HUDBAY MINERALS INC

HudBay Minerals Inc.

Management Discussion and Analysis of
Results of Operations and Financial Condition

For the Three and Nine Months
Ended September 30, 2007

November 8, 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 November 8, 2007 and is intended to supplement and complement the unaudited consolidated financial statements for HudBay for the three and nine months ended September 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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HUDBAY MINERALS INC

EXECUTIVE SUMMARY

Financial

This quarter, HudBay recorded total revenue of $319.8 million, contributing to year-to-date revenues exceeding $1 billion, and cash and cash equivalents of $702.9 million at September 30, 2007.

Financial results were strong despite the impact of a strong Canadian dollar, which negatively affected revenues by an estimated $23.0 million for the quarter ($24.0 million year-to-date) and operating earnings by approximately $16.8 million for the quarter ($35.2 million year-to-date).

This quarter's revenue resulted from the sale of 33,703 tonnes of zinc, 21,218 tonnes of cathode copper, 24,755 ounces of gold and 329,318 ounces of silver. Total revenue for the quarter of $319.8 million was $26.4 million lower than for the third quarter of 2006 primarily due to the impact of the appreciating Canadian dollar and lower copper sales volumes.

The strengthening Canadian dollar also contributed to lower earnings before tax in the third quarter of 2007, which decreased by 38% to $94.3 million, compared with $151.6 million in the third quarter of 2006.

Net earnings were $66.5 million for the quarter, or $0.52 per share, compared to $169.4 million for the same quarter in 2006, or $1.37 per share. The lower net earnings are largely due to non-cash tax expenses and the appreciation of the Canadian dollar compared to the US dollar. In the third quarter, the Company continued to draw-down its future tax asset, resulting in a non-cash tax expense of $22.6 million this quarter as compared to a non-cash tax benefit of $28.4 million recorded in the third quarter of 2006. As 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. 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.

The Company recorded solid cash flow from operating activities of $113.9 million before changes in non-cash working capital for the quarter, or $0.90 per share, as compared to $166.0 million, or $1.35 per share, for the same quarter in 2006.

Cash in excess of debt was $686.5 million at September 30, 2007, and working capital was $860.5 million. The Company did not invest in asset-backed commercial paper and was not affected by the recent credit crisis, as its investments are held in low-risk, liquid investments with major Canadian banks.

The Balmat mine continues to ramp-up production and has not achieved positive operating earnings; however, it has generated positive operating cash flow before changes in working capital and additions to property, plant and equipment.

For the quarter, HudBay's cash cost of zinc sold, net of by-product credits from copper, precious metals, zinc oxide and other associated revenue, was negative US$0.15/lb. (refer to "Non-GAAP Performance Measures" on page 33).

Production

Mine production for the quarter was 731,512 tonnes of ore, compared to 643,674 tonnes for the same quarter in 2006. Ore grade for zinc was 5.01%, and for copper was 1.99%, as compared to 5.10% for zinc and 2.43% for copper for the same quarter in 2006.

For the quarter, zinc production from our HBMS zinc plant decreased by 10% to 27,329 tonnes compared to the same quarter in 2006, and unit operating costs increased by 14% to 27.2¢/lb. Similarly, copper production from our smelter decreased by 8% to 22,325 tonnes, and unit operating costs increased by 20% to 27.5¢/lb. Production in the quarter in the zinc plant was lower than normal due to a maintenance shutdown of the oxygen plant.

Exploration

On October 23, 2007, the Company announced additional results from its diamond drill program at the Lalor Lake mineral property in the Flin Flon Greenstone Belt. To date 25 drill holes have been completed or are in progress. Based on data from 16 holes, the conceptual estimate indicates there are potentially 18 to 20 million tonnes at 7.7% to 8.8% zinc. Encouraging precious metal assays were not included in the conceptual estimate and may provide additional exploration potential. The Lalor Lake deposit is near HudBay's Snow Lake concentrator, which has significant additional capacity.

Health, Safety, Environment and Product Quality

For the quarter, HudBay recorded a lost time accident frequency of 0.6 per 200,000 hours worked, including contractors, unchanged from the same quarter in 2006. There were no significant environmental non-compliances during the quarter.

All operations, with the exception of the White Pine Copper Refinery ("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. Subsequent to the third quarter 2007, the WPCR received notification after external audit that it was being recommended for certification to OHSAS 18001:1999, ISO 14001:2004 and ISO 9001:2000. After this confirmation, all operations at HudBay will have attained the same certification.

HUDBAY MINERALS INC

KEY FINANCIAL AND PRODUCTION RESULTS

		Three Months Ended			Nine Months Ended		
		Sept 30 2007	Sept 30 2006	% Change	**Sept 30 2007**	Sept 30 2006	% Change
Financial Highlights		*($000's except per share amounts)*					
Revenue		**319,805**	346,203	(8%)	**1,027,245**	815,893	26%
Earnings before taxes		**94,266**	151,582	(38%)	**333,734**	307,815	8%
Net earnings		**66,465**	169,381	(61%)	**198,680**	398,203	(50%)
EBITDA [1]		**118,414**	163,281	(27%)	**411,052**	359,870	14%
Operating cash flow [2]		**113,921**	165,987	(31%)	**394,081**	342,289	15%
Net earnings per common share		**0.52**	1.37	(62%)	**1.57**	4.00	(61%)
Operating cash flow per common share [1]		**0.90**	1.35	(33%)	**3.11**	3.44	(10%)
Cash cost per pound of zinc sold [1]		**(US$0.15)**	(US$0.82)	(82%)	**(US$0.26)**	(US$0.52)	(50%)
Operating Highlights							
Production							
Zinc [3]	*tonnes*	**32,673**	34,734	(6%)	**94,886**	91,294	4%
Copper	*tonnes*	**22,325**	24,279	(8%)	**66,801**	65,031	3%
Gold	*troy oz.*	**24,535**	24,473	0%	**76,365**	69,809	9%
Silver	*troy oz.*	**364,994**	346,542	5%	**1,061,040**	1,001,964	6%
Metal Sold [4]							
Zinc, incl sales to Zochem [5]	*tonnes*	**33,703**	29,588	14%	**98,681**	79,534	24%
Copper	*tonnes*	**21,218**	23,343	(9%)	**68,445**	59,494	15%
Gold	*troy oz.*	**24,755**	20,901	18%	**78,167**	60,809	29%
Silver	*troy oz.*	**329,318**	313,117	5%	**1,023,714**	899,597	14%
Financial Condition		*($000's)*					
Cash and cash equivalents		**702,883**	311,011	126%			
Working capital		**860,492**	553,116	56%			
Cash (less debt) [6]		**686,539**	239,904	186%			
Total assets		**1,502,107**	1,173,651	28%			
Shareholders' equity		**1,149,355**	792,209	45%			

[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 33). For EBITDA refer to page 15. For the reconciliation of cash cost per pound of zinc sold, net of by-product credits, refer to page 32.

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

[3] Production includes Balmat payable metal in concentrate shipped, including pre-commercial production in 2006.

[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 $702,883 less current and long-term portion of the Senior Secured Notes, Province of Manitoba loan and capital leases ($3,140, $7,181, and $6,023 respectively).

HUDBAY MINERALS INC

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. Total exploration land holdings were 422,079 hectares, including 381,874 hectares in the Flin Flon Greenstone Belt, 21,619 hectares in New York State and 1,531 hectares in Chile. HudBay also holds exploration properties in Ontario, British Columbia, Nunavut and the Yukon.

Year-to-date, the Company has incurred expenses and capital costs of approximately $31.3 million on surface and in-mine exploration activities, compared to $11.4 million in the same period of 2006.

Significant New Zinc Discovery at Lalor Lake

On October 23, 2007, the Company announced additional results from its diamond drill program at the Lalor Lake mineral property in the Flin Flon Greenstone Belt. To date 25 drill holes have been completed or are in progress. As highlighted in the table below, based on data from 16 holes, indications are potentially 18 to 20 million tonnes at 7.7% to 8.8%[1] zinc. Encouraging precious metal assays were not included in the estimate and may provide additional exploration potential. The Lalor Lake deposit is near HudBay's Snow Lake concentrator, which has significant additional capacity.

