HudBay Minerals Inc.

Management's Discussion and Analysis of
Results of Operations and Financial Condition

For the Three Months
Ended March 31, 2009

May 5, 2009

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

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FORWARD-LOOKING INFORMATION

This Management's Discussion and Analysis ("MD&A") contains "forward-looking information", within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to HudBay Mineral Inc.'s ("HudBay") exploration expenditures and activities and the possible success of such exploration activities, the estimation of mineral reserves and resources, the realization of mineral estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, mineral pricing, debt repayment, reclamation costs, the economic outlook, currency fluctuations, government regulation of mining operations, environmental risks, mine life projections, the availability of third party concentrate, business and acquisition strategies and the timing and possible outcome of pending litigation. Often, but not always, forward-looking information can be identified by the use of forward-looking words like "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "understands", "anticipates", or "does not anticipate", or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved". Forward-looking information is based on the opinions and estimates of management as of the date such information is provided and is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of HudBay to be materially different from those expressed or implied by such forward-looking information, including risks associated with the mining industry such as economic factors (including future commodity prices, currency fluctuations and energy prices), failure of plant, equipment, processes and transportation services to operate as anticipated, dependence on key personnel and employee relations, environmental risks, government regulation, actual results of current exploration activities, possible variations in ore grade or recovery rates, permitting timelines, capital expenditures, reclamation activities, land titles, and social and political developments and other risks of the mining industry as well as those risk factors discussed or referred to in HudBay's Annual Information Form ("AIF") under the heading "Risk Factors". Although HudBay has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. HudBay does not undertake to update any forward-looking information, except as required by applicable securities laws, or to comment on analyses, expectations or statements made by third parties in respect of HudBay, its financial or operating results or its securities.

DOCUMENTS INCORPORATED BY REFERENCE

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this MD&A to the extent that a statement contained herein, or in any other subsequently filed document that also is incorporated or is deemed to be incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this MD&A after it has been modified or superseded.

INTRODUCTION

Unless the context otherwise suggests, references to “HudBay” or the “Company” or “we”, “us”, “our” or similar terms refer to HudBay Minerals Inc. and its subsidiaries. “HBMS” refers to Hudson Bay Mining and Smelting Co., Limited, and "HMI Nickel" refers to HMI Nickel Inc., both wholly-owned subsidiaries of HudBay. "CGN" refers to Compañía Guatemalteca de Níquel, S.A., a 98.2%-owned subsidiary held through HMI Nickel.

This MD&A dated May 5, 2009 is intended to supplement and complement HudBay's unaudited interim consolidated financial statements and related notes for the three months ended March 31, 2009, which have been 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 for the year ended December 31, 2008. Additional information regarding the Company, including its audited annual consolidated financial statements and annual MD&A for the year ended December 31, 2008 and its most recent AIF, is available on SEDAR at www.sedar.com. All figures are in Canadian dollars unless otherwise noted.

OUR BUSINESS

HudBay (TSX: HBM) is a Canadian-based, integrated base metals mining, metallurgical processing and refining company with assets in North and Central America. We own zinc and copper mines, concentrators and metal production facilities in northern Manitoba and Saskatchewan, a zinc oxide production facility in Ontario, a copper refinery in Michigan and a nickel project in Guatemala. In addition to our primary products, zinc and copper, we also produce gold, silver and zinc oxide. Our objective is to increase shareholder value through efficient operations, organic growth and accretive acquisitions, all while maintaining our financial strength.

HUDBAY MINERALS

KEY FINANCIAL AND PRODUCTION RESULTS

		Three Months Ended	
		Mar 31 2009	Mar 31 2008
Financial Highlights		*($000s except per share and cash cost per pound amounts)*	
Revenue		**161,784**	271,637
(Loss) earnings before tax		**(5,280)**	46,597
Net (loss) earnings		**(3,958)**	21,552
EBITDA [1]		**15,493**	70,965
Operating cash flow [1 2]		**13,972**	70,651
Net (loss) earnings per share		**(0.03)**	0.17
Operating cash flow per share [1 2]		**0.09**	0.56
Cash cost per pound of zinc sold [1]		**US 0.32**	US (0.13)
Operating Highlights			
Production			
Zinc [3]	*tonnes*	**25,640**	34,710
Copper [4]	*tonnes*	**16,239**	19,272
Gold [4]	*troy oz.*	**21,262**	22,999
Silver [4]	*troy oz.*	**564,875**	436,913
Metal Sold			
Zinc [5]	*tonnes*	**26,949**	32,916
Copper	*tonnes*	**16,191**	20,602
Gold	*troy oz.*	**28,624**	19,808
Silver	*troy oz.*	**606,031**	283,467
Financial Condition		*($000s)*	
Cash, cash equivalents and short-term investments		**609,829**	781,048
Working capital		**704,553**	895,435
Cash (less debt) [6]		**609,419**	766,281
Total assets		**1,940,577**	1,576,209
Shareholders' equity		**1,623,259**	1,193,503

1 EBITDA, operating cash flow before changes in non-cash working capital, operating cash flow per share, and cash cost per pound of zinc sold are considered non-GAAP measures (refer to “Non-GAAP Measures” on page 31). For EBITDA refer to page 16. For the reconciliation of operating cash flow before changes in non-cash working capital and operating cash flow per share, refer to page 31. 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.

4 Production excludes recycled spent anode and represents non-recycled anode production only.

5 Zinc sales include sales to our Zochem facility of 4,478 tonnes in the first quarter of 2009, as well as Balmat payable metal in concentrate shipped (including to HBMS) of 802 tonnes for the first quarter. Zochem had sales of 5,954 tonnes of zinc oxide in the first quarter.

6 Cash, cash equivalents and short-term investments of $609,829 less capital leases of $410 as at March 31, 2009.

EXECUTIVE SUMMARY

Recent Developments

On November 21, 2008, we entered into an arrangement agreement (the “Arrangement Agreement”) with Lundin Mining Corporation (“Lundin”) pursuant to which we would have acquired all of the issued and outstanding common shares of Lundin, subject to satisfaction of certain conditions, on the basis of 0.3919 of a HudBay common share for each Lundin common share. The transaction was to be completed in the first quarter of 2009.

Also on November 21, 2008, we entered into a subscription agreement with Lundin whereby we agreed to acquire 96,997,492 common shares of Lundin at a price of $1.40 per share in a private placement (the “Private Placement”), with aggregate gross proceeds to Lundin of $135.8 million. The Private Placement was completed on December 11, 2008, and on its completion we held 19.9% of the issued and outstanding Lundin common shares.

Pursuant to the terms of the subscription agreement, until such time as we hold less than 10% of the Lundin common shares, we agreed to not vote our Lundin common shares against Lundin management recommendations in respect of any proposed resolution except (i) in connection with a change of control transaction or (ii) in connection with a resolution proposed by management regarding issuance of common shares representing greater than 10% of issued and outstanding Lundin common shares. We are also subject to certain restrictions on our ability to sell our Lundin common shares.

On January 23, 2009, the Ontario Securities Commission (“OSC”) set aside a decision of the Toronto Stock Exchange granting conditional approval for the listing of the HudBay common shares to be issued as consideration pursuant to the Arrangement Agreement. The OSC determined in its decision that HudBay shareholder approval of the acquisition of Lundin was required as a condition to the listing of the additional HudBay common shares. As such, the OSC prohibited us from issuing any securities in connection with the transaction contemplated by the Arrangement Agreement without the transaction having been approved by a simple majority of the votes cast at a special meeting of our shareholders.

