Interim Consolidated Financial Statements
(In Canadian dollars)

HUDBAY MINERALS INC.

For the Three and Six Months Ended June 30, 2009

HUDBAY MINERALS INC.

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

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
Revenue (note 17)	**$ 197,657**	$ 284,035	**$ 359,441**	$ 555,672
Expenses				
Operating	**145,543**	188,487	**280,643**	375,190
Depreciation and amortization	**23,224**	22,847	**44,256**	47,080
General and administrative	**7,205**	5,600	**20,333**	15,453
Stock-based compensation (note 12c, e)	**533**	2,964	**2,730**	7,492
Accretion of asset retirement obligations	**1,113**	904	**2,226**	1,808
Foreign exchange loss (gain)	**14,665**	(271)	**9,418**	(1,587)
	192,283	220,531	**359,606**	445,436
Earnings (loss) before the following:	**5,374**	63,504	**(165)**	110,236
Exploration	**(1,577)**	(6,480)	**(2,632)**	(12,576)
Interest and other income (notes 13 & 18)	**100,966**	6,806	**102,906**	14,508
(Loss) gain on derivative instruments	**(58)**	712	**(684)**	(1,029)
Earnings before tax	**104,705**	64,542	**99,425**	111,139
Tax expense (note 11a)	**15,290**	31,340	**13,968**	56,385
Net earnings for the period	**$ 89,415**	$ 33,202	**$ 85,457**	$ 54,754
Earnings per share:				
Basic	**$0.58**	$0.26	**$0.56**	$0.43
Diluted	**$0.58**	$0.26	**$0.56**	$0.43
Weighted average number of common shares outstanding (note 19):				
Basic	**153,228,805**	126,447,836	**153,128,078**	126,456,329
Diluted	**153,815,018**	127,536,154	**153,604,335**	127,546,556

See accompanying notes to interim consolidated financial statements.

HUDBAY MINERALS INC.

Consolidated Balance Sheets
(Unaudited and in thousands of Canadian dollars)

	June 30, 2009	December 31, 2008
Assets		
Current assets		
Cash, cash equivalents and short-term investments (note 4)	**$ 845,956**	$ 704,668
Accounts receivable	**71,501**	68,879
Inventories (note 5)	**116,709**	146,645
Prepaid expenses and other current assets	**6,551**	8,196
Cash held in trust	**-**	3,836
Future income and mining tax assets (note 11b)	**17,694**	21,217
Current portion of fair value of derivatives (note 14c)	**1,995**	4,198
	1,060,406	957,639
Property, plant and equipment (note 6)	**821,635**	817,879
Available-for-sale investments (note 13)	**14,735**	118,960
Other assets (note 7)	**75,422**	23,875
	$ 1,972,198	$ 1,918,353
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 97,615**	$ 137,776
Taxes payable	**814**	22,297
Current portion of other liabilities (note 8)	**37,530**	33,889
	135,959	193,962
Pension obligations	**13,963**	28,133
Other employee future benefits and deferred share units (note 12d)	**76,884**	74,128
Asset retirement obligations	**43,832**	41,317
Obligations under capital leases	**-**	100
Future income tax liabilities (note 11b)	**27,668**	22,013
	298,306	359,653
Shareholders' equity		
Share capital:		
Common shares (note 12b)	**635,200**	632,380
Warrants	**1**	20
Contributed surplus (note 12e)	**33,799**	32,345
Retained earnings	**997,746**	912,289
Accumulated other comprehensive income (loss) (note 13)	**7,146**	(18,334)
	1,673,892	1,558,700
	$ 1,972,198	$ 1,918,353

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

HUDBAY MINERALS INC.