The following table presents the conceptual estimate of potential tonnes and grades.

	Tonnes *(millions)*	**% Zn**	**% Cu**
Main zone	9.5 - 10.5	9.5 - 10.5	0.6 - 0.7
Footwall zones	8.5 - 9.5	6.5 - 7.0	0.7 -0.8
Total	**18.0 - 20.0**	**7.7 - 8.8**	**0.7 - 0.8**

[1] The estimate of potential tonnes and grade of the Lalor Lake potential mineral deposit are conceptual in nature. The basis upon which the disclosed potential tonnes and grade has been determined is provided in HudBay's news release dated October 23, 2007. There has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the Lalor Lake deposit being delineated as a mineral resource.

Production & Costs

Production for the year is expected to be consistent with earlier guidelines. Operating costs in 2007 are generally expected to be 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 incurred 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 compared to the outlook at the end of the second quarter, has decreased by $8.7 million due primarily to reduced capitalized development expenditures at the Balmat mine. Refer to "2007 Capital Spending" on page 17.

Balmat

Balmat is expected to make significant progress in the fourth quarter of 2007 towards achieving the annual target rate of 60,000 tons of zinc in concentrate.

Bur Deposit

HudBay's Bur deposit project evaluation continues. The Bur deposit is 22 kilometres from HudBay's Snow Lake concentrator. A completed feasibility study is expected at the end of 2007. The Company may decide to defer the Bur deposit development in favour of the Lalor Lake deposit.

TREND ANALYSIS AND QUARTERLY REVIEW

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

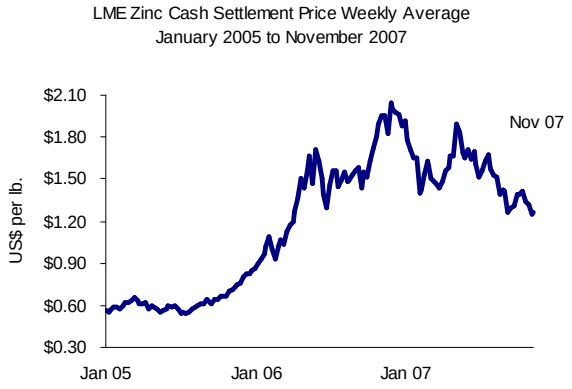
	2007			2006				2005
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	($000's)							
Revenue	**319,805**	358,298	349,142	313,110	346,203	261,727	207,963	173,051
EBITDA [1]	**118,414**	140,119	152,519	153,558	163,281	115,833	80,861	43,874
Operating cash flow [2]	**113,921**	137,660	142,500	148,508	165,987	98,328	77,973	32,349
Earnings before taxes	**94,266**	121,953	117,515	134,636	151,582	94,590	61,643	23,864
Net earnings	**66,465**	69,139	63,076	165,788	169,381	152,836	75,986	43,941
Earnings per share:								
Basic	**0.52**	0.55	0.50	1.32	1.37	1.71	0.89	0.52
Diluted	**0.52**	0.54	0.49	1.29	1.33	1.30	0.70	0.47

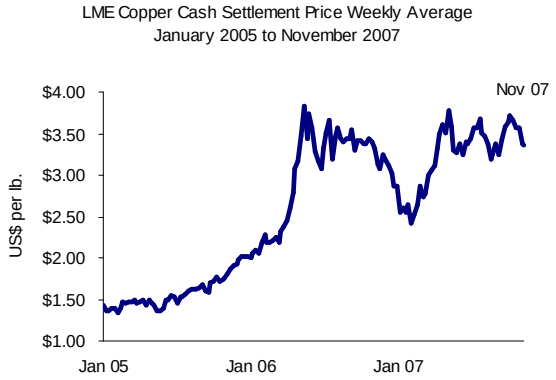
[1] EBITDA is considered non-GAAP measure (refer to "Non-GAAP Performance Measures" on page 33). For EBITDA refer to page 15.

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

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.

2006 net earnings were 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 14).





US $/lb.	Realized	LME Average
Q3 2006	1.58	1.53
Q3 2007	1.56	1.46

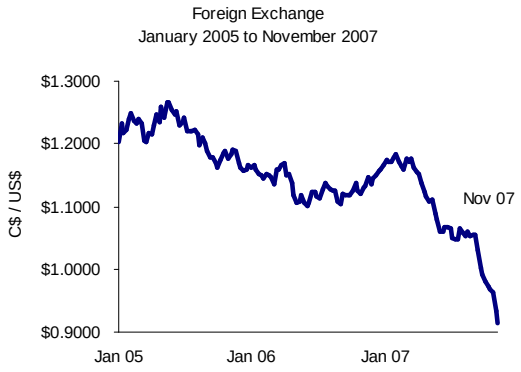
US $/lb.	Realized	LME Average
Q3 2006	3.58	3.48
Q3 2007	3.55	3.50

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

Movements in foreign exchange rates also affected 2007 revenues, cash flow and earnings.

An appreciation of the Canadian dollar relative to the US dollar has a negative impact on our earnings and cash flow as the prices of our products are primarily denominated in US dollars. Approximately half of our operating costs are US dollar based, primarily from purchased concentrates, heavy fuel oil, and the Company's US subsidiaries.

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



HUDBAY MINERALS INC

FINANCIAL REVIEW

Revenue

For the quarter, total revenue was $319.8 million, $26.4 million lower than for the same quarter last year due to the negative impact of the appreciating Canadian dollar on revenue from all metals, estimated at $23.0 million, and lower copper sales volumes. This quarter's revenue resulted from the sale of 33,703 tonnes of zinc (which includes 7,393 tonnes to our Zochem facility and 4,548 tonnes of payable zinc metal from the Balmat mine concentrate), 21,218 tonnes of cathode copper, 24,755 ounces of gold and 329,318 ounces of silver. Zochem had sales of 8,805 tonnes of zinc oxide.

Year-to-date total revenue is $1,027.2 million, $211.3 million higher than for the same period last year due to higher metal prices and higher year-to-date sales volumes, partially offset by the impact of lower US dollar exchange rates estimated at $24.0 million.

Realized Metal Prices and Exchange Rate

			HudBay Realized Prices [1]					
		Q3 2007	Three Months Ended			Nine Months Ended		
		Average Prices [2]	**Sept 30 2007**	Sept 30 2006	% Change	**Sept 30 2007**	Sept 30 2006	% Change
Prices in US$								
Zinc	*US$/lb.*	1.46	**1.56**	1.58	(1%)	**1.66**	1.34	24%
Copper	*US$/lb.*	3.50	**3.55**	3.58	(1%)	**3.28**	3.15	4%
Gold	*US$/troy oz.*	681	**680**	675	1%	**664**	603	10%
Silver	*US$/troy oz.*	12.70	**13.04**	12.35	6%	**13.28**	10.97	21%
Prices in C$								
Zinc	*C$/lb.*	1.53	**1.63**	1.67	(2%)	**1.83**	1.79	2%
Copper	*C$/lb.*	3.66	**3.72**	4.02	(7%)	**3.62**	3.55	2%
Gold	*C$/troy oz.*	711	**706**	766	(8%)	**732**	664	10%
Silver	*C$/troy oz.*	13.27	**13.52**	13.85	(2%)	**14.64**	12.45	18%
C$/US$ exchange rate		1.05	**1.05**	1.12	(6%)	**1.10**	1.13	(3%)

[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 third quarter of 2007, operating expenses were $188.8 million, an increase of approximately 9% compared to $173.5 million in the same quarter of 2006. Significant variances were:

- Increased volumes of purchased copper and zinc concentrates, partly offset by decreased unit costs, resulted in overall cost increases of $13.2 million;
- Commercial production at Balmat added $9.4 million, and increased mining and processing costs at other operations added $2.6 million related to higher consumable and contractor costs;
- A weakening of the US dollar compared to the Canadian dollar reduced US dollar denominated operating costs by an estimated $8 million; and
- Decreased profit sharing expense of $7.3 million from lower HBMS earnings.

