



**lundin mining**

**HUDBAY  
MINERALS INC**

# Information Summary

on the arrangement involving

# Lundin Mining Corporation

and

# HudBay Minerals Inc.

A Special Meeting of Shareholders of Lundin Mining Corporation will be held in Toronto, Canada on January 26, 2009.

The purpose of this information summary is to give holders of Swedish Depository Receipts of Lundin Mining Corporation ("Lundin Mining") a brief description of the proposed business combination between Lundin Mining and HudBay Minerals Inc. ("HudBay"). Please note that this information is not intended to provide complete disclosure, nor is it a prospectus. Additional information on the proposed arrangement including, amongst other things, conditions for the proposed arrangement and more extensive financial information, is available in the Notice of Special Meeting and Management Proxy Circular (the "Management Proxy Circular") (available for viewing on [www.sedar.com](http://www.sedar.com)) that has been prepared in respect of the Special Meeting of Shareholders scheduled for January 26, 2009. This information summary is being distributed only to holders of SDRs outside of the United States and Canada and is also available for viewing on [www.lundinmining.com](http://www.lundinmining.com).

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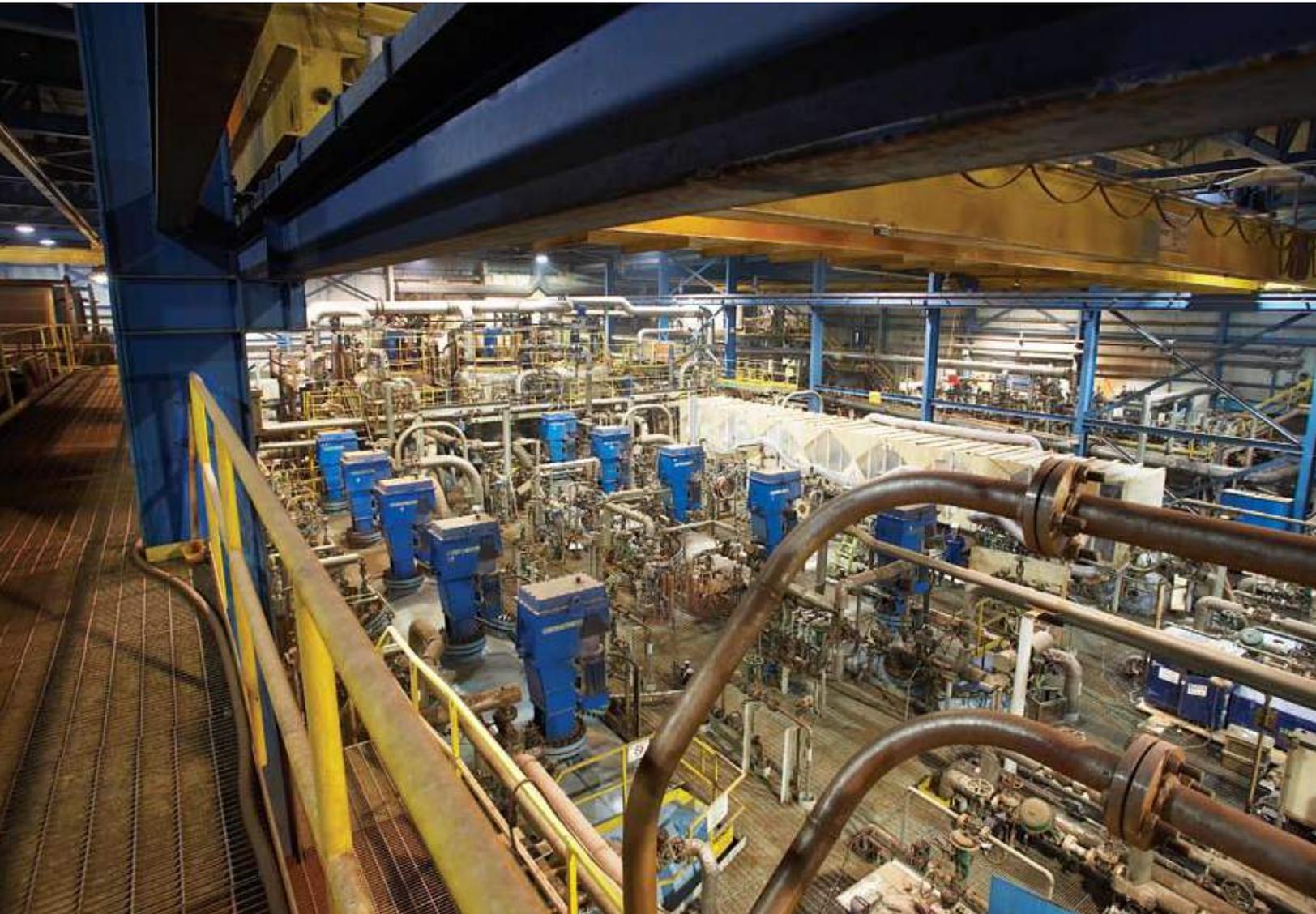
### **A special meeting of the shareholders of Lundin Mining (the "Lundin Mining Shareholders") is to be held on January 26, 2009 (the "Meeting").**

The transaction is expected to close on or about January 28, 2009.

Lundin Mining advises the holders of Swedish Depository Receipts of Lundin Mining ("Lundin Mining SDRs") that only holders of Lundin Mining SDRs as of 5:00 p.m. (Toronto time) (being 11:00 p.m. (Stockholm time)) on December 22, 2008, the record date for the Meeting, are entitled to direct E. Öhman J:or Fondkommission AB ("Öhman") as to how the common shares in the capital of Lundin Mining (the "Lundin Mining Shares") represented by their Lundin Mining SDRs are to be voted at the Meeting.

A Voting Instruction Form ("VIF") accompanies this Information Summary. Additional VIFs can be ordered from Öhman via telephone at +46-(0)8-402 51 32.

Please review the VIF carefully, as it includes instructions concerning how it is to be completed and when it needs to be returned to Öhman.



# Message to Holders of Lundin Mining SDRs

December 29, 2008

## Dear Lundin Mining SDR Holder,

The Meeting will be held on January 26, 2009 at 10:00 a.m. (Toronto time), in the Imperial Room at The Fairmont Royal York Hotel, 100 Front Street West, Toronto, Ontario, M5J 1E3.

