recorded in earnings for these cash flow hedges.

For the quarter ended March 31, 2007, we have recorded in earnings an unrealized non-cash loss of $10.9 million on the mark-to-market of the Bur price protection program. 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, mark-to-market loss of $1.6 million represents the ineffective portion of gains and losses under the cash flow hedges. A $4.6 million loss was reflected in other comprehensive income ("OCI") for the quarter ended March 31, 2007. The fair value of the metal swaps as at March 31, 2007 was negative $15.5 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.

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 from time to time.

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 March 31, 2007, the Company held US dollar put options giving it the right, but not the obligation, to sell up to US$35.0 million in equal quarterly amounts at $1.20482 per US dollar continuing to January 2009.

HEALTH, SAFETY, ENVIRONMENT AND PRODUCT QUALITY

HudBay's total operations recorded a Lost Time Accident ("LTA") frequency rate of 1.3 for the first quarter of 2007, unchanged from the same quarter in 2006. 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.

HBMS' operations, with the exception of the WPCR, continue to have management systems certified to both OHSAS 18001:1999 for occupational health & safety and to ISO 14001:2004 for the environment. The Balmat operations of St. Lawrence Zinc Company, LLC ("SLZ") also obtained certification in the first quarter of 2007. 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.

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 quarter increased by 11% compared to the same period in 2006. Copper grades were higher by 6% and zinc grades were lower by 23% due to planned changes in mining locations and were more consistent with the ore reserve grade. Operating costs per ore tonne in the quarter were higher by 6% primarily as a result of increased cost of consumables.

		Three Months Ended		
777 Mine		**Mar 31, 2007**	Mar 31, 2006	% Change
Production	*tonnes*	**357,555**	321,849	+ 11
Zinc grade	*%*	**4.64**	6.02	- 23
Copper grade	*%*	**2.29**	2.17	+ 6
Gold grade	*g/tonne*	**2.22**	2.16	+ 3
Silver grade	*g/tonne*	**25.52**	25.68	- 1
Operating costs	*$/tonne*	**39.43**	37.18	+ 6

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.

Trout Lake mine ore production for the quarter increased by 2% compared to the same quarter in 2006. Zinc grade decreased by 26% and copper grade increased by 53%, consistent with the mining plan. Lower gold and silver grades were also consistent with the mining plan. Operating costs per tonne of ore

increased by 28% due to the higher cost of ore from the pillar extraction project. The pillar extraction project mined 15,765 ore tonnes at grades of 1.9% copper and 3.1% zinc during the quarter. As planned, the unit cost of this additional ore, at $77 per tonne mined, was significantly higher than conventionally mined Trout Lake ore, related to more challenging mining conditions and the use of contractors. Increases in commodity prices also affected the increased unit cost for the quarter.

		Three Months Ended		
Trout Lake Mine		**Mar 31, 2007**	Mar 31, 2006	% Change
Production	*tonnes*	**203,684**	198,973	+ 2
Zinc grade	*%*	**3.54**	4.77	- 26
Copper grade	*%*	**2.90**	1.90	+ 53
Gold grade	*g/tonne*	**1.33**	1.37	- 3
Silver grade	*g/tonne*	**10.23**	17.21	- 41
Operating costs	*$/tonne*	**49.82**	38.99	+ 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 quarter increased by 6% compared to the same quarter in 2006. Zinc grade decreased by 2%, consistent with the mine plan. Operating costs decreased by 9% due to increased production from stopes mined at a lower unit cost.

		Three Months Ended		
Chisel North Mine		**Mar 31, 2007**	Mar 31, 2006	% Change
Production	*tonnes*	**84,491**	79,678	+ 6
Zinc grade	*%*	**8.40**	8.58	- 2
Operating costs	*$/tonne*	**51.95**	57.34	- 9

Balmat Mine

The Balmat zinc mine is a re-opened zinc mine located in upper New York state, approximately 158 kilometers south of Canadian Electrolytic Zinc ("CEZ") refinery near Montreal.

After completion of a feasibility study, HudBay started production in May 2006 the Balmat mine and concentrator. Production of zinc concentrate also commenced in May 2006 according to plan. Pre-production ramped up slower than anticipated due to lower availability and recruitment of skilled mining labour. Training of employees and the use of contractors continues. Balmat reached commercial production as of January 1, 2007.