Year-to-date operating expenses were $570.7 million, an increase of approximately 31% compared to $434.4 million in the same period in 2006. Significant variances were:

- Increased volumes of purchased copper and zinc concentrates, together with increased unit costs, resulted in cost increases of $48.4 million;
- Commercial production at Balmat added $27.2 million, and increased mining and processing costs at other operations added $17.1 million related to higher consumable and contractor costs;
- A weakening of the US dollar compared to the Canadian dollar reduced US dollar denominated operating costs by an estimated $7 million; and
- Increased cost of sales of approximately $30.9 million arising from increased sales volumes, which exceeded production volumes year-to-date.

Key inventory levels at the end of the third quarter were [1]:

- Concentrate inventory - Domestic zinc concentrate increased by 5,100 tonnes to 10,300 tonnes, and domestic copper concentrate increased by 2,700 tonnes to 30,600 tonnes;
- Inventory in process - Copper anodes increased slightly to 10,900 tonnes; and
- Finished metal inventory - Zinc decreased 1,600 tonnes to 13,900 tonnes, and copper increased slightly to 2,100 tonnes.

[1] Inventories of concentrates and other quantities are approximate. Estimates will change from period to period as quantities are reassessed.

HUDBAY MINERALS INC

Unit Operating Costs		Three Months Ended Sept 30 2007	Sept 30 2006	% Change	Nine Months Ended Sept 30 2007	Sept 30 2006	% Change
Mines							
777	*$/tonne*	**33.86**	35.28	(4%)	**36.60**	35.74	2%
Trout Lake	*$/tonne*	**47.65**	42.55	12%	**47.90**	39.20	22%
Chisel North	*$/tonne*	**50.64**	48.29	5%	**55.94**	50.62	11%
Balmat	*$/tonne*	**60.59**	-	-	**68.99**	-	-
Total Mines	*$/tonne*	**42.80**	39.31	9%	**45.52**	38.81	17%
Concentrators							
Flin Flon	*$/tonne*	**9.20**	8.91	3%	**9.56**	8.54	12%
Snow Lake	*$/tonne*	**21.08**	19.60	8%	**20.76**	18.66	11%
Balmat	*$/tonne*	**9.71**	-	-	**11.58**	-	-
Metallurgical Plants							
Zinc Plant	*$/lb. Zn*	**0.272**	0.238	14%	**0.279**	0.262	6%
Zochem [1]	*$/lb. ZnO*	**0.128**	0.122	5%	**0.135**	0.115	17%
Copper Smelter	*$/lb. Cu*	**0.275**	0.229	20%	**0.269**	0.254	6%
WPCR	*US$/lb. Cu*	**0.064**	0.060	7%	**0.070**	0.063	11%
Non-GAAP Detailed Operating Expenses		*(C$000's)*					
Mines							
777		**12,127**	12,359	(2%)	**39,271**	35,938	9%
Trout Lake		**9,801**	9,043	8%	**29,502**	23,927	23%
Chisel North		**3,976**	3,904	2%	**13,545**	12,210	11%
Balmat [2]		**5,407**	-	-	**16,387**	-	-
Concentrators							
Flin Flon		**5,315**	5,106	4%	**16,203**	14,420	12%
Snow Lake		**1,656**	1,574	5%	**5,025**	4,550	10%
Balmat [2]		**851**	-	-	**2,721**	-	-
Metallurgical Plants							
Zinc Plant		**16,376**	15,940	3%	**51,665**	50,303	3%
Copper Smelter		**13,549**	12,277	10%	**39,683**	36,409	9%
WPCR		**2,633**	2,722	(3%)	**8,932**	8,310	7%
Other							
Purchased concentrate treated		**85,288**	72,120	18%	**227,895**	179,487	27%
Anode freight & refining [3]		**1,891**	3,572	(47%)	**6,492**	7,903	(18%)
Services & administration		**13,023**	8,339	56%	**38,694**	22,249	74%
HBMS employee profit sharing		**7,645**	14,922	(49%)	**33,082**	32,848	1%
Other [4]		**9,279**	11,655	(20%)	**41,572**	5,808	616%
Total Operating Expenses, per financials		**188,817**	173,533	9%	**570,669**	434,362	31%

[1] Excludes the cost of metal purchases.

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

[3] For 2007, refining costs deducted from metal sales invoices have been recorded in revenue.

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

Depreciation and Amortization

Depreciation and amortization expenses for the quarter were $23.9 million compared to $16.6 million for the same quarter in 2006. Of the $7.3 million increase, $4.0 million represents the addition of Balmat mine depreciation and amortization expense since it reached commercial production at January 1, 2007. 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, as well as higher production tonnage at the 777 mine.

Year-to-date, depreciation and amortization expenses were $69.1 million compared to $47.7 million for the same period in 2006. Of the $21.4 million increase, $9.7 million represents the addition of Balmat mine's depreciation and amortization expense. The remaining increase related primarily to shorter mine life 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 depreciation and amortization and the higher unit rates associated with the Trout Lake mine.

General and Administrative

Total general and administrative expenses were $3.7 million for the quarter and $13.1 million year-to-date, similar to the prior periods.

Stock-based Compensation

Stock-based compensation expense was $3.2 million in the third quarter of 2007, compared to $1.2 million in the third quarter of 2006. Year-to-date stock-based compensation expense was $10.0 million, compared to $5.3 million in 2006. Stock-based compensation expense is based upon option pricing models utilizing average share price and volatility, which have increased from prior periods. Due to these increases, the stock-based compensation expense per share has also increased.

Foreign Exchange Losses

The value of the Company's US dollar denominated operating accounts, which include certain cash, accounts receivable, accounts payable and derivatives, declined during the third quarter due to appreciation of the Canadian dollar relative to the US dollar. This resulted in a loss of $4.9 million. For the quarter ended September 30, 2006, movement in foreign exchange rates resulted in a loss of $3.1 million.

Year-to-date, the appreciation of the Canadian dollar resulted in a foreign exchange loss of $20.0 million. For the same period last year, movement in foreign exchange rates resulted in a loss of $1.8 million.

Operating Earnings

For the quarter, operating earnings were $94.5 million compared to $146.7 million for the three months ended September 30, 2006. The unfavourable variance of $52.2 million is mainly attributable to the negative impact of the appreciating Canadian dollar of $16.8 million, lower copper sales volumes, and increased costs for purchased concentrates, depreciation and amortization, stock-based compensation, negative earnings impact from Balmat and other operating expenses.

Year-to-date, operating earnings were $342.0 million compared to $312.1 million for the same period in 2006. The favourable variance of $29.9 million is mainly attributable to higher year-to-date metal prices and sales volumes over 2006 year-to-date, offset in part by the negative impact of the appreciating Canadian dollar of $35.2 million, as well as increased costs for purchased concentrates, negative earnings impact from Balmat, depreciation and amortization, stock-based compensation and other operating expenses.

Exploration Expenses

Exploration expenses of $8.6 million were incurred in the third quarter of 2007, as compared to $2.0 million for the same period in 2006.

Year-to-date, the Company has incurred exploration expenses of $26.8 million, reflecting an increase of $17.8 million over the same period in 2006.

Interest and Other Income

For the third quarter, interest and other income was $7.6 million, an increase of $1.7 million over the same quarter in 2006. Interest income was higher this quarter by $4.1 million. Other income was higher in the third quarter of 2006 due mainly to a $1.7 million gain recorded on the Company's sale of Scozinc.

Year-to-date, interest income increased $13.5 million over 2006, and other income included a $6.0 million receipt for the finalization of the sale of shares held in Stikine Copper Limited. The investment in the Stikine shares was obtained many years ago and had been assigned no value.

Gain (Loss) on Derivative Instruments

For the third quarter of 2007, the Company recorded in earnings a $1.4 million gain on derivative instruments related mainly to the increased market value of our US dollar put options and a loss related to the ineffective portion of the zinc and copper hedging relationships (refer to "Risk Management" on page 18).

During the same period of 2006, we recognized a gain on derivative instruments of $4.7 million, which related mainly to derivative forward contracts for zinc associated with 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 gains and losses on these zinc forward contracts in revenue to essentially match the sales contracts associated with them.