At the Meeting, Lundin Mining Shareholders will be asked to consider and, if deemed advisable, approve an arrangement (the "Arrangement") under the Canada Business Corporations Act ("CBCA"), whereby HudBay will acquire all of the issued and outstanding Lundin Mining Shares. Through the Arrangement, Lundin Mining Shareholders will receive 0.3919 of a common share in the capital of HudBay (the "HudBay Shares") for each Lundin Mining Share. Contemporaneously with, or following, the completion of the Arrangement, each Lundin Mining SDR will be exchanged for 0.3919 of a Swedish Depository Receipt of HudBay (the "HudBay SDRs").

The board of directors of Lundin Mining (the "Directors") (other than the interested Directors, being Colin K. Benner, Donald K. Charter and John H. Craig, who were not present), based in part on the unanimous recommendation of the special committee of Lundin Mining comprised of independent Directors (the "Special Committee"), have determined unanimously that the Arrangement is fair to the Lundin Mining Shareholders and in the best interests of Lundin Mining and recommend that Lundin Mining Shareholders vote FOR the Arrangement.

In making their determinations, the Special Committee and Directors considered, among other things, a fairness opinion delivered by Haywood Securities Inc. to the Special Committee, to the effect that, as of November 21, 2008, and based upon and subject to the analyses, assumptions, qualifications and limitations set forth in the fairness opinion, the consideration to be received by Lundin Mining Shareholders under the Arrangement was fair, from a financial point of view, to the Lundin Mining Shareholders. A copy of Haywood Securities Inc.'s fairness opinion is included in the Management Proxy Circular which is available for viewing on [www.sedar.com](http://www.sedar.com).

To become effective, the resolution approving the Arrangement (the "Arrangement Resolution") must be approved by at least 66 2/3% of the votes cast by Lundin Mining Shareholders present in person, or represented by proxy, and entitled to vote at the Meeting.

The Directors and executive officers of Lundin Mining intend to vote their Lundin Mining Shares FOR the Arrangement. Certain Lundin Mining Shareholders and the Directors (other than Messrs. Benner, Charter and Craig), together holding approximately 16.9% of the outstanding Lundin Mining Shares, entered into voting agreements with HudBay pursuant to which they have agreed, among other things, to vote their Lundin Mining

Shares (or in the case of 1875 Finance SA, 18,500,000 Lundin Mining Shares held by it) in favour of the Arrangement. In addition, HudBay has agreed to vote its Lundin Mining Shares in favour of the Arrangement. As a result, approximately 36.8% of the outstanding Lundin Mining Shares have agreed to vote in favour of the Arrangement.

The Management Proxy Circular, which is available on [www.sedar.com](http://www.sedar.com), provides a full description of the Arrangement and includes certain other information (including the full text of the agreement relating to the Arrangement and the fairness opinion) to assist you in considering how to vote on the Arrangement. You are urged to read this information carefully and, if you require assistance, to consult your financial, legal, tax or other professional advisor. You may also obtain more information about Lundin Mining and HudBay at the website maintained by the Canadian Securities Administrators at [www.sedar.com](http://www.sedar.com) and at the website maintained by the U.S. Securities and Exchange Commission (the "SEC") at [www.sec.gov](http://www.sec.gov).

Your vote is important regardless of how many Lundin Mining Shares are represented by the Lundin Mining SDRs you own. Only holders of Lundin Mining SDRs as of 5:00 p.m. (Toronto time) (being 11:00 p.m. (Stockholm time)) on December 22, 2008, the record date for the Meeting, are entitled to direct Öhman as to how the Lundin Mining Shares represented by their Lundin Mining SDRs are to be voted at the Meeting. A VIF accompanies this Information Summary. Additional VIFs can be ordered from Öhman via telephone at +46-(0)8-402 51 32. Please review the VIF carefully, as it includes instructions concerning how it is to be completed and when it needs to be returned to Öhman.

If you have any questions or require more information with regard to the procedures for voting, please contact Öhman via telephone at +46-(0)8-402 51 32.

If the Lundin Mining Shareholders approve the Arrangement and all of the conditions to the Arrangement are satisfied, or where permitted, waived, it is anticipated that the Arrangement will be completed on or about January 28, 2009.

On behalf of the Directors, we would like to take this opportunity to thank you for the support you have shown as a holder of Lundin Mining SDRs.

Yours very truly,



Lukas H. Lundin  
Chairman



Philip J. Wright  
President, Chief Executive Officer  
and Director

# Summary

This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing or referred to in the Management Proxy Circular available on [www.sedar.com](http://www.sedar.com), including the appendices and documents or portions of documents incorporated by reference.

## Lundin Mining Corporation

Lundin Mining is a corporation governed by the CBCA. Lundin Mining is a reporting issuer (or its equivalent) in the Provinces of British Columbia, Alberta, Ontario, Quebec and Nova Scotia and files periodic reports with the SEC under the U.S. Securities Exchange Act of 1934, as amended. The Lundin Mining Shares are traded on the Toronto Stock Exchange (the "TSX") under the symbol "LUN" and on the New York Stock Exchange (the "NYSE") under the symbol "LMC" and the Lundin Mining SDRs are traded on the NASDAQ OMX Stockholm AB (the "OMX") under the symbol "LUMI SDR".

## HudBay Minerals Inc.

HudBay is a corporation governed by the CBCA. HudBay is a reporting issuer (or its equivalent) in all of the provinces of Canada. The HudBay Shares trade on the TSX under the symbol "HBM".

## Date, Time and Place of the Meeting

The Meeting will be held on January 26, 2009 at 10:00 a.m. (Toronto time), in the Imperial Room at The Fairmont Royal York Hotel, 100 Front Street West, Toronto, Ontario, M5J 1E3.

## Record Date, Meeting Materials and Voting Instruction Forms for Holders of Lundin Mining SDRs

Only holders of Lundin Mining SDRs as of 5:00 p.m. (Toronto time) (being 11:00 p.m. (Stockholm time)) on December 22, 2008, the record date for the Meeting, are entitled to direct Öhman as to how the Lundin Mining Shares represented by the Lundin Mining SDRs are to be voted at the Meeting or any adjournment(s) or postponement(s) of such Meeting. Holders of Lundin Mining SDRs who become holders of any Lundin Mining SDRs after December 22, 2008 and who wish to direct Öhman as to how the Lundin Mining Shares represented by such Lundin Mining SDRs are to be voted at the Meeting must make arrange-

ments with the person(s) from whom they acquired the Lundin Mining SDRs to direct how the Lundin Mining Shares represented by such Lundin Mining SDRs are to be voted at the Meeting.