We entered into a termination agreement providing for the termination of the Arrangement Agreement with Lundin (the “Termination Agreement”) on February 23, 2009 after our Board of Directors concluded we were unlikely to receive the requisite shareholder approval. We retained the ownership stake in Lundin that we acquired through the Private Placement, which now constitutes 16.7% of Lundin's outstanding common shares based on Lundin's public disclosure. In consideration of terminating the arrangement, we were granted the following rights by Lundin:

- subject to certain conditions, as long as we own 10% or more of the outstanding Lundin common shares, we are entitled to have one nominee on Lundin’s Board of Directors;
- as long as we own 10% or more of the outstanding Lundin common shares, we have the right to maintain our current level of ownership in any public or private distribution of Lundin common shares, subject to certain limited exceptions; and
- subject to certain conditions, we have a right of first offer in the event of any proposed sale or transfer of material assets of Lundin during the six month period after February 23, 2009.

Pursuant to the Termination Agreement, each of HudBay and Lundin has released the other in respect of any and all claims arising from the Arrangement Agreement. Neither party will be liable for the payment of any termination fees to the other.

On March 23, 2009, our previous Board of Directors resigned, and the nominees of SRM Global Master Fund Limited Partnership ("SRM") were appointed to HudBay's Board. The transition in our Board followed the resolution of a proxy contest initiated by SRM in December 2008. In connection with the Board transition, Colin K. Benner resigned as interim chief executive officer and Peter R. Jones was appointed chief executive officer. Mr. Benner had replaced Allen J. Palmiere, who resigned as chief executive officer on March 9, 2009. Mr. Jones and the new Board of Directors have initiated a process to conduct a strategic review of HudBay and its operations.

On January 9, 2009, we announced that we would place our Chisel North mine and Snow Lake concentrator on care and maintenance until economic conditions warrant re-evaluation. The suspension of operations was due to depressed base metals prices related to the global economic downturn. We suspended operations at the mine in February 2009, and the concentrator ceased production of concentrate in March 2009. Closure of the concentrator will be complete by the end of May 2009.

Financial Highlights

The effect of the global recession on market prices for base metals significantly impacted financial results in the first quarter of 2009. Realized prices for zinc and copper were significantly lower than in the first quarter of 2008. Partially offsetting this impact was a significantly weaker Canadian dollar relative to the US dollar, again reflecting the impact of weak global economic conditions on Canada's key commodity exports.

We recorded cash flow from operating activities of $14.0 million before changes in non-cash working capital for the quarter, or $0.09 per share, as compared to $70.7 million, or $0.56 per share, for the same quarter in 2008.

- Cash, cash equivalents and short-term investments were $609.8 million as at March 31, 2009.
- Working capital was $704.6 million.

Net losses were $4.0 million for the quarter, or $0.03 per share, compared to net earnings of $21.6 million for the same quarter in 2008, or $0.17 per share. Significant variances were:

- Revenues of $161.8 million were $109.9 million lower than for the first quarter of 2008 due primarily to lower copper and zinc prices and volumes, partially offset by a weaker Canadian dollar;
- Operating expenses of $135.1 million were $51.6 million lower than for the first quarter of 2008 due primarily to reduced prices and volumes of purchased copper concentrates;
- Lower interest and other income decreased earnings before tax by $5.8 million;
- Lower exploration expenses increased earnings before tax by $5.0 million;
- Foreign exchange gains increased earnings before tax by $3.9 million; and
- Tax benefits of $1.3 million in the first quarter of 2009, as compared to tax expenses recognized in the first quarter of 2008, increased net earnings by $26.4 million.

The decrease of $94.8 million in cash, cash equivalents and short-term investments during the first quarter included several factors that we do not expect to recur in the current economic environment. We reclassified cash, cash equivalents and short-term investments of $52.3 million to restricted cash in order to support letters of credit previously supported by our credit facility, which expired on February 27, 2009. During the quarter, we also paid $22.4 million for 2008 taxes and recorded $4.8 million related to the Lundin transaction, shareholder litigation, proxy solicitation and other merger and acquisition related activities, as well as approximately $2.8 million for severance.

Operational Highlights

Our production remains on track to meet our expectations for our overall 2009 guidance. Mine production for the quarter was 610,395 tonnes of ore, compared to 751,382 tonnes for the same quarter in 2008 due to the lower contribution from the Chisel North and Balmat mines resulting from the suspension of both operations. Ore grade for zinc was 3.79%, and for copper was 2.28%, as compared to 4.89% for zinc and 1.89% for copper for the same quarter in 2008. Lower production from Balmat and Chisel North negatively affected weighted average zinc grades.

In line with the reduced mine output, production from our zinc plant decreased to 25,640 tonnes, compared to 27,695 tonnes in the same quarter of 2008. Unit operating costs decreased by 4% to 31.0¢/lb., reflecting lower costs for operating and maintenance materials.

Non-recycled copper production was lower by 16% due primarily to the lack of availability of economic purchased concentrate. The smelter's unit operating costs, which exclude recycled production, decreased by 2% to 34.9¢/lb. of copper produced, the impact of lower production being more than offset by the reduction in costs for heavy fuel oil.

Gold production decreased 8% due to lower volumes of concentrates and lower head grades. Silver production increased by 29%, primarily from a specific purchased concentrate source.

For the quarter, our cash cost per pound of zinc sold, net of by-product credits from copper, precious metals, zinc oxide and other associated revenue, was US$0.32/lb. compared to negative US$0.13/lb. in the same quarter of last year, excluding costs and sales related to Balmat and HMI Nickel (refer to "Non-GAAP Measures" on page 31). The increase was principally due to lower by-product copper credits arising mainly from lower volumes and prices, offset in part by the benefit of a weaker Canadian dollar.

As noted above, economic conditions prompted us to evaluate our operations and assets, which resulted in our decision to suspend certain operations. Management has concluded that the values of our operational assets continue to support their recorded amounts.

Exploration

As a result of encouraging drilling results, we intend to spend an additional $6.1 million on our Lalor zinc deposit ("Lalor deposit") in 2009, in addition to the $6.9 million originally projected in our MD&A for the year ended December 31, 2008. The aim of the 2009 Lalor exploration program is to advance the project to the feasibility stage, with the hope of then developing a mine. The purpose of the increased diamond drilling on the three main gold zones is to determine the magnitude of the gold mineralization that is still open to the north, and to increase confidence on the interpretations of the zones.

In the first quarter of 2009, we continued exploration activities in support of developing the growth potential of our exploration properties within the Flin Flon Greenstone Belt, as well as in our operating mines. Total exploration spending in the quarter, including capitalized exploration and amounts against which we recorded investment tax credits, was $4.6 million, compared to $8.5 million in the first quarter of 2008.

In the Flin Flon Greenstone Belt, we continued to focus our exploration activities on our Lalor deposit zinc-gold discovery. In August 2008, HudBay filed a NI 43-101 technical report on the Lalor deposit. Capitalized exploration on the Lalor deposit was $3.1 million in the quarter.

We are also drilling structural and geophysical targets from surface on properties adjacent to our 777 mine.

In-mine exploration in the operating mines represented approximately $0.4 million of our exploration-mine spending in the quarter.

Outside the Flin Flon Greenstone Belt, we carried out drill site reclamation at three drill sites around Minto, Ontario.

Environment, Health and Safety

For the quarter, we recorded a lost time accident frequency of 0.6 per 200,000 hours worked, including contractors, compared to 0.4 for the same quarter in 2008. There were no significant environmental non-compliances during the quarter.

Fenix Project Update

In November 2008, we determined to delay construction of our Fenix nickel project ("Fenix Project") in Guatemala in light of the significant deterioration in metals prices and recent global economic uncertainty. During the first quarter of 2009, we continued with upgrades of the road from Rio Dulce to El Estor and with assessments of power supply and transportation alternatives. Community projects continued in the local town of El Estor.

Outlook

As a strategic review of HudBay and its operations by Mr. Jones and the new Board of Directors is ongoing, readers should consider previous disclosure concerning anticipated 2009 capital and exploration expenditures to be provisional and subject to revision. Please see "Exploration" above regarding exploration on the Lalor deposit.