Year-to-date, the Company recorded a $6.6 million loss on derivative instruments compared to an $18.3 million gain for the same period in 2006. The 2007 year-to-date loss related primarily to the zinc and copper hedging relationships described above, partially offset by the increased value of the US dollar put options (refer to "Risk Management" on page 18). The gain in 2006 related mainly to derivative forward contracts for zinc associated with 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.

Interest Expense

Interest expense for the quarter of $0.3 million was lower than for the same quarter in 2006 as a result of long-term debt repurchases made last year. We expect interest expense for 2007 to be lower compared to 2006 due to significantly reduced debt levels.

Year-to-date, interest expense of $1.1 million was lower by $8.6 million than for the same period in 2006 due to significantly reduced debt levels.

Tax Expense

Income tax expense - At December 31, 2006, the Company had fully recognized its HBMS future income tax asset, with the exception of timing differences for long-term obligations that relate primarily to closure and assets that are not likely to be realized. In this quarter, $17.9 million of this future income tax asset was drawn down, and a $21.3 million non-cash future income tax expense was reflected in the Company's statement of earnings. 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 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 29.6% on earnings before tax for the current year.

Mining tax expense - At December 31, 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, foreign 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 through 2007, and in the third quarter a $1.3 million reduction in the future mining tax asset has been reflected as a non-cash future mining tax expense. Due to restricted levels of annual deductions available to determine Manitoba mining profits, the Company anticipates paying mining taxes during 2007, 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 10.9% on the Company's earnings before tax for the current year.

	Three Months Ended		Nine Months Ended	
Breakdown of Tax Expense (Benefit)	**Sept 30 2007**	Sept 30 2006	**Sept 30 2007**	Sept 30 2006
Non-cash - income tax expense [1]	**21,267**	(28,381)	**98,540**	(110,024)
Non-cash - mining tax expense [1]	**1,349**	-	**7,875**	-
Total non-cash draw-down	**22,616**	(28,381)	**106,415**	(110,024)
Estimated taxes payable – income tax	**195**	333	**332**	1,047
Estimated taxes payable – mining tax	**4,990**	10,249	**28,307**	18,589
Total estimated taxes payable	**5,185**	10,582	**28,639**	19,636
Tax expense (benefit)	**27,801**	(17,799)	**135,054**	(90,388)

[1] Non-cash tax expenses represent draw-downs of the non-cash future income and mining tax assets.

Certain previously unrecognized tax losses have been recognized in the quarter, having the effect of increasing the future tax asset and reducing tax expense.

EBITDA [1]

The following table presents the calculation of EBITDA for the three and nine months ended September 30, 2007 and September 30, 2006.

	Three Months Ended		Nine Months Ended	
	Sept 30 2007	Sept 30 2006	**Sept 30 2007**	Sept 30 2006
	($000's)			
Operating earnings per consolidated financial statements	**94,495**	146,729	**341,965**	312,127
Adjustments				
Depreciation and amortization	**23,919**	16,552	**69,087**	47,743
EBITDA	**118,414**	163,281	**411,052**	359,870

[1] Refer to "Non-GAAP Performance Measures" on page 33. EBITDA represents earnings before interest, taxes, depreciation and amortization, loss/gain on derivative instruments, interest and other income, exploration and other.

CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

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

	Three Months Ended		Nine Months Ended	
	Sept 30 2007	Sept 30 2006	**Sept 30 2007**	Sept 30 2006
	($000's)			
Net earnings for the period	**66,465**	169,381	**198,680**	398,203
Items not affecting cash	**47,456**	(3,394)	**195,401**	(55,914)
Net change in non-cash items	**52,386**	3,034	**11,127**	(62,788)
Cash provided by operating activities	**166,307**	169,021	**405,208**	279,501
Cash provided by financing activities	**441**	52,106	**381**	(304)
Cash required for investing activities	**(28,592)**	(17,314)	**(79,482)**	(102,450)
Effect of exchange rate changes on cash and equivalents	**42**	(6,242)	**(9,088)**	(7,396)
Increase in cash and cash equivalents	**138,198**	197,571	**317,019**	169,351

As of September 30, 2007, HudBay had cash and cash equivalents of $702.9 million compared to $385.9 million as at December 31, 2006 and $311.0 million as at September 30, 2006. As at September 30, 2007, there were outstanding letters of credit in the amount of $32.7 million.

Cash flow from operating activities totaled $166.3 million for the quarter, similar to $169.0 million for the quarter ended September 30, 2006. The appreciation of the Canadian dollar over the US dollar contributed to lower revenues and lower operating cash flow, offset by significant changes in non-cash working capital. These included decreases in inventories of $22.5 million and in accounts receivable of $21.8 million and increases in accounts payable of $7.5 million.

Year-to-date, cash flow from operating activities totaled $405.2 million, compared to $279.5 million for the same period in 2006, primarily due to significantly higher realized metal volumes and prices as compared to 2006 year-to-date. Significant changes in non-cash working capital included decreases in accounts receivable of $44.3 million, offset in part by decreases in taxes payable of $17.5 million and decreases in accounts payable of $16.8 million.

Financing activities during the quarter resulted in cash inflows of $0.4 million, with proceeds from the exercise of stock options of approximately $1.4 million offset by a $1.0 million repayment of capital lease obligations. Cash provided by financing activities in the third quarter of 2006 was significantly higher, mainly due to $65.4 million proceeds received on exercise of warrants.

Year-to-date, financing activities resulted in cash inflows of $0.4 million, with proceeds from the exercise of stock options of approximately $7.4 million offset by a $3.0 million repayment of capital lease obligations and a $4.0 million repayment of the Province of Manitoba loan.

During the quarter, a total of $28.6 million was required for investing activities related to capitalized mine development and other sustaining capital expenditures. Investing activities in the same quarter of 2006 related to capitalized mine development and other sustaining capital expenditures of $24.7 million, including Balmat start-up capital, offset in part by proceeds from the sale of the Scozinc property and equipment of $7.4 million.

Year-to-date, a total of $79.5 million was required for investing activities relating mainly to capitalized mine development and other sustaining capital expenditures. Investing activities of $102.5 million in the same period of 2006 related to capitalized mine development, Balmat start-up capital and other sustaining capital expenditures of $92.9 million, and the Company's $17.0 million acquisition of the WPCR. These were offset in part by proceeds from the sale of the Scozinc property and equipment of $7.4 million.

Cash inflow for the quarter was $138.2 million, compared to a cash inflow of $197.6 million for the quarter ended September 30, 2006.

Year-to-date, cash inflow was $317.0 million, compared to a cash inflow of $169.4 million for the period ended September 30, 2006.

2007 Capital Spending

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

	Three Months Ended		Nine Months Ended		Full Year Outlook 2007
	Sept 30 2007	Sept 30 2006	**Sept 30 2007**	Sept 30 2006	
			($ millions)		
777 Mine	**8.6**	5.6	**20.1**	18.1	25.2
Trout Lake Mine	**5.8**	4.9	**19.4**	18.0	24.4
Chisel North Mine	**2.1**	2.2	**5.9**	4.5	12.7
Balmat Mine and Concentrator	**6.2**	4.1	**16.6**	24.0	22.5
Flin Flon and Snow Lake Concentrators	**0.1**	0.8	**1.2**	1.8	3.6
Copper Smelter	**0.5**	0.6	**0.9**	12.2	3.4
White Pine Copper Refinery	**1.3**	0.5	**5.8**	1.7	7.3
Zinc Plant	**1.8**	0.3	**3.5**	2.7	7.0
Flin Flon and Snow Lake General Plant	**1.9**	5.5	**5.2**	8.7	14.9
Zinc Oxide Plant	**0.3**	0.2	**0.5**	1.2	1.2
Total	**28.6**	24.7	**79.1**	92.9	122.2

	Three Months Ended		Nine Months Ended		Expected 2007
	Sept 30 2007	Sept 30 2006	**Sept 30 2007**	Sept 30 2006	
			($ millions)		
Plant and Equipment	**10.8**	11.0	**27.9**	33.1	57.6
Capital Development	**15.6**	12.5	**46.8**	57.4	57.0
Capitalized Exploration	**2.2**	1.2	**4.4**	2.4	7.6
Total	**28.6**	24.7	**79.1**	92.9	122.2

FINANCIAL CONDITION

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

Cash and cash equivalents increased by $317.0 million to $702.9 million as at September 30, 2007, compared to December 31, 2006.