This Information Summary is being sent by Lundin Mining directly to Öhman for distribution to holders of Lundin Mining SDRs outside of the United States and Canada. Only registered Lundin Mining Shareholders or the person they appoint as their proxyholder are permitted to vote at the Meeting. Applicable securities laws require Öhman to seek voting instructions from holders of Lundin Mining SDRs in advance of the Meeting. Lundin Mining Shares held through Öhman may only be voted in accordance with the instructions received from the holders of Lundin Mining SDRs. In the absence of having obtained specific voting instructions, Öhman is prohibited from voting Lundin Mining Shares held by holders of Lundin Mining SDRs.

A VIF accompanies this Information Summary. Additional VIFs can be ordered from Öhman via telephone at +46-(0)8-402 51 32. Please review the VIF carefully, as it includes instructions concerning how it is to be completed and when it needs to be returned to Öhman.

This Information Summary is not a "prospectus" for the purposes of the Swedish Financial Trading Act (Sw. lag (1991:980) om handel med finansiella instrument). HudBay is required to prepare and file a prospectus with the Swedish Financial Supervisory Authority for registration and approval. The Swedish Financial Supervisory Authority has waived a Swedish language requirement in respect of such prospectus and it will therefore be prepared in English only.

## Purpose of the Meeting

At the Meeting, the Lundin Mining Shareholders will be asked to vote on the Arrangement Resolution as required by the interim order obtained on December 22, 2008 in connection with the Arrangement. If the Arrangement is completed, HudBay will acquire all of the issued and outstanding Lundin Mining Shares (other than the Lundin Mining Shares it already owns) pursuant to the Arrangement and Lundin Mining will become a wholly-owned subsidiary of HudBay. As a result of the Arrangement, Lundin Mining Shareholders (other than dissenting shareholders and HudBay) will receive 0.3919 of a HudBay Share for each Lundin Mining Share. Contemporaneously with, or following, the completion of the Arrangement, each Lundin Mining SDR will be exchanged for 0.3919 of a HudBay SDR. If the Arrangement Resolution is approved, the Arrangement will be implemented by way of a court approved plan of arrangement under the CBCA.



## Exchange of Lundin Mining SDRs

Through the Arrangement, Lundin Mining Shareholders will receive 0.3919 of a HudBay Share for each Lundin Mining Share. Contemporaneously with, or following, the completion of the Arrangement, those holders of Lundin Mining SDRs who on the record day for the SDR exchange are registered owners of Lundin Mining SDRs will receive 0.3919 HudBay SDRs for each Lundin Mining SDR. Each HudBay SDR represents one HudBay Share. Trading in Lundin Mining SDRs will be suspended on or prior to the effective date of the Arrangement. Following the record date for the SDR exchange, all Lundin Mining SDRs will be removed from each holder's deposit or securities account and subsequently be cancelled. Approximately three days after the record date for the SDR exchange, HudBay SDRs will automatically be booked into each holder's deposit or securities account via the VPC system.

## Handling of Fractional SDRs

No fractional HudBay SDRs will be issued to holders of Lundin Mining SDRs. If a holder of Lundin Mining SDRs is entitled to a fractional Swedish depository receipt representing 0.5 or more of a HudBay SDR, the number of HudBay SDRs to be issued to that holder of Lundin Mining SDRs will be rounded up to the nearest whole HudBay SDR. If a holder of Lundin Mining SDRs is entitled to a fractional Swedish depository receipt representing less than 0.5 of a HudBay SDR, the number of HudBay SDRs to be issued to that holder of Lundin Mining SDRs will be rounded down to the nearest whole HudBay SDR.

### Example

A holder of 100 Lundin Mining SDRs is, pursuant to the exchange ratio under the agreement, entitled to receive 39.19 HudBay SDRs. Since 39.19 is an uneven number it will be rounded down to 39 and the holder will receive 39 HudBay SDRs.

## Vote Required to Approve the Arrangement

At the Meeting, Lundin Mining Shareholders will be asked to vote to approve the Arrangement Resolution. Pursuant to the interim order, the Arrangement Resolution must be approved by the affirmative vote of at least 66 2/3% of the votes cast at the Meeting by Lundin Mining Shareholders present in person, or represented by proxy, and entitled to vote at the Meeting. The Arrangement Resolution must receive the approval of the Lundin Mining Shareholders as set forth in the preceding sentence in order for Lundin Mining to seek the final order and implement the Arrangement on the effective date of the Arrangement in accordance with the final order.

## Voting Procedures for Holders of Lundin Mining SDRs

For Lundin Mining SDR holders, please refer to the VIF that accompanies this Information Summary. Additional VIFs can be ordered from Öhman via telephone at +46-(0)8-402 51 32. The completed form(s) are required to be returned to Öhman on or before the deadline that is referenced in the instructions that are part of the VIF. If you have any questions or require more information with regard to the procedures for voting please contact Öhman via telephone at +46-(0)8-402 51 32.

## Recommendation of the Special Committee

Having undertaken a thorough review of, and carefully considered, the Arrangement, including consulting with financial and independent legal advisors, the Special Committee unanimously concluded that the Arrangement is fair to the Lundin Mining Shareholders and in the best interests of Lundin Mining and unanimously recommended that the Directors approve the Arrangement and recommend that the Lundin Mining Shareholders vote FOR the Arrangement.

## Recommendation of the Directors

Having received and considered the recommendation of the Special Committee, the Directors (other than the interested Directors, being Messrs. Benner, Charter and Craig, who were not present), unanimously concluded that the Arrangement is fair to the Lundin Mining Shareholders and in the best interests of Lundin Mining and have authorized the submission of the Arrangement to the Lundin Mining Shareholders for their approval at the Meeting. The Directors have determined unanimously (with the interested Directors not present) to recommend to the Lundin Mining Shareholders that they vote FOR the Arrangement Resolution. Each Director has agreed or intends, as the case may be, to vote his Lundin Mining Shares, if any, FOR the Arrangement Resolution.