Consolidated Statements of Cash Flows
(Unaudited and in thousands of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
Cash provided by (used in):				
Operating activities:				
Net earnings for the period	**$ 89,415**	$ 33,202	**$ 85,457**	$ 54,754
Items not affecting cash:				
Depreciation and amortization	**23,224**	22,847	**44,256**	47,080
Stock-based compensation (note 12c,e)	**533**	2,964	**2,730**	7,492
Accretion expense on asset retirement obligations	**1,113**	904	**2,226**	1,808
Foreign exchange loss (gain)	**5,949**	(451)	**3,551**	(1,094)
Change in fair value of derivatives	**23**	(3,681)	**(20)**	(3,769)
Future tax expense (note 11a)	**13,015**	12,392	**11,171**	30,698
Net losses (gains) reclassified from OCI (note 13)	**(102,406)**	1,173	**(104,602)**	1,739
Other	**(2,001)**	1,371	**(1,932)**	2,664
	28,865	70,721	**42,837**	141,372
Change in non-cash working capital (note 16a)	**3,080**	10,482	**(32,870)**	(1,339)
	31,945	81,203	**9,967**	140,033
Investing activities:				
Additions to property, plant and equipment	**(25,110)**	(30,523)	**(47,592)**	(54,729)
Proceeds from sale of investments (note 13)	**235,704**	-	**235,704**	-
Purchase of other non-current investments	**-**	(95,221)	**(817)**	(95,221)
Additions to restricted cash	**(1,922)**	-	**(54,566)**	-
Disposal of cash held in trust	**-**	-	**3,885**	-
Sale of short-term investments	**-**	-	**478,941**	-
	208,672	(125,744)	**615,555**	(149,950)
Financing activities:				
Repayment of Senior Secured Notes	**-**	-	**(3,764)**	-
Repayment of loans payable	**-**	(7,500)	**-**	(7,500)
Repayment of obligations under capital leases	**(103)**	(719)	**(204)**	(1,775)
Repurchase of common shares	**-**	-	**-**	(10,999)
Proceeds on exercise of stock options	**1,562**	397	**1,783**	432
	1,459	(7,822)	**(2,185)**	(19,842)
Effect of exchange rate changes on cash and cash equivalents	**(5,949)**	301	**(3,108)**	1,171
Change in cash and cash equivalents	**236,127**	(52,062)	**620,229**	(28,588)
Cash and cash equivalents, beginning of period	**609,829**	781,048	**225,727**	757,574
Cash and cash equivalents, end of period (note 4)	**$ 845,956**	$ 728,986	**$ 845,956**	$ 728,986

For supplemental information, see note 16.

HUDBAY MINERALS INC.

Consolidated Statements of Retained Earnings
(Unaudited and in thousands of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
Retained earnings, beginning of period	**$ 908,331**	$ 883,124	**$ 912,289**	$ 868,857
Net earnings for the period	**89,415**	33,202	**85,457**	54,754
Share repurchases	**-**	-	**-**	(7,285)
Retained earnings, end of period	**$ 997,746**	$ 916,326	**$ 997,746**	$ 916,326

See accompanying notes to interim consolidated financial statements.

Consolidated Statements of Comprehensive Income
(Unaudited and in thousands of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
Net earnings for the period	**$ 89,415**	$ 33,202	**$ 85,457**	$ 54,754
Other comprehensive income (loss), net of tax (note 13):				
Cash flow hedges	**(1,876)**	(1,261)	**(3,379)**	(13,317)
Net gains (losses) on available-for-sale investments	**41,227**	(54)	**108,852**	(871)
Amounts reclassified to net income on sale of interest in Lundin	**(79,970)**	-	**(79,970)**	-
Currency translation adjustments	**-**	(5)	**(23)**	22
	(40,619)	(1,320)	**25,480**	(14,166)
Comprehensive income for the period	**$ 48,796**	$ 31,882	**$ 110,937**	$ 40,588

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

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 earnings, and expands the definition of a business. As Section 1582 will apply only to future business combinations, it will not have an 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.

Financial Instruments (Amendments)

In June 2009, the CICA issued amendments to Section 3862, *Financial Instruments - Disclosures*. The new section will apply to fiscal year ends ending after September 30, 2009. The amendments set out new standards for disclosures about the fair value measurements of financial instruments and the nature and extent of liquidity risk. The Company is assessing the impact, if any, of the adoption of these amendments on its consolidated financial statements.