Copper prices and, to a lesser extent, zinc prices have recovered somewhat from the sharp declines seen in late 2008. It is not apparent, however, whether global economic conditions have recovered in a meaningful way that would sustain current prices, and it is possible that base metal prices could weaken again before a sustained global economic recovery returns base metal prices to levels that are sustainable in the long term.

With cash, cash equivalents and short-term investments of $609.8 million as at March 31, 2009 and minimal debt balances, our financial strength is a strategic competitive advantage in current market conditions. A key focus of our strategic review will be to determine the most efficient way of using our financial strength to maximize shareholder value.

FINANCIAL REVIEW

Net Earnings Analysis

	Three Months Ended Mar 31, 2009 ($ millions)
Net earnings for the period ended March 31, 2008	**21.6**
Increase (decrease) in earnings components:	
Revenues	**(109.9)**
Costs and expenses	
Operating	**51.6**
Depreciation, depletion and amortization	**3.2**
General and administrative	**(3.3)**
Stock-based compensation	**2.3**
Accretion of asset retirement obligations	**(0.2)**
Foreign exchange gain / loss	**3.9**
Exploration	**5.0**
Interest and other income	**(5.8)**
Gain / loss on derivative instruments	**1.2**
Future taxes	**20.2**
Current taxes	**6.2**
Decrease in net earnings	**(25.6)**
Net loss for the period ended March 31, 2009	**(4.0)**

Net Earnings

For the first quarter, we recorded a net loss of $4.0 million, reflecting a $25.6 million decrease from the first quarter of 2008. Significant variances affecting net earnings were:

- Lower revenues decreased earnings before tax by $109.9 million. See "Revenue" on page 10;
- Lower operating costs increased earnings before tax by $51.6 million. See "Operating Expenses" on page 12;
- Changes in foreign exchange gains and losses increased earnings before tax by $3.9 million. See "Foreign exchange gain" on page 14;
- Decreases in other expenses increased earnings before tax by $2.0 million, mainly due to decreases in depreciation and amortization of $3.2 million and decreases in stock-based compensation of $2.3 million, partially offset by increases in general and administrative expense of $3.3 million, which related to merger and acquisition, severance and other corporate activities;
- Other items increased earnings before tax by $0.3 million, including decreases in interest and other income of $5.8 million and decreases in exploration expenses of $5.0 million; and
- Tax benefits in the first quarter of 2009, as compared to tax expenses in the first quarter of 2008, increased net earnings by $26.4 million. See "Tax Expense" on page 15.

Revenue

Total revenue for the first quarter was $161.8 million; $109.9 million lower than for the same quarter last year. Significant revenue variances were:

- Lower copper prices decreased revenue by $102.8 million. Our average realized copper price was US$1.69/lb. in the first quarter of 2009 compared with US$3.50/lb. in the first quarter of 2008;
- The Canadian dollar, which was weaker over the first quarter of 2009 than it was over the first quarter of 2008, increased our revenues denominated in US dollars by $61.7 million;
- Lower zinc prices decreased revenue by $45.6 million for zinc metal. Our average realized zinc price was US$0.56/lb. in the first quarter of 2009 compared with US$1.18/lb. in the first quarter of 2008;
- Lower copper sales volumes decreased revenue by $20.6 million;
- Higher gold sales volumes increased revenue by $11.1 million. Gold sales in the first quarter of 2008 were unusually low due to the timing of shipments;
- Lower Balmat concentrate sales decreased revenues by $8.8 million. Balmat sales were $9.5 million in the first quarter of 2008, whereas sales in the first quarter of 2009 were only $0.7 million and resulted from 2008 production;
- Effective January 1, 2009, we have agreed to dispose of our 50% ownership in Considar Metal Marketing SA Inc. (“CMMSA”), which had contributed revenues of approximately $4.8 million in the first quarter of 2008. The transaction will not have a material effect on our marketing activities;
- Silver volumes increased revenue by $3.9 million, largely due to increased silver content in purchased concentrates; and
- Other volume and pricing differences decreased revenue by $4.0 million.

Excluding the impact of foreign exchange, the key drivers of our revenue are quantities of metal sold and realized metal prices. Refer to “Key Financial and Production Results” on page 4 for information on our metal sales quantities.

HUDBAY MINERALS

HudBay Realized Prices

		Q1 2009 Average Prices [2]	Q1 2008 Average Prices [2]	HudBay Realized Prices [1] Three Months Ended Mar 31 2009	Mar 31 2008
Prices in US$					
Zinc [3]	*US$/lb.*	0.53	1.10	**0.56**	1.18
Copper [3]	*US$/lb.*	1.56	3.54	**1.69**	3.50
Gold	*US$/troy oz.*	909	927	**885**	840
Silver	*US$/troy oz.*	12.61	17.68	**12.40**	15.65
Prices in C$					
Zinc [3]	*C$/lb.*	0.66	1.11	**0.70**	1.19
Copper [3]	*C$/lb.*	1.94	3.55	**2.11**	3.51
Gold	*C$/troy oz.*	1,132	931	**1,117**	843
Silver	*C$/troy oz.*	15.70	17.75	**15.65**	15.70
Exchange rate	*US$1 to C$*	1.25	1.00	**1.25**	1.00

[1] Realized prices are before refining and treatment charges and only on the sale of finished metal, excluding metal in concentrates.

[2] London Metals Exchange ("LME") average for zinc, copper and gold prices, London Spot US equivalent for silver prices. HudBay's copper sales contracts are primarily based on Comex copper prices.

[3] The realized components of our metal swap cash flow hedges resulted in a gain of US$0.01/lb. for zinc and a gain of US$0.03/lb. for copper during the first quarter of 2009. Refer to "Base Metal Price Strategic Risk Management" on page 21.

Expenses

Operating Expenses

For the first quarter of 2009, our operating expenses were $135.1 million; $51.6 million lower than for the same quarter last year. Significant variances were:

- Reduced purchase prices for copper concentrates decreased operating costs by approximately $29.1 million as compared to the first quarter of 2008;
- Operating cost reductions relating to lower volumes were approximately $23.0 million before consideration of Balmat and CMMSA, primarily related to lower volumes of purchased concentrates; lower volumes of zinc and gold were largely offset by higher volumes of domestic copper. Purchased concentrates accounted for only 18% of total concentrates treated during the first quarter of 2009, as compared to 28% in the first quarter of 2008;
- The Canadian dollar, which was weaker over the first quarter of 2009 than it was over the first quarter of 2008, increased our operating costs denominated in US dollars (other than Balmat) by an estimated $19.4 million, most of which related to purchased concentrates;
- Suspension of operations at Balmat resulted in a reduction of $8.8 million in operating costs from the first quarter of 2008. During the first quarter of 2008, Balmat operating costs associated with higher sales volumes were $11.2 million, whereas costs in the first quarter of 2009 were $0.8 million, resulting from 2008 production, in addition to care and maintenance costs of $1.6 million;
- Lower profit sharing and net profits interest expenses decreased operating costs by $4.4 million and $2.0 million, respectively, as these are dependent on earnings performance and metals prices;
- As noted above, effective January 1, 2009, we agreed to dispose of our 50% ownership in CMMSA. During the first quarter of 2008, we recorded operating costs of approximately $4.0 million for sales generated by CMMSA;
- Expenditures for the HMI Nickel entity, which we acquired in August 2008, were $2.7 million, primarily for care and maintenance; and
- Other operating expenses decreased costs by $2.4 million.

Key inventory changes during the first quarter were [1]:

- Concentrate inventory - Balmat zinc concentrate inventory decreased by 1,800 tonnes as all concentrates have now been shipped, other domestic zinc concentrate decreased by 3,700 tonnes to 2,500 tonnes, and domestic copper concentrate decreased by 800 tonnes to 3,500 tonnes;
- Inventory in process - Copper anodes increased by 2,000 tonnes to 9,000 tonnes; and
- Finished metal inventory - Zinc decreased by 800 tonnes to 16,400 tonnes, and copper decreased by 2,000 tonnes to 5,000 tonnes.

