HudBay Minerals Inc.

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

For the Three and Nine Months
Ended September 30, 2009

November 3, 2009

HUDBAY MINERALS

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This Management's Discussion and Analysis ("MD&A") dated November 3, 2009 is intended to supplement and complement HudBay Minerals Inc.'s ("HudBay") unaudited interim consolidated financial statements and related notes for the three and nine months ended September 30, 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 Annual Information Form ("AIF") dated March 30, 2009, is available on SEDAR at www.sedar.com. All figures are in thousands of Canadian dollars unless otherwise noted.

FORWARD-LOOKING INFORMATION

This 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's 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, estimate of salvage value, costs and timing of the development of new deposits, mineral pricing, reclamation costs, the economic outlook, currency fluctuations, government regulation of mining operations, environmental risks, mine life projections, the availability of third party concentrate for processing in HudBay's facilities and the availability of third party processing facilities for HudBay's 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 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.

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, while maintaining our financial strength.

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, "WPCR" refers to the White Pine Copper Refinery Inc. and "HMI Nickel" refers to HMI Nickel Inc., all wholly-owned subsidiaries of HudBay. "CGN" refers to Compañía Guatemalteca de Níquel, S.A., a 98.2%-owned subsidiary, held indirectly through HMI Nickel.

HUDBAY MINERALS

KEY FINANCIAL AND PRODUCTION RESULTS

Financial Condition ($000s)	**Sep 30 2009**	Dec 31, 2008
Cash, cash equivalents and short-term investments	**880,292**	704,668
Working capital	**942,288**	763,677
Cash (less debt) [1]	**880,146**	700,936
Total assets	**2,000,776**	1,918,353
Shareholders' equity	**1,697,948**	1,558,700

		Three Months Ended		Nine Months Ended	
		Sep 30 2009	Sep 30 2008	**Sep 30 2009**	Sep 30 2008
Financial Performance		*($000s except per share and cash cost per pound amounts)*			
Revenue		**194,608**	247,441	**554,049**	803,113
Earnings before tax		**32,811**	33,898	**132,236**	145,037
Net earnings		**19,975**	2,780	**105,432**	57,534
EBITDA [2]		**59,065**	88,633	**103,156**	245,949
Basic and diluted net earnings per share		**0.13**	0.02	**0.69**	0.44
Operating cash flow [2 3]		**48,214**	54,484	**91,051**	195,856
Operating cash flow per share [2 3]		**0.31**	0.40	**0.59**	1.50
Cash cost per pound of zinc sold [2]		**US (0.16)**	US (0.51)	**US 0.04**	US (0.40)
Operating Highlights					
Production					
Zinc [4]	*tonnes*	**28,428**	30,998	**78,067**	99,380
Copper [5]	*tonnes*	**14,290**	19,167	**46,050**	55,823
Gold [5]	*troy oz.*	**22,988**	26,920	**68,583**	78,425
Silver [5]	*troy oz.*	**477,769**	630,168	**1,533,610**	1,591,689
Metal Sold					
Zinc [6]	*tonnes*	**29,349**	32,647	**80,771**	100,365
Copper	*tonnes*	**15,293**	19,190	**51,117**	58,749
Gold	*troy oz.*	**21,900**	20,632	**74,921**	70,751
Silver	*troy oz.*	**506,148**	364,944	**1,711,212**	1,203,144

[1] Cash, cash equivalents and short-term investments of $880,292 less capital leases of $146 as at September 30, 2009.

[2] 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 page 16 for EBITDA and page 30 fo non-GAAP measures). For the reconciliation of operating cash flow before changes in non-cash working capital and operating cash flow per share, refer to page 30. For the reconciliation of cash cost per pound of zinc sold, net of by-product credits, refer to page 31.

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

[4] 2008 production includes Balmat payable metal in concentrate shipped.

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

[6] Zinc sales include sales to our Zochem facility of 5,010 tonnes in the third quarter of 2009. Zochem had sales of 6,304 tonnes of zinc oxide in the third quarter.

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EXECUTIVE SUMMARY

Earnings increased and cash flow from operating activities decreased

HudBay earned $20.0 million or $0.13 per share during Q3 2009, compared to $2.8 million or $0.02 per share earned during Q3 2008. The higher earnings in Q3 2009 reflected operating costs savings from the suspension of operations at Balmat, beneficial foreign exchange rates and reduced exploration expenses that were offset by lower copper prices and volumes. In 2009, we recorded no asset impairment charges compared to $27.2 million in 2008. Cash flow from operating activities, before changes in working capital, was $48.2 million or $0.31 per share, compared to $54.5 million or $0.40 per share in Q3 2008.

Revenue decreased

Revenue decreased to $194.6 million during Q3 2009, from $247.4 million in Q3 2008. Most of the decrease was due to lower copper and zinc prices, offset by the favorable exchange rate.

Operating costs decreased

Operating costs decreased to $119.3 million for the quarter, from $154.8 million during Q3 2008 principally due to the suspension of operations at Balmat, reduced production, reduced cost of purchased concentrate and cost saving initiatives at the metallurgical plants.

Production met expectations

Overall, production remains on track to meet our 2009 guidance, although zinc production from HudBay sources is expected to be at the lower end of the previously announced guidance of 75,000 - 90,000 tonnes in 2009. Mine production was 551,329 tonnes of ore, reflecting a decrease from 683,627 tonnes for the same quarter in 2008 due to the suspension of operations at the Chisel North and Balmat mines.

Cash cost per pound of zinc increased

Our cash cost per pound of zinc sold, net of by-product credits was negative US$0.16/lb. compared to negative US$0.51/lb. in Q3 2008, excluding costs and sales related to Balmat and HMI Nickel (refer to “Non-GAAP Measures” on page 30). The increase was principally due to lower by-product copper credits arising mainly from lower prices, offset in part by the benefit of a weaker Canadian dollar.

Working capital increased

As at September 30, 2009, working capital was $942.3 million compared to $763.7 million as of December 31, 2008. HudBay's cash and cash equivalents increased to $880.3 million from $704.7 million as of December 31, 2008.

Safety improved

For the quarter, we recorded a lost time accident frequency of 0.4 per 200,000 hours worked, including contractors, compared to 1.8 for the same quarter in 2008. Year-to-date, HudBay recorded a lost time accident frequency of 0.6 compared to 1.1 for the same period in 2008.

STRATEGY

On June 19, 2009, following a strategic review of HudBay and its operations by management and the new Board of Directors, we announced the key elements of our strategic plan. Our strategy will pursue two broad themes. First, we intend to optimize operations and grow our principal operating platform in northern Manitoba. This strategy includes aggressively pursuing development of the Lalor Deposit, closing the Flin Flon copper smelter by July 1, 2010, reopening the Chisel North mine and continuing exploration in the Flin Flon Greenstone Belt.

The second key theme of our strategic plan is to grow beyond our Manitoba base. This includes our Fenix Project in Guatemala and pursuing potential acquisition opportunities.

There are a number of key initiatives in implementing the plan. We have announced plans for further development and exploration of the Lalor Deposit as well as the reopening of the Chisel North mine and Snow Lake concentrator. Copper concentrate sales arrangements are also expected to be entered into by the end of 2009 to support the closure of the copper smelter by July 1, 2010. A revised project plan for the Fenix Project is expected in 2010.

RECENT DEVELOPMENTS

Lalor

On September 22, 2009, we announced new copper and gold drill hole intersections at the Lalor Deposit. These intersections suggest a new zone of significant copper-gold rich mineralization, in addition to the previously announced Base Metal zone and Separate and Contact Gold Zones. We are devoting five drills to further confirm the mineralization at Lalor.

On October 8, 2009, HudBay's board of directors approved an $85 million expenditure for Phase 1 of the development of the Lalor Deposit. This will be used for the construction of an access ramp from the Chisel North mine to the Lalor Deposit. This ramp will facilitate additional underground exploration and, subject to completion of applicable regulatory approvals, is expected to provide early production of zinc-rich ore and access to the gold zones for additional underground exploration. Mobilization for the work is currently underway.