(Unaudited and 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

	June 30, 2009	December 31, 2008
Cash and cash equivalents:		
Cash on hand and demand deposits	**$ 385,761**	$ 225,727
Short-term money market instruments with original maturities of three months or less	**460,195**	-
	845,956	225,727
Short-term investments:		
Short-term bankers' acceptances with original maturities within six months	**-**	478,941
	$ 845,956	$ 704,668

5. Inventories

	June 30, 2009	December 31, 2008
Work-in-process	**$ 52,468**	$ 59,138
Finished goods	**44,100**	68,067
Materials and supplies	**20,141**	19,440
	$ 116,709	$ 146,645

(Unaudited and in thousands of Canadian dollars, except where otherwise noted)

6. Property, plant and equipment

June 30, 2009	Cost	Accumulated depreciation and amortization	Net book value
Property, plant and equipment	**$ 455,477**	**$ 125,246**	**$ 330,231**
Mine development	**306,876**	**196,729**	**110,147**
Mineral properties	**381,257**	**-**	**381,257**
	$ 1,143,610	**$ 321,975**	**$ 821,635**

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

	June 30, 2009	December 31, 2008
Restricted cash	**$ 65,136**	$ 10,568
Long-term portion of future tax asset (note 11b)	**10,137**	13,197
Investments, at fair value through earnings	**149**	110
	$ 75,422	$ 23,875

The restricted cash consists of 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.

(Unaudited and in thousands of Canadian dollars, except where otherwise noted)

8. Current portion of other liabilities

	June 30, 2009	December 31, 2008
Current portion of:		
Long-term debt (note 9)	$ -	$ 3,321
Pension obligation	27,248	17,683
Asset retirement obligation	5,284	5,315
Other employee future benefits	2,810	2,668
Fair value of derivatives (note 14c)	1,881	4,293
Obligations under capital leases	307	411
Future tax liabilities (note 11b)	-	42
Interest payable on long-term debt	-	156
	$ 37,530	$ 33,889

9. Long-term debt

	June 30, 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 employee future benefit expense

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
Defined benefit pension	$ 2,047	$ 2,262	$ 4,828	$ 5,235
Other employee future benefits	1,998	1,665	3,672	3,369
Defined contribution pension	176	381	359	713
	$ 4,221	$ 4,308	$ 8,859	$ 9,317

(Unaudited and in thousands of Canadian dollars, except where otherwise noted)

11. Income and mining taxes

(a) Tax expense:

		Three months ended June 30		Six months ended June 30	
		2009	2008	**2009**	2008
Current	- income taxes	**$ 3,462**	$ 9,625	**$ 3,897**	$ 9,715
	- mining taxes	**(1,187)**	9,323	**(1,100)**	15,972
		2,275	18,948	**2,797**	25,687
Future	- income taxes	**4,319**	12,478	**931**	29,817
	- mining taxes	**8,696**	(86)	**10,240**	881
		13,015	12,392	**11,171**	30,698
		$ 15,290	$ 31,340	**$ 13,968**	$ 56,385

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

	June 30, 2009	December 31, 2008
Future tax assets		
Current portion	**$ 17,694**	$ 21,217
Long-term portion (note 7)	**10,137**	13,197
	27,831	34,414
Future tax liabilities		
Current portion (note 8)	**-**	42
Long-term portion	**27,668**	22,013
	27,668	22,055
	$ 163	$ 12,359

(c) Changes in future tax assets and liabilities:

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
Balance, beginning of period	**$ 1,227**	$ 51,741	**$ 12,359**	$ 64,301
Future tax expense	**(13,015)**	(12,392)	**(11,171)**	(30,698)
OCI (loss) transactions	**11,810**	575	**(1,052)**	6,336
Other	**141**	(8,323)	**27**	(8,338)
Balance, end of period	**$ 163**	$ 31,601	**$ 163**	$ 31,601

(Unaudited and 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 June 30, 2009		Six months ended June 30, 2009	
	Common shares	Amount	Common shares	Amount
Balance, beginning of period	153,096,790	$ 632,740	153,020,124	$ 632,380
Exercise of options	276,916	2,460	353,582	2,820
Balance, end of period	153,373,706	$ 635,200	153,373,706	$ 635,200

(c) Stock option plan:

During the six months ended June 30, 2009, the Company granted additional options to employees, consistent with the Company's stock option plan approved in June 2005 and amended in May 2008.