For the quarter, our inventory in process and finished metal inventory decreased by $10.4 million, primarily due to lower volumes finished metals, including gold, on hand.

HUDBAY MINERALS

Unit Operating Costs		Three Months Ended Mar 31 2009	Mar 31 2008
Mines			
777	*$/tonne*	**40.88**	40.25
Trout Lake	*$/tonne*	**46.59**	49.36
Chisel North	*$/tonne*	**50.02**	56.11
Balmat [1]	*$/tonne*	**-**	62.89
Total Mines [1]	*$/tonne*	**43.27**	47.66
Concentrators			
Flin Flon	*$/tonne*	**9.14**	9.29
Snow Lake	*$/tonne*	**22.24**	19.52
Balmat	*$/tonne*	**-**	14.15
Metallurgical Plants			
Zinc Plant	*$/lb. Zn*	**0.310**	0.323
Zochem [2]	*$/lb. ZnO*	**0.195**	0.132
Copper Smelter	*$/lb. Cu*	**0.349**	0.355
WPCR	*US$/lb. Cu*	**0.093**	0.077
Non-GAAP Detailed Operating Expenses [3]	*($000s)*		
Mines			
777		**15,693**	14,533
Trout Lake		**8,285**	9,880
Chisel North		**2,436**	4,656
Balmat		**-**	6,741
Concentrators			
Flin Flon		**5,160**	5,312
Snow Lake		**1,090**	1,619
Balmat		**-**	1,515
Metallurgical Plants			
Zinc Plant		**17,513**	19,717
Copper Smelter		**12,477**	15,085
WPCR		**3,301**	3,131
Other			
Purchased concentrate treated		**26,456**	70,517
Anode freight & refining		**2,126**	2,411
Services & administration		**8,693**	11,819
HBMS employee profit sharing		**1,197**	5,630
Net profits interest		**2,810**	4,774
Other [4]		**12,250**	15,350
Changes in domestic inventory [5]		**12,882**	(5,987)
HMI Nickel		**2,731**	-
Total Operating Expenses, per financials		**135,100**	186,703

[1] As production at our Balmat mine was suspended on August 22, 2008, unit production costs for subsequent periods were not meaningful as a comparative tool and have not been presented. However, Balmat's costs are reflected within the weighted average unit costs presented for total mines.

[2] Excludes the cost of metal purchases.

[3] Refer to “Non-GAAP Measures” on page 31.

[4] Includes our share of Considar Metal Marketing ("CMM") operating costs for 2008 and care and maintenance costs for Balmat and Chisel for 2009.

[5] During the first quarter of 2009, we reduced inventories, requiring recognition of additional operating expenses to reflect the cost of sales during the period. During the same period in 2008, inventories increased, requiring a negative adjustment to operating expenses.

For the first quarter, other significant variances for 2009 versus 2008 were:

- **Depreciation and amortization** decreased by $3.2 million, totaling $21.0 million for the first quarter of 2009. Decreases of $4.6 million from the suspension of our Balmat operations were partially offset by increases in rates for operating assets.

- **General and administrative** expenses increased by $3.3 million, totaling $13.1 million for the first quarter of 2009. The increase resulted mainly from approximately $4.8 million for costs related to the Lundin transaction, shareholder litigation, proxy solicitation and other merger and acquisition related activities, as well as approximately $2.8 million for severance costs. Approximately $4.7 million of executive retirement and severance costs were included in the first quarter results of 2008.

- **Stock-based compensation** decreased by $2.3 million to $2.2 million for the first quarter of 2009. Stock-based compensation expense is based upon option pricing models utilizing share prices and volatility. No options were granted during the quarter, whereas the expense in the first quarter of 2008 was affected by additional grants.

- **Foreign exchange gain** increased by $3.9 million to a gain of $5.2 million in the first quarter of 2009. Foreign exchange gain represents changes in the Canadian dollar value of our foreign currency denominated operating accounts (including certain cash, cash equivalents and short-term investments, accounts receivable, accounts payable and derivatives) in response to changes in the value of the Canadian dollar relative to foreign currencies over the period. Our foreign currency denominated operating accounts are held primarily in US dollars; small amounts are held in Guatemalan quetzals. The value of the Canadian dollar relative to the US dollar decreased over the first quarter of 2009, with exchange rates moving from $1.22 as at December 31, 2008 to $1.26 as at March 31, 2009, resulting in a foreign exchange gain of $5.2 million in the first quarter of 2009. Over the same period in the prior year, the value of the Canadian dollar decreased, with exchange rates moving from $0.99 as at December 31, 2007 to $1.03 as at March 31, 2008, which resulted in a foreign exchange gain of $1.3 million in the first quarter of 2008.

- **Exploration expenses** decreased by $5.0 million to $1.1 million for the first quarter of 2009. Exploration expenses of $6.1 million in the first quarter of 2008 were accounted for after recognition of tax credits of $0.6 million. We expensed costs associated with the Lalor deposit during the first quarter of 2008 and capitalized them thereafter. Refer to "Capital Expenditures" on page 20 for information on capitalized exploration expenditures.

- **Interest and other income** decreased by $5.8 million to $1.9 million for the first quarter of 2009. Interest income was lower in the first quarter of 2009 due to lower interest rates and lower invested cash.

- **Loss on derivative instruments** changed by $1.1 million to a loss of $0.6 million in the first quarter of 2009, which related largely to the change in fair value of our senior secured notes over the quarter, as well as a premium paid on redemption of the notes in January 2009. The loss of $1.7 million in the first quarter of 2008 related mainly to the change in value of US dollar put options, which expired in January 2009, as well as ineffective losses recorded on cash flow hedging derivatives that we terminated in 2008.

Tax Expense

Income Tax Expense

The statutory income tax rate decreased from approximately 32.5% for the full 2008 year to an estimated rate of 31.3% for the full 2009 year as a result of federal and provincial income tax rate reductions.

Our effective income tax rate for the first quarter was approximately 56%. As a result, we recorded a net income tax benefit of $3.0 million in our net loss for the period. Our effective income tax rate was higher than the 31.3% statutory income tax rate primarily because we decreased our valuation allowance by $1.8 million in the first quarter to recognize future tax assets related to prior mark-to-market losses recorded on available-for-sale investments. Stock-based compensation (not deductible for tax purposes) and other costs that are not fully deductible for tax purposes partially offset the effect of the decrease in the valuation allowance.

Mining Tax Expense

We have also accumulated mining tax pools over the years and have recorded the related benefits as future mining tax assets. We consider some additional factors in estimating the required valuation allowance for mining tax assets, primarily because the rate of deductions is more restrictive for mining tax purposes. As at March 31, 2009, the future mining tax asset recorded on our balance sheet was net of a valuation allowance related to temporary differences for mining tax pools that we expect to reverse more than three years in the future. We review estimates for the valuation allowance each quarter and, in so doing, consider uncertainties associated with future longer term metal prices and foreign exchange rates. During the first quarter, after applying our mining tax pools to current earnings, the future mining tax asset was partially drawn down.

Our effective rate for mining taxes was approximately negative 31% on our first quarter loss before tax. For the full 2008 year, mining taxes were approximately 17% on earnings before tax. Effective mining tax rates can vary significantly based on the composition of our earnings (losses).

	Three Months Ended	
Breakdown of Tax (Benefit) Expense	**Mar 31 2009**	Mar 31 2008
	($000s)	
Non-cash - income tax expense *	**(3,388)**	17,339
Non-cash - mining tax expense *	**1,544**	967
Total non-cash draw-down	**(1,844)**	18,306
Estimated current taxes payable - income tax	**435**	90
Estimated current taxes payable - mining tax	**87**	6,649
Total estimated current taxes payable	**522**	6,739
Tax (benefit) expense	**(1,322)**	25,045

* Non-cash tax expenses represent our draw-downs of non-cash future income and mining tax assets.