Conceptual plans for Phase 2 and Phase 3 development of Lalor include site preparation, sinking of a shaft, refurbishing the existing Snow Lake concentrator and construction of a 1,200 tonne gold ore concentrator. Our preliminary estimate of the total capital cost for all three phases is approximately $450 million.

On October 8th 2009, we released a National Instrument 43-101 ("NI 43-101") compliant mineral resource estimate for the Lalor Deposit near Snow Lake, Manitoba. The technical report is to be filed on SEDAR in November 2009. The resource for the zinc rich base metal zones is adequate for feasibility design of the Lalor project.

Zinc Rich Base Metal Mineral Resource Estimate

Category	Tonnes (millions)	Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)
Indicated	12.3	1.6	24.2	0.66	8.70
Inferred	5.0	1.4	25.5	0.57	9.39

In addition to the above, we have also updated the mineral interpretation of the separate and contact gold zones which comprises of five distinct gold lenses. The October 8, 2009 release also provided the potential quantity and grade, expressed as a range, of the potential of gold mineralization at Lalor. The ramp development from Chisel North mine will provide an exploration platform to confirm the continuity of the gold zone.

Gold Zones Potential Mineral Deposit

Zone	Tonnes (millions)	Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)
21	3.5-3.9	4.8-6.0	34-39	0.5-0.7	0.4-0.5
24	0.2-0.4	4.1-4.6	26-32	0.2-0.4	1.1-1.4
25	4.6-5.0	4.0-5.0	33-35	0.2-0.4	0.2-0.4
26	0.8-1.0	3.5-4.0	24-28	0.4-0.5	0.3-0.5
27	1.5-1.7	4.4-4.8	12-16	0.8-0.9	0.1-0.2
Total	10.6-12.0	4.3-5.2	30-33	0.4-0.6	0.3-0.4

The Lalor gold zones potential mineral deposit estimate is conceptual in nature and to date there has been insufficient exploration to define a mineral resource compliant with NI 43-101. It is uncertain if further exploration will result in the target deposit being delineated as a mineral resource. Additional detail may be found in the Company's press release dated October 8, 2009, available at www.sedar.com.

The gold zones conceptual estimate was based on 66 gold mineralized drill holes. Diamond drilling and geological interpretation has identified five stacked mineralized gold zones either in contact with or entirely separate to the zinc rich base metal resource zones, 715 to 1,175 vertical metres below surface. The gold zones vary in east- west dimension from 75 to 360 metres and in the north south dimension from 150 to 850 metres. Average thickness of the gold zones varies from 4 to 11.5 metres. The gold zones have been drilled at a spacing of 30 to 150 metres by near vertical parent holes from surface or by wedge offsets.

Assays from the gold zones were top cut based on statistical analysis of the data per each zone, where Zones 21, 25, 27 were top cut at 30 g/t gold, Zone 24 at 17.5 g/t and Zone 26 at 25 g/t. Approximately 5% of the gold zone assay population was top cut. Assays from the gold zones were composited across hanging wall to footwall contacts and specific gravity weighted.

Three-dimensional wireframes capturing each mineralized gold zone were separately created using MineSight resource modeling software. The gold zones conceptual estimate was based on an interpolation plan using inverse distance squared weighted methodology of the specific gravity weighted composites and wireframes with MineSight software.

The mineral resource and gold potential mineral deposits were prepared by Robert Carter, B.Sc. P.Eng, HBMS Senior Mines Analyst under the direct supervision of Kimberley Proctor, B.Sc. P.Geo, HBMS Superintendent Mines Technical Services, both qualified persons within the meaning of NI 43-101. Ms. Proctor has reviewed and verified the technical information in this MD&A.

We are currently completing a pre-feasibility study for year end and targeting the completion of a feasibility study in 2010. Including the copper-gold zone exploration discovery announced September 22, 2009, management believes that Lalor is a significant asset with considerable potential and the development of Lalor is our highest priority.

Aquila

On August 6, 2009, we entered into an agreement (the “Agreement”) with Aquila Resources Inc. (“Aquila”) granting us the right to acquire a majority interest in Aquila’s Back Forty Project in Michigan, USA. Under the Agreement, we subscribed for 12,141,051 common shares of Aquila, a 14.9% ownership interest, at a price of C$0.1827 per share. We have an option to acquire a 51% ownership interest in the Back Forty Project through the expenditure of US$10,000,000 within three years and the right to further increase our ownership to 65% by completing a feasibility study, submitting an application for permitting the Project and making certain option payments.

Restart of Chisel North mine and Snow Lake concentrator

On January 9, 2009, we announced that we would place our Chisel North mine and Snow Lake concentrator on care and maintenance as a result of depressed base metals prices. On October 30, 2009 we announced that we would restart the mine and concentrator. Full production is expected to begin in the second quarter of 2010 and continue for approximately two years. In connection with the restart, HudBay entered into a forward sale of approximately 50% of the anticipated production from Chisel North, in compliance with its risk management policy.

Closure of the copper smelter

On June 18, 2009, we announced that we expect to close our Flin Flon copper smelter before July 1, 2010, and the WPCR shortly thereafter. The impact on our ongoing financial results is expected to be minimal, as the processing costs from the sale of concentrates are expected to be similar to existing costs. Further, the smelter is part of an integrated complex, and reclamation costs, which have been fully accounted for on our balance sheet, will be incurred only when the entire Flin Flon metallurgical complex ultimately shuts down. We anticipate position reductions as a result of the closure to be approximately 225 in Flin Flon and 65 at the WPCR, and have accrued a severance provision of approximately $6.1 million corresponding with the estimated contractual obligations upon severance. Actual severance costs may vary significantly from this amount depending on the implementation of employee reductions.

NCIB

On September 29, 2009, the Toronto Stock Exchange ("TSX") accepted our application for a normal course issuer bid (“NCIB”). The NCIB provides that we may purchase up to 13,655,000 of its common shares (representing approximately 10% of the public float), during the 12 month period from October 1, 2009 to September 30, 2010. A maximum number of 379,100 shares may be repurchased during any trading day, representing 25% of the average daily trading volume of our shares on the TSX during the previous 6 months. The price paid will be the market price at the time of acquisition. No purchases have been made to date.

Fenix events

On September 27, 2009, following unsuccessful discussions between authorities and the illegal occupiers of parts of our property in Guatemala, government vehicles were attacked by a separate group of protestors. The protestors also raided a local police station and caused damage to a company sponsored hospital. There was no damage to the mine site or plant facilities; however, several of our employees were injured during the attack on the hospital. We are monitoring the situation and are committed to working collaboratively with the community to reach a fair and equitable solution to land claims and resettlement.

Lundin

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 (the "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.

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's decision was that HudBay shareholder approval was required prior to the completion of the transaction contemplated by the Arrangement Agreement.

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.

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.

On May 26, 2009, we sold our stake in Lundin for cash proceeds of approximately $235.7 million, representing a gain of approximately $99.9 million. In connection with the sale, HudBay and Lundin agreed to terminate all continuing rights and obligations under the Termination Agreement, other than a mutual release and a reciprocal standstill covenant that expires February 23, 2010. HudBay and Lundin also agreed to terminate all continuing rights and obligations under the Subscription Agreement and entered into a mutual release in respect of any and all claims connected with or arising from the Subscription Agreement and certain representations and warranties under the Termination Agreement.

Exploration

HudBay continues to invest in exploration. Currently five drills are operating at the Lalor Deposit near Snow Lake, Manitoba. Two of these drills continue to delineate and collect metallurgical samples for the gold zones characterised in the October 8, 2009 news release. The other three drills are concentrating efforts on the recent Copper-Gold zone intersections as disclosed in the September 22, 2009 news release. Results will be disclosed as they are compiled and evaluated.

One drill remains operating in Flin Flon, Manitoba testing near mine geophysical targets and trends and a continual underground exploration program is being carried out at both the Trout Lake and 777 mines.

