Interim Consolidated Financial Statements
(In Canadian dollars)

HUDBAY MINERALS INC.

For the Three Months Ended March 31, 2009

HUDBAY MINERALS INC.

Consolidated Statements of (Loss) Earnings
Unaudited
(In thousands of Canadian dollars, except share and per share amounts)

	Three months ended March 31	
	2009	2008
Revenue (note 17)	**$ 161,784**	$ 271,637
Expenses:		
Operating	**135,100**	186,703
Depreciation and amortization	**21,032**	24,233
General and administrative	**13,128**	9,853
Stock-based compensation (note 12c,d)	**2,197**	4,528
Accretion of asset retirement obligations	**1,113**	904
Foreign exchange gain	**(5,247)**	(1,316)
	167,323	224,905
(Loss) earnings before the following:	**(5,539)**	46,732
Exploration	**(1,055)**	(6,096)
Interest and other income (note 18)	**1,940**	7,702
Loss on derivative instruments	**(626)**	(1,741)
(Loss) earnings before tax	**(5,280)**	46,597
Tax (benefit) expense (note 11a)	**(1,322)**	25,045
Net (loss) earnings for the period	**$ (3,958)**	$ 21,552
(Loss) earnings per share:		
Basic	**$ (0.03)**	$ 0.17
Diluted	**$ (0.03)**	$ 0.17
Weighted average number of common shares outstanding (note 12e):		
Basic	**153,026,235**	126,464,822
Diluted	**153,381,727**	127,556,958

See accompanying notes to interim consolidated financial statements.

HUDBAY MINERALS INC.

Consolidated Balance Sheets
Unaudited
(In thousands of Canadian dollars)

	March 31, 2009	December 31, 2008
Assets:		
Current assets:		
Cash, cash equivalents and short-term investments (note 4)	**$ 609,829**	$ 704,668
Accounts receivable	**66,330**	68,879
Inventories (note 5)	**136,526**	146,645
Prepaid expenses and other current assets	**8,177**	8,196
Cash held in trust	**-**	3,836
Future income and mining tax assets (note 11b)	**22,367**	21,217
Current portion of fair value of derivatives (note 14c)	**2,903**	4,198
	846,132	957,639
Property, plant and equipment (note 6)	**819,941**	817,879
Available-for-sale investments (note 13)	**200,985**	118,960
Other assets (note 7)	**73,519**	23,875
	$ 1,940,577	$ 1,918,353
Liabilities and Shareholders' Equity:		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 112,893**	$ 137,776
Taxes payable	**-**	22,297
Current portion of other liabilities (note 8)	**28,686**	33,889
	141,579	193,962
Pension obligations	**26,575**	28,133
Other employee future benefits	**75,256**	74,128
Asset retirement obligations	**42,740**	41,317
Obligations under capital leases	**-**	100
Future income tax liabilities (note 11b)	**31,168**	22,013
	317,318	359,653
Shareholders' equity:		
Share capital:		
Common shares (note 12b)	**632,740**	632,380
Warrants	**1**	20
Contributed surplus (note 12d)	**34,422**	32,345
Retained earnings	**908,331**	912,289
Accumulated other comprehensive income (loss) (note 13)	**47,765**	(18,334)
	1,623,259	1,558,700
	$ 1,940,577	$ 1,918,353

Commitments (note 15)
See accompanying notes to interim consolidated financial statements.

HUDBAY MINERALS INC.

Consolidated Statements of Cash Flows
Unaudited
(In thousands of Canadian dollars)