HUDBAY MINERALS

EBITDA *

The following table presents our calculation of EBITDA for the three months ended March 31, 2009 and March 31, 2008.

	Three Months Ended	
	Mar 31 2009	Mar 31 2008
	($000s)	
(Loss) earnings before tax, per financial statements	**(5,280)**	46,597
Adjustments:		
Depreciation and amortization	**21,032**	24,233
Exploration	**1,055**	6,096
Interest and other income	**(1,940)**	(7,702)
Loss on derivative instruments	**626**	1,741
EBITDA *	**15,493**	70,965

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

TREND ANALYSIS AND QUARTERLY REVIEW

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

	2009	2008				2007		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	($000s)							
Revenue	161,784	178,781	247,441	284,035	271,637	242,596	319,805	358,298
EBITDA[1]	15,493	46,300	88,633	86,351	70,965	72,014	118,414	140,119
Operating cash flow[2]	13,972	38,805	54,484	70,721	70,651	83,809	113,921	137,660
(Loss) earnings before tax	(5,280)	24,614	33,898	64,542	46,597	31,722	94,266	121,953
Net (loss) earnings	(3,958)	15,819	2,780	33,202	21,552	28,459	66,465	69,139
(Loss) earnings per share:								
Basic	(0.03)	0.10	0.02	0.26	0.17	0.22	0.52	0.55
Diluted	(0.03)	0.10	0.02	0.26	0.17	0.22	0.52	0.54

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

2 Before changes in non-cash working capital (refer to "Non-GAAP Measures" on page 31).

HUDBAY MINERALS

The price, quantity and mix of metals sold, along with movements in the Canadian dollar, affect our revenue, operating cash flow and earnings. Revenue from metal sales can vary from quarter to quarter due to production levels, shipping volumes, and risk and title transfer terms with customers.

Prices for zinc metal steadily declined since the second quarter of 2007 and reached a three year low in the fourth quarter of 2008. Copper prices were much stronger through 2007 and the first three quarters of 2008; however, a dramatic fall in copper prices in October 2008 resulted in significantly lower average copper prices during the fourth quarter of 2008 and the first quarter of 2009. As a result, our EBITDA and operating cash flow have declined substantially in the past six months compared to the levels we enjoyed in early 2007. A significant weakening of the Canadian dollar, which occurred at the same time as the decline in metals prices in the fourth quarter of 2008, partially offset this trend.

In the fourth quarter of 2007 and the third quarter of 2008, we recorded asset impairment losses on our Balmat mine assets of $15.1 million and $27.2 million, respectively. In addition, we recorded a foreign exchange gain of $34.8 million in the fourth quarter of 2008.

FINANCIAL CONDITION, CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

Financial Condition at March 31, 2009 Compared to Financial Condition as at December 31, 2008

Cash, cash equivalents and short-term investments of $609.8 million as at March 31, 2009 reflected a $94.8 million decrease from their balance of $704.7 million as at December 31, 2008. We have not invested in asset-backed commercial paper, and our cash equivalents and short-term investments are held in low-risk, liquid investments with major Canadian banks. The decrease in our cash, cash equivalents and short-term investments during the first quarter included several factors that we do not expect to recur in the current economic environment. We reclassified cash, cash equivalents and short-term investments of $52.3 million to restricted cash in order to support letters of credit previously supported by our credit facility, which expired on February 27, 2009. During the quarter, we also paid $22.4 million for 2008 taxes and recorded $4.8 million related to the Lundin transaction, shareholder litigation, proxy solicitation and other merger and acquisition related activities, as well as approximately $2.8 million for severance.

Working capital decreased by $59.1 million to $704.6 million from December 31, 2008 to March 31, 2009. In addition to the lower cash, cash equivalents and short-term investments position, the significant changes in working capital included decreases in payables of $24.9 million, which reflected settlement of project deferral costs of the Fenix Project and Lundin transaction costs and normal fluctuations in timing of payments, offset in part by increases in payables due to prices and volumes of purchased concentrates; decreases in taxes payable of $22.3 million due mainly to cash payments required for 2008 income taxes, as noted above; and decreases in inventory of $10.1 million, due primarily to lower volumes of finished metals, including gold, on hand.

The value of our investment in Lundin increased by $77.6 million during the first quarter of 2009. We acquired 96,997,492 common shares of Lundin in a December 2008 private placement at a cost of $135.8 million, and we hold them on our balance sheet at their March 31, 2009 fair value of $190.1 million. We reflected our first quarter mark-to-market gain on this investment in other comprehensive income ("OCI").

On January 15, 2009, we redeemed our remaining Senior Secured Notes with proceeds from our cash held in trust.

Our credit facility expired on February 27, 2009 and has not been renewed or replaced. We expect to establish a replacement credit facility once credit market conditions are more favourable for borrowers generally.

As at March 31, 2009, letters of credit of $61.3 million were outstanding, including $40.5 million provided to the provinces of Saskatchewan and Manitoba for reclamation undertakings and $8.9 million provided by HMI Nickel. Approximately $52.3 million of our outstanding letters of credit were previously supported by the credit facility noted above. As noted above, we reclassified cash, cash equivalents and short-term investments of $52.3 million to restricted cash in order to support letters of credit previously supported by our credit facility, which expired on February 27, 2009.

Our contractual obligations at March 31, 2009 have not changed materially from December 31, 2008. We estimate that costs to purchase transmission line development assets upon the February 2009 cancellation of long-term agreements related to the Fenix Project may be up to approximately US$5.5 million, reflecting an increase of up to US$2.0 million from the estimate previously reported, based on further discussions with our counterparty.

The following table summarizes our cash flows for the three months ended March 31, 2009 and March 31, 2008.

	Three Months Ended	
	Mar 31 2009	Mar 31 2008
	($000s)	
Net (loss) earnings for the period	**(3,958)**	21,552
Items not affecting cash	**17,930**	49,099
Net change in non-cash items	**(35,950)**	(11,821)
Cash (required for) provided by operating activities	**(21,978)**	58,830
Cash required for financing activities	**(3,644)**	(12,020)
Cash provided by (required for) investing activities	**406,883**	(24,206)
Effect of exchange rate changes on cash and cash equivalents	**2,841**	870
Increase in cash and cash equivalents	**384,102**	23,474

Cash Flow from Operating Activities

Operating activities required $22.0 million of cash flows in the first quarter, compared to cash flows provided by operating activities of $58.8 million for the quarter ended March 31, 2008. In determining operating cash flows, we begin with net (loss) earnings for the quarter. We then add back non-cash expense and loss items and deduct non-cash revenue and gain items. Finally, we adjust for changes in non-cash working capital items. Our net earnings before taxes for the quarter decreased by $51.9 million as compared to the first quarter of 2008, primarily due to our lower sales prices and volumes, offset in part by lower cash taxes of $6.2 million. Excluding taxes, our net non-cash add-back to net (loss) earnings was $11.0 million lower than it was for the same period last year, mainly from variances in our depreciation and amortization, net gains reclassified from OCI, stock-based compensation and foreign exchange gains. This quarter, significant additional cash outflows from non-cash working capital items included payments of income taxes for 2008 of approximately $22.3 million, as well as settlement of project deferral costs of the Fenix Project and transaction costs that we recognized in 2008.

Cash Flow for Investing and Financing Activities

During the first quarter, our investing and financing activities provided cash of $403.2 million. We sold short-term investments (which we define as short-term investments with an original maturity of more than three months) in Canadian bankers' acceptances for proceeds of $478.9 million; added $52.6 million to restricted cash, largely related to letters of credit that were previously supported by a credit facility (as noted above); invested $22.5 million in additions to property, plant and equipment; and used proceeds from our cash held in trust of $3.9 million to pay $3.8 million upon redemption of our senior secured notes. In 2008, our first quarter cash outflows for financing and investing activities consisted mainly of property, plant and equipment additions of $24.2 million and share repurchases of $11.0 million

Liquidity

As noted previously, the decline in our cash, cash equivalents and short-term investments was caused mainly by several factors we do not expect to recur if current economic conditions persist. Our operating cash flow (before changes in non-cash operating working capital) substantially funded our sustaining capital expenditures during the first quarter of 2009. In addition, our cash, cash equivalents and short-term investments balance of $609.8 million provides a substantial cushion against unanticipated demands on liquidity, and we do not currently have any material commitments to incur capital expenditures on new growth opportunities.