# Reasons for the Arrangement

In evaluating and approving the Arrangement, the Special Committee and the Directors considered and relied upon a number of factors including the following:

- The combined company is expected to be one of the largest diversified mining companies listed on the TSX and one of the largest base metals companies in Canada based on market capitalization, with a diversified portfolio of copper, zinc, lead, nickel, gold and silver mines operating in Canada, Portugal, Sweden, Spain and Ireland, as well as stakes in projects in the Democratic Republic of Congo (copper/cobalt) and Guatemala (nickel). Such diversification should reduce the potential impact of certain risks on the combined company, including geopolitical, financial and currency risks associated with any specific jurisdiction.
- Lundin Mining Shareholders will own approximately 50% of the HudBay Shares upon completion of the Arrangement and, through their ownership of HudBay Shares, will continue to participate in any increase in the value of Lundin Mining's current projects. In addition, Lundin Mining Shareholders will participate in any increase in the value of the assets currently owned by HudBay.
- The consideration to be received by the Lundin Mining Shareholders under the Arrangement represented a premium of approximately 32% over the volume weighted average trading price of Lundin Mining Shares on the TSX for the 30 trading days ended November 20, 2008 (the trading day before the Arrangement was announced) based on the volume weighted average trading price of HudBay Shares on the TSX for the 30 trading days ended November 20, 2008.
- Lundin Mining considered it prudent to augment existing funding in light of the financial crisis and the sharp increase in the volatility of metal prices. Given the current global financial crisis, Lundin Mining's ability to access capital is limited and, in the short-term, it would be unlikely that Lundin Mining would be able to access capital on equivalent or better terms than those agreed to with HudBay in connection with the Private Placement (as defined below). The price of \$1.40 per Lundin Mining Share paid by HudBay in connection with the Private Placement represented approximately a 10.23% premium over the volume weighted average price of Lundin Mining Shares on the TSX for the five trading days ending November 20, 2008 (the trading day before the Arrangement agreement and the subscription agreement were executed) and approximately a 33.33% premium over the closing price of the Lundin Mining Shares on the TSX on November 21, 2008 (the trading day that the Arrangement agreement and the subscription agreement were executed). The completion of the Private Placement (which was completed on December 11, 2008) would further align the interests of HudBay with those of Lundin Mining. As used herein, "Private Placement" means the acquisition by HudBay, on a private placement basis, of 96,997,492 Lundin Mining Shares, representing approximately 19.9% of the Lundin Mining Shares after giving effect to such issuance.
- The opinion of the Special Committee's financial advisor, Haywood Securities Inc., to the effect that, as of November 21, 2008, and based upon and subject to the analyses, assumptions, qualifications and limitations set forth therein, the consideration of 0.3919 of a HudBay Share for each Lundin Mining Share to be received under the Arrangement was fair, from a financial point of view, to the Lundin Mining Shareholders.
- On a pro forma basis for the nine months ended as at September 30, 2008, the combined company had combined assets of \$3.3 billion and cash, cash equivalents and short-term investments of \$892 million on its balance sheet. The financial strength of the combined company should enable it to better endure the current global financial crisis and will provide it with a more diversified platform to operate and develop the combined portfolio of assets, access capital and to achieve long-term future growth.
- The combined company will have a highly experienced workforce with complementary skills in exploration, business and project development and operations, which should significantly enhance the combined company's ability to successfully complete its growth initiatives.
- The exchange of Lundin Mining Shares for HudBay Shares will generally occur on a tax-deferred basis for the purposes of the Income Tax Act (Canada) and is intended to qualify as a non-taxable reorganization for U.S. federal income tax purposes.
- Holders of options of Lundin Mining who have not exercised such options prior to the effective date will receive converted options of HudBay under the Arrangement.
- Certain shareholders of Lundin Mining and the Directors (other than Messrs. Benner, Charter and Craig), representing approximately 16.9% of the outstanding Lundin Mining Shares as of December 19, 2008, have entered into voting agreements pursuant to which they have agreed, among other things, to vote their Lundin Mining Shares, subject to the terms and conditions of such agreements, in favour of the Arrangement Resolution.
- The lack of any required approval by HudBay's shareholders to complete the Arrangement, and the determination that HudBay has the available resources, ability and desire to complete the Arrangement in a timely manner.
- There are no material competition or other regulatory issues which are expected to arise in connection with the Arrangement so as to prevent its completion.
- If HudBay breaches any of its representations or warranties or fails to perform any covenant or agreement set forth in the Arrangement Agreement which, in turn, causes the conditions precedent not to be satisfied and such conditions are incapable of being satisfied by May 30, 2009, HudBay has agreed to pay Lundin Mining \$2.5 million. Further, in the event that the Arrangement Agreement is terminated as a result of HudBay's wilful and material breach of its non-solicitation obligations, HudBay is required to pay Lundin Mining a termination fee in the amount of \$24.25 million.