During the fourth quarter, we intend to begin exploration at the Back Forty Project with Aquila and begin a regional exploration program in upstate New York in the region of our dormant Balmat mining operations.

FINANCIAL REVIEW

Earnings increased in the third quarter of 2009

For the third quarter, net earnings were $20.0 million, reflecting a $17.2 million increase from the third quarter of 2008. Year-to-date net earnings of $105.4 million reflect a $47.9 million increase from the same period in 2008.

Significant variances affecting the third quarter and year-to-date earnings compared to the same period in 2008 are as follows:

	Three Months Ended Sep 30, 2009	Nine Months Ended Sep 30, 2009
	($ millions)	
Increase (decrease) in earnings components:		
Revenues	(52.8)	(249.1)
Expenses		
Operating	35.5	130.1
Depreciation and amortization	(7.9)	(5.1)
General and administrative	(0.8)	(5.7)
Stock-based compensation	1.5	6.3
Accretion of asset retirement obligations	(0.1)	(0.5)
Foreign exchange gain/loss	(12.9)	(23.9)
Exploration	6.3	16.3
Interest and other income	(2.5)	85.9
Gain / loss on derivative instruments	1.5	1.8
Asset impairment losses	27.2	27.2
Share of losses of equity investee	3.9	3.9
Future taxes	7.8	27.3
Current taxes	10.5	33.4
Increase in net earnings	17.2	47.9

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Revenue decreased in the third quarter of 2009

Total revenue for the third quarter was $194.6 million; $52.8 million lower than the same quarter last year. Year-to-date revenue was $554.0 million, $249.1 million lower than the same period in 2008. These variances are due to the following:

(in $ millions)	**Three Months Ended Sep 30,2009**	**Nine Months Ended Sep 30,2009**
Metal prices		
Lower zinc prices	**(3.1)**	**(69.5)**
Lower copper prices	**(29.7)**	**(204.6)**
Higher gold prices	**2.1**	**3.7**
Sales volumes		
Lower copper sales volumes	**(25.9)**	**(43.2)**
Higher silver sales volumes	**2.2**	**8.0**
Higher gold sales volumes	**-**	**4.5**
Other		
Favorable change in foreign exchange	**13.2**	**109.9**
Lower Balmat concentrate sales	**(3.9)**	**(20.5)**
Disposal of interest in CMMSA[1]	**(8.2)**	**(21.1)**
Other volume and pricing differences	**0.5**	**(16.3)**
Decrease in net revenues in 2009 compared to 2008	**(52.8)**	**(249.1)**

[1]During 2009, we disposed of our 50% ownership in Considar Metal Marketing SA Inc. ("CMMSA"). The transaction will not have a material effect on our marketing activities.

The Company's revenue by significant product types:

(in $ millions)	Three Months Ended **Sep 30 2009**	Sep 30 2008	Nine Months Ended **Sep 30 2009**	Sep 30 2008
Zinc	**49.0**	47.6	**118.6**	165.6
Copper	**101.0**	148.4	**287.4**	467.0
Gold	**22.8**	18.3	**80.8**	63.2
Silver	**7.9**	4.9	**26.3**	19.1
Other	**13.9**	28.3	**41.0**	88.2
Total revenue	**194.6**	247.5	**554.1**	803.1

Realized prices decreased in the third quarter of 2009

		Average market price[2], Q3		HudBay Realized Prices [1]			
				Three Months Ended		Nine Months Ended	
		2009	2008	**Sep 30 2009**	Sep 30 2008	**Sep 30 2009**	Sep 30 2008
Prices in US$							
Zinc [3]	*US$/lb.*	**0.80**	0.80	**0.83**	0.87	**0.70**	1.02
Copper [3]	*US$/lb.*	**2.66**	3.48	**2.74**	3.38	**2.21**	3.55
Gold	*US$/troy oz.*	**960**	870	**955**	862	**917**	883
Silver	*US$/troy oz.*	**14.70**	15.03	**14.51**	13.36	**13.43**	15.93
Prices in C$							
Zinc [3]	*C$/lb.*	**0.88**	0.84	**0.91**	0.91	**0.81**	1.04
Copper [3]	*C$/lb.*	**2.92**	3.63	**3.01**	3.51	**2.57**	3.61
Gold	*C$/troy oz.*	**1,054**	906	**1,046**	892	**1,083**	897
Silver	*C$/troy oz.*	**16.13**	15.66	**15.93**	13.70	**15.80**	16.15
Exchange rate	*US$1 to C$*	**1.10**	1.04	**1.10**	1.04	**1.17**	1.02

[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$0.02/lb. for copper during the third quarter of 2009. Refer to "Base Metal Price Strategic Risk Management" on page 21.

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.

Outlook

Copper and zinc prices have recovered strongly from the low prices of late 2008 and early 2009, as global economic conditions appear to be improving. Weakness in the US dollar relative to other global currencies has also supported metal prices. Factors that could cause metal prices to rise include a stronger than expected economic recovery, particularly in China, as well as further depreciation in the US dollar, while the reverse is also true.

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Operating expenses decreased in the third quarter of 2009

	Three Months Ended		Nine Months Ended	
	Sep 30 2009	Sep 30 2008	**Sep 30 2009**	Sep 30 2008
Non-GAAP detailed operating expenses [1]	*($000s)*			
Mines				
777	**12,967**	12,600	**43,134**	40,562
Trout Lake	**8,562**	9,858	**25,495**	29,249
Chisel North	**-**	5,941	**2,436**	15,849
Balmat	**-**	5,355	**-**	19,926
Concentrators				
Flin Flon	**5,272**	5,686	**15,616**	16,794
Snow Lake	**-**	1,776	**1,090**	5,072
Balmat	**-**	864	**-**	3,772
Metallurgical plants				
Zinc plant	**16,841**	17,584	**50,901**	56,615
Copper smelter	**11,789**	15,771	**35,315**	46,039
WPCR	**2,920**	3,001	**9,312**	8,964
Other				
Purchased concentrate treated	**27,697**	28,336	**89,900**	144,274
Anode freight & refining	**1,412**	2,143	**5,604**	6,536
Services & administration	**11,216**	10,846	**28,510**	34,447
HBMS employee profit sharing	**3,387**	5,487	**6,358**	17,338
Net profits interest	**4,680**	2,580	**10,220**	12,278
Other [2]	**9,522**	18,800	**38,942**	51,689
Changes in domestic inventory [3]	**1,521**	7,928	**30,774**	20,342
HMI Nickel	**1,519**	281	**6,341**	281
Total operating expenses, per financials	**119,305**	154,837	**399,948**	530,027

[1] Refer to “Non-GAAP Measures” on page 30.

[2] Includes our share of CMMSA operating costs for 2008 and care and maintenance costs for Balmat and Chisel North for 2009.

[3] We reduced inventories, requiring recognition of additional operating expenses to reflect the cost of sales during the period.

For the third quarter of 2009, our operating expenses were $119.3 million; $35.5 million lower than the same quarter last year. Year-to-date operating expenses were $399.9 million, $130.1 million lower than the same period in 2008. These variances are due to the following:

(in $ millions)	**Three Months Ended Sep 30,2009**	**Nine Months Ended Sep 30,2009**
Increased volumes of purchased zinc concentrate	**11.5**	**27.4**
Increased cost of concentrate due to unfavorable exchange rate	**3.5**	**29.9**
Care & maintenance costs for Chisel North, Balmat & HMI Nickel	**2.4**	**12.9**
Accrual for termination costs due to closure of smelter and refinery	**-**	**6.1**
Higher (lower) net profits interest expense	**2.1**	**(2.1)**
Reduced cost and volumes of purchased copper concentrate	**(29.8)**	**(92.8)**
Suspension of Balmat operations	**(9.4)**	**(31.9)**
Suspension of Chisel North operations	**(7.7)**	**(17.4)**
Disposal of interest in CMMSA[1]	**(7.4)**	**(18.8)**
Lower production volumes and lower input costs in metallurgical plants	**(4.0)**	**(16.4)**
Lower profit sharing	**(2.1)**	**(11.0)**
Reduced price for purchased zinc concentrate	**-**	**(7.6)**
Other operating expenses and changes in volumes	**5.4**	**(8.4)**
Decrease in operating expenses in 2009 compared to 2008	**(35.5)**	**(130.1)**

[1]As noted previously, we disposed of our interest in CMMSA.