The dramatic declines in the prices for equity and other financial assets have adversely affected valuations of our defined benefit pension plan assets. Pension expense in 2009, however, may not be significantly higher than in 2008 as a result of higher discount rate assumptions used for determining pension expense for accounting purposes. Our required cash contributions will increase significantly, however, with the amount of the increase to be based on the results of a solvency valuation on the our defined benefit pension plans as at December 31, 2008, which we will receive in the second quarter of 2009. This increase is not, however, expected to materially impact HudBay's liquidity.

Capital Expenditures

The following summarizes our capital expenditures by mine and processing facility.

	Three Months Ended	
	Mar 31 2009	Mar 31 2008
	($ millions)	
777 Mine	**5.9**	5.6
Trout Lake Mine	**7.2**	8.0
Chisel North Mine	**(0.1)**	1.7
Balmat Mine and Concentrator	**-**	5.1
Flin Flon and Snow Lake Concentrators	**1.0**	0.5
Flin Flon and Snow Lake Other	**0.4**	1.0
Zinc Plant	**1.0**	0.8
Zinc Oxide Plant	**0.2**	0.2
Copper Smelter	**1.6**	0.1
WPCR	**-**	1.2
Other	**0.2**	-
Sustaining capital expenditures	**17.4**	24.2
Lalor deposit	**3.1**	-
Fenix Project [1]	**2.6**	-
Growth capital expenditures	**5.7**	-
Total	**23.1**	24.2

[1] In 2008, Fenix Project expenditures commenced with our acquisition of HMI Nickel on August 26, 2008.

	Three Months Ended	
	Mar 31 2009	Mar 31 2008
	($ millions)	
Plant and Equipment	**4.9**	4.6
Capital Development	**12.1**	17.8
Capitalized Exploration	**3.5**	1.8
Capitalized Fenix Project	**2.6**	-
Total	**23.1**	24.2

Our capital expenditures in the aggregate were substantially unchanged from the first quarter of 2008, as reduced sustaining capital expenditures were offset by capitalized expenditures on our Lalor deposit and Fenix Project. As the strategic review of HudBay and its operations is ongoing, readers should consider previous disclosure concerning estimated 2009 capital and exploration expenditures to be provisional and subject to revision.

RISK MANAGEMENT

From time to time we maintain price protection programs and conduct commodity price risk management to reduce risk through the use of financial instruments.

Base Metal Price Strategic Risk Management

Our strategic objective is to provide our investors with exposure to base metal prices, in the absence of a strategic reason to implement a hedging arrangement. We may hedge base metal prices from time to time to ensure we will have sufficient cash flow to meet our growth objectives, or to maximize debt capacity (and correspondingly minimize equity dilution) to the extent that we may need third party financing to fund growth initiatives. Given our current cash position and balance sheet, we have no current plans to enter into base metal price hedging arrangements.

In the first quarter of 2007, we implemented a price protection program for our Bur deposit and applied hedge accounting to the commodity swap contracts used to hedge prices for a portion of future sales of zinc and copper. In December 2007, we decided to defer the development of the Bur deposit in favour of the Lalor deposit. Following this decision, and with lower zinc prices, we unwound the zinc and copper swaps in December 2007 and in 2008. As the unwound zinc and copper swaps were part of effective hedging relationships, for accounting purposes, the mark-to-market gains or losses recognized to the point of unwinding remain in OCI and will be reclassified to earnings in periods through 2010 when the original hedges would have closed.

For the first quarter of 2009, we reclassified pre-tax net gains of $2.2 million from OCI to (loss) earnings as hedged anticipated zinc and copper sales occurred. Of the $7.9 million pre-tax gain in AOCI at March 31, 2009, gains of $6.2 million will be reclassified to (loss) earnings in the next twelve months.

Zinc and Zinc Oxide Customer Risk Management

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

Foreign Exchange Risk Management

We may enter into foreign exchange hedging arrangements from time to time, either to manage our exposure to Canadian dollar-denominated operating costs when revenues are predominantly denominated in US dollars, or to manage our exposure to US dollar-denominated cash balances.

During the first quarter of 2009, our remaining US dollar put options expired out-of-the money, and we realized a loss of $0.1 million.

HUDBAY MINERALS

OPERATIONS OVERVIEW

Mines

Mines		Three Months Ended Mar 31 2009	Mar 31 2008
777			
Ore	*tonnes*	**383,883**	361,043
Zinc	*%*	**3.79**	4.33
Copper	*%*	**2.74**	2.63
Gold	*g/tonne*	**1.86**	2.05
Silver	*g/tonne*	**24.07**	23.82
Trout Lake			
Ore	*tonnes*	**177,817**	200,167
Zinc	*%*	**2.30**	3.66
Copper	*%*	**1.83**	2.29
Gold	*g/tonne*	**1.17**	1.39
Silver	*g/tonne*	**15.43**	18.93
Chisel North			
Ore	*tonnes*	**48,695**	82,985
Zinc	*%*	**9.18**	6.83
Balmat			
Ore	*tonnes*	**-**	107,187
Zinc	*%*	**-**	7.62
Total Mines			
Ore	*tonnes*	**610,395**	751,382
Zinc	*%*	**3.79**	4.89
Copper	*%*	**2.28**	1.89
Gold	*g/tonne*	**1.56**	1.43
Silver	*g/tonne*	**21.63**	18.53

For unit operating costs, refer to page 13.

777 Mine

Ore production at our 777 mine for the first quarter increased by 6% compared to the same period in 2008. The improved production is a result of our planned productivity improvements at the mine. The zinc grade was lower by 12%, and the copper grade was higher by 4%, due to the areas we mined during the quarter. The gold grade was 9% lower, and the silver grade was 1% higher, also related to the areas mined in the quarter. Operating costs per tonne of ore in the first quarter were higher by 2% primarily due to increased consumption of propane for mine air heating and higher consumption of cement in paste backfill placement.

Trout Lake Mine

Ore production at Trout Lake for the first quarter was 11% lower as compared to the same quarter in 2008. The decrease in production falls in line with our 2009 budget plan, as we trucked a high percentage of tonnage from deeper areas of the mine and due to smaller, narrower stoping blocks going forward. Zinc grade was 37% lower and copper grade was 20% lower, primarily because we mined lower grade areas in copper and zinc due to delays in our 2008 development plan. As per the areas mined, gold grade was 16% lower, and silver grade was 18% lower. Operating costs per tonne of ore were 6% lower as compared to the first quarter of 2008 due to lower ore haulage costs.

Chisel North Mine

On January 9, 2009, we announced that we would suspend operations at our Chisel North mine and concentrator in Snow Lake, Manitoba due to depressed prices of base metals and the economic downturn. We suspended operations at the mine in February 2009, and the concentrator ceased production of concentrate in March 2009. Closure of the concentrator will be complete by the end of May 2009. The mine and concentrator will remain under care and maintenance until economic conditions warrant re-evaluation. During March 2009, costs of approximately $1.8 million have been included in other operating costs and relate to placing the mine and concentrator on care and maintenance and reducing the workforce (see "Unit Operating Costs" on page 13).

Ore production at Chisel North for the first quarter was 41% lower as compared to the same quarter in 2008. Zinc ore grade was 34% higher, primarily due to the areas we mined in the quarter. Operating costs per tonne of ore were 11% lower, as we depleted site consumable inventories upon notice of suspension of operations.