	Three months ended March 31	
	2009	2008
Cash provided by (used in):		
Operating activities:		
Net (loss) earnings for the period	**$ (3,958)**	$ 21,552
Items not affecting cash:		
Depreciation and amortization	**21,032**	24,233
Stock-based compensation (note 12c,d)	**2,197**	4,528
Accretion expense on asset retirement obligations	**1,113**	904
Foreign exchange gain	**(2,398)**	(643)
Change in fair value of derivatives	**(43)**	(88)
Future tax (benefit) expense (note 11a)	**(1,844)**	18,306
Net (gains) losses reclassified from OCI (note 13)	**(2,196)**	566
Other	**69**	1,293
	13,972	70,651
Change in non-cash working capital (note 16a)	**(35,950)**	(11,821)
	(21,978)	58,830
Financing activities:		
Repayment of Senior Secured Notes	**(3,764)**	-
Repayment of obligations under capital leases	**(101)**	(1,056)
Repurchase of common shares (note 12b)	**-**	(10,999)
Proceeds on exercise of stock options	**221**	35
	(3,644)	(12,020)
Investing activities:		
Additions to property, plant and equipment	**(22,482)**	(24,206)
Sale of short-term investments	**478,941**	-
Net purchase of non-current investments	**(817)**	-
Sale of cash held in trust	**3,885**	-
Additions to restricted cash	**(52,644)**	-
	406,883	(24,206)
Effect of exchange rate changes on cash and cash equivalents	**2,841**	870
Change in cash and cash equivalents	**384,102**	23,474
Cash and cash equivalents, beginning of period	**225,727**	757,574
Cash and cash equivalents, end of period (note 4)	**$ 609,829**	$ 781,048

For supplemental information, see note 16.
See accompanying notes to interim consolidated financial statements.

HUDBAY MINERALS INC.

Consolidated Statements of Retained Earnings
Unaudited
(In thousands of Canadian dollars)

	Three months ended March 31	
	2009	2008
Retained earnings, beginning of period	**$ 912,289**	$ 868,857
Net (loss) earnings for the period	**(3,958)**	21,552
Share repurchases	**-**	(7,285)
Retained earnings, end of period	**$ 908,331**	$ 883,124

See accompanying notes to interim consolidated financial statements.

Consolidated Statements of Comprehensive Income
Unaudited
(In thousands of Canadian dollars)

	Three months ended March 31	
	2009	2008
Net (loss) earnings for the period	**$ (3,958)**	$ 21,552
Other comprehensive income (loss), net of tax (note 13):		
Cash flow hedges	**(1,503)**	(12,056)
Available-for-sale investments	**67,625**	(817)
Currency translation adjustments	**(23)**	27
	66,099	(12,846)
Comprehensive income for the period	**$ 62,141**	$ 8,706

See accompanying notes to interim consolidated financial statements.

1. Nature of business

HudBay Minerals Inc. (the "Company" or "HudBay") is a Canadian company continued under the *Canada Business Corporations Act* on October 25, 2005. HudBay is a Canadian-based, integrated base metals mining, metallurgical processing and refining company with assets in North and Central America. HudBay owns 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 its primary products, zinc and copper, HudBay also produces gold, silver and zinc oxide.

2. Basis of presentation and principles of consolidation

These unaudited interim consolidated financial statements include the financial statements of the Company, including all of its subsidiaries.

Management has prepared the interim consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") following the same accounting policies as disclosed in the audited consolidated financial statements for the year ended December 31, 2008, except as noted in note 3.

The unaudited interim consolidated financial statements do not include all of the information and disclosures required by Canadian GAAP for audited annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in the unaudited interim consolidated financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the most recent audited annual consolidated financial statements of the Company, including the notes thereto.

3. Adoption of new accounting standards

(a) Adopted in 2009:

Goodwill and Intangible Assets

On January 1, 2009, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, *Goodwill and Intangible Assets*, which replaced Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The Company's adoption of this standard had no effect on the consolidated financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

Effective January 1, 2009, the Company adopted Emerging Issues Committee ("EIC") abstract 173 ("EIC-173"), *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. The abstract clarifies that an entity should take into account its own credit risk and counterparty credit risk in determining the fair value of financial assets and financial liabilities, including derivative instruments. The Company's adoption of this abstract had no effect on the consolidated financial statements.

Mining Exploration Costs

Effective January 1, 2009, the Company adopted EIC-174, *Mining Exploration Costs*, which clarifies guidance related to capitalization of exploration costs and impairment of capitalized costs. The Company's adoption of this abstract had no effect on the consolidated financial statements.