Working capital improved by $212.8 million to $860.5 million from December 31, 2006 to September 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 $87.6 million, normal operating decreases in accounts receivable of $43.5 million, and decreases in payables of $16.5 million and taxes payable of $17.5 million.

Common share capital increased by $3.0 million due to the exercise of warrants and options of $10.3 million, partially offset by the renunciation of $7.3 million of eligible exploration expenditures. HudBay's contractual obligations at September 30, 2007 are materially unchanged from December 31, 2006.

During the quarter ended September 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 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 later 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 September 30, 2007, we recorded in earnings an unrealized, mark-to-market loss 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 $9.3 million ($5.9 million after future income taxes) to reflect the effective portion of gains and losses under the cash flow hedges.

Year-to-date, we have an unrealized, non-cash loss of $10.8 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 $1.5 million represents the ineffective portion of gains and losses under the cash flow hedges. A $31.6 million pre-tax loss ($20.2 million after future income taxes) was reflected in year-to-date OCI. The fair value of the metal swaps as at September 30, 2007 was negative $37.4 million.

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

Zinc and Zinc Oxide

To provide a service to our customers who purchase finished metal and oxide 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 forward zinc purchase 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 September 30, 2007, the Company held US dollar put options giving it the right, but not the obligation, to sell up to US$26.3 million in equal quarterly amounts at $1.20482 per US dollar continuing to January 2009. The fair value of the US dollar put options increased to $5.3 million as at September 30, 2007 due to the appreciation in the Canadian dollar during the third 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 operations, including contractors, recorded a Lost Time Accident ("LTA") frequency rate, per 200,000 hours worked, of 0.6 for the third quarter of 2007, unchanged from the same quarter in 2006. The year-to-date LTA frequency was 0.9, unchanged from the same period last year.

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. Subsequent to the third quarter 2007, the WPCR received notification after external audit that it was being recommended for certification to OHSAS 18001:1999, ISO 14001:2004 and ISO 9001:2000. After confirmation, all operations at HudBay will have attained the same certification.

In the third quarter of 2007, Manitoba Conservation issued a report on its study of surface soils in Flin Flon, Manitoba and Creighton, Saskatchewan. The report identified some sample levels of metal in soils which exceeded Canadian Council of Ministers of the Environment guidelines. This has triggered additional assessments to determine if a health risk exists and is expected to take approximately 12 months to complete.

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 third quarter increased by 2% compared to the same period in 2006. Zinc grade was lower by 20% and copper grade was lower by 4% due to planned changes in the mining sequence. Operating costs per ore tonne in the quarter were lower by 4% related to reduced cost of backfilling excavations.

Year-to-date, ore production increased by 7% compared to the same period in 2006. Improvements in mine ore handling and the availability of the mobile equipment fleet facilitated the production increase. Zinc grade was lower by 14%, copper grade was lower by 2%, gold grade was higher by 13%, and silver grade was higher by 1% related to planned changes in the mining locations. Operating costs per ore tonne were 2% higher due to increases in consumable costs.

		Three Months Ended			Nine Months Ended		
777 Mine		**Sept 30 2007**	Sept 30 2006	% Change	**Sept 30 2007**	Sept 30 2006	% Change
Production	*tonnes*	**358,091**	350,283	2%	**1,073,091**	1,005,506	7%
Zinc grade	*%*	**4.16**	5.18	(20%)	**4.36**	5.08	(14%)
Copper grade	*%*	**2.88**	2.99	(4%)	**2.69**	2.74	(2%)
Gold grade	*g/tonne*	**2.62**	2.30	14%	**2.56**	2.26	13%
Silver grade	*g/tonne*	**24.92**	24.69	1%	**25.76**	25.43	1%
Operating costs	*$/tonne*	**33.86**	35.28	(4%)	**36.60**	35.74	2%

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 Trout Lake for the third quarter was 3% lower compared to the same quarter in 2006. This is consistent with the 2007 mining plan, reflecting smaller stopes being mined and greater haulage distances to ore passes. Zinc grade was 17% higher and copper grade was 13% lower, consistent with the mining plan. Higher gold and silver grades were also consistent with the mining plan. Operating costs per ore tonne were 12% higher due to increased ore volumes and development associated with the pillar extraction project.

Year-to-date, ore production increased by 1% compared to the same period in 2006, primarily related to greater tonnage mined from pillars. Zinc grade was 1% higher, copper grade was 9% higher, gold grade was 13% higher and silver grade was 5% lower consistent with the mining plan. Operating costs per ore tonne mined were 22% higher, related to increased tonnage mined from pillars by contractors.

Trout Lake Mine		Three Months Ended			Nine Months Ended		
		Sept 30 2007	Sept 30 2006	% Change	**Sept 30 2007**	Sept 30 2006	% Change
Production	*tonnes*	**205,673**	212,547	(3%)	**615,902**	610,323	1%
Zinc grade	*%*	**4.30**	3.68	17%	**3.96**	3.94	1%
Copper grade	*%*	**2.01**	2.32	(13%)	**2.33**	2.13	9%
Gold grade	*g/tonne*	**1.66**	1.19	39%	**1.44**	1.28	13%
Silver grade	*g/tonne*	**18.27**	11.87	54%	**13.75**	14.50	(5%)
Operating costs	*$/tonne*	**47.65**	42.55	12%	**47.90**	39.20	22%

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 Chisel North for the third quarter was 3% lower than the same quarter in 2006. Zinc ore grade was 1% lower, consistent with the mining plan. Operating costs per ore tonne were 5% higher primarily related to the increased cost of consumables and more metres of development advance.

Year-to-date, ore production was similar to the same period in 2006. Zinc ore grade was 1% higher, consistent with the mining plan. Operating costs were 11% higher, related primarily to the higher cost of underground truck haulage and underground backfilling.

Chisel North Mine		Three Months Ended			Nine Months Ended		
		Sept 30 2007	Sept 30 2006	% Change	**Sept 30 2007**	Sept 30 2006	% Change
Production	*tonnes*	**78,516**	80,844	(3%)	**242,132**	241,231	0%
Zinc grade	*%*	**8.40**	8.48	(1%)	**8.52**	8.47	1%
Operating costs	*$/tonne*	**50.64**	48.29	5%	**55.94**	50.62	11%

Balmat Mine

The Balmat mine is located in upper New York State, and concentrate production was started in May 2006 as planned. Balmat reached commercial production as of January 1, 2007.

Ore production at Balmat for the third quarter was 89,232 tonnes. Zinc grade was 7.0%. Operating costs per ore tonne were $60.59. The mine was not in commercial production in the third quarter of 2006.

Year-to-date, ore production was 237,514 tonnes at 6.93% zinc. The planned ramp-up in production will continue in the last quarter of 2007. Operating costs were $68.99 per ore tonne. Operating costs per ore tonne are expected to decrease as production tonnage increases during 2007.

		Three Months Ended			Nine Months Ended		
Balmat Mine		**Sept 30 2007**	Sept 30 2006	% Change	**Sept 30 2007**	Sept 30 2006	% Change
Production	*tonnes*	**89,232**	-	-	**237,514**	-	-
Zinc grade	*%*	**7.00**	-	-	**6.93**	-	-
Operating costs	*$/tonne*	**60.59**	-	-	**68.99**	-	-

Flin Flon Concentrator

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

For the third quarter of 2007, ore processed increased by 1% compared to the same period in 2006. Zinc head grade was 7% lower and copper head grade was 6% lower due to changes in ore received from the Trout Lake and 777 mines. Recoveries of zinc and copper to concentrate were 1% lower, consistent with the lower grades of ore processed. Operating cost per ore tonne processed increased by 3%, primarily related to higher maintenance costs.

Year-to-date, ore processed was similar to the same period in 2006. Zinc head grade was 8% lower while copper head grade was 2% higher, consistent with the ore received from the 777 and Trout Lake mines. Recovery of zinc and copper metal to concentrates were similar to the same period in 2006. Operating costs per tonne of ore processed were 12% higher, primarily related to increased purchase prices for reagents and grinding media.