- The board of directors of HudBay following the completion of the Arrangement will consist of nine persons, of whom five are existing Directors (including Messrs. Benner and Charter, each of whom is currently a director of HudBay).
  - It was unlikely that a third party would offer a more compelling alternative than the Arrangement.
  - The terms of the Arrangement agreement were the result of arm's-length negotiations with HudBay, and the Special Committee was kept apprised of the status of such negotiations.
  - Lundin undertook a comprehensive due diligence process covering legal, financial, mineral resource, social, environmental and operational aspects of HudBay's business.
  - The Special Committee retained financial and independent legal advisors to assist in due diligence.
  - The Arrangement Resolution must be approved by 66 2/3% of Lundin Mining Shareholders present in person, or represented by proxy, at the Meeting.
  - Registered Lundin Mining Shareholders who do not vote in favour of the Arrangement will have the right to require a judicial appraisal of their Lundin Mining Shares and obtain "fair value" pursuant to the exercise of the dissent rights under the Arrangement.
  - Completion of the Arrangement will be subject to approval of the Ontario Superior Court of Justice (Commercial List) which will consider, among other things, the fairness of the Arrangement to Lundin Mining Shareholders.
  - Under the Arrangement agreement, the Directors are able to respond, in accordance with their fiduciary duties, to an unsolicited acquisition proposal that the Directors determine could reasonably be expected to result in a superior proposal. The terms of the Arrangement agreement, including the termination fee payable to HudBay in certain circumstances, are reasonable and not, in the opinion of the Special Committee, preclusive of other proposals.
- The Special Committee and the Directors also considered a number of risks and potential negative factors relating to the Arrangement including the following:
- The risks associated with HudBay, including the long-term risks associated with the ownership and operation of mines, smelters and refineries located in North America.
  - The Lundin Mining Shareholders will receive HudBay Shares based on a fixed exchange ratio. As the trading price of the HudBay Shares may fluctuate, the HudBay Shares received by Lundin Mining Shareholders under the Arrangement may have a market value lower than expected.
  - The risks to Lundin Mining if the Arrangement is not completed, including the costs to Lundin Mining in pursuing the Arrangement and the diversion of management's attention away from the conduct of Lundin Mining's business in the ordinary course. In addition, if Lundin Mining is required to pay the termination fee to HudBay and an alternative transaction is not concluded, Lundin Mining's financial condition may be materially and adversely affected.
  - HudBay's obligations under the Arrangement are subject to certain conditions and HudBay has the right to terminate the Arrangement agreement in certain circumstances.
  - If the Arrangement agreement is terminated and the Directors decide to seek another business combination, Lundin Mining may be unable to find a party willing to pay greater or equivalent value compared to the consideration available to Lundin Mining Shareholders under the Arrangement, or that the continued operation of Lundin Mining under its current business model will yield equivalent or greater value to Lundin Mining Shareholders compared to that available under the Arrangement.
  - If the Arrangement is successfully completed, Lundin Mining will no longer exist as a public company and, although Lundin Mining Shareholders, through the HudBay Shares to be issued under the Arrangement, will have the opportunity to continue to participate in the combined company, the consummation of the Arrangement will diminish the opportunity for Lundin Mining Shareholders to participate in the long-term potential benefits of the business of Lundin Mining to the extent that those benefits exceed those potential benefits reflected in the HudBay Shares to be received under the Arrangement.

# Frequently Asked Questions About The Arrangement

## **Q.** What am I voting on?

**A.** You are being asked to vote FOR the Arrangement Resolution approving the Arrangement, which provides for, among other things, HudBay acquiring all of the issued and outstanding Lundin Mining Shares. You also are being asked to approve the transaction of any other business that may properly come before the Meeting or any adjournment(s) or postponement(s) of the Meeting.

## **Q.** When and where is the Meeting?

**A.** The Meeting will take place on January 26, 2009 at 10:00 a.m. (Toronto time), in the Imperial Room at The Fairmont Royal York Hotel, 100 Front Street West, Toronto, Ontario M5J 1E3.

## **Q.** How do I obtain a voting instruction form?

**A.** A VIF accompanies this Information Summary. Additional VIFs can be ordered from Öhman via telephone at +46-(0)8-402 51 32. The VIF includes information concerning how it is to be completed and when it needs to be returned to Öhman. If you have any questions or require more information with regard to the procedures for voting please contact Öhman via telephone at +46-(0)8-402 51 32.

## **Q.** Who can complete a voting instruction form and what is the quorum for the Meeting?

**A.** Only holders of Lundin Mining SDRs as of 5:00 p.m. (Toronto time) (being 11:00 p.m. (Stockholm time)) on December 22, 2008, the record date for the Meeting, are entitled to direct Öhman as to how the Lundin Mining Shares represented by the Lundin Mining SDRs are to be voted at the Meeting or any adjournment(s) or postponement(s) of such Meeting. Holders of Lundin Mining SDRs who become holders of any Lundin Mining SDRs after December 22, 2008 and who wish to direct Öhman as to how the Lundin Mining Shares represented by such Lundin Mining SDRs are to be voted at the Meeting must make arrangements with the person(s) from whom they acquired the Lundin Mining SDRs to direct how the Lundin Mining Shares represented by such Lundin Mining SDRs are to be voted at the Meeting.

This Information Summary is being sent by Lundin Mining directly to Öhman for distribution to holders of Lundin Mining SDRs.

The quorum for the transaction of business at the Meeting will be two individuals present or represented by proxy at the Meeting, each being a Lundin Mining Shareholder entitled to vote at the Meeting.

## **Q.** How many Lundin Mining Shares are entitled to vote?

**A.** As of December 19, 2008, 487,433,771 Lundin Mining Shares are entitled to vote at the Meeting.

## **Q.** What will I receive in the Arrangement?

**A.** Contemporaneously with, or following, the completion of the Arrangement, each Lundin Mining SDR will be exchanged for 0.3919 of a HudBay SDR. Each HudBay SDR will represent one HudBay Share.

**Q. How does the consideration offered for Lundin Mining Shares compare to the market price of the Lundin Mining Shares before the Arrangement was announced?**

**A.** If the Arrangement is completed, Lundin Mining Shareholders (other than dissenting shareholders and HudBay) will be entitled to receive consideration of 0.3919 of a HudBay Share for each outstanding Lundin Mining Share. The consideration to be received by the Lundin Mining Shareholders under the Arrangement represented as of November 20, 2008, a premium of approximately 32% over the volume weighted average trading price of Lundin Mining Shares on the TSX for the 30 trading days ended November 20, 2008 (the trading day before the Arrangement was announced) based on the volume weighted average trading price of HudBay Shares on the TSX for the 30 trading days ended November 20, 2008 and a premium of approximately 103% over the closing price of the Lundin Mining Shares on the TSX on November 20, 2008 based on the closing price of the HudBay Shares on the TSX on November 20, 2008.

**Q. What vote is required at the Meeting to approve the Arrangement Resolution?**

**A.** The Arrangement Resolution must be passed by the affirmative vote of at least 66 2/3% of the votes cast at the Meeting by Lundin Mining Shareholders present in person, or represented by proxy, and entitled to vote at the Meeting.

Certain Lundin Mining Shareholders and the Directors (other than Messrs. Benner, Charter and Craig) have committed to vote all of the Lundin Mining Shares held by such shareholders in favour of the Arrangement Resolution. As of December 19, 2008, the such shareholders owned approximately 16.9% of the Lundin Mining Shares. In addition, pursuant to the subscription agreement, HudBay has agreed to vote the Lundin Mining Shares it owns in favour of the Arrangement Resolution.