		Three Months Ended		Nine Months Ended	
Unit Operating Costs		**Sep 30 2009**	Sep 30 2008	**Sep 30 2009**	Sep 30 2008
Mines					
777	*$/tonne*	**33.26**	34.11	**36.79**	36.82
Trout Lake	*$/tonne*	**53.03**	50.64	**49.29**	49.69
Chisel North[1]	*$/tonne*	**-**	76.34	**114.63**	65.20
Total Mines [1]	*$/tonne*	**39.05**	49.38	**42.69**	47.95
Concentrators					
Flin Flon	*$/tonne*	**9.26**	9.86	**9.17**	9.95
Snow Lake[1]	*$/tonne*	**-**	21.10	**39.68**	20.94
Metallurgical Plants					
Zinc Plant	*$/lb. Zn*	**0.269**	0.277	**0.296**	0.310
Copper Smelter	*$/lb. Cu*	**0.374**	0.373	**0.348**	0.374
WPCR	*US$/lb. Cu*	**0.096**	0.075	**0.091**	0.074

[1] As production at our Chisel North mine was suspended, unit production costs for subsequent periods were not meaningful as a comparative tool and have not been presented. However, these costs are reflected within the weighted average unit costs presented for total mines.

Outlook

Operating expenses are not expected to change materially in the fourth quarter of 2009 compared to the third quarter of 2009. Upon closure of the copper smelter, the distribution of operating costs will change but net margins from copper production are not expected to change materially.

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

- **Depreciation and amortization** increased by $7.9 million, totaling $28.8 million for the third quarter of 2009. Decreases of $1.1 million and $1.1 million from the suspension of our Balmat operations and Chisel North operations, respectively were more than offset by increases in rates for operating assets, including accelerated depreciation for the smelter and refinery of approximately $9.8 million in light of the change in the economic life of these assets.

- **General and administrative** expenses increased by $0.8 million, totaling $7.4 million for the third quarter of 2009. General and administrative expense increased mainly due to long term incentive cash payments made to eligible employees in lieu of stock based compensation grants.

- **Stock-based compensation** decreased by $1.5 million to $0.8 million in the third quarter of 2009; no annual grant of options was issued in 2009, whereas an annual grant of options was issued in the first quarter of 2008. It is anticipated that the Company will resume annual grants of stock-based compensation for employees in 2010.

- **Foreign exchange loss** changed by $12.9 million to a loss of $6.9 million in the third quarter of 2009. Foreign exchange loss 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 increased over the third quarter of 2009, with exchange rates moving from $1.16 as at June 30, 2009 to $1.07 as at September 30, 2009, resulting in a foreign exchange loss of $6.9 million in the third quarter of 2009. Over the same period in the prior year, the value of the Canadian dollar decreased, with exchange rates moving from $1.02 as at June 30, 2008 to $1.06 as at September 30, 2008, which resulted in a foreign exchange gain of $6.0 million in the third quarter of 2008.

- **Exploration expenses** decreased by $6.3 million to $1.0 million for the third quarter of 2009 compared to $7.3 million in the third quarter of 2008. Refer to "Capital Expenditures" on page 19 for information on capitalized exploration expenditures.

- **Interest and other income** decreased earnings before tax by $2.5 million. The current quarter included recognition of additional tax credits at Balmat of $2.5 million. The same quarter in 2008 included higher interest income by $5.4 million offset by an investment loss of $3.9 million recorded for the period of time the Company owned Skye Resources Inc. shares prior to take-over. Interest income was lower in the third quarter of 2009 due to lower interest rates.

For the year to date, other significant variances for 2009 versus 2008 were:

- **Depreciation and amortization** increased by $5.1 million, totaling $73.1 million for year-to-date 2009. Decreases of $8.9 million and $2.1 million from the suspension of our Balmat operations and Chisel North operations were more than offset by increases in rates for operating assets, including accelerated depreciation for the smelter and refinery of approximately $13.0 million in light of the change in the economic life of these assets.

- **General and administrative** expenses increased by $5.7 million, totaling $27.8 million for year-to-date 2009. The increase resulted mainly from approximately $7.6 million for costs in 2009 related to the Lundin transaction, shareholder litigation, proxy solicitation, and severance. Approximately $4.7 million of executive retirement and severance costs were included in the operating results of the first nine months of 2008.

- **Stock-based compensation** decreased by $6.3 million to $3.5 million year-to-date in 2009; no annual grant of options was issued in 2009, whereas an annual grant of options was issued in the first quarter of 2008. In lieu of stock-based compensation grants for 2009, long term incentive cash payments were made to eligible employees in the third quarter of 2009 which increased general and administrative expense and reduced stock-based compensation expense. It is anticipated that the Company will resume annual grants of stock-based compensation for employees in 2010.

- **Foreign exchange loss** changed by $23.9 million, to a loss of $16.3 million in 2009. The year-to-date loss 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 increased over the year-to-date 2009, with exchange rates moving from $1.22 as at December 31, 2008 to $1.07 as at September 30, 2009, resulting in a foreign exchange loss of $16.3 million for year-to-date 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 $1.06 as at September 30, 2008, which resulted in a foreign exchange gain of $7.6 million for year-to-date 2008.

- **Exploration expenses** decreased by $16.3 million to $3.6 million for year-to-date 2009. We expensed costs associated with the Lalor Deposit during the first quarter of 2008 and capitalized them thereafter. Refer to “Capital Expenditures” on page 19 for information on capitalized exploration expenditures.

- **Interest and other income** increased earnings before tax by $85.9 million, mainly due to the gain of $99.9 million on the sale of Lundin shares, offset by a decrease of $17.2 million in other income due to lower interest rates.

Tax expense

Lower tax expense increased year to date earnings by $60.7 million.

	Three Months Ended		Nine Months Ended	
	Sep 30 2009	Sep 30 2008	**Sep 30 2009**	Sep 30 2008
	($000s)			
Non-cash - income tax expense *	**2,929**	6,189	**3,860**	36,006
Non-cash - mining tax expense *	**(421)**	4,093	**9,819**	4,974
Total non-cash tax expense	**2,508**	10,282	**13,679**	40,980
Estimated current taxes payable - income tax	**9,381**	13,746	**13,278**	23,461
Estimated current taxes payable - mining tax	**947**	7,090	**(153)**	23,062
Total estimated current taxes payable	**10,328**	20,836	**13,125**	46,523
Tax	**12,836**	31,118	**26,804**	87,503

* Non-cash tax expenses represent our draw-down/increase of non-cash future income and mining tax assets/liabilities.

Our effective income tax rate for year to date 2009 was approximately 13% (third quarter - 38%). Our effective income tax rate for the third quarter was higher than the 31.3% statutory income tax rate mainly as a result of non-deductible expenses. Significant items causing our year to date effective income tax rate to be lower than the statutory income tax rate include:

- an effective capital gains tax rate of 16.5% applicable to the gain related to the disposition of Lundin shares; and
- recognition of tax assets of $16.3 million related to previously unrecognized tax deductions.

Significant items partially offsetting the effect of the above noted items include non-deductible items and an increase in the valuation allowance.

Mining Tax Expense

The Province of Manitoba announced reductions to its mining tax rate in March 2009 which became substantively enacted in the second quarter. The mining tax rate is reduced to 10%, 15% or 17% from 18% depending on the amount of taxable mining profits. We have 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 September 30, 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 estimate that the tax rate that will be applicable when temporary differences reverse will be 10% or 15%. Consequently, the rate reductions announced by the Province of Manitoba have resulted in a year to date decrease in the future mining tax asset of approximately $7.3 million. 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 third quarter, we recorded a future tax recovery of $1.9 million related to changes in the estimated tax rate that will be applicable when temporary differences reverse. After applying our mining tax pools to current earnings and recording the adjustment of $1.9 million, the future mining tax asset was increased in the quarter by approximately $0.4 million.