(b) Future accounting changes:

Business Combinations

In January 2009, the CICA issued Section 1582, *Business Combinations*, replacing Section 1581 of the same name. The new section will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Section 1582, which provides the Canadian equivalent to International Financial Reporting Standard 3, *Business Combinations (January 2008)*, establishes standards for the accounting for a business combination. Section 1582 requires business acquisitions (including non-controlling interests and contingent consideration) to be measured at fair value on the acquisition date, generally requires acquisition-related costs to be expensed, requires gains from bargain purchases to be recorded in net (loss) earnings, and expands the definition of a business. As Section 1582 will apply only to future business combinations, it will not have a significant effect on the Company's consolidated financial statements prior to such acquisitions.

Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA issued Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling Interests*, which together replace the existing Section 1600, *Consolidated Financial Statements*, and provide the Canadian equivalent to International Accounting Standard 27, *Consolidated and Separate Financial Statements (January 2008)*. The new sections will be applicable to the Company on January 1, 2011. Section 1601 establishes standards for the preparation of consolidated financial statements, and Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company is assessing the impact, if any, of the adoption of these new sections on its consolidated financial statements.

(In thousands of Canadian dollars, except where otherwise noted)

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a strategic plan that will significantly affect financial reporting requirements for Canadian companies. The strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the change-over date for publicly-listed companies to use IFRS, replacing Canada's existing GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4. Cash, cash equivalents and short-term investments

	March 31, 2009	December 31, 2008	March 31, 2008
Cash and cash equivalents:			
Cash on hand and demand deposits	**$ 130,025**	$ 225,727	$ 54,360
Short-term money market instruments with original maturities of three months or less	**479,804**	-	726,688
	609,829	225,727	781,048
Short-term investments:			
Short-term bankers' acceptances with original maturities within six months	**-**	478,941	-
	$ 609,829	$ 704,668	$ 781,048

5. Inventories

	March 31, 2009	December 31, 2008
Work-in-process	**$ 66,358**	$ 59,138
Finished goods	**50,413**	68,067
Materials and supplies	**19,755**	19,440
	$ 136,526	$ 146,645

(In thousands of Canadian dollars, except where otherwise noted)

6. Property, plant and equipment

March 31, 2009	Cost	Accumulated depreciation and amortization	Net book value
Property, plant and equipment	**$ 448,225**	**$ 114,190**	**$ 334,035**
Mine development	**296,957**	**184,618**	**112,339**
Mineral properties	**373,567**	**-**	**373,567**
	$ 1,118,749	**$ 298,808**	**$ 819,941**

December 31, 2008	Cost	Accumulated depreciation and amortization	Net book value
Property, plant and equipment	$ 443,511	$ 105,904	$ 337,607
Mine development	284,376	171,979	112,397
Mineral properties	367,875	-	367,875
	$ 1,095,762	$ 277,883	$ 817,879

7. Other assets

	March 31, 2009	December 31, 2008
Investments, at fair value through earnings	**$ 207**	$ 110
Restricted cash	**63,212**	10,568
Long-term portion of future tax asset (note 11b)	**10,100**	13,197
	$ 73,519	$ 23,875

The increase in restricted cash relates mainly to outstanding letters of credit that were previously supported by the Company's revolving credit facility, which expired on February 27, 2009 (note 9). Included in these letters of credit are amounts representing security provided by Hudson Bay Mining and Smelting Co., Limited (“HBMS”) to the provinces of Saskatchewan and Manitoba for reclamation undertakings.

(In thousands of Canadian dollars, except where otherwise noted)

8. Current portion of other liabilities

	March 31, 2009	December 31, 2008
Current portion of:		
Long-term debt (note 9)	**$ -**	$ 3,321
Pension obligation	**17,683**	17,683
Other employee future benefits	**2,739**	2,668
Asset retirement obligation	**4,957**	5,315
Obligations under capital leases	**410**	411
Future tax liabilities (note 11b)	**72**	42
Fair value of derivatives (note 14c)	**2,825**	4,293
Interest payable on long-term debt	**-**	156
	$ 28,686	$ 33,889

9. Long-term debt

	March 31, 2009	December 31, 2008
Senior Secured Notes	**$ -**	$ 3,321
Less current portion of long-term debt (note 8)	**-**	3,321
	$ -	$ -

On January 15, 2009, all remaining Senior Secured Notes were redeemed with proceeds from the Company's cash held in trust.