For the first quarter of commercial production ending March 31, 2007, ore production was 73,573 tonnes at a grade of 6.67% zinc. Operating costs of US$73.02 per tonne were high due to the use of contractors and increased maintenance costs resulting from increased mobile equipment repairs. Increased ore development during the quarter and increases in labour costs due to training also affected unit cost of production. Operating unit costs are expected to decrease in the following quarters of 2007. Due to higher

than expected regulatory compliance cost, capital expenditures are expected to be slightly higher for 2007 at $22.5 million.

Balmat Mine		Three Months Ended Mar 31, 2007	Mar 31, 2006	% Change
Production	*tonnes*	**73,573**	-	-
Zinc grade	*%*	**6.67**	-	-
Operating costs	*US$/tonne*	**73.02**	-	-

Flin Flon Concentrator

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

For the first quarter, the Flin Flon concentrator throughput increased by 2% compared to the same period in 2006. Zinc head grade decreased by 20% and copper head grade increased by 16% as a result of changes in the Trout Lake and 777 mine ore grades. There were no significant changes in the recovery of metal to concentrate for the quarter compared to the same quarter in 2006. Cost per tonne of ore throughput increased by 15% essentially due to cost increases for reagents and grinding media consistent with general commodity price increases. Maintenance costs also increased in the quarter due to planned conveyor maintenance and minor structural repairs to the plant.

Flin Flon Concentrator		Three Months Ended Mar 31, 2007	Mar 31, 2006	% Change
Ore processed	*tonnes*	**562,155**	550,289	+ 2
Zinc grade	*%*	**4.19**	5.27	- 20
Copper grade	*%*	**2.49**	2.14	+ 16
Gold grade	*g/tonne*	**1.92**	1.82	+ 5
Silver grade	*g/tonne*	**20.35**	21.81	- 7
Copper concentrate	*tonnes*	**51,316**	45,246	+ 13
Concentrate grade	*Cu %*	**25.05**	24.02	+ 4
Zinc concentrate	*tonnes*	**38,941**	48,179	- 19
Concentrate grade	*Zn %*	**51.31**	51.84	- 1
Zinc recovery	*%*	**84.9**	86.1	- 1
Copper recovery	*%*	**91.8**	92.1	0
Gold recovery	*%*	**67.5**	70.6	- 4
Silver recovery	*%*	**60.0**	60.9	- 1
Operating costs	*$/tonne*	**9.34**	8.15	+ 15

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.

During the first quarter, ore processed at the Snow Lake concentrator increased by 5% compared to the same quarter in 2006, consistent with production from the Chisel North mine. Zinc recovery was marginally lower due to the ore zinc grade being 2% lower. Cost per tonne of ore processed, which includes the cost of transportation to Flin Flon, increased by approximately 11% due to the increased cost of reagents and grinding media consistent with general commodity price increases. During the quarter, replacement tailings piping was also purchased, increasing unit costs.

		Three Months Ended		
Snow Lake Concentrator		**Mar 31, 2007**	Mar 31, 2006	% Change
Ore processed	*tonnes*	**84,269**	80,241	+ 5
Zinc grade	*%*	**8.39**	8.60	- 2
Zinc concentrate	*tonnes*	**13,346**	13,012	+ 3
Concentrate grade	*Zn %*	**51.46**	51.56	0
Zinc recovery	*%*	**97.10**	97.30	0
Operating costs [1]	*$/tonne*	**20.52**	18.48	+ 11

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

Balmat Concentrator

Production of zinc concentrate for the first quarter was 8,059 tonnes containing 4408 tonnes of zinc. Recovery of zinc to concentrate during the quarter was 94.2%. Zinc concentrate grade was on target at 55% for the quarter, and operating costs of US$12.02 per ore tonne were consistent with expectations.