Our effective rate for mining taxes was approximately 7.3% (third quarter - 1.6%) on our year-to-date income 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).

HudBay MINERALS

EBITDA *

The following table presents our calculation of EBITDA for the three and nine months ended September 30, 2009 and September 30, 2008.

	Three Months Ended		Nine Months Ended	
	Sep 30 2009	Sep 30 2008	**Sep 30 2009**	Sep 30 2008
	($000s)			
Earnings before tax, per financial statements	**32,811**	33,898	**132,236**	145,037
Adjustments:				
Depreciation and amortization	**28,822**	20,902	**73,078**	67,982
Exploration	**983**	7,310	**3,615**	19,886
Interest and other income	**(3,329)**	(5,828)	**(106,235)**	(20,336)
Gain (loss) on derivative instruments	**(222)**	1,199	**462**	2,228
Asset impairment losses	**-**	27,237	**-**	27,237
Share of losses of equity investee	**-**	3,915	**-**	3,915
EBITDA *	**59,065**	88,633	**103,156**	245,949

* Refer to "Non-GAAP Measures" on page 30. EBITDA represents earnings before interest, taxes, depreciation and amortization, gain/loss on derivative instruments, exploration and interest and other income, asset impairment losses and share of losses of equity investee.

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
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	($000s)							
Revenue	194,608	197,657	161,784	178,781	247,441	284,035	271,637	242,596
EBITDA[1]	59,065	28,598	15,493	46,300	88,633	86,351	70,965	72,014
Operating cash flow[2]	48,214	28,865	13,972	38,805	54,484	70,721	70,651	83,809
Earnings (loss) before tax	32,811	104,705	(5,280)	24,614	33,898	64,542	46,597	31,722
Net earnings (loss)	19,975	89,415	(3,958)	15,819	2,780	33,202	21,552	28,459
Earnings (loss) per share:								
Basic	0.13	0.58	(0.03)	0.10	0.02	0.26	0.17	0.22
Diluted	0.13	0.58	(0.03)	0.10	0.02	0.26	0.17	0.22

[1] EBITDA is considered a non-GAAP measure (refer to "Non-GAAP Measures" on page 30).

[2] Before changes in non-cash working capital (refer to "Non-GAAP Measures" on page 30).

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 and copper fell dramatically in the fourth quarter of 2008 and have only partially recovered through the first nine months of 2009. As a result, our EBITDA and operating cash flow have declined substantially compared to the levels we enjoyed in 2008. 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. In the second quarter of 2009 we realized a gain of $99.9 million on the disposition of our interest in Lundin.

FINANCIAL CONDITION, CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

Financial Condition at September 30, 2009 Compared to Financial Condition as at December 31, 2008

Cash, cash equivalents and short-term investments of $880.3 million as at September 30, 2009 reflected a $175.6 million increase from 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 increase in our cash, cash equivalents and short-term investments during 2009 was due mainly to the realization of $235.7 million in proceeds from the disposition of our interest in Lundin, offset in part by the reclassification of cash, cash equivalents and short-term investments of $53.9 million to restricted cash in order to support letters of credit previously supported by our credit facility, which expired on February 27, 2009. The change in cash balances in 2009 has also been affected by negative changes in non-cash working capital.

Working capital increased by $178.6 million to $942.3 million from December 31, 2008 to September 30, 2009. In addition to the higher cash, cash equivalents and short-term investments position, inventory decreased by $32.9 million primarily due to lower volumes of copper and gold finished metals. Payables decreased by $36.3 million, which reflected settlement of project deferral costs of the Fenix Project and payment of Lundin transaction costs which were partially offset by increases in trade payables due to prices and volumes of purchased concentrates. Taxes payable decreased due to timing of payments.

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 plan to establish a replacement credit facility once credit market conditions are more favourable for borrowers.

As at September 30, 2009, letters of credit of $62.5 million were outstanding, including $40.5 million provided to the provinces of Saskatchewan and Manitoba for reclamation undertakings and US $7.4 million provided by HMI Nickel. Approximately $53.9 million of our outstanding letters of credit were previously supported by the credit facility noted above.

Our contractual obligations at September 30, 2009 have not changed materially from December 31,

2008. We estimate that costs to purchase transmission line development assets and settle outstanding obligations upon the February 2009 cancellation of long-term agreements related to the Fenix Project will be US$5.0 million, reflecting an increase of US$1.5 million from the estimate reported as at December 31, 2008. This cost has been recognized in the third quarter of 2009.

In addition, our minimum required contributions to our defined benefit pension plans have increased by $9.3 million for each of the calendar years 2009 and 2010 and by $9.2 million for each of the calendar years 2011, 2012 and 2013.

The Company offers a Deferred Share Unit ("DSU") Plan for members of the Board of Directors. Under the DSU Plan, directors receive a certain fixed portion of their compensation in the form of notional common shares of the Company called DSUs. Each director may also make a quarterly election to receive all or a portion of his or her cash fees for the upcoming quarter in the form of DSUs. The issue and redemption prices of each DSU are based on the average closing price of the Company's common shares for the five trading days prior to the issuance or redemption. The DSUs vest on the grant date. When a participant is no longer a director of the Company, DSUs are redeemable by a lump sum cash payment based on the value of the DSUs at the time. The DSU liability is revalued quarterly based on the change in the Company's share price. The change in the value of the DSU liability is included in the operating results in the period of the change.

At September 30, 2009, the value of the outstanding liability related to the DSU Plan was $0.7 million (2008 - $0).

The following table summarizes our cash flows for the three and nine months ended September 30, 2009 and September 30, 2008.

	Three Months Ended		Nine Months Ended	
	Sep 30 2009	Sep 30 2008	**Sep 30 2009**	Sep 30 2008
	($000s)			
Net earnings for the period	**19,975**	2,780	**105,432**	57,534
Items not affecting cash	**28,239**	51,704	**(14,381)**	138,322
Net change in non-cash items	**8,381**	1,061	**(24,489)**	(278)
Cash provided by operating activities	**56,595**	55,545	**66,562**	195,578
Cash provided by (used in) investing activities	**(17,999)**	(510,496)	**597,556**	(660,446)
Cash provided by (used in) financing activities	**684**	(42,954)	**(1,501)**	(62,796)
Effect of exchange rate changes on cash and cash equivalents	**(4,944)**	10,479	**(8,052)**	11,650
Increase (decrease) in cash and cash equivalents	**34,336**	(487,426)	**654,565**	(516,014)

Cash Flow from Operating Activities

Operating activities provided $56.6 million of cash flows in the third quarter, representing a $1.1 million increase compared to the same period in 2008. This increase was contributed by various factors including the appreciation of the US dollar compared to the same period in 2008 and the elimination of costs resulting from the suspension of the Balmat, Chisel North, and Snow Lake operations, largely offset by lower copper sales prices and volumes during the quarter.

Year-to-date cash provided by operations was $66.6 million, reflecting a decrease of $129.0 million from operating cash provided in the same period in 2008. The decline is mainly due to lower copper and zinc prices and volumes compared to 2008. Significant changes in year-to-date 2009 working capital included reductions in accounts payable and accrued liabilities partially offset by lower operating expenses primarily due to decreases in volumes and prices of purchased concentrates and lower profit sharing accruals for the year; inventories which decreased by $32.9 million due to reductions to previously accumulated copper concentrate and finished metals inventories; and taxes payable which decreased by $15.9 million as a payment was made in the first quarter for 2008 taxes.

Cash Flow from Investing and Financing Activities

During the third quarter, our investing and financing activities required cash of $17.3 million, primarily driven by capital expenditures of $16.2 million and a $2.5 million acquisition of a 14.9% interest in Aquila. In 2008, our third quarter cash outflows consisted mainly of the purchase of highly liquid short term investments of $602.8 million, capital expenditures of $36.0 million and repurchase of common shares of $42.3 million, partially offset by cash acquired as part of the HMI Nickel acquisition.