Balmat Mine

On August 22, 2008, we announced the suspension of operations at our Balmat Mine as a result of lower prices for zinc metal and continued high operating costs. We placed the Balmat operation on care and maintenance and reduced the carrying values of Balmat's property, plant and equipment to zero in 2008.

Concentrators

Concentrators		Three Months Ended Mar 31 2009	Mar 31 2008
Flin Flon Concentrator			
Ore	*tonnes*	**564,716**	571,503
Zinc	*%*	**3.37**	4.20
Copper	*%*	**2.43**	2.52
Gold	*g/tonne*	**1.64**	1.83
Silver	*g/tonne*	**21.37**	22.28
Zinc concentrate	*tonnes*	**30,278**	39,848
Concentrate grade	*% Zn*	**51.72**	51.22
Copper concentrate	*tonnes*	**51,945**	55,484
Concentrate grade	*% Cu*	**24.76**	24.19
Zinc recovery	*%*	**82.4**	84.9
Copper recovery	*%*	**93.7**	93.4
Gold recovery	*%*	**71.6**	78.7
Silver recovery	*%*	**63.8**	64.7
Snow Lake Concentrator			
Ore	*tonnes*	**49,006**	82,924
Zinc	*%*	**8.96**	6.84
Zinc concentrate	*tonnes*	**8,646**	10,377
Concentrate grade	*% Zn*	**48.95**	51.09
Zinc recovery	*%*	**96.4**	93.5
Balmat			
Ore	*tonnes*	**-**	107,037
Zinc	*%*	**-**	7.56
Zinc concentrate	*tonnes*	**-**	13,651
Concentrate grade	*% Zn*	**-**	56.20
Zinc recovery	*%*	**-**	94.8

For unit operating costs, refer to page 13.

Flin Flon Concentrator

For the first quarter of 2009, ore processed decreased by 1% from the same period in 2008. Zinc head grade was 20% lower, and copper head grade was 4% lower. The gold grade was 10% lower, and the silver head grade was 4% lower. Recovery of zinc to concentrate was 3% lower, while recovery of copper to concentrate was slightly better than the same period in 2008, consistent with the head grades we saw over the period. Operating cost per tonne of ore processed decreased by 2%, related to lower costs for some consumables and grinding media.

Snow Lake Concentrator

The Snow Lake concentrator ceased production of zinc concentrate in February 2009 and produced a lead/gold concentrate in March prior to closure. Suspension of operations will be complete by the end of May 2009, and the operation will be placed under care and maintenance.

For the first quarter of 2009, ore processed was 41% lower compared to the same quarter in 2008. Zinc head grade was 31% higher, in line with the higher mining grades from our Chisel North mine. Recovery of zinc metal to concentrate was 3% higher at 96.4%. Operating costs per tonne of ore processed, which include the cost of transportation to Flin Flon, were 14% higher than costs in the first quarter of 2008 related to the decreased feed from the mine.

Balmat Concentrator

As noted above, operations at the Balmat mine were suspended on August 22, 2008, with limited concentrator production during the latter part of 2008. Final concentrates were shipped in the first quarter of 2009, resulting in 802 tonnes of zinc metal sold as compared to 6,552 tonnes sold in the first quarter of 2008.

HUDBAY MINERALS

Metallurgical Plants

Metal Produced and Sold

		Three Months Ended	
		Mar 31 2009	Mar 31 2008
Metal Produced [1]			
Metal from HBMS Concentrates			
Zinc	*tonnes*	**20,825**	26,153
Copper [2]	*tonnes*	**12,543**	12,034
Gold [2]	*troy oz.*	**21,081**	22,640
Silver [2]	*troy oz.*	**243,589**	245,963
Metal from HBMS Purchased Concentrates			
Zinc	*tonnes*	**4,815**	1,542
Copper [2]	*tonnes*	**3,696**	7,238
Gold [2]	*troy oz.*	**181**	359
Silver [2]	*troy oz.*	**321,286**	190,950
Total HBMS Metal Produced			
Zinc	*tonnes*	**25,640**	27,695
Copper [2]	*tonnes*	**16,239**	19,272
Gold [2]	*troy oz.*	**21,262**	22,999
Silver [2]	*troy oz.*	**564,875**	436,913
Balmat			
Zinc metal in concentrate for sale	*tonnes*	**-**	7,672
Metal in concentrate purchased from Xstrata [3]	*tonnes*	**-**	(657)
Total Produced [4]			
Zinc	*tonnes*	**25,640**	34,710
Copper [2]	*tonnes*	**16,239**	19,272
Gold [2]	*troy oz.*	**21,262**	22,999
Silver [2]	*troy oz.*	**564,875**	436,913
Metal Sold			
Zinc, including sales to Zochem	*tonnes*	**26,949**	32,916
Copper	*tonnes*	**16,191**	20,602
Gold	*troy oz.*	**28,624**	19,808
Silver	*troy oz.*	**606,031**	283,467

[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] Production excludes recycled spent anode and represents non-recycled anode production only.

[3] For 2008, includes tonnes from metal in Balmat purchased concentrates, purchased from a third party.

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

Metal Produced and Sold

		Three Months Ended	
		Mar 31 2009	Mar 31 2008
Zinc Plant			
Zinc Concentrate Treated			
Domestic	*tonnes*	**42,584**	52,797
Purchased	*tonnes*	**9,274**	3,010
Total	*tonnes*	**51,858**	55,807
Zinc Oxide			
Zinc from HudBay	*tonnes*	**4,478**	6,870
Zinc from others	*tonnes*	**-**	406
Total zinc consumption	*tonnes*	**4,478**	7,276
Zinc oxide produced	*tonnes*	**5,495**	8,882
Zinc oxide sold	*tonnes*	**5,954**	9,153
Smelter			
Copper concentrate treated			
Domestic	*tonnes*	**50,179**	56,152
Purchased	*tonnes*	**11,353**	22,138
Total	*tonnes*	**61,532**	78,290
WPCR			
Anodes received	*tonnes*	**15,665**	21,634
Cathode produced	*tonnes*	**12,848**	17,418
Spent anode produced	*tonnes*	**2,169**	3,690
Liberator anode produced	*tonnes*	**160**	523
Slimes produced	*tonnes*	**47**	51

For unit operating costs, refer to page 13.

Zinc Plant

Our Flin Flon, Manitoba zinc plant uses leading-edge technology to produce special high grade zinc and includes an oxygen plant, a two-stage pressure leaching plant, a four-step solution purification, an electrolysis plant and a casting plant.

Production of cast zinc in the first quarter was 7% lower than the same quarter in 2008. Operating costs per pound of zinc metal produced were 4% lower. The lower production was the result of insufficient concentrate available in 2009 to allow for full production. Unit costs were lower during the first quarter of 2009 as a result of lower consumable costs and other cost containment actions. In addition, unit costs in the first quarter of 2008 reflected increased maintenance and repair costs in preparation for a biennial shutdown.

Zinc Oxide Facility – Zochem

During the first quarter of 2009, Zochem consumed 4,478 tonnes of our zinc and produced 5,495 tonnes of zinc oxide. In comparison to the first quarter of 2008, sales volumes decreased by 35%, while production levels decreased by 38%. Lower sales levels were a direct reflection of the downturn in the US economy. First quarter operating costs per pound of zinc oxide were 48% higher at 19.5¢/lb., compared to 13.2¢/lb. for the same quarter in 2008, primarily due to lower production volumes and increased natural gas costs.

Copper Smelter

The smelter treats both copper concentrate from HudBay's own mines and copper concentrate purchased from others. Approximately 18% of the concentrate we treated in the first quarter was purchased concentrate, a decrease from 28% treated in the first quarter of 2008. Our main source of purchased concentrate is from existing settled contracts originally scheduled to extend into 2009 and beyond. Owing to current low market prices for treating copper concentrates, we have not been able to obtain favourable economic terms to purchase copper concentrate beyond early 2009 and have exercised early termination rights on existing contracts. We will continue to purchase concentrates, priced previously and on favourable terms, from these suppliers in limited amounts in 2009. We will evaluate future opportunities to purchase copper concentrates based on the market rates for treatment and refining charges combined with our expected operating costs.