Zinc concentrate produced at Balmat is sold to Xstrata and treated at its CEZ refinery near Montreal, approximately 158 kilometres from the mine. The agreement with Xstrata provides for an annual election by HudBay for up to an amount of 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		
Balmat Concentrator		**Mar 31, 2007**	Mar 31, 2006	% Change
Ore processed	*tonnes*	**71,656**	-	-
Zinc ore	*%*	**6.60**	-	-
Zinc concentrate	*tonnes*	**8,059**	-	-
Concentrate grade	*Zn %*	**55.48**	-	-
Zinc recovery	*%*	**94.20**	-	-
Operating costs	*US$/tonne*	**12.02**	-	-

Metallurgical Plants

Copper Smelter

The copper smelter in Flin Flon treats copper concentrate and produces copper anodes, which are transported by rail to the WPCR in Michigan, USA.

Both copper concentrate from HudBay owned mines and copper concentrate purchased from others are treated at the smelter. Approximately 29% of the concentrate tonnage treated at the copper smelter was purchased concentrate during the quarter, a similar percentage to the same quarter in 2006. Our Company has long-term contracts with both Highland Valley Copper Mines and Montana Resources for the purchase of copper concentrate requirements.

Copper production for the first quarter decreased by 8% compared to the same quarter last year, due to less processing of recycled copper from our refinery and in part due to delays in purchased concentrate delivery impacting blending.

Operating costs per unit of copper anode produced were 8% higher in the first quarter of 2007 as compared to the first quarter last year, reflecting the lower copper anode production. Total operating costs of $12.8 million were similar.

		Three Months Ended		
Copper Smelter		**Mar 31, 2007**	Mar 31, 2006	% Change
Domestic conc. treated	*tonnes*	**56,567**	57,714	- 2
Purchased conc. treated	*tonnes*	**22,796**	24,363	- 6
Total	*tonnes*	**79,363**	82,077	- 3
Operating costs [1]		**161.13**	157.88	+ 2
Copper produced	*tonnes*	**21,724**	23,686	- 8
Gold	*troy oz.*	**24,213**	26,511	- 9
Silver	*troy oz.*	**352,447**	390,230	- 10
Operating costs	*¢/lb. Cu*	**26.7**	24.8	+ 8

[1] Per tonne of concentrate treated.

White Pine Copper Refinery

The WPCR in Michigan electro-refines HBMS copper anode, railed from Flin Flon, into market standard cathode copper. During processing, anode slimes containing precious metals are recovered, dried and sold. Approximately 18% of the copper anode shipped to the WPCR remains after electro-refining and is sold to third parties. LME grade copper cathode is railed and sold to various customers in the business of making wire, tube and brass.

Copper cathode production decreased by 6% in the first quarter compared to the same quarter last year, due to routine cell maintenance and four cells taken off-line since February 1, 2007 to facilitate a production expansion. Operating costs per pound of cathode copper produced increased by 19%, primarily due to decreased cathode production and an increase in electrical energy costs, which included a prior period adjustment that will not have an impact after the second quarter of 2007.

The WPCR has two projects in progress: expansion of the cellhouse and installation of a solution control facility. Phase 1 of the cellhouse expansion is expected to be on line in the second quarter 2007, increasing the refinery's capacity.

		Three Months Ended		
White Pine Copper Refinery		**Mar 31, 2007**	Mar 31, 2006	% Change
Anodes received	*tonnes*	**19,719**	20,888	- 6
Cathode produced	*tonnes*	**16,746**	17,761	- 6
Spent anode produced	*tonnes*	**3,328**	3,222	+ 3
Liberator anode produced	*tonnes*	**681**	643	+ 6
Cathode shipped	*tonnes*	**18,417**	18,682	- 1
Slimes produced	*tonnes*	**46.0**	48.0	- 4
Operating costs	*US¢/lb. Cu cathode*	**7.5**	6.3	+ 19

Zinc Plant

The zinc plant 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.

Production of cast zinc metal during the first quarter compared to the same quarter in 2006 decreased by 8% to 27,604 tonnes. Production was somewhat restricted related to concentrate availability.

For the first quarter of 2007, operating costs were $18.1 million or $0.7 million higher than the same quarter last year, due primarily to higher energy and material costs. Operating costs per pound of zinc metal produced increased by 13% compared to the same quarter last year in large part related to the lower production.