**Q. What are the recommendations of the Special Committee and the Directors?**

**A.** The Special Committee unanimously recommended that the Directors approve the Arrangement and recommend that Lundin Mining Shareholders vote for the Arrangement, and the Directors unanimously (other than the interested Directors who were not present) recommend that Lundin Mining Shareholders vote FOR the Arrangement Resolution to approve the Arrangement.

**Q. Why are the Special Committee and the Directors making this recommendation?**

**A.** In reaching their conclusion that the Arrangement is fair to the Lundin Mining Shareholders, and that the Arrangement is in the best interests of Lundin Mining, the Special Committee and the Directors (other than the interested Directors who were not present) considered and relied upon a number of factors, including those described under the headings “The Arrangement – Recommendation of the Special Committee”, “The Arrangement – Recommendation of the Directors” and “The Arrangement – Reasons for the Arrangement” in the Management Proxy Circular available on [www.sedar.com](http://www.sedar.com) and on [www.lundinmining.com](http://www.lundinmining.com).

**Q. In addition to the approval of Lundin Mining Shareholders, are there any other approvals required for the Arrangement?**

**A.** Yes, the Arrangement requires the approval of the Ontario Superior Court of Justice (Commercial List). See “Principal Legal Matters – Court Approval of the Arrangement and Completion of the Arrangement” in the Management Proxy Circular available on [www.sedar.com](http://www.sedar.com) and on [www.lundinmining.com](http://www.lundinmining.com).

**Q. Do any Directors and executive officers of Lundin Mining have any interests in the Arrangement that are different from, or in addition to, those of the Lundin Mining Shareholders?**

**A.** Certain Directors and executive officers of Lundin Mining may have interests in the Arrangement that differ from those of Lundin Mining Shareholders, including acting as directors of HudBay. See “The Arrangement – Interests of Directors, Executive Officers and Others in the Arrangement” in the Management Proxy Circular available on [www.sedar.com](http://www.sedar.com) and on [www.lundinmining.com](http://www.lundinmining.com).

**Q. Will the Lundin Mining Shares continue to be listed on the TSX and the NYSE and the Lundin Mining SDRs on the OMX after the Arrangement?**

**A.** No. The Lundin Mining Shares will be de-listed from the TSX and the NYSE and the Lundin Mining SDRs will be de-listed from the OMX when the Arrangement is completed. The HudBay Shares are currently listed for trading on the TSX. It is expected that, in connection with the closing of the Arrangement, the HudBay Shares will be listed for trading on a national securities exchange in the United States and that the HudBay SDRs will be listed for trading on the OMX.

**Q. When can I expect to receive HudBay SDRs for my Lundin Mining SDRs?**

**A.** Following the completion of the Arrangement, Öhman will automatically exchange your Lundin Mining SDRs for HudBay SDRs within three business days of the effective date of the Arrangement.

**Q. How will the votes be counted?**

**A.** Computershare Investor Services Inc., as transfer agent, counts and tabulates the proxies. Proxies are counted and tabulated by Computershare Investor Services Inc. in such a manner as to preserve the confidentiality of the voting instructions of registered Lundin Mining Shareholders subject to a limited number of exceptions.

**Q. Are there risks I should consider in deciding whether to vote for the Arrangement Resolution?**

**A.** Yes. Some of these risks include the following:

- There can be no certainty that all conditions precedent to the Arrangement will be satisfied or waived, or as to the timing of their satisfaction or waiver. Failure to complete the Arrangement could negatively impact the price of the Lundin Mining Shares.
- The Arrangement agreement may be terminated by Lundin Mining or HudBay in certain circumstances.
- Under the Arrangement, Lundin Mining Shareholders will receive HudBay Shares based on a fixed exchange ratio that will not be adjusted to reflect market fluctuations. Consequently, the HudBay Shares issuable under the Arrangement may have a market value lower than expected.
- The issuance of HudBay Shares under the Arrangement and their subsequent sale may cause the market price of HudBay to decline.
- The combined company may not realize the benefits currently anticipated due to challenges associated with integrating the operations, technologies and personnel of Lundin Mining and HudBay.
- The combined company may not meet key production and cost estimates.
- The termination fee provided under the arrangement agreement may discourage other parties from attempting to acquire Lundin Mining.
- The combined company may not realize the benefits of its growth projects.
- The combined company will be subject to significant capital requirements associated with its expanded operations and its expanded portfolio of development projects.
- The combined company will be subject to a broad range of environmental laws and regulations in the jurisdictions in which it operates and will be exposed to potentially significant environmental costs and liabilities.

See “Cautionary Statement Regarding Forward-Looking Statements”, “Information Concerning Lundin – Risk Factors Related to Lundin”, “Information Concerning HudBay – Risk Factors Related to HudBay” and “Risk Factors Related to the Arrangement and the Combined Company” in the Management Proxy Circular available on [www.sedar.com](http://www.sedar.com) and on [www.lundinmining.com](http://www.lundinmining.com).



## **Q.** Am I entitled to dissent rights?

**A.** No. Only registered Lundin Mining Shareholders are entitled to dissent rights. If you wish to become a registered Lundin Mining Shareholder, please contact Öhman via telephone at +46-(0)8-402 51 32.

## **Q.** What will happen to the Lundin Mining SDRs that I currently own after completion of the Arrangement?

**A.** Öhman will automatically exchange your Lundin Mining SDRs for HudBay SDRs.

HudBay filed a prospectus with the Swedish Financial Supervisory Authority on December 19, 2008, and intends to apply for a listing of the HudBay SDRs on the OMX prior to the effective date of the Arrangement. The listing of the HudBay SDRs is subject to approval by the OMX. Subject to the approval by the Swedish Financial Supervisory Authority of HudBay's prospectus, the first day of trading of the HudBay SDRs on the OMX is expected to be on or about the effective date of the Arrangement.

No fractional HudBay SDRs will be issued to holders of Lundin Mining SDRs. If a holder of Lundin Mining SDRs is entitled to a fractional SDR representing 0.5 or more of a HudBay SDR, the number of HudBay SDRs to be issued to that holder of Lundin Mining SDRs will be rounded up to the nearest whole HudBay SDR. If a holder of Lundin Mining SDRs is entitled to a fractional SDR representing less than 0.5 of a HudBay SDR, the number of HudBay SDRs to be issued to that holder of Lundin Mining SDRs will be rounded down to the nearest whole HudBay SDR.