The fair value of the options granted during 2009 has been estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 1.2%; dividend yield of 0%; volatility factor of 74%; and expected life of 3 years.

(Unaudited and in thousands of Canadian dollars, except where otherwise noted)

	Three months ended June 30, 2009		Six months ended June 30, 2009	
	Number of shares subject to option	Weighted average exercise price	Number of shares subject to option	Weighted average exercise price
Balance, beginning of period	6,832,153	$ 13.36	7,159,944	$ 13.07
Granted	350,000	7.96	350,000	7.96
Exercised	(276,916)	4.71	(353,582)	4.31
Forfeited	(1,100,271)	16.10	(1,351,396)	14.65
Balance, end of period	5,804,966	$ 12.93	5,804,966	$ 12.93

The weighted average fair value of options granted during the six-month period was $3.82 per option at the grant date.

The following table summarizes the options outstanding at June 30, 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	1,435,180	4.2	$ 4.82	895,180	$ 3.50
7.34 - 11.03	1,393,336	5.1	9.56	883,334	9.99
11.04 - 15.86	1,019,532	7.1	15.38	746,195	15.20
15.87 - 20.74	612,254	3.2	17.49	555,587	17.62
20.75 - 23.74	1,344,664	7.4	21.14	1,271,331	21.05
$ 2.59 - 23.74	5,804,966		$ 12.93	4,351,627	$ 13.75

(Unaudited and in thousands of Canadian dollars, except where otherwise noted)

(d) Deferred Share Unit plan:

The Company offers a Deferred Share Unit ("DSU") Plan for members of the Board of Directors. The issue and redemption prices of each DSU are based on the average trading 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. DSUs are redeemable when a participant is no longer a director of the Company by a lump sum cash payment amount based on the value of the DSUs at the time.

At June 30, 2009, the value of the outstanding liability related to the DSU Plan was $330 (2008 - $NIL). 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.

(e) Contributed surplus:

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
Balance, beginning of period	**$ 34,422**	$ 18,951	**$ 32,345**	$ 16,633
Stock-based compensation	**533**	2,964	**2,730**	7,492
Transfer to common shares on exercise of stock options	**(1,156)**	(182)	**(1,295)**	(197)
Share repurchases	**-**	-	**-**	(2,195)
Warrants forfeited	**-**	-	**19**	-
Balance, end of period	**$ 33,799**	$ 21,733	**$ 33,799**	$ 21,733

HUDBAY MINERALS INC.

Notes to Interim Consolidated Financial Statements
(Unaudited and in thousands of Canadian dollars, except where otherwise noted)
For the Three and Six Months ended June 30, 2009

13. Accumulated other comprehensive income (loss) ("OCI")

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
Accumulated OCI (loss), beginning of period:				
Cash flow hedge gains (losses) (net of tax of $2,297, $8,922, $2,954, $3,145)	**$ 5,642**	$ (17,283)	**$ 7,145**	$ (5,227)
Gains (losses) on investments (net of tax of $12,875, $7, $0, $7)	**42,123**	(828)	**(25,502)**	(11)
Currency translation adjustments (net of tax of $0, $76, $13, $92)	**-**	(136)	**23**	(163)
Accumulated OCI (loss), beginning of period	**47,765**	(18,247)	**(18,334)**	(5,401)
OCI (loss) for the period:				
Effective portion of changes in fair value of cash flow hedges	**-**	(3,006)	**-**	(21,405)
Less: reclassified to earnings	**(2,498)**	1,173	**(4,658)**	1,739
Changes in fair value of investments	**49,355**	(54)	**129,855**	(871)
Less: reclassified to earnings	**(99,908)**	-	**(99,908)**	-
Currency translation adjustments	**-**	(8)	**-**	35
Less: reclassified to earnings	**-**	-	**(36)**	-
OCI (loss), before tax	**(53,051)**	(1,895)	**25,253**	(20,502)
Income tax benefit related to OCI (loss)	**12,432**	575	**227**	6,336
OCI (loss), net of tax for the period	**(40,619)**	(1,320)	**25,480**	(14,166)
Accumulated OCI (loss), end of period:				
Cash flow hedge gains (losses) (net of tax of $1,675, $9,494, $1,675, $9,494)	**3,766**	(18,544)	**3,766**	(18,544)
Gains (losses) on investments (net of tax of $1,065, $7, $1,065, $7)	**3,380**	(882)	**3,380**	(882)
Currency translation adjustments (net of tax of $0, $79, $0, $79)	**-**	(141)	**-**	(141)
Accumulated OCI (loss), end of period	**$ 7,146**	$ (19,567)	**$ 7,146**	$ (19,567)

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 reclassified to earnings when the hedged anticipated future zinc sales occur.