In the past, we have sold the spent copper anode from the WPCR to third parties. In light of lower treatment of purchased copper concentrate, which created additional processing capacity, in 2008 we began shipping spent copper anodes from the WPCR back to our Flin Flon smelter for processing. Recycling the spent copper anode allows us to use this additional processing capacity to achieve finished metal premiums on the copper contained in the spent copper anodes, rather than selling the spent copper anodes to a third party and incurring refining fees. Spent copper was both sold to third parties and treated in Flin Flon during the quarter.

Our non-recycled copper production was 16% lower in the first quarter of 2009 compared to the same quarter in 2008, primarily due to the lack of availability of economic purchased concentrate. The 29% increase in silver production in the first quarter was primarily from the treatment of a substituted purchased concentrate that was unusually high in silver. Operating costs per pound of copper anode produced were 2% lower than the first quarter of 2008, attributed mainly to lower direct costs of heavy fuel oil and other operating materials, as well as our lower production levels.

White Pine Copper Refinery

The refinery electro-refines copper anode produced at our Flin Flon smelter into market standard copper cathode. During processing, anode slimes containing precious metals are recovered, dried and sold. Approximately 18% of the copper anode processed at the refinery, called spent anode, is returned to the smelter at Flin Flon for remelting or sold to a third party. We sell LME grade copper cathode to various customers in the business of making wire, tube and brass.

For the first quarter of 2009, copper cathode production decreased by 26% compared to the same quarter last year, mainly due to lower anode production. Operating costs per pound of copper cathode were 21% higher, also due to lower production levels.

HudBay Minerals

NET EARNINGS SENSITIVITY

The following net earnings sensitivity estimates for 2009 are as disclosed in our MD&A for the year ended December 31, 2008, with the exception of the zinc price sensitivity, which has been revised to reflect anticipated zinc production volumes.

		A change of	Would change 2010 net earnings by [2] (C$ million)	Would change 2010 net earnings per share by [1] (C$/share)
Zinc [2]	*lb.*	US$ 0.10	14.9	$0.10
Copper [2]	*lb.*	US$ 0.10	8.1	$0.05
Gold [2]	*troy oz.*	US$ 25.00	1.7	$0.01
Silver [2]	*troy oz.*	US$ 1.00	1.0	$0.01
Exchange Rates [3]	*US$1 to C$*	C$ 0.01	2.4	$0.02

1 Based on common shares outstanding of 153.0 million.

2 Based on exchange rate of US$1 to C$1.2.

3 Based on metal prices of US$0.60/lb. zinc, US$1.50/lb. copper, and US$850/oz. gold.

OUTSTANDING SHARE DATA

As of May 4, 2009, there were 153,142,290 common shares of HudBay issued and outstanding, as well as 22,521 warrants (pre-consolidated) exercisable for a maximum aggregate of 750 common shares. In addition, options for a maximum aggregate of 6,786,653 common shares were outstanding.

ADOPTION OF NEW ACCOUNTING STANDARDS

For information on our adoption of new accounting standards and on new accounting standards that will be applicable to us in future years, refer to note 3 of the March 31, 2009 interim consolidated financial statements.

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board has set January 1, 2011 as the date that IFRS will replace existing Canadian GAAP for public companies with fiscal years beginning on or after that date. Accordingly, IFRS-compliant financial statements will first be required for the first quarter of 2011. Comparative figures presented in these financial statements are also required to comply with IFRS.

We have engaged external consultants to assist us through this complex transition project, which will involve people from many aspects of the business, including accounting and finance, tax, information technology, legal, investor relations, logistics and operations. We have performed our initial assessment, which included identifying and prioritizing areas of differences between Canadian GAAP and IFRS that will be significant for us and have started detailed impact assessments, workshops and training. At the current stage of the transition project, our focus is to prioritize review of areas that will require significant efforts or that may result in significant changes to its financial reporting. Such areas include property, plant and equipment, asset retirement obligations, exploration for and evaluation of mineral resources, impairment of long-lived assets and translation of transactions denominated in foreign currencies, as well as the transitional provisions of IFRS 1, *First-time Adoption of International Financial Reporting Standards*. We have prepared a Project Charter and are developing a detailed project plan that includes phases for planning and assessment, design, and implementation. As our project progresses toward adoption of IFRS in 2011, we will provide additional insight into the expected impact of the transition to IFRS on its financial reporting, information technology and data systems, internal control over financial reporting, disclosure controls and procedures and business activities. We have not yet determined the impact of transition to IFRS on our financial statements.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

National Instrument 52-109 requires Canadian public companies to disclose in their MD&A any change in internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

As noted in the "Recent Developments" section above, there were changes in our CEO position during the first quarter of 2009. Mr. Peter Jones, as the new CEO of HudBay, will, as do all CEOs, have a significant role in maintaining an appropriate control environment in our company. There have been no other changes in internal control over financial reporting that have materially affected or are reasonably likely to have a material effect on our internal control over financial reporting.

NON-GAAP MEASURES

EBITDA, operating cash flow before changes in non-cash working capital, operating cash flow per share, detailed operating expenses and cash cost per pound of zinc sold are included in this MD&A because these measures are performance indicators that we use internally to monitor performance. We use these measures to assess how well we are performing compared to plan and to assess the overall effectiveness and efficiency of mining, processing and refining operations. We believe that the inclusion of these measures in the MD&A helps an investor to assess performance "through the eyes of management" and that certain investors use these measures to assess our performance. These measures do not have a meaning presented by GAAP and should not be considered in isolation or as a substitute for measures prepared in accordance with GAAP. These measures are not necessarily indicative of operating profit or cash flow from operations as determined under GAAP. Other companies may calculate these measures differently.

Operating Cash Flow Before Changes in Non-Cash Working Capital* and Operating Cash Flow per Share*

The following table presents our calculations of operating cash flow before changes in non-cash working capital and operating cash flow per share for the three months ended March 31, 2009 and March 31, 2008.

	Three Months Ended	
	Mar 31 2009	Mar 31 2008
	($000s except share and per share amounts)	
Cash (used in) provided by operating activities, per financial statements	**(21,978)**	58,830
Adjustments:		
Changes in non-cash working capital	**35,950**	11,821
Operating cash flow before changes in non-cash working capital*	**13,972**	70,651
Weighted average shares outstanding	**153,026,235**	126,464,822
Operating cash flow per share*	**$ 0.09**	$ 0.56

* Refer to "Non-GAAP Measures" on page 31.

Cash cost per pound of zinc sold*

Our cash cost per pound of zinc sold, net of by-product credits, for the first quarter of 2009 was US$0.32 per pound, excluding costs and sales related to Balmat and HMI Nickel, as calculated in the following table.

	Three Months Ended	
	Mar 31 2009	Mar 31 2008
	($000s except as noted)	
Operating expenses	**135,100**	186,703
General and administrative expenses	**13,128**	9,853
	148,228	196,556
Exclude amounts related to Balmat and HMI Nickel	**(5,115)**	(11,232)
	143,113	185,324
Less by-product credits [1]	**(120,437)**	(192,864)
Cash cost net of by-products	**22,676**	(7,540)
Exchange rate (US$1 to C$) [2]	**1.245**	1.004
Cash cost net of by-products	**US 18,214**	US (7,510)
Zinc sales (000s lbs.), excluding Balmat	**57,644**	58,122
Cash cost per pound of zinc sold*, net of by-product credits in US$/lb.	**US 0.32**	US (0.13)

* Refer to “Non-GAAP Measures” on page 31.

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

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

For the first quarter, our cash cost per pound of zinc sold was US$0.32, a net increase of US$0.45 from the same period in 2008 due primarily to lower by-product copper credits arising mainly from lower volumes and prices, offset in part by the benefit of a weaker Canadian dollar.

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