Flin Flon Concentrator		Three Months Ended			Nine Months Ended		
		Sept 30 2007	Sept 30 2006	% Change	**Sept 30 2007**	Sept 30 2006	% Change
Ore processed	*tonnes*	**577,879**	572,991	1%	**1,695,672**	1,688,630	0%
Zinc grade	*%*	**4.21**	4.53	(7%)	**4.20**	4.59	(8%)
Copper grade	*%*	**2.58**	2.75	(6%)	**2.56**	2.52	2%
Gold grade	*g/tonne*	**2.26**	1.91	18%	**2.15**	1.89	14%
Silver grade	*g/tonne*	**22.11**	19.93	11%	**21.27**	21.14	1%
Zinc concentrate	*tonnes*	**40,027**	43,464	(8%)	**117,297**	128,179	(8%)
Concentrate grade	*% Zn*	**52.13**	51.62	1%	**51.77**	51.79	0%
Copper concentrate	*tonnes*	**55,926**	58,387	(4%)	**163,027**	158,990	3%
Concentrate grade	*% Cu*	**25.05**	25.51	(2%)	**24.83**	25.02	(1%)
Zinc recovery	*%*	**85.9**	86.5	(1%)	**85.3**	85.6	0%
Copper recovery	*%*	**94.1**	94.7	(1%)	**93.1**	93.6	(1%)
Gold recovery	*%*	**65.7**	74.2	(11%)	**67.1**	71.6	(6%)
Silver recovery	*%*	**63.7**	66.4	(4%)	**60.4**	63.6	(5%)
Operating costs	*$/tonne*	**9.20**	8.91	3%	**9.56**	8.54	12%

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 third quarter of 2007, ore processed was 2% lower compared to the same quarter in 2006, consistent with lower tonnage received from the Chisel North mine. Zinc head grade was 2% lower due to lower mining grades from Chisel North mine. Recovery of zinc metal to concentrate was 3% lower at 95.1%, consistent with lower ore head grade. Operating costs per ore tonne processed, which include the cost of transportation to Flin Flon, increased by 8% primarily due to the increased cost of reagents and grinding media.

Year-to-date, ore processed was 1% lower than the same period in 2006. Zinc ore head grade was similar while zinc recovery to concentrate was 1% lower. Operating costs per ore tonne increased by 11%, primarily related to increased costs for reagents and grinding media.

Snow Lake Concentrator		Three Months Ended			Nine Months Ended		
		Sept 30 2007	Sept 30 2006	% Change	**Sept 30 2007**	Sept 30 2006	% Change
Ore processed	*tonnes*	**78,584**	80,314	(2%)	**242,062**	243,809	(1%)
Zinc grade	*%*	**8.40**	8.57	(2%)	**8.52**	8.50	0%
Zinc concentrate	*tonnes*	**12,866**	13,194	(2%)	**39,383**	39,418	0%
Concentrate grade	*% Zn*	**48.80**	50.92	(4%)	**50.51**	51.31	(2%)
Zinc recovery	*%*	**95.1**	97.6	(3%)	**96.4**	97.5	(1%)
Operating costs [1]	*$/tonne*	**21.08**	19.6	8%	**20.76**	18.66	11%

[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 third quarter of 2007, ore processed was 87,614 tonnes. Ore zinc head grade was 7.0%. Recovery of metal to concentrate was 97.0%. Operating costs were $9.71 per ore tonne. The mine and concentrator were not in commercial production during 2006.

Year-to-date, 234,929 tonnes of ore were processed at an ore head grade of 6.90% zinc. Recovery of zinc metal to concentrate was 95.8%. Operating costs were $11.58 per ore tonne.

Zinc concentrate produced at Balmat is sold to Xstrata and treated at its CEZ refinery near Montreal. The agreement with Xstrata allows HudBay to purchase up to 50% of Balmat's zinc concentrate production sold to Xstrata.

		Three Months Ended			Nine Months Ended		
Balmat Concentrator		**Sept 30 2007**	Sept 30[1] 2006	% Change	**Sept 30 2007**	Sept 30 2006	% Change
Ore processed	*tonnes*	**87,614**	-	-	**234,929**	-	-
Zinc ore	*%*	**7.00**	-	-	**6.90**	-	-
Zinc concentrate	*tonnes*	**10,252**	-	-	**27,415**	-	-
Concentrate grade	*% Zn*	**58.12**	-	-	**57.08**	-	-
Zinc recovery	*%*	**97.0**	-	-	**95.8**	-	-
Operating costs	*$/tonne*	**9.71**	-	-	**11.58**	-	-

[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.

Production of cast zinc metal in the third quarter, compared to the same quarter in 2006, was 10% lower at 27,329 tonnes. Lower production was due to a maintenance shutdown of the oxygen plant. Operating costs per pound of zinc metal produced were 14% higher related primarily to the lower production.

Year-to-date, production of zinc metal was 84,016 tonnes, 3% lower than the same period in 2006. Operating costs per pound of zinc were 6% higher due to higher costs of process and maintenance materials.

Zinc Plant		Three Months Ended Sept 30 2007	Sept 30 2006	% Change	Nine Months Ended Sept 30 2007	Sept 30 2006	% Change
Domestic conc. treated	*tonnes*	**48,785**	58,195	(16%)	**149,970**	168,471	(11%)
Purchased conc. treated	*tonnes*	**5,080**	574	785%	**17,619**	1,426	1136%
Total conc. treated	*tonnes*	**53,865**	58,769	(8%)	**167,589**	169,897	(1%)
Operating costs [1]	*$/tonne*	**303.89**	271.23	12%	**308.28**	296.08	4%
Zinc produced	*tonnes*	**27,329**	30,418	(10%)	**84,016**	86,978	(3%)
Operating costs	*¢/lb. Zn*	**27.2**	23.8	14%	**27.9**	26.2	6%

[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 third quarter of 2007, Zochem consumed 7,393 tonnes of HudBay zinc and produced 9,030 tonnes of zinc oxide. Due to reduced sales demand, production of zinc oxide was 3% lower compared to the third quarter of 2006. Operating costs per pound of zinc oxide were 5% higher at 12.8¢/lb primarily due to lower production.

Year-to-date, production of zinc oxide was 26,303 tonnes, 17% lower than the same period in 2006, related to market demand. Operating costs of 13.5 cents per pound of zinc oxide were 17% higher, related primarily to the lower production.

Zinc Oxide Facility - Zochem		Three Months Ended Sept 30 2007	Sept 30 2006	% Change	Nine Months Ended Sept 30 2007	Sept 30 2006	% Change
Zinc from HudBay	*tonnes*	**7,393**	7,456	(1%)	**21,574**	25,635	(16%)
Zinc from others	*tonnes*	**-**	141	(100%)	**-**	193	(100%)
Total zinc consumption	*tonnes*	**7,393**	7,597	(3%)	**21,574**	25,828	(16%)
Zinc oxide produced	*tonnes*	**9,030**	9,339	(3%)	**26,303**	31,516	(17%)
Operating costs	*¢/lb. Oxide*	**12.8**	12.2	5%	**13.5**	11.5	17%

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 35% of the concentrate treated in the third quarter was purchased concentrate, an increase from 30% treated in the same quarter in 2006. Purchased concentrate is sourced mainly from our long-term contracts with Highland Valley Copper Mines and Montana Resources.

For the third quarter of 2007, copper production was 8% lower compared to the same quarter in 2006. Operating costs per pound of copper anode produced were 20% higher. Lower production and higher costs were primarily from planned maintenance on anode vessels and increased costs of operating materials.

Year-to-date, copper production was 3% higher than the same period in 2006, primarily reflecting lower production in 2006 related to a plant shutdown. Operating costs year-to-date per pound of copper were 6% higher related primarily to higher costs for operating materials.