		Three Months Ended		
Zinc Plant		**Mar 31, 2007**	Mar 31, 2006	% Change
Domestic conc. treated	*tonnes*	**48,933**	58,207	- 16
Purchased conc. treated	*tonnes*	**4,765**	-	-
Total conc. treated	*tonnes*	**53,698**	58,207	- 8
Operating costs [1]	*$/tonne*	**337.26**	299.11	+ 13
Zinc produced	*tonnes*	**27,604**	29,906	- 8
Operating costs	*¢/lb. Zn*	**29.8**	26.4	+ 13

[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.

During the first quarter of 2007, Zochem consumed 6,505 tonnes of HBMS zinc and sold 9,031 tonnes of zinc oxide. Due to reduced demand in the market place, production volumes of zinc oxide were 26% lower compared to the first quarter of 2006. Operating costs per pound of zinc oxide increased in large part due to the lower production volume.

During 2006, Zochem implemented an auto-palletizing system, which uses robots to bag zinc oxide; thereby reducing ergonomic risk to employees and increasing productivity. This system is now operational.

		Three Months Ended		
Zinc Oxide Facility - Zochem		**Mar 31, 2007**	Mar 31, 2006	% Change
Zinc from HudBay	*tonnes*	**6,505**	8,771	- 26
Zinc from others	*tonnes*	**-**	52.0	-
Total zinc consumption	*tonnes*	**6,505**	8,823	- 26
Zinc oxide produced	*tonnes*	**7,943**	10,690	- 26
Operating costs	*¢/lb. oxide*	**14.8**	11.5	+ 29

OUTSTANDING SHARE DATA

As of May 8, 2007, there were 126,456,688 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 3,974,312 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.

Comprehensive Income

Section 1530 introduces comprehensive income, which consists of net earnings and OCI. OCI includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation gains or losses arising from self-sustaining foreign operations, and changes in the fair value of the effective portion of cash flow hedging instruments. The cumulative changes in OCI are included in accumulated other comprehensive income ("AOCI"), which is presented as a new category of shareholders' equity on the consolidated balance sheet.

Financial Instruments – Recognition and Measurement

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the consolidated balance sheet when the Company becomes a party to the contractual provisions of the financial instrument or non-financial derivative contract. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been

classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities.

Hedges

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of foreign currency exposure of a net investment in a self-sustaining foreign operation.

For more information on our transition to the new accounting standards, refer to note 3(a) of the March 31, 2007 interim consolidated financial statements.

HUDBAY MINERALS INC

PRODUCTION DETAIL

First Quarter Results

		Three Months Ended			Year Ended
		Mar 31, 2007	Mar 31, 2006	Dec 31, 2006	Dec 31, 2006
Mines					
777					
Ore	*tonnes*	**357,555**	321,849	362,042	1,367,548
Zinc	*%*	**4.64**	6.02	4.07	4.81
Copper	*%*	**2.29**	2.17	2.99	2.81
Gold	*g/tonne*	**2.22**	2.16	2.91	2.43
Silver	*g/tonne*	**25.52**	25.68	26.13	25.61
Trout Lake					
Ore	*tonnes*	**203,684**	198,973	228,539	838,862
Zinc	*%*	**3.54**	4.77	2.86	3.65
Copper	*%*	**2.90**	1.90	2.31	2.18
Gold	*g/tonne*	**1.33**	1.37	1.28	1.28
Silver	*g/tonne*	**10.23**	17.21	11.19	13.53
Chisel North					
Ore	*tonnes*	**84,491**	79,678	82,148	323,379
Zinc	*%*	**8.40**	8.58	8.83	8.56
Balmat					
Ore	*tonnes*	**73,573**	- [1]	- [1]	- [1]
Zinc	*%*	**6.67**	- [1]	- [1]	- [1]
Total Mines					
Ore	*tonnes*	**719,303**	600,500	672,729	2,529,789
Zinc	*%*	**4.97**	5.95	4.24	4.91
Copper	*%*	**1.98**	1.81	2.41	2.26
Gold	*g/tonne*	**1.53**	1.71	2.06	1.84
Silver	*g/tonne*	**17.95**	21.91	20.51	20.99

[1] Not in commercial production.