Year-to-date cash provided by investing and financing activities was represented mainly by the Company's $478.9 million net redemptions of short-term investments in Canadian bankers' acceptances and proceeds of $235.7 million from the disposition of its investment in Lundin. Partially offsetting the increases in cash were capital expenditures of $63.8 million and $53.9 million of restricted cash.

Capital Expenditures

The following summarizes cash and non-cash additions to capital assets by mine and processing facility.

	Three Months Ended		Nine Months Ended	
	Sep 30 2009	Sep 30 2008	**Sep 30 2009**	Sep 30 2008
	($ millions)		*($ millions)*	
Plant and Equipment	**5.5**	13.1	**17.7**	27.0
Capital Development	**6.4**	12.5	**27.9**	45.4
Capitalized Exploration	**4.9**	5.1	**13.6**	13.0
Capitalized Fenix Project	**8.6**	7.9	**14.2**	7.9
Total	**25.4**	38.6	**73.4**	93.3

Our capital expenditures in the third quarter were $13.2 million lower than the same period in 2008, as reduced sustaining capital expenditures were partially offset by capitalized expenditures on our Lalor Deposit and Fenix Project. The same factors explained a $19.9 million decline in capital expenditures for the first nine months of 2009 compared to the same period in 2008.

	Three Months Ended		Nine Months Ended	
	Sep 30 2009	Sep 30 2008	**Sep 30 2009**	Sep 30 2008
	($ millions)			
777 Mine	**5.0**	6.7	**16.3**	17.0
Trout Lake Mine	**3.9**	5.8	**17.2**	21.4
Chisel North Mine	**-**	2.5	**-**	6.0
Balmat Mine and Concentrator	**-**	1.8	**-**	10.2
Flin Flon and Snow Lake Concentrators	**0.1**	0.7	**1.5**	2.3
Flin Flon and Snow Lake Other	**0.6**	4.9	**2.2**	8.2
Zinc Plant	**1.3**	3.4	**3.7**	8.5
Copper Smelter & WPCR	**1.8**	0.3	**5.7**	2.1
Other	**0.2**	0.3	**1.0**	0.7
Sustaining capital expenditures	**12.9**	26.4	**47.6**	76.4
Lalor Deposit	**3.9**	4.3	**11.7**	9.0
Fenix Project [1]	**8.6**	7.9	**14.2**	7.9
Other	**-**	-	**(0.1)**	-
Growth capital expenditures	**12.5**	12.2	**25.8**	16.9
Total	**25.4**	38.6	**73.4**	93.3

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

Liquidity

During the third quarter of 2009, our cash flow from operating activities fully funded our capital expenditures. In addition, our cash, cash equivalents and short-term investments balance of $880.3 million provides a substantial cushion against unanticipated demands on liquidity; although expenditures on the Lalor Deposit are expected to utilize part of this cash balance.

The declines in the prices for equity and other financial assets in late 2008 adversely affected the valuation of our defined benefit pension plan assets. Based on actuarial valuation reports as at December 31, 2008, the solvency deficits in our defined benefit pension plans totaled $31.8 million, compared to $13.2 million at December 31, 2007. As a result, our required cash contributions to these plans, which reflect amortization of the solvency deficits over five years, have increased from $17.4 million in 2008 to $26.8 million in 2009.

On September 29, 2009, the TSX accepted the Company's application for a NCIB. To date, no common shares have been repurchased under the NCIB.

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 or to manage the risk of restarting higher cost operations.

In October 2009, we implemented a price protection program for the restart of our Chisel North mine. We entered into zinc commodity swap contracts with an average volume of approximately 2.0 million pounds of zinc per month for the period May 2010 through July 2012, at an average price of approximately $1.01 per pound. This volume represents approximately 50% of the anticipated production from Chisel North. In addition, we entered into foreign exchange forwards to hedge anticipated US dollar revenues. We agreed to sell US dollars and purchase C$1.45 million per month for the same period as the zinc swap contracts described above, at an average rate of approximately C$1.07 per US dollar. We intend to apply hedge accounting to these transactions.

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 through 2010. 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 remained in accumulated other comprehensive income ("AOCI") and are being reclassified to earnings in periods through to 2010. As a result of the anticipated closure of the Flin Flon copper smelter, it is likely that certain of the 2010 hedged anticipated copper sales will not occur. Accordingly, we reclassified related gains of $0.5 million from AOCI to earnings in the second quarter of 2009.

For the third quarter of 2009, we reclassified pre-tax net gains of $1.8 million from other comprehensive income ("OCI") to earnings as hedged anticipated zinc and copper sales occurred. Of the $3.7 million pre-tax gain in AOCI at September 30, 2009, gains of $3.1 million will be reclassified to earnings in the next twelve months.

Year-to-date, we reclassified a pre-tax gain of $6.4 million from OCI to earnings.

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 as revenues are predominantly denominated in US dollars, or to manage our exposure to US dollar-denominated cash balances.

HUDBAY MINERALS

OPERATIONS OVERVIEW

Mines

Mines		Three Months Ended **Sep 30 2009**	Three Months Ended Sep 30 2008	Nine Months Ended **Sep 30 2009**	Nine Months Ended Sep 30 2008
777					
Ore	*tonnes*	**389,877**	369,354	**1,172,522**	1,101,725
Zinc	*%*	**4.75**	4.39	**4.16**	4.42
Copper	*%*	**2.61**	2.80	**2.52**	2.69
Gold	*g/tonne*	**2.44**	2.00	**2.11**	2.11
Silver	*g/tonne*	**31.37**	24.62	**25.99**	24.90
Trout Lake					
Ore	*tonnes*	**161,452**	194,669	**517,286**	588,643
Zinc	*%*	**3.78**	3.72	**2.79**	3.87
Copper	*%*	**2.39**	2.05	**1.98**	1.99
Gold	*g/tonne*	**1.63**	1.34	**1.24**	1.33
Silver	*g/tonne*	**19.55**	16.56	**14.63**	19.18
Chisel North					
Ore	*tonnes*	**-**	77,826	**48,695**	243,078
Zinc	*%*	**-**	7.28	**9.18**	7.48
Balmat					
Ore	*tonnes*	**-**	41,778	**-**	268,568
Zinc	*%*	**-**	7.28	**-**	7.96
Total Mines					
Ore	*tonnes*	**551,329**	683,627	**1,738,503**	2,202,014
Zinc	*%*	**4.46**	4.71	**3.89**	5.04
Copper	*%*	**2.55**	2.12	**2.30**	1.91
Gold	*g/tonne*	**2.20**	1.51	**1.81**	1.48
Silver	*g/tonne*	**27.91**	19.82	**22.59**	19.40

For unit operating costs, refer to page 12.

777 Mine

Ore production at our 777 mine for the third quarter increased by 6% compared to the same period in 2008. The improved production is a result of planned productivity improvements and the addition of credited tonnage from the surface stockpile. The zinc grade was higher by 8%, and the copper grade was lower by 7%, due to the areas we mined during the quarter. The gold grade was 22% higher, and the silver grade was 27% higher, also related to the areas mined in the quarter. Operating costs per tonne of ore in the third quarter were 2% lower as compared to the same period in 2008.

Ore production at the 777 mine for year-to-date 2009 increased by 6% compared to year-to-date 2008. Improvements in the mine ore handling system, productivity improvements and tonnage from the surface stockpile have all contributed to the production increase. Compared with grades in 2008, the zinc grade was 6% lower, copper grade was 6% lower, gold grade was unchanged, and silver grade was 4% higher. The lower metal grades are attributed to the areas mined. Operating costs at $36.79 per tonne of ore were marginally lower as compared to the same period in 2008.