The Company's revolving credit facility expired on February 27, 2009 and has not been renewed or replaced.

10. Pension and other future employee benefit expense

	Three months ended March 31	
	2009	2008
Defined benefit pension expense	**$ 2,781**	$ 2,973
Defined contribution pension expense	**183**	332
Other future employee benefits expense	**1,674**	1,704
	$ 4,638	$ 5,009

(In thousands of Canadian dollars, except where otherwise noted)

11. Income and mining taxes

(a) Tax (benefit) expense:

		Three months ended March 31	
		2009	2008
Current	- income taxes	**$ 435**	$ 90
	- mining taxes	**87**	6,649
		522	6,739
Future	- income taxes	**(3,388)**	17,339
	- mining taxes	**1,544**	967
		(1,844)	18,306
Tax (benefit) expense		**$ (1,322)**	$ 25,045

(b) Future tax assets and liabilities as represented on the balance sheet:

	March 31, 2009	December 31, 2008
Future tax assets		
Current portion	**$ 22,367**	$ 21,217
Long-term portion (note 7)	**10,100**	13,197
	32,467	34,414
Future tax liabilities		
Current portion (note 8)	**72**	42
Long-term portion	**31,168**	22,013
	31,240	22,055
	$ 1,227	$ 12,359

(c) Changes in future tax assets and liabilities:

	Three months ended March 31	
	2009	2008
Balance, beginning of period	**$ 12,359**	$ 64,301
Future tax benefit (expense)	**1,844**	(18,306)
OCI (loss) transactions	**(12,862)**	5,761
Other	**(114)**	(15)
Balance, end of period	**$ 1,227**	$ 51,741

(In thousands of Canadian dollars, except where otherwise noted)

The future tax assets (income and mining) are net of a valuation allowance that represents management's estimate of the allowance necessary to recognize the future tax assets at an amount that the Company considers is more likely than not to be realized.

12. Share capital

(a) Preference shares:

Authorized:
Unlimited preference shares

(b) Common shares:

Authorized:
Unlimited common shares

Issued:

	Three months ended March 31, 2009	
	Common shares	Amount
Balance, beginning of period	153,020,124	$ 632,380
Exercise of options	76,666	360
Balance, end of period	153,096,790	$ 632,740

(c) Stock option plan:

The Company did not grant options during the three months ended March 31, 2009.

	Three months ended March 31, 2009	
	Number of shares subject to option	Weighted average exercise price
Balance, beginning of period	7,159,944	$ 13.07
Exercised	(76,666)	2.90
Forfeited	(251,125)	8.34
Balance, end of period	6,832,153	$ 13.36

(In thousands of Canadian dollars, except where otherwise noted)

The following table summarizes the options outstanding at March 31, 2009:

	Options outstanding			Options exercisable	
Range of exercise prices	Number of options outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number of options exercisable	Weighted-average exercise price
$ 2.59 - 7.33	1,712,096	4.2	$ 4.80	1,134,496	$ 3.68
7.34 - 11.03	1,115,558	5.6	10.07	955,556	9.96
11.04 - 15.86	1,711,201	7.8	15.39	1,265,642	15.52
15.87 - 20.74	815,304	4.8	17.53	571,970	17.75
20.75 - 23.74	1,477,994	7.7	21.11	1,404,661	21.02
$ 2.59 - 23.74	6,832,153		$ 13.36	5,332,325	$ 13.62

(d) Contributed surplus:

	Three months ended March 31	
	2009	2008
Balance, beginning of period	**$ 32,345**	$ 16,633
Stock-based compensation expense	**2,197**	4,528
Transfer to common shares on exercise of stock options	**(139)**	(15)
Share repurchases	**-**	(2,195)
Warrants forfeited	**19**	-
Balance, end of period	**$ 34,422**	$ 18,951