HUDBAY MINERALS INC

First Quarter Results

		Three Months Ended			Year Ended
		Mar 31, 2007	Mar 31, 2006	Dec 31, 2006	Dec 31, 2006
Concentrators					
Flin Flon Concentrator					
Ore	*tonnes*	**562,155**	550,289	569,516	2,258,146
Zinc	*%*	**4.19**	5.27	3.70	4.36
Copper	*%*	**2.49**	2.14	2.75	2.58
Gold	*g/tonne*	**1.92**	1.82	2.28	1.99
Silver	*g/tonne*	**20.35**	21.81	20.56	20.99
Zinc concentrate	*tonnes*	**38,941**	48,179	33,375	161,554
Concentrate grade	*% Zn*	**51.31**	51.84	52.42	51.92
Copper concentrate	*tonnes*	**51,316**	45,246	59,187	218,177
Concentrate grade	*% Cu*	**25.05**	24.02	24.58	24.90
Zinc recovery	*%*	**84.9**	86.1	83.1	85.1
Copper recovery	*%*	**91.8**	92.1	92.9	93.4
Gold recovery	*%*	**67.5**	70.6	68.4	70.7
Silver recovery	*%*	**60.0**	60.9	63.4	63.5
Snow Lake Concentrator					
Ore	*tonnes*	**84,269**	80,241	81,305	325,114
Zinc	*%*	**8.39**	8.60	8.84	8.59
Zinc concentrate	*tonnes*	**13,346**	13,012	13,583	53,001
Concentrate grade	*% Zn*	**51.46**	51.56	51.65	51.40
Zinc recovery	*%*	**97.1**	97.3	97.6	97.6
Balmat Concentrator					
Ore	*tonnes*	**71,656**	- [1]	- [1]	- [1]
Zinc	*%*	**6.60**	- [1]	- [1]	- [1]
Zinc concentrate	*tonnes*	**8,059**	- [1]	- [1]	- [1]
Concentrate grade	*% Zn*	**55.48**	- [1]	- [1]	- [1]
Zinc recovery	*%*	**94.2**	- [1]	- [1]	- [1]

[1] Not in commercial production.

HUDBAY MINERALS INC

First Quarter Results

		Three Months Ended			Year Ended
		Mar 31, 2007	Mar 31, 2006	Dec 31, 2006	Dec 31, 2006
Smelter					
Copper Concentrate Treated					
Domestic	*tonnes*	**56,567**	57,714	58,455	218,267
Purchased	*tonnes*	**22,796**	24,363	20,835	85,305
Total	*tonnes*	**79,363**	82,077	79,290	303,572
WPCR					
Anodes received	*tonnes*	**19,719**	20,888	21,759	85,567
Cathode produced	*tonnes*	**16,746**	17,761	17,719	69,878
Spent anode produced	*tonnes*	**3,328**	3,222	3,254	12,875
Liberator anode produced	*tonnes*	**681**	643	601	2,439
Slimes produced	*tonnes*	**46**	48	51	201
Zinc Plant					
Zinc Concentrate Treated					
Domestic	*tonnes*	**48,933**	58,207	54,234	222,705
Purchased	*tonnes*	**4,765**	-	7,035	8,461
Total	*tonnes*	**53,698**	58,207	61,269	231,166
Zinc Oxide					
Zinc from HudBay	*tonnes*	**6,505**	8,771	6,834	32,469
Zinc from others	*tonnes*	**-**	52	1,255	1,448
Total zinc consumption	*tonnes*	**6,505**	8,823	8,089	33,917
Zinc oxide produced	*tonnes*	**7,943**	10,690	9,861	41,378