For the six months ended June 30, 2009, the Company reclassified pre-tax net gains of $4,658 (three months ended June 30, 2009 - gains of $2,498) from OCI to earnings (presented in revenue). Of this amount, $532 related to the Company's discontinued copper 2010 hedging relationship, as it is probable that certain of the 2010 hedged anticipated copper sales will not occur as a result of the Company's plan to close its smelter. Of the $5,441 pre-tax gain in AOCI at June 30, 2009, gains of $4,373 will be reclassified to earnings in the next twelve months.

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 earnings and in investing activities on the statements of cash flows when realized.

During the six months ended June 30, 2009, the Company recognized a pre-tax gain of $129,855 in OCI to reflect changes in fair value of its available-for-sale investments. On May 26, 2009, the Company disposed of 96,997,492 common shares of Lundin Mining Corporation (“Lundin”) for cash proceeds of $235,704 to GMP Securities L.P. (“GMP”) and recognized a gain of $99,908. The sale was completed pursuant to an agreement between GMP and HudBay dated May 11, 2009. In connection with its consent, Lundin agreed with Hudbay to terminate all continuing rights and obligations under the previously announced termination agreement dated February 23, 2009 (other than the mutual release and the reciprocal standstill covenant that expires on February 23, 2010) and all continuing rights and obligations of HudBay and Lundin under the subscription agreement. Hudbay and Lundin also agreed to 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.

(Unaudited and in thousands of Canadian dollars, except where otherwise noted)

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:

	Classification	Carrying value and fair value June 30, 2009	Carrying value and fair value December 31, 2008
Financial assets			
Cash, cash equivalents and short-term investments [1]	FV through earnings	**$ 845,956**	$ 704,668
Accounts receivable			
Trade and other receivables [1]	Loans & receivables	**70,964**	68,648
Embedded derivatives [2]	FV through earnings	**537**	231
Cash held in trust	FV through earnings	**-**	3,836
Non-hedge derivative assets [2]	FV through earnings	**1,995**	4,198
Available-for-sale investments [3]	Available-for-sale	**14,735**	118,960
Investments at fair value through earnings [3]	FV through earnings	**149**	110
Restricted cash [1]	FV through earnings	**65,136**	10,568
		$ 999,472	$ 911,219
Financial liabilities			
Accounts payable			
Trade payables & accrued liabilities [1]	Other financial liabilities	**$ 96,785**	$ 132,320
Embedded derivatives [2]	FV through earnings	**830**	5,456
Interest payable [1]	Other financial liabilities	**-**	156
Non-hedge derivative liabilities [2]	FV through earnings	**1,881**	-
Senior Secured Notes	FV through earnings	**-**	3,321
Obligations under capital leases	Other financial liabilities	**307**	511
		$ 99,803	$ 141,764
Net financial assets		**$ 899,669**	$ 769,455

[1] Cash, cash equivalents and short-term investments, accounts receivable, restricted cash, accounts payable and accrued liabilities and interest payable 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 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.

(Unaudited and in thousands of Canadian dollars, except where otherwise noted)

(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 six months ended June 30, 2009, the allowance increased by $137. As at June 30, 2009, the aging on approximately 96% of the Company's trade accounts receivable was current.

One customer accounted for approximately 16% of total revenue during the six months ended June 30, 2009 (three months ended June 30, 2009 - approximately 7% of total revenue).