The terms and conditions of the HudBay SDRs will be substantially the same as the terms and conditions applicable to the Lundin Mining SDRs. The depository for the HudBay SDRs will be E. Öhman J:or Fondkommission AB, P.O. Box 7415, SE-103 91 Stockholm, Sweden which is the current depository for the Lundin Mining SDRs.

## **Q.** What are the Swedish income tax consequences of the Arrangement and the SDR exchange?

**A.** As a result of the Arrangement, Lundin Mining Shares will be exchanged for HudBay Shares. Contemporaneously with, or following, the completion of the Arrangement, Lundin Mining SDRs will be exchanged for HudBay SDRs. As a general rule, the exchange of Lundin Mining Shares and Lundin Mining SDRs will be deemed to constitute a disposal which will trigger capital gains taxation. However, the Swedish Tax Agency has in a letter ruling confirmed that the rules on roll-over relief (Sw. framskjuten beskattning vid andelsbyten) normally should apply for individual Swedish holders of Lundin Mining Shares who are fiscally resident in Sweden and who receive HudBay Shares as a result of the Arrangement, and to Swedish holders of Lundin Mining SDRs who are fiscally resident in Sweden and who receive HudBay SDRs contemporaneously with, or following, the completion of the Arrangement. In order for the roll-over relief provisions to apply, it is necessary for HudBay to own Lundin Mining Shares representing more than 50 per cent of the voting power of Lundin Mining at the end of the calendar year in which the Arrangement becomes effective. However, in the event of special reasons, it is sufficient that the holding requirement is fulfilled at some point during that year.

This means that no taxable capital gain or deductible capital loss should normally arise for such holders of Lundin Mining Shares or Lundin Mining SDRs. The tax basis for the Lundin Mining Shares or the Lundin Mining SDRs should normally instead automatically be rolled-over to the HudBay Shares or HudBay SDRs, as applicable, that were received. Under such circumstances, capital gains or capital losses will not be realized until the HudBay Shares or HudBay SDRs are divested or if the holder ceases to be a Swedish resident and moves to a country outside the EEA. Normally, there is no need for such individuals to report the current exchange in their tax returns. Any sale of HudBay Shares or HudBay SDRs for cash consideration is, nevertheless, subject to capital gains taxation.

For further information regarding the Swedish tax consequences please see the Swedish tax disclosure in the Swedish prospectus which will be made available on [www.hudbayminerals.com](http://www.hudbayminerals.com).

## **Q.** Who can I contact if I have questions?

**A.** Lundin Mining SDR holders who have additional questions about the Arrangement, including the procedures for voting, should contact Öhman via telephone at +46-(0)8-402 51 32. Lundin Mining SDR holders who have questions about deciding how to vote should contact their financial, legal or other professional advisors.

# About Lundin Mining

Lundin Mining is a Canadian-based international mining company that owns the Neves-Corvo copper/zinc/silver mine and the Aljustrel zinc/lead/silver mine in Portugal, the Zinkgruvan zinc/lead/silver mine in Sweden, the Galmoy zinc/lead/silver mine in Ireland and the Aguablanca nickel/copper mine in Spain. Lundin Mining also holds a 24.75% equity interest in the Tenke Fungurume Project, a major copper/cobalt project under development in the Democratic Republic of Congo and a 49% interest in the Ozernoe Project in eastern Russia.

Lundin Mining owns, indirectly:

- 100% of the outstanding shares of Zinkgruvan Mining AB. Zinkgruvan Mining AB operates the Zinkgruvan mine;
- 100% of the outstanding shares of Galmoy Mines Ltd. Galmoy Mines Ltd. is an Irish mining and exploration company, the main asset of which is the Galmoy mine located in County Kilkenny, Ireland. Early closure of the Galmoy mine is possible in light of the mine's low remaining reserves and the present metal price outlook;
- 100% of the outstanding shares of Somincor S.A. Somincor S.A. is a Portuguese mining and exploration company, the main asset of which is the Neves-Corvo mine in Portugal. On November 13, 2008, Lundin Mining announced plans to suspend zinc production from the Neves-Corvo mine;
- 99.99% of the outstanding shares of Pirites Alentejanas, S.A. Pirites Alentejanas, S.A. is a Portuguese holding company that holds the Aljustrel mining license and operating permits and the assets of the Aljustrel mine. On November 13, 2008, Lundin Mining announced plans to place the Aljustrel mine on care and maintenance. On December 5, 2008, Lundin Mining announced that a non-binding agreement in principle had been reached to divest of Pirites Alentejanas, S.A.;
- 100% of the outstanding shares of Rio Narcea Gold Mines, Ltd. Rio Narcea Gold Mines, Ltd. is a Spanish mining and exploration company, the main asset of which is the Aguablanca mine located in Spain. In light of current low nickel prices, Lundin Mining continues to assess whether a period of care and maintenance is warranted in respect of this operation;
- a 24.75% equity interest in Tenke Fungurume Mining Corp. SARL, an entity incorporated in the Democratic Republic of the Congo. Tenke Fungurume Mining Corp. SARL is the owner of the Tenke Fungurume copper/cobalt deposits located in Katanga Province in the Democratic Republic of the Congo; and
- a 49% equity interest in Morales (Overseas) Ltd., a Cyprus joint venture company, the remainder of which is owned by IFC Metropol, a Russian financial institution. Morales (Overseas) Ltd. was formed to develop the Ozernoe zinc/lead deposit located in the Republic of Buryatia, in the Russian Federation, and to operate any resulting mine.

Lundin Mining also has a 100% interest in several ongoing exploration projects in Sweden, Ireland, Portugal and Spain.

Lundin Mining has made strategic investments in a number of companies. Currently, Lundin Mining holds:

- a less than 20% interest in Union Resources Limited, a publicly traded company listed on the Australian Stock Exchange;
- a less than 20% interest in Sunridge Gold Corp., a publicly traded company listed on the TSX Venture Exchange which





reports that it holds several advanced exploration projects in Eritrea, in eastern Africa;

- a less than 20% interest (fully diluted) in Canada Zinc Metals Corp. (formerly Mantle Resources Inc.), a publicly traded company listed on the TSX Venture Exchange. Canada Zinc Metals Corp. reports that it holds 100% of the Akie zinc-lead property in northeastern British Columbia;
- a less than 20% interest in Sanu Resources Ltd., a publicly

traded company listed on the TSX Venture Exchange, which reports that it operates with a focus on the acquisition, exploration and discovery of base metal and gold deposits in northeastern Africa; and

- a less than 20% interest in Chariot Resources Ltd., a publicly traded company listed on the TSX Venture Exchange. Chariot Resources Ltd. reports that it is developing its 70% owned Marcona Copper Property in southern coastal Peru.