(e) (Loss) earnings per share data:

	Three months ended March 31	
	2009	2008
Net (loss) earnings available to common shareholders	**$ (3,958)**	$ 21,552
Weighted average common shares outstanding	**153,026,235**	126,464,822
Plus net incremental shares from assumed conversions:		
- Warrants	**277**	618
- Stock options	**355,215**	1,091,518
Diluted weighted average common shares	**153,381,727**	127,556,958

(In thousands of Canadian dollars, except where otherwise noted)

13. Other comprehensive income (loss) ("OCI")

	Three months ended March 31	
	2009	2008
Accumulated OCI (loss), beginning of period:		
Cash flow hedge gains (losses) (net of tax of $2,954, $3,145)	**$ 7,145**	$ (5,227)
Losses on investments (net of tax of $0, $7)	**(25,502)**	(11)
Currency translation adjustments (net of tax of $13, $92)	**23**	(163)
Accumulated OCI (loss), beginning of period	**(18,334)**	(5,401)
OCI (loss) for the period:		
Effective portion of changes in fair value of cash flow hedges	**-**	(18,399)
Less reclassified to (loss) earnings	**(2,160)**	566
Changes in fair value of investments	**80,500**	(817)
Currency translation adjustments	**-**	43
Less reclassified to (loss) earnings	**(36)**	-
OCI (loss), before tax	**78,304**	(18,607)
Income tax (expense) benefit related to OCI (loss)	**(12,205)**	5,761
OCI (loss), net of tax for the period	**66,099**	(12,846)
Accumulated OCI (loss), end of period:		
Cash flow hedge gains (losses) (net of tax of $2,297, $8,922)	**5,642**	(17,283)
Gains (losses) on investments (net of tax of $12,875, $7)	**42,123**	(828)
Currency translation adjustments (net of tax of $0, $76)	**-**	(136)
Accumulated OCI (loss), end of period	**47,765**	(18,247)
Retained earnings, end of period	**908,331**	883,124
Accumulated OCI (loss) and retained earnings, end of period	**$ 956,096**	$ 864,877

Cash flow hedges

In 2007, the Company applied hedge accounting to commodity swap contracts used to hedge prices for a portion of future sales of zinc and copper. During 2008, the Company terminated its remaining zinc and copper commodity swap contracts. The related hedging relationships were discontinued prospectively, and related gains and losses in accumulated other comprehensive income ("AOCI") are being reclassified to (loss) earnings when the hedged anticipated future zinc sales occur.

For the three months ended March 31, 2009, the Company reclassified pre-tax net gains of $2,160 from OCI to (loss) earnings (presented in revenue) as hedged anticipated zinc and copper sales occurred. Of the $7,939 pre-tax gain in AOCI at March 31, 2009, gains of $6,212 will be reclassified to (loss) earnings in the next twelve months.

(In thousands of Canadian dollars, except where otherwise noted)

Available-for-sale investments

Available-for-sale investments consist of investments in listed shares that have no fixed maturity date or coupon rate. Gains and losses are recorded in OCI and are included in (loss) earnings and in investing activities on the statements of cash flows when realized.

During the three months ended March 31, 2009, the Company recognized a pre-tax gain of $80,500 in OCI to reflect changes in fair value of its available-for-sale investments. Included in available-for-sale investments is the Company's investment in Lundin Mining Corporation ("Lundin"). On December 11, 2008, the Company acquired 96,997,492 common shares of Lundin in a private placement at a cost of $135,796. HudBay's investment in Lundin now constitutes 16.7% of Lundin's outstanding common shares, based on Lundin's public disclosure. Pursuant to the terms of the subscription agreement, until such time as HudBay holds less than 10% of the Lundin common shares, the Company has agreed to not vote its 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. The Company is also subject to certain restrictions on its ability to sell its Lundin common shares. During the three months ended March 31, 2009, the fair value of HudBay's investment in Lundin increased, from $112,517 as at December 31, 2008 to $190,115 as at March 31, 2009. The Company has recognized a pre-tax gain of $77,598 in OCI to reflect the change in value of this investment.