(c) Derivatives:

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

June 30, 2009	US dollar put options	Non-hedge derivative zinc contracts	Total
Derivative assets - current	**$ -**	**$ 1,995**	**$ 1,995**
Derivative liabilities - current (note 8)	**-**	**(1,881)**	**(1,881)**
Net derivative asset	**$ -**	**$ 114**	**$ 114**

(Unaudited and in thousands of Canadian dollars, except where otherwise noted)

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 June 30, 2009, the Company held contracts for forward zinc purchases of 382 tonnes that related to non-derivative forward customer sales of zinc oxide. Prices ranged from US$1,153 to US$1,500 per tonne, and settlement dates extended out up to six months. In addition, the Company held contracts for forward zinc purchases of 6,378 tonnes that substantially offset forward customer zinc sales of 6,378 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 June 30, 2009, the Company's net position consisted of contracts awaiting final pricing for purchases of 7,626 tonnes of zinc, sales of 868 tonnes of copper, sales of 1,710 ounces of gold and purchases of 145,514 ounces of silver.

(Unaudited and in thousands of Canadian dollars, except where otherwise noted)

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

Financial instruments and non-financial derivatives classified as fair value through earnings include non-hedge derivative zinc contracts, embedded derivatives relating to provisional pricing, and investments at fair value through earnings. For the six months ended June 30, 2009, the total amount of change in fair value that has been recognized in earnings for these items was a net loss of $5,904 (2008 - net loss of $16,030).

The Company has chosen to designate its Senior Secured Notes and related cash held in trust as fair value through earnings. For the six months ended June 30, 2009, the total amount of change in fair value that has been recognized in earnings for these items was a net loss of $403 (2008 - net gain of $39). 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 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 relating 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 in the December 31, 2008 financial statements. Capital costs will be recorded in 2009 as they are incurred.

16. Supplementary cash flow information

(a) Change in non-cash working capital:

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
Accounts receivable	**$ (5,171)**	$ 25,663	**$ (372)**	$ 14,787
Inventories	**19,817**	25,986	**30,179**	19,291
Prepaid expenses and other current assets	**1,626**	(1,251)	**1,668**	(469)
Accounts payable and accrued liabilities	**(15,344)**	(44,072)	**(44,120)**	(35,963)
Taxes payable	**2,152**	4,086	**(20,069)**	1,012
Interest payable	**-**	70	**(156)**	3
	$ 3,080	$ 10,482	**$ (32,870)**	$ (1,339)

(Unaudited and in thousands of Canadian dollars, except where otherwise noted)

(b) Non-cash investing activities:

At June 30, 2009, accounts payable included $382 related to property, plant and equipment additions were not reflected in investing activities on the statement of cash flows. These additions will be reflected in investing activities when the related accounts payable are paid.

(c) Interest and taxes paid:

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
Interest paid	**$ 20**	$ 37	**$ 199**	$ 267
Taxes paid	**$ 1,250**	$ 10,967	**$ 24,376**	$ 20,892

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 Ontario locations, including head office activities. Accounting policies for the HMI Nickel and Balmat segments are the same as those described in note 2.

	Three months ended June 30, 2009			
	HMI Nickel	**Balmat**	**Other**	**Total**
Revenue from external customers	**$ 171**	**$ 97**	**$ 197,389**	**$ 197,657**
Depreciation and amortization	**71**	**-**	**23,153**	**23,224**
(Loss) earnings before the following:	**(2,627)**	**(928)**	**8,929**	**5,374**
Exploration	**(51)**	**(182)**	**(1,344)**	**(1,577)**
Interest and other income	**22**	**16**	**100,928**	**100,966**
Other	**-**	**-**	**(58)**	**(58)**
(Loss) earnings before tax	**(2,656)**	**(1,094)**	**108,455**	**104,705**
Tax expense	**4**	**-**	**15,286**	**15,290**
Net (loss) earnings for the period	**(2,660)**	**(1,094)**	**93,169**	**89,415**
Total assets *	**443,957**	**4,084**	**1,524,157**	**1,972,198**
Property, plant and equipment	**367,364**	**-**	**454,271**	**821,635**
Additions to property, plant and equipment	**2,807**	**-**	**22,111**	**24,918**

(Unaudited and in thousands of Canadian dollars, except where otherwise noted)