Trout Lake Mine

Ore production at Trout Lake for the third quarter was 17% lower as compared to the same quarter in 2008. The decrease in production was largely due to the sixteen day production shutdown in July as a cost savings initiative. Ore from the surface stockpile was used to feed the concentrator during this period. Going forward, the tonnes per day mined will decrease as budgeted due to a higher percentage of tonnage coming from deeper areas of the mine, smaller, narrower stoping blocks and pillar recovery mining. Zinc grade was 2% higher and copper grade was 17% higher, due to the first stoping blocks mined from the Deep West Zone being high in copper. With respect to the areas mined, gold grade was 22% higher, and silver grade was 18% higher. Operating costs per tonne of ore were 5% higher as compared to the third quarter of 2008.

Ore production at Trout Lake decreased by 12% for year-to-date 2009 compared to year-to-date 2008. This is consistent with the 2009 mining plan, reflecting smaller mining blocks, longer haul distances to ore passes and pillar recovery, resulting in reduced tonnes hoisted per day. Zinc grade was 28% lower due to difficulty in mining some pillars in the higher grade zinc areas. Copper grade was 1% lower, gold grade was 7% lower and silver grade was 24% lower. Lower grades are being mined and dilution has increased due to the narrower ore widths. Improved copper grades are expected as we extract more ore from the Deep West mining zone. Operating costs per tonne of ore mined were 1% lower, due to reduced ground support and rehabilitation of some of the mining areas.

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. Full production is expected to begin in the second quarter of 2010 and continue for approximately two years. In connection with the restart, HudBay entered into a forward sale of approximately 50% of the anticipated production from Chisel North, in compliance with its risk management policy. (Refer to "Base Metal Price Strategic Risk Management" on page 21.)

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 Sep 30 2009	Sep 30 2008	Nine Months Ended Sep 30 2009	Sep 30 2008
Flin Flon Concentrator					
Ore	*tonnes*	**569,619**	576,482	**1,702,218**	1,688,561
Zinc	*%*	**4.32**	4.18	**3.74**	4.25
Copper	*%*	**2.49**	2.51	**2.34**	2.45
Gold	*g/tonne*	**2.13**	1.77	**1.83**	1.85
Silver	*g/tonne*	**26.92**	22.18	**22.49**	23.00
Zinc concentrate	*tonnes*	**39,377**	39,470	**101,695**	118,677
Concentrate grade	*% Zn*	**52.64**	52.84	**52.37**	52.05
Copper concentrate	*tonnes*	**53,471**	54,562	**150,520**	157,163
Concentrate grade	*% Cu*	**24.85**	25.05	**24.70**	24.64
Zinc recovery	*%*	**84.1**	86.5	**83.7**	86.0
Copper recovery	*%*	**93.8**	94.5	**93.4**	93.6
Gold recovery	*%*	**66.1**	74.1	**69.5**	77.5
Silver recovery	*%*	**60.6**	66.3	**61.5**	64.7
Snow Lake Concentrator					
Ore	*tonnes*	**-**	84,125	**49,006**	242,170
Zinc	*%*	**-**	7.39	**8.96**	7.49
Zinc concentrate	*tonnes*	**-**	11,457	**8,646**	33,484
Concentrate grade	*% Zn*	**-**	51.56	**48.95**	51.41
Zinc recovery	*%*	**-**	95.0	**96.4**	94.9
Balmat					
Ore	*tonnes*	**-**	49,092	**-**	267,174
Zinc	*%*	**-**	7.28	**-**	7.97
Zinc concentrate	*tonnes*	**-**	5,737	**-**	35,083
Concentrate grade	*% Zn*	**-**	58.02	**-**	57.20
Zinc recovery	*%*	**-**	93.2	**-**	94.3

For unit operating costs, refer to page 12.

Flin Flon Concentrator

For the third quarter of 2009, ore processed decreased by 1% compared to the same period in 2008. Zinc head grade was 3% higher, and copper head grade was 1% lower. The gold head grade was 20% higher, and the silver head grade was 21% higher. Recovery of zinc to concentrate was 3% lower, while recovery of copper to concentrate was slightly lower than the same period in 2008. Operating cost per tonne of ore processed decreased by 6%, related to lower costs for some consumables and grinding media.

Ore processed for year-to-date 2009 is 1% higher than 2008 levels. This was due to reduced maintenance down time increasing the concentrator availability and increased feed from the surface stockpiles. Zinc head grade in 2009 was 12% lower than last year, while copper head grade was 4% lower, consistent with the ore received from the 777 and Trout Lake mines. Recovery of zinc to concentrate was 3% lower, and copper recovery was slightly lower than the same period in 2008. Operating costs per tonne of ore processed were 8% lower, primarily related to reduced purchase prices for reagents, grinding media and no copper sulphate production required for the Snow Lake concentrator.

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 was completed by the end of May 2009, and the operation has been placed under care and maintenance. The concentrator is expected to restart in April 2010 once ore is available from the Chisel North 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. During the third quarter of 2008, 4,095 tonnes were sold.

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Metallurgical Plants

Metal Produced and Sold

		Three Months Ended		Nine Months Ended	
		Sep 30 2009	Sep 30 2008	**Sep 30 2009**	Sep 30 2008
Metal Produced [1]					
Metal from HBMS Concentrates					
Zinc	*tonnes*	**18,323**	27,651	**52,875**	78,406
Copper [2]	*tonnes*	**12,668**	15,227	**37,255**	40,121
Gold [2]	*troy oz.*	**22,933**	26,726	**68,253**	77,687
Silver [2]	*troy oz.*	**269,840**	317,812	**707,957**	817,770
Metal from HBMS Purchased Concentrates					
Zinc	*tonnes*	**10,105**	1,183	**25,192**	4,559
Copper [2]	*tonnes*	**1,622**	3,940	**8,795**	15,702
Gold [2]	*troy oz.*	**55**	194	**330**	738
Silver [2]	*troy oz.*	**207,929**	312,356	**825,653**	773,919
Total HBMS Metal Produced					
Zinc	*tonnes*	**28,428**	28,834	**78,067**	82,965
Copper [2]	*tonnes*	**14,290**	19,167	**46,050**	55,823
Gold [2]	*troy oz.*	**22,988**	26,920	**68,583**	78,425
Silver [2]	*troy oz.*	**477,769**	630,168	**1,533,610**	1,591,689
Balmat					
Zinc metal in concentrate for sale	*tonnes*	**-**	3,329	**-**	20,066
Metal in concentrate purchased from Xstrata [3]	*tonnes*	**-**	(1,165)	**-**	(3,651)
Total Produced [4]					
Zinc	*tonnes*	**28,428**	30,998	**78,067**	99,380
Copper [2]	*tonnes*	**14,290**	19,167	**46,050**	55,823
Gold [2]	*troy oz.*	**22,988**	26,920	**68,583**	78,425
Silver [2]	*troy oz.*	**477,769**	630,168	**1,533,610**	1,591,689
Metal Sold					
Zinc, including sales to Zochem	*tonnes*	**29,349**	32,647	**80,771**	100,365
Copper	*tonnes*	**15,293**	19,190	**51,117**	58,749
Gold	*troy oz.*	**21,900**	20,632	**74,921**	70,751
Silver	*troy oz.*	**506,148**	364,944	**1,711,212**	1,203,144

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		Nine Months Ended	
		Sep 30 2009	Sep 30 2008	**Sep 30 2009**	Sep 30 2008
Zinc Plant					
Zinc Concentrate Treated					
Domestic	*tonnes*	**35,651**	55,393	**105,098**	158,159
Purchased	*tonnes*	**19,232**	2,201	**48,388**	8,682
Total	*tonnes*	**54,883**	57,594	**153,486**	166,841
Zinc Oxide					
Zinc from HudBay	*tonnes*	**5,010**	7,064	**14,381**	19,911
Zinc from others	*tonnes*	**-**	-	**6**	2,227
Total zinc consumption	*tonnes*	**5,010**	7,064	**14,387**	22,138
Zinc oxide produced	*tonnes*	**6,128**	8,512	**17,575**	26,996
Zinc oxide sold	*tonnes*	**6,304**	8,736	**18,655**	26,788
Smelter					
Copper concentrate treated					
Domestic	*tonnes*	**48,799**	56,216	**144,514**	175,993
Purchased	*tonnes*	**4,666**	12,154	**25,950**	48,174
Total	*tonnes*	**53,465**	68,370	**170,464**	224,167
WPCR					
Anodes received	*tonnes*	**15,634**	21,187	**48,320**	64,376
Cathode produced	*tonnes*	**12,272**	17,432	**38,938**	52,334
Spent anode produced	*tonnes*	**2,799**	3,838	**8,434**	11,598
Liberator anode produced	*tonnes*	**288**	255	**750**	1,025
Slimes produced	*tonnes*	**45**	56	**150**	163

For unit operating costs, refer to page 12.