14. Financial instruments

(a) Fair value and carrying value of financial instruments:

The following presents the fair value and carrying value of the Company's financial instruments and non-financial derivatives:

		Carrying value and fair value	
	Classification	**March 31, 2009**	December 31, 2008
Financial assets			
Cash, cash equivalents and short-term investments [1]	FV through earnings	**$ 609,829**	$ 704,668
Accounts receivable			
Trade and other receivables [1]	Loans & receivables	**63,593**	68,648
Embedded derivatives [2]	FV through earnings	**2,737**	231
Cash held in trust	FV through earnings	**-**	3,836
Non-hedge derivative assets [2]	FV through earnings	**2,903**	4,198
Available-for-sale investments [3]	Available-for-sale	**200,985**	118,960
Investments at fair value through earnings [3]	FV through earnings	**207**	110
Restricted cash [1]	FV through earnings	**63,212**	10,568
		$ 943,466	$ 911,219

(In thousands of Canadian dollars, except where otherwise noted)

	Classification	Carrying value and fair value March 31, 2009	December 31, 2008
Financial liabilities			
Accounts payable			
Trade payables & accrued liabilities [1]	Other financial liabilities	**$ 109,548**	$ 132,320
Embedded derivatives [2]	FV through earnings	**3,345**	5,456
Interest payable [1]	Other financial liabilities	**-**	156
Other current liabilities [1]	Other financial liabilities	**-**	-
Non-hedge derivative liabilities [2]	FV through earnings	**2,825**	4,293
Senior Secured Notes	FV through earnings	**-**	3,321
Obligations under capital leases	Other financial liabilities	**410**	511
		$ 116,128	$ 146,057
Net financial assets		**$ 827,338**	$ 765,162

1 Cash, cash equivalents and short-term investments, accounts receivable, restricted cash, accounts payable and accrued liabilities, interest payable on long-term debt, and other current liabilities are recorded at their carrying value, which approximates fair value due to their short-term nature and generally negligible credit losses.

2 Derivatives and embedded provisional pricing derivatives are carried at their fair value, which is determined based on internal valuation models that reflect observable forward market commodity prices, currency exchange rates, and discount factors based on market US dollar interest rates. Transactions involving derivatives are with counterparties the Company believes to be creditworthy.

3 Available-for-sale investments that are in listed shares are carried at their fair value, which is determined using quoted market bid prices in active markets. Investments at fair value through earnings consist of warrants to purchase common shares, which are carried at their fair value as determined using a Black-Scholes model.

(b) Credit risk:

The Company's credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative assets, on the balance sheet.

The Company has a credit policy in place that requires it to obtain credit insurance from an investment grade credit insurance provider to mitigate exposure to credit risk in its receivables. The deductible and any additional exposure to credit risk is monitored and approved on an ongoing basis. Transactions involving derivatives are with counterparties the Company believes to be creditworthy. A continuation of recent adverse economic conditions could cause an increase in the rate of customer bad debts relative to historical experience, although this may be mitigated by the credit insurance described above. The Company uses an allowance to provide for doubtful accounts receivable. During the three months ended March 31, 2009, the allowance increased by $164. As at March 31, 2009, the aging on approximately 96% of the Company's trade accounts receivable was current.

One customer accounted for approximately 21% of total accounts receivable as at March 31, 2009.

(In thousands of Canadian dollars, except where otherwise noted)

(c) Derivatives:

Fair value of derivatives, as presented on the balance sheet:

March 31, 2009	US dollar put options	Non-hedge derivative zinc contracts	Total
Derivative assets - current	**$ -**	**$ 2,903**	**$ 2,903**
Derivative liabilities - current (note 8)	**-**	**2,825**	**2,825**
Net derivative asset (liability)	**$ -**	**$ 78**	**$ 78**

December 31, 2008	US dollar put options	Non-hedge derivative zinc contracts	Total
Derivative assets - current	$ 92	$ 4,106	$ 4,198
Derivative liabilities - current (note 8)	-	4,293	4,293
Net derivative asset (liability)	$ 92	$ (187)	$ (95)

Non-hedge derivative zinc contracts

HudBay enters into fixed price sales contracts with zinc and zinc oxide customers and, to ensure the Company continues to receive a floating or unhedged realized zinc price, enters into forward zinc purchase contracts that effectively offset the fixed price sales contracts. Forward purchases and forward customer sales of zinc are recorded as derivatives. Gains and losses on these contracts are recorded in revenues, and cash flows are classified in operating activities. However, forward customer sales of zinc oxide do not qualify as derivatives.