	Three months ended June 30, 2008			
	HMI Nickel	Balmat	Other	Total
Revenue from external customers	$ -	$ 7,798	$ 276,237	$ 284,035
Depreciation and amortization	-	3,195	19,652	22,847
Earnings (loss) before the following:	-	(7,553)	71,057	63,504
Exploration	-	(929)	(5,551)	(6,480)
Interest and other income	-	20	6,786	6,806
Other	-	-	712	712
Earnings (loss) before tax	-	(8,462)	73,004	64,542
Tax expense	-	-	31,340	31,340
Net earnings (loss) for the period	-	(8,462)	41,664	33,202
Total assets *	-	35,435	1,527,492	1,562,927
Property, plant and equipment	-	24,231	433,752	457,983
Additions to property, plant and equipment	-	3,343	27,180	30,523

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

	Six months ended June 30, 2009			
	HMI Nickel	**Balmat**	**Other**	**Total**
Revenue from external customers	**$ 202**	**$ 771**	**$ 358,468**	**$ 359,441**
Depreciation and amortization	**162**	**-**	**44,094**	**44,256**
(Loss) earnings before the following:	**(6,379)**	**(2,596)**	**8,810**	**(165)**
Exploration	**(127)**	**(370)**	**(2,135)**	**(2,632)**
Interest and other income	**31**	**28**	**102,847**	**102,906**
Other	**-**	**-**	**(684)**	**(684)**
(Loss) earnings before tax	**(6,475)**	**(2,938)**	**108,838**	**99,425**
Tax expense	**4**	**-**	**13,964**	**13,968**
Net (loss) earnings for the period	**(6,479)**	**(2,938)**	**94,874**	**85,457**
Additions to property, plant and equipment	**5,591**	**-**	**42,383**	**47,974**

(Unaudited and in thousands of Canadian dollars, except where otherwise noted)

	Six months ended June 30, 2008			
	HMI Nickel	Balmat	Other	Total
Revenue from external customers	$ -	$ 17,320	$ 538,352	$ 555,672
Depreciation and amortization	-	7,772	39,308	47,080
(Loss) earnings before the following:	-	(13,956)	124,192	110,236
Exploration	-	(948)	(11,628)	(12,576)
Interest and other income	-	39	14,469	14,508
Other	-	-	(1,029)	(1,029)
(Loss) earnings before tax	-	(14,865)	126,004	111,139
Tax expense	-	-	56,385	56,385
Net (loss) earnings for the period	-	(14,865)	69,619	54,754
Additions to property, plant and equipment	-	8,395	46,334	54,729

The Company's revenue by significant product types:

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
Copper	**$ 112,115**	$ 159,199	**$ 186,347**	$ 318,686
Zinc	**35,539**	56,724	**69,612**	118,052
Zinc oxide	**11,767**	21,779	**22,214**	45,064
Gold	**26,145**	28,282	**57,962**	44,899
Silver	**9,220**	9,807	**18,418**	14,167
Other	**2,871**	8,244	**4,888**	14,804
	$ 197,657	$ 284,035	**$ 359,441**	$ 555,672

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

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
Copper	**$ 25,191**	$ 41,430	**$ 42,086**	$ 93,015
Zinc	**14,681**	2,868	**20,954**	6,283
Gold	**91**	184	**350**	474
Silver	**5,544**	5,059	**10,776**	6,801

(Unaudited and in thousands of Canadian dollars, except where otherwise noted)

18. Interest and other income

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
Interest income	**$ 868**	$ 7,034	**$ 2,830**	$ 14,986
Interest expense	**(22)**	(228)	**(44)**	(478)
Gain on sale of interest in Lundin (note 13)	**99,908**	-	**99,908**	-
Other income	**212**	-	**212**	-
	$ 100,966	$ 6,806	**$ 102,906**	$ 14,508

19. Earnings per share data:

	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
Net earnings available to common shareholders	**$ 89,415**	$ 33,202	**$ 85,457**	$ 54,754
Weighted average common shares outstanding	**153,228,805**	126,447,836	**153,128,078**	126,456,329
Plus net incremental shares from assumed conversions:				
- Warrants	**441**	614	**376**	616
- Stock options	**585,772**	1,087,704	**475,881**	1,089,611
Diluted weighted average common shares	**153,815,018**	127,536,154	**153,604,335**	127,546,556