HUDBAY MINERALS INC

First Quarter Results

		Three Months Ended			Year Ended
		Mar 31, 2007	Mar 31, 2006	Dec 31, 2006	Dec 31, 2006
Metal Produced [1]					
Metal from HBMS Concentrates					
Zinc	*tonnes*	**25,063**	29,893	27,419	113,637
Copper	*tonnes*	**14,181**	15,096	15,317	56,698
Gold	*troy oz.*	**23,747**	26,074	27,563	95,980
Silver	*troy oz.*	**236,483**	281,678	245,328	962,743
Metal from HBMS Purchased Concentrates					
Zinc	*tonnes*	**2,541**	13	3,569	4,329
Copper	*tonnes*	**7,543**	8,590	7,877	31,527
Gold	*troy oz.*	**466**	437	580	1,972
Silver	*troy oz.*	**115,964**	108,552	97,635	382,184
Total HBMS Metal Produced					
Zinc	*tonnes*	**27,604**	29,906	30,988	117,966
Copper	*tonnes*	**21,724**	23,686	23,194	88,225
Gold	*troy oz.*	**24,213**	26,511	28,143	97,952
Silver	*troy oz.*	**352,447**	390,230	342,963	1,344,927
Balmat					
Zinc metal in concentrate for sale [2]	*tonnes*	**4,408**	-	4,003	9,037
Metal in equivalent concentrate purchased by HudBay [3]	*tonnes*	**(604)**	-	(3,032)	(3,750)
Total Produced [4]					
Zinc [2]	*tonnes*	**31,408**	29,906	31,959	123,253
Copper	*tonnes*	**21,724**	23,686	23,194	88,225
Gold	*troy oz.*	**24,213**	26,511	28,143	97,952
Silver	*troy oz.*	**352,447**	390,230	342,963	1,344,927
Metal Sold [5]					
Zinc, incl sales to Zochem [2]	*tonnes*	**31,857**	30,172	32,386	114,646
Copper	*tonnes*	**24,662**	18,932	19,901	79,395
Gold	*troy oz.*	**29,716**	14,846	22,112	82,921
Silver	*troy oz.*	**383,919**	232,456	295,545	1,195,142

[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] Prior to 2007, production includes Balmat metal in concentrate, and sales include Balmat payable metal in concentrate shipped (including to HBMS) for which proceeds are credited to capital as pre-commercial production revenues, and therefore not included in metals sold for financial reporting purposes.

[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 first quarter of 2007 was negative US$0.33 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 29)

	Three Months Ended		Year Ended
	Mar 31, 2007	Mar 31, 2006 [1]	Dec 31, 2006
	($000's except as noted)		
Expenses	**C$218,497**	C$142,749	C$680,503
Non-cash operating costs [2]	**(29,416)**	(17,185)	(62,694)
Less by-product credits [3]	**(216,243)**	(121,753)	(734,827)
Cash cost net of by-products	**(C$27,162)**	C$3,811	(C$117,018)
Exchange rate (C$/US$) [4]	**1.169**	1.155	1.134
Cash cost net of by-products	**(US$23,235)**	US$3,300	(US$103,190)
Zinc sales (000's lbs.)	**70,233**	66,517	239,380
Cash cost per pound of zinc, net of by-product credits in US$/lb.	**(US$0.33)**	US$0.05	(US$0.43)

[1] As reported in the 2006 Consolidated Financial Statements, before reclassification change of $105 from operating costs.

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

[3] By-product credits include revenues from sale of copper, gold, silver, the premium on zinc oxide sales, and the Company's proportionate share of by-product sales by CMM.

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

The above table shows a US$0.38 per pound net decrease in the cash cost per pound of zinc sold for the quarter ended March 31, 2007 compared to the quarter ended March 31, 2006. The decrease per pound of zinc consists of a favourable by-product credit increase of approximately US$1.27 per pound of zinc sold costs and the impact of a stronger Canadian dollar of US$0.01, offset by an increase of US$0.90 for higher costs.

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 first quarter of 2007, Balmat's cash costs per pound of zinc (excluding concentrate treatment charges) were US$1.01/lb. As the Balmat mine continues its ramp up to 60,000 tons of production of zinc in concentrate during 2008, we expect its cash costs to improve this year.

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, statements with respect to the future price of commodities, estimated future production, a production decision with respect to the Bur deposit, the estimated impact of the Bur deposit price protection program, 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 the integration of acquisitions, international operations, exploration, 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, delays in the completion of development or construction activities, the timing and amount of estimated future production, capital expenditures, financial market fluctuations, requirements for additional capital, conclusions of economic evaluations, limitations on insurance coverage, inflation and risks associated with acquisitions 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.