		Three Months Ended			Nine Months Ended		
Copper Smelter		**Sept 30 2007**	Sept 30 2006	% Change	**Sept 30 2007**	Sept 30 2006	% Change
Domestic conc. treated	*tonnes*	**53,192**	56,966	(7%)	**163,213**	159,812	2%
Purchased conc. treated	*tonnes*	**28,667**	24,331	18%	**75,505**	64,470	17%
Total	*tonnes*	**81,859**	81,297	1%	**238,718**	224,282	6%
Operating costs [1]	*$/tonne*	**165.58**	151.01	10%	**166.23**	162.34	2%
Copper produced	*tonnes*	**22,325**	24,279	(8%)	**66,801**	65,031	3%
Gold	*troy oz.*	**24,535**	24,473	0%	**76,365**	69,809	9%
Silver	*troy oz.*	**364,994**	346,542	5%	**1,061,040**	1,001,964	6%
Operating costs	*¢/lb. Cu*	**27.5**	22.9	20%	**26.9**	25.4	6%

[1] Of concentrate treated.

White Pine Copper Refinery

The WPCR is located in the upper peninsula of Michigan State near the Canada/US border.

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 third quarter of 2007, copper cathode production decreased by 4% compared to the same quarter last year due to a scheduled maintenance, equipment installations and work to replace cell liners. Operating costs per pound of cathode copper were 7% higher primarily due to the increase in electrical energy and natural gas costs.

Year-to-date, copper cathode production was 50,793 tonnes, 3% lower than the same period in 2006. Operating costs per pound of cathode produced were 11% higher primarily related to the cost of power and adjustments in power cost charges from prior periods.

The Electro Metals Electro Winning ("EMEW") plant installation is nearing completion, with plant commissioning scheduled for the fourth quarter of 2007. The leading edge technology EMEW process has the ability to control copper tenor in electrolyte while producing a salable, high grade copper cathode and also providing significant health, safety, and environmental benefits. Initial production is expected in the first quarter of 2008.

White Pine Copper Refinery		Three Months Ended			Nine Months Ended		
		Sept 30 2007	Sept 30 2006	% Change	**Sept 30 2007**	Sept 30 2006	% Change
Anodes received	*tonnes*	**21,390**	22,102	(3%)	**64,132**	63,808	1%
Cathode produced	*tonnes*	**17,064**	17,776	(4%)	**50,793**	52,158	(3%)
Spent anode produced	*tonnes*	**4,071**	3,286	24%	**11,231**	9,621	17%
Liberator anode produced	*tonnes*	**663**	649	2%	**2,014**	1,837	10%
Slimes produced	*tonnes*	**49**	52	(6%)	**144**	150	(4%)
Operating costs	*US¢/lb. Cu cathode*	**6.4**	6.0	7%	**7.0**	6.3	11%

OUTSTANDING SHARE DATA

As of November 7, 2007, there were 127,340,442 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 3,165,002 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 September 30, 2007 interim consolidated financial statements.

HUDBAY MINERALS INC

PRODUCTION DETAIL

Third Quarter Results

		Three Months Ended			Nine Months Ended		
		Sept 30 2007	Sept 30 2006	% Change	**Sept 30 2007**	Sept 30 2006	% Change
Mines							
777							
Ore	*tonnes*	**358,091**	350,283	2%	**1,073,091**	1,005,506	7%
Zinc	*%*	**4.16**	5.18	(20%)	**4.36**	5.08	(14%)
Copper	*%*	**2.88**	2.99	(4%)	**2.69**	2.74	(2%)
Gold	*g/tonne*	**2.62**	2.30	14%	**2.56**	2.26	13%
Silver	*g/tonne*	**24.92**	24.69	1%	**25.76**	25.43	1%
Trout Lake							
Ore	*tonnes*	**205,673**	212,547	(3%)	**615,902**	610,323	1%
Zinc	*%*	**4.30**	3.68	17%	**3.96**	3.94	1%
Copper	*%*	**2.01**	2.32	(13%)	**2.33**	2.13	9%
Gold	*g/tonne*	**1.66**	1.19	39%	**1.44**	1.28	13%
Silver	*g/tonne*	**18.27**	11.87	54%	**13.75**	14.50	(5%)
Chisel North							
Ore	*tonnes*	**78,516**	80,844	(3%)	**242,132**	241,231	0%
Zinc	*%*	**8.40**	8.48	(1%)	**8.52**	8.47	1%
Balmat							
Ore	*tonnes*	**89,232**	-[1]	-	**237,514**	-[1]	-
Zinc	*%*	**7.00**	-[1]	-	**6.93**	-[1]	-
Total Mines							
Ore	*tonnes*	**731,512**	643,674	14%	**2,168,639**	1,857,060	17%
Zinc	*%*	**5.01**	5.10	(2%)	**5.00**	5.15	(3%)
Copper	*%*	**1.99**	2.43	(18%)	**2.01**	2.21	(9%)
Gold	*g/tonne*	**1.80**	1.77	2%	**1.73**	1.76	(2%)
Silver	*g/tonne*	**19.71**	19.94	(1%)	**19.25**	21.17	(9%)

[1] Not in commercial production.

HUDBAY MINERALS INC

Third Quarter Results

		Three Months Ended			Nine Months Ended		
		Sept 30 2007	Sept 30 2006	% Change	**Sept 30 2007**	Sept 30 2006	% Change
Concentrators							
Flin Flon Concentrator							
Ore	*tonnes*	**577,879**	572,991	1%	**1,695,672**	1,688,630	0%
Zinc	*%*	**4.21**	4.53	(7%)	**4.20**	4.59	(8%)
Copper	*%*	**2.58**	2.75	(6%)	**2.56**	2.52	2%
Gold	*g/tonne*	**2.26**	1.91	18%	**2.15**	1.89	14%
Silver	*g/tonne*	**22.11**	19.93	11%	**21.27**	21.14	1%
Zinc concentrate	*tonnes*	**40,027**	43,464	(8%)	**117,297**	128,179	(8%)
Concentrate grade	*% Zn*	**52.13**	51.62	1%	**51.77**	51.79	0%
Copper concentrate	*tonnes*	**55,926**	58,387	(4%)	**163,027**	158,990	3%
Concentrate grade	*% Cu*	**25.05**	25.51	(2%)	**24.83**	25.02	(1%)
Zinc recovery	*%*	**85.9**	86.5	(1%)	**85.3**	85.6	0%
Copper recovery	*%*	**94.1**	94.7	(1%)	**93.1**	93.6	(1%)
Gold recovery	*%*	**65.7**	74.2	(11%)	**67.1**	71.6	(6%)
Silver recovery	*%*	**63.7**	66.4	(4%)	**60.4**	63.6	(5%)
Snow Lake Concentrator							
Ore	*tonnes*	**78,584**	80,314	(2%)	**242,062**	243,809	(1%)
Zinc	*%*	**8.40**	8.57	(2%)	**8.52**	8.50	0%
Zinc concentrate	*tonnes*	**12,866**	13,194	(2%)	**39,383**	39,418	0%
Concentrate grade	*% Zn*	**48.80**	50.92	(4%)	**50.51**	51.31	(2%)
Zinc recovery	*%*	**95.1**	97.6	(3%)	**96.4**	97.5	(1%)
Balmat Concentrator							
Ore	*tonnes*	**87,614**	-[1]	-	**234,929**	-[1]	-
Zinc	*%*	**7.00**	-[1]	-	**6.90**	-[1]	-
Zinc concentrate	*tonnes*	**10,252**	-[1]	-	**27,415**	-[1]	-
Concentrate grade	*% Zn*	**58.12**	-[1]	-	**57.08**	-[1]	-
Zinc recovery	*%*	**97.0**	-[1]	-	**95.8**	-[1]	-

[1] Not in commercial production.