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 third quarter was 1% lower than the same quarter in 2008. Operating costs per pound of zinc metal produced were 3% lower. The lower production was the result of insufficient concentrate available in 2009 to allow for full production. Unit costs were lower during the third quarter of 2009 as a result of lower consumable costs and other cost containment actions.

Year-to-date production was 78,067 tonnes of cast metal, 6% lower than in 2008 due to insufficient concentrate availability. Operating costs per pound were down 5% because of a reduction in materials and maintenance costs as a result of decreased production.

For the remainder of 2009, we have entered into agreements to purchase zinc concentrate that, when combined with expected domestic concentrate production, should keep the zinc plant operating near capacity.

Zinc Oxide Facility – Zochem

During the third quarter of 2009, Zochem consumed 5,010 tonnes of HBMS zinc and produced 6,128 tonnes of zinc oxide. In comparison to the third quarter of 2008, sales volumes decreased by 28%, as did production levels. Lower sales levels were a direct reflection of the downturn in the US economy. Third quarter operating costs per pound of zinc oxide were higher reflecting the decreased production rates throughout the period.

Year-to-date production of zinc oxide was 17,575 tonnes, 35% lower than in 2008. Unit operating costs for the period were higher than 2008, mainly due to lower production volumes.

Copper Smelter

The smelter treats both copper concentrate from HudBay's own mines and copper concentrate purchased from others. Approximately 9% of the concentrate we treated in the third quarter was purchased concentrate, down from 18% for the third quarter of 2008. Our main source of purchased concentrate has been from existing settled contracts originally scheduled to extend into 2009. Owing to current low market prices for treating copper concentrates, we were not able to obtain favourable economic terms to purchase copper concentrate beyond early 2009 and exercised early termination rights on existing contracts. We have continued to purchase concentrates, priced previously and on favourable terms, from these suppliers in limited amounts in 2009.

In the past, the smelter has recycled copper from WPCR in the form of spent anodes and liberators and we have also sold the anodes to third parties. In light of lower volumes of purchased copper concentrate, we continue to process recycled copper from WPCR when operations allow. Spent copper anode was both sold to third parties and treated in Flin Flon during the third quarter.

Our non-recycled copper production was 25% lower in the third quarter of 2009 compared to the same quarter in 2008, primarily due to the lack of economically purchased concentrate. Operating costs per pound of copper anode produced were equivalent to the third quarter of 2008.

Year-to-date, new copper in anode production was 18% lower than 2008, reflecting lower copper concentrate throughput. Year-to-date operating costs per pound of copper were 7% lower in 2009 compared to 2008, primarily due to decreased costs of consumables including heavy fuel oil.

As announced, we expect to close the copper smelter before July 1, 2010 and WPCR shortly thereafter.

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 third quarter of 2009, copper cathode production decreased by 30% compared to the same quarter last year, mainly due to lower anode production. Operating costs per pound of copper cathode were 28% higher, also due to lower production levels.

Copper cathode production for year-to-date 2009 was 38,938 tonnes, 26% lower than in 2008, mainly due to the lower anode production. Operating costs per pound of copper cathode produced were 23%

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higher, primarily related to the lower throughput.

OUTSTANDING SHARE DATA

As of November 2, 2009, there were 153,794,989 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 5,296,379 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 September 30, 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 involves individuals from many aspects of the business, including accounting and finance, tax, information technology, legal, investor relations, logistics and operations. We have conducted workshops and training. We have established a project structure, including a charter and a detailed project plan that includes phases for planning and assessment, design and implementation. The project plan includes activities related to subsidiaries in all jurisdictions. Our project team is providing regular status updates to the IFRS Steering Committee and the Audit Committee of the Board of Directors.

Our IFRS Steering Committee and Audit Committee have reviewed our detailed assessment, which included identifying and prioritizing areas of differences between Canadian GAAP and IFRS. Areas that will require significant continued efforts or that may result in significant changes to our financial reporting include property, plant and equipment, asset retirement obligations, exploration for and evaluation of mineral resources, impairment of long-lived assets, translation of transactions denominated in foreign currencies and income taxes, as well as the transitional provisions of IFRS 1, *First-time Adoption of International Financial Reporting Standards*. We have identified a dual reporting solution to maintain accounting records in accordance with each of the Canadian GAAP and IFRS for our 2010 transition year, and we have completed high-level impact assessments related to key controls, compensation plans and contracts. We have updated and revised our detailed project plan for the design and implementation phases based on our completion of the assessment phase. Our project team is currently working through the design phase, which includes preparing accounting technical papers and analyses, selecting accounting policies and drafting financial statement templates. The design phase will continue into 2010. We are continuing to monitor changing standards to enable us to assess their effect on the IFRS project and update the project plan as required.

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 our 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.

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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 and nine months ended September 30, 2009 and September 30, 2008.

	Three Months Ended		Nine Months Ended	
	Sep 30 2009	Sep 30 2008	**Sep 30 2009**	Sep 30 2008
	($000s except share and per share amounts)			
Cash (used in) provided by operating activities, per financial statements	**56,595**	55,545	**66,562**	195,578
Adjustments:				
Changes in non-cash working capital	**(8,381)**	(1,061)	**24,489**	278
Operating cash flow before changes in non-cash working capital*	**48,214**	54,484	**91,051**	195,856
Weighted average shares outstanding	**153,443,348**	137,461,538	**153,432,764**	130,159,412
Operating cash flow per share*	**$0.31**	$0.40	**$0.59**	$1.50

* Refer to "Non-GAAP Measures" on page 30.

Cash cost per pound of zinc sold*

Our cash cost per pound of zinc sold, net of by-product credits, for the third quarter of 2009 was negative US$0.16 per pound, excluding costs and sales related to Balmat and HMI Nickel, as calculated in the following table.

	Three Months Ended		Nine Months Ended	
	Sep 30 2009	Sep 30 2008	**Sep 30 2009**	Sep 30 2008
	($000s except as noted)			
Operating expenses	**119,305**	154,837	**399,948**	530,027
General and administrative expenses	**7,437**	6,642	**27,770**	22,095
	126,742	161,479	**427,718**	552,122
Exclude amounts related to Balmat and HMI Nickel	**(2,292)**	(10,448)	**(10,247)**	(33,766)
	124,450	151,031	**417,471**	518,356
Less by-product credits [1]	**(135,583)**	(185,086)	**(409,540)**	(592,691)
Cash cost net of by-products	**(11,133)**	(34,055)	**7,931**	(74,335)
Exchange rate (US$1 to C$) [2]	**1.097**	1.038	**1.170**	1.019
Cash cost net of by-products	**US (10,149)**	US (32,808)	**US 6,779**	US (72,949)
Zinc sales (000's lbs.), excluding Balmat	**64,703**	63,981	**176,302**	181,449
Cash cost per pound of zinc sold*, net of by-product credits in US$/lb.	**US (0.16)**	US (0.51)	**US 0.04**	US (0.40)

* Refer to "Non-GAAP Measures" on page 30.

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

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

For the third quarter, our cash cost per pound of zinc sold was negative US$0.16, a net increase of US$0.35 from the same period in 2008 and for the year-to-date was positive US$0.04, a net increase of US$0.44 from 2008. The increase in cost per pound was due primarily to lower by-product copper credits which resulted mainly from lower 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.