At March 31, 2009, the Company held contracts for forward zinc purchases of 560 tonnes that related to non-derivative forward customer sales of zinc oxide. Prices ranged from US$1,153 to US$1,292 per tonne, and settlement dates extended out up to nine months. In addition, the Company held contracts for forward zinc purchases of 9,829 tonnes that substantially offset forward customer zinc sales of 9,829 tonnes, which have been recorded as derivatives.

Embedded provisional pricing derivatives

The Company records embedded derivatives (presented in accounts receivable and accounts payable) related to provisional pricing in concentrate purchase, concentrate sale, anode sale, and certain other sale contracts. Under the terms of these contracts, prices are subject to final adjustment at the end of a future period after title transfers based on quoted market prices during the quotational period specified in the contract. The period between provisional pricing and final pricing is typically up to three months. At each reporting date, provisionally priced metals are marked to market based on the forward market price for the quotational period stipulated in the contract, with changes in fair value recognized in revenues for sales contracts and in operating expenses for purchase concentrate contracts. Cash flows are classified in operating activities. At March 31, 2009, the Company's net position consisted of contracts awaiting final pricing for purchases of 3,314 tonnes of zinc, purchases of 1,040 tonnes of copper, sales of 8,052 ounces of gold and purchases of 33,145 ounces of silver.

(d) Financial instruments at fair value through earnings – changes in value:

Financial instruments and non-financial derivatives classified as fair value through earnings include US dollar put options, non-hedge derivative zinc contracts, embedded derivatives relating to provisional pricing, and investments at fair value through earnings. For the three months ended March 31, 2009, the total amount of change in fair value that has been recognized in (loss) earnings for these items was a net loss of $1,533 (2008 - net loss of $15,298).

The Company has chosen to designate its Senior Secured Notes and related cash held in trust as fair value through earnings. For the three months ended March 31, 2009, the total amount of change in fair value that has been recognized in (loss) earnings for these items was a net loss of $403 (2008 - net loss of $72). The Senior Secured Notes were redeemed on January 15, 2009 using the cash held in trust.

Any interest income earned or interest expense incurred on these financial instruments or non-financial derivatives is excluded from the gains and losses reported above and is included in interest and other income or interest expense in the statements of (loss) earnings.

15. Commitments

As noted in the Company's December 31, 2008 audited financial statements, long-term agreements for the supply of electrical power and the construction of a new power transmission line related to the Fenix project were cancelled on February 27, 2009. The agreements specified a contingent obligation to purchase certain transmission line development assets upon contract cancellation; the estimated cost of these purchases may be up to approximately US$5,500, reflecting an increase of up to US$2,000 from the estimate previously reported. Capital costs will be recorded in 2009 as they are incurred.

(In thousands of Canadian dollars, except where otherwise noted)

16. Supplementary cash flow information

(a) Change in non-cash working capital:

	Three months ended March 31	
	2009	2008
Accounts receivable	**$ 4,799**	$ (10,876)
Inventories	**10,362**	(6,695)
Accounts payable and accrued liabilities	**(28,776)**	8,109
Taxes payable	**(22,221)**	(3,074)
Prepaid expenses and other current assets	**42**	782
Interest payable	**(156)**	(67)
	$ (35,950)	$ (11,821)

(b) Non-cash investing activities:

	Three months ended March 31	
	2009	2008
Non-cash additions to property, plant and equipment	**$ 574**	$ -

(c) Other:

	Three months ended March 31	
	2009	2008
Supplementary cash flow information:		
Interest paid	**$ 179**	$ 230
Taxes paid	**23,126**	9,925