HUDBAY MINERALS INC

Third Quarter Results

		Three Months Ended			Nine Months Ended		
		Sept 30 2007	Sept 30 2006	% Change	**Sept 30 2007**	Sept 30 2006	% Change
Zinc Plant							
Zinc Concentrate Treated							
Domestic	*tonnes*	**48,785**	58,195	(16%)	**149,970**	168,471	(11%)
Purchased	*tonnes*	**5,080**	574	785%	**17,619**	1,426	1136%
Total	*tonnes*	**53,865**	58,769	(8%)	**167,589**	169,897	(1%)
Zinc Oxide							
Zinc from HudBay	*tonnes*	**7,393**	7,456	(1%)	**21,574**	25,635	(16%)
Zinc from others	*tonnes*	**-**	141	(100%)	**-**	193	(100%)
Total zinc consumption	*tonnes*	**7,393**	7,597	(3%)	**21,574**	25,828	(16%)
Zinc oxide produced	*tonnes*	**9,030**	9,339	(3%)	**26,303**	31,516	(17%)
Smelter							
Copper Concentrate Treated							
Domestic	*tonnes*	**53,192**	56,966	(7%)	**163,213**	159,812	2%
Purchased	*tonnes*	**28,667**	24,331	18%	**75,505**	64,470	17%
Total	*tonnes*	**81,859**	81,297	1%	**238,718**	224,282	6%
White Pine Copper Refinery							
Anodes received	*tonnes*	**21,390**	22,102	(3%)	**64,132**	63,808	1%
Cathode produced	*tonnes*	**17,064**	17,776	(4%)	**50,793**	52,158	(3%)
Spent anode produced	*tonnes*	**4,071**	3,286	24%	**11,231**	9,621	17%
Liberator anode produced	*tonnes*	**663**	649	2%	**2,014**	1,837	10%
Slimes produced	*tonnes*	**49**	52	(6%)	**144**	150	(4%)

HUDBAY MINERALS INC

Third Quarter Results

		Three Months Ended			Nine Months Ended		
		Sept 30 2007	Sept 30 2006	% Change	**Sept 30 2007**	Sept 30 2006	% Change
Metal Produced [1]							
Metal from HBMS Concentrates							
Zinc	*tonnes*	**24,668**	30,096	(18%)	**74,937**	86,218	(13%)
Copper	*tonnes*	**12,601**	14,907	(15%)	**40,663**	41,381	(2%)
Gold	*troy oz.*	**23,924**	23,861	0%	**74,678**	68,417	9%
Silver	*troy oz.*	**227,281**	236,870	(4%)	**689,716**	717,415	(4%)
Metal from HBMS Purchased Concentrates							
Zinc	*tonnes*	**2,661**	322	726%	**9,079**	760	1095%
Copper	*tonnes*	**9,724**	9,372	4%	**26,138**	23,650	11%
Gold	*troy oz.*	**611**	612	0%	**1,687**	1,392	21%
Silver	*troy oz.*	**137,713**	109,672	26%	**371,324**	284,549	30%
Total HBMS Metal Produced							
Zinc	*tonnes*	**27,329**	30,418	(10%)	**84,016**	86,978	(3%)
Copper	*tonnes*	**22,325**	24,279	(8%)	**66,801**	65,031	3%
Gold	*troy oz.*	**24,535**	24,473	0%	**76,365**	69,809	9%
Silver	*troy oz.*	**364,994**	346,542	5%	**1,061,040**	1,001,964	6%
Balmat [2]							
Zinc metal in concentrate for sale	*tonnes*	**5,959**	5,034	18%	**15,582**	5,034	210%
Metal in equivalent concentrate purchased by HudBay [3]	*tonnes*	**(615)**	(718)	(14%)	**(4,712)**	(718)	556%
Total Produced [4]							
Zinc	*tonnes*	**32,673**	34,734	(6%)	**94,886**	91,294	4%
Copper	*tonnes*	**22,325**	24,279	(8%)	**66,801**	65,031	3%
Gold	*troy oz.*	**24,535**	24,473	0%	**76,365**	69,809	9%
Silver	*troy oz.*	**364,994**	346,542	5%	**1,061,040**	1,001,964	6%
Metal Sold [5]							
Zinc, incl sales to Zochem	*tonnes*	**33,703**	29,588	14%	**98,681**	79,534	24%
Copper	*tonnes*	**21,218**	23,343	(9%)	**68,445**	59,494	15%
Gold	*troy oz.*	**24,755**	20,901	18%	**78,167**	60,809	29%
Silver	*troy oz.*	**329,318**	313,117	5%	**1,023,714**	899,597	14%

[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's zinc concentrate production sold to Xstrata.

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

[5] Excludes inventory changes at CMM in 2006.

CASH COST PER POUND OF ZINC SOLD

HudBay's cash cost of zinc sold, net of by-product credits, for the third quarter of 2007 was negative US$0.15 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 33)

	Three Months Ended			Nine Months Ended		
	Sept 30 2007	Sept 30 2006	% Change	**Sept 30 2007**	Sept 30 2006	% Change
	($000's except as noted)					
Expenses	**225,310**	199,474	13%	**685,280**	503,766	36%
Non-cash operating costs [1]	**(32,817)**	(21,510)	53%	**(101,464)**	(56,801)	79%
Less by-product credits [2]	**(204,536)**	(237,519)	(14%)	**(647,118)**	(549,015)	18%
Cash cost net of by-products	**(12,043)**	(59,555)	(80%)	**(63,302)**	(102,050)	(38%)
Exchange rate (C$/US$) [3]	**1.046**	1.118	(6%)	**1.104**	1.130	(2%)
Cash cost net of by-products	**(11,513)**	(53,269)	(78%)	**(57,339)**	(90,310)	(37%)
Zinc sales (000's lbs.)	**74,303**	65,231	14%	**217,555**	175,342	24%
Cash cost per pound of zinc, net of by-product credits in US$/lb.	**(0.15)**	(0.82)	(82%)	**(0.26)**	(0.52)	(50%)

[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.

For the quarter ended September 30, 2007, cash cost per pound of zinc sold was negative US$0.15, a net increase from the same period in 2006 of US$0.67 per pound of zinc sold, due to:

- US$0.23 unfavourable by-product credit variance;
- US$0.08 impact of a stronger Canadian dollar;
- US$0.26 for higher costs, about half of which related to purchased concentrate costs; and
- US$0.10 due to volumes

Year-to-date, cash cost per pound of zinc sold was negative US$0.26, a net increase from the same period in 2006 of US$0.26 per pound of zinc sold, due to:

- (US$0.46) favourable by-product credit variance;
- US$0.03 impact of a stronger Canadian dollar;
- US$0.59 for higher costs; and
- US$0.10 due to volumes

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

ADDITIONAL INFORMATION ON BALMAT

During the quarter, Balmat produced 5,959 tonnes of zinc contained in concentrate with 5,065 tonnes of payable zinc metal, and sold 4,548 tonnes of zinc metal. During the quarter, inventory of zinc concentrate at Balmat increased by about 1,000 tonnes to approximately 2,000 tonnes.

During the quarter and year-to-date, the Balmat operation has not achieved positive operating earnings; however, it has generated positive operating cash flow before changes in working capital and additions to property, plant and equipment.

Costs of the operation not directly associated with the mining and concentration activities, including freight and administration, approximated $2.5 million for the quarter and $8.8 year-to-date.

		Three Months Ended			Nine Months Ended		
Balmat Zinc Metal		**Sept 30 2007**	Sept 30[1] 2006	% Change	**Sept 30 2007**	Sept 30 2006	% Change
Contained in concentrate produced	*tonnes*	**5,959**	-	-	**15,582**	-	-
Payable in concentrate produced	*tonnes*	**5,065**	-	-	**13,245**	-	-
Zinc metal sold	*tonnes*	**4,548**	-	-	**13,364**	-	-

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

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 third quarter of 2007, Balmat's cash costs per pound of payable zinc (excluding concentrate treatment charges) were US$0.74/lb. Balmat is expected to make significant progress in the fourth quarter of 2007 towards achieving the annual target rate of 60,000 tons of zinc in concentrate. As Balmat's production increases, its cash costs per pound of payable zinc are expected to decrease.

Year-to-date, Balmat's cash costs per pound of payable zinc (excluding concentrate treatment charges) were US$0.86/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 and expenditures, future exploration plans and possible results with respect to the Lalor Lake property, 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, costs of production, estimated capital spending, estimated depreciation and amortization, taxation policies and reserves and pools, future hedging activities and possible foreign exchange protection programs. 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, actual results of current exploration activities, possible variations in ore reserves, resources, grade or recovery rates, permitting timelines, 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.