(In thousands of Canadian dollars, except where otherwise noted)

17. Segmented information

HudBay is a Canadian-based, integrated base metals mining, metallurgical processing and refining company. When making decisions on expansions, opening or closing mines, as well as day-to-day operations, management evaluates the profitability of the overall operation of the Company. The Company's main mining operations are located in Manitoba and Saskatchewan. Activities related to the Company's HMI Nickel site in Guatemala and Balmat mine in New York State, due to their geographical distance, receive separate attention in certain areas. The HMI Nickel segment relates mainly to the Fenix nickel project. The Balmat segment consists of a zinc mine and concentrator. HudBay suspended operations at the Balmat mine on August 22, 2008. Included in "Other" are the Company's Manitoba, Saskatchewan and head office activities. Accounting policies for the HMI Nickel and Balmat segments are the same as those described in note 2.

	Three months ended March 31, 2009			
	HMI Nickel	**Balmat**	**Other**	**Total**
Revenue from external customers	**$ 31**	**$ 674**	**$ 161,079**	**$ 161,784**
Depreciation and amortization	**91**	**-**	**20,941**	**21,032**
Loss before the following:	**(3,752)**	**(1,668)**	**(119)**	**(5,539)**
Exploration	**(76)**	**(188)**	**(791)**	**(1,055)**
Interest and other income	**9**	**12**	**1,919**	**1,940**
Other	**-**	**-**	**(626)**	**(626)**
(Loss) earnings before tax	**(3,819)**	**(1,844)**	**383**	**(5,280)**
Tax benefit	**-**	**-**	**(1,322)**	**(1,322)**
Net (loss) earnings for the period	**(3,819)**	**(1,844)**	**1,705**	**(3,958)**
Total assets *	**447,985**	**5,053**	**1,487,539**	**1,940,577**
Property, plant and equipment	**364,436**	**-**	**455,505**	**819,941**
Additions to property, plant and equipment	**2,592**	**-**	**20,464**	**23,056**

* Total assets do not reflect intercompany balances, which have been eliminated on consolidation.

HUDBAY MINERALS INC.

Notes to Interim Consolidated Financial Statements
Unaudited
(In thousands of Canadian dollars, except where otherwise noted)

For the Three Months ended March 31, 2009

	Three months ended March 31, 2008			
	HMI Nickel	Balmat	Other	Total
Revenue from external customers	$ -	$ 9,522	$ 262,115	$ 271,637
Depreciation and amortization	-	4,577	19,656	24,233
(Loss) earnings before the following:	-	(6,403)	53,135	46,732
Exploration	-	(19)	(6,077)	(6,096)
Interest and other income	-	19	7,683	7,702
Other	-	-	(1,741)	(1,741)
(Loss) earnings before tax	-	(6,403)	53,000	46,597
Tax expense	-	-	25,045	25,045
Net (loss) earnings for the period	-	(6,403)	27,955	21,552
Total assets *	-	37,704	1,538,505	1,576,209
Property, plant and equipment	-	24,084	426,223	450,307
Additions to property, plant and equipment	-	5,052	19,154	24,206

* Total assets do not reflect intercompany balances, which have been eliminated on consolidation.

The Company’s revenue by significant product types:

	Three months ended March 31	
	2009	2008
Copper	**$ 74,232**	$ 159,487
Zinc	**34,073**	61,328
Zinc oxide	**10,447**	23,285
Gold	**31,817**	16,617
Silver	**9,198**	4,360
Other	**2,017**	6,560
	$ 161,784	$ 271,637

The above revenues include revenues from the sale of metal produced from purchase of concentrates of:

	Three months ended March 31	
	2009	2008
Copper	**$ 16,895**	$ 51,585
Zinc	**6,273**	3,415
Gold	**259**	290
Silver	**5,232**	1,742

(In thousands of Canadian dollars, except where otherwise noted)

18. Interest and other income

	Three months ended March 31	
	2009	2008
Interest income	**$ 1,962**	$ 7,952
Interest expense	**(22)**	(250)
	$ 1,940	$ 7,702