# About HudBay

HudBay is an integrated base metals mining, metallurgical processing and refining company. HudBay has:

- the 777 and Trout Lake zinc and copper mines near Flin Flon, Manitoba, the Chisel North Mine near Snow Lake, Manitoba and the Balmat zinc mine in New York State;
- a metallurgical complex located in Flin Flon, Manitoba, and an ore concentrator near Snow Lake, Manitoba. The Flin Flon metallurgical complex is comprised of an ore concentrator, a zinc pressure leach and electro-winning plant and a copper smelter, with an annual production capacity of approximately 115,000 tonnes of cast zinc and approximately 90,000 tonnes of anode copper, as well as gold and silver;
- an ore concentrator in New York State with an annual capacity of 1.75 million tons of ore adjacent to its Balmat zinc mine;
- a zinc oxide plant located in Brampton, Ontario, with annual production capacity of approximately 45,000 tonnes of zinc oxide, which off-takes in excess of 25% of its annual zinc metal production;
- a copper refinery in White Pine, Michigan, with annual production capacity of approximately 75,000 tonnes of refined copper;
- a seasoned exploration team with a proven track record of discovering new ore bodies, together with a substantial land position in Manitoba and Saskatchewan, and land holdings in Ontario, the Yukon, New York State and Chile;
- the Lalor zinc/gold deposit near Snow Lake, Manitoba;
- a nickel laterite property known as the Fenix Project (the "Fenix Project"), located in the Department of Izabal, in eastern Guatemala; the Fenix Project was put on temporary suspension in late 2008 due to the state of worldwide financial and commodities markets;
- experienced mine and production management, and a workforce with an excellent health and safety record; and
- a 50% interest in an established marketing joint venture, Consider Metal Marketing Inc., which markets HudBay's metals and other products primarily on an agency basis and identifies and acquires additional zinc and copper concentrate for HudBay's metallurgical complex.

In 2007, HudBay produced approximately 110,520 tonnes of refined zinc and produced a further net 15,749 tonnes of zinc concentrate, 89,995 tonnes of copper, 102,587 ounces of gold, 1,446,738 ounces of silver and 35,583 tonnes of zinc oxide.

HudBay's consolidated financial statements as at December 31, 2007 and 2006 and for each of the years in the two-year period ended December 31, 2007 have been incorporated by reference in the Management Proxy Circular (available on [www.sedar.com](http://www.sedar.com)).

## Recent Developments

### Acquisition of Skye Resources Inc.

On August 26, 2008, HudBay acquired all of the issued and outstanding shares of Skye Resources Inc. pursuant to an Arrangement agreement among HudBay, Skye Resources Inc. and 0828275 B.C. Ltd. (a wholly-owned subsidiary of HudBay). Pursuant to the Arrangement agreement, HudBay issued the former shareholders of Skye Resources Inc. (other than HudBay) 0.61 of a HudBay Share and \$0.001 in cash for each common share of Skye Resources Inc. outstanding. Subsequent to the completion of this acquisition, Skye Resources Inc. changed its name to HMI Nickel Inc. HudBay has chosen to delay construction of the Fenix Project in Guatemala in light of the significant deterioration in metal prices and recent global economic uncertainty.

## Description of Share Capital

### HudBay Shares

HudBay is authorized to issue an unlimited number of HudBay Shares. Holders of HudBay Shares are entitled to receive notice of any meetings of HudBay shareholders, to attend and to cast one vote per HudBay Share at all such meetings. Holders of HudBay Shares do not have cumulative voting rights with respect to the election of directors, and accordingly, holders of a majority of the HudBay Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of HudBay Shares are entitled to receive on a pro-rata basis such dividends, if any, as and when declared by HudBay's board of directors at its discretion from funds legally available therefor and, upon HudBay's liquidation, dissolution or winding up, are entitled to receive on a pro-rata basis HudBay's net assets after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro-rata basis with the holders of HudBay Shares with respect to dividends or liquidation. The HudBay Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

As at December 19, 2008 there were 153,020,124 HudBay Shares issued and outstanding.

### HudBay Preference Shares

HudBay is authorized to issue an unlimited number of preference shares (herein the "HudBay Preference Shares"). HudBay Preference Shares may from time to time be issued and the board of directors of HudBay may fix the designation, rights, privileges, restrictions and conditions attaching to any series of HudBay Preference Shares. HudBay Preference Shares shall be entitled to preference over the HudBay shares and over any other of HudBay's shares ranking junior to the HudBay Preference Shares with respect to the payment of dividends and the distribution of assets or return of capital in the event



of HudBay's liquidation, dissolution or winding up or any other return of capital or distribution of HudBay's assets among HudBay's shareholders for the purpose of winding up HudBay's affairs. HudBay Preference Shares may be convertible into HudBay Shares at such rate and upon such basis as the HudBay board of directors in its discretion may determine. No holder of HudBay Preference Shares will be entitled to receive notice of, attend, be represented at or vote at any annual or special meeting, unless the meeting is convened to consider HudBay's winding up, amalgamation or the sale of all or substantially all of HudBay's assets, in which case each holder of HudBay Preference Shares will be entitled to one vote in respect of each HudBay Preference Share held. Holders of HudBay Preference Shares will not be entitled to vote or have rights of dissent in respect of any resolution to, among other things, amend HudBay's articles to increase or decrease the maximum number of authorized HudBay Preference Shares, increase or decrease the maximum number of any class of shares having rights or privileges equal or superior to the HudBay Preference Shares, exchange, reclassify or cancel HudBay Preference Shares, or create a new class of shares equal to or superior to the HudBay Preference Shares.

As at December 19, 2008, no HudBay Preference Shares were issued and outstanding.

### **HudBay Warrants**

HudBay Warrants were created and issued pursuant to (a) the warrant indenture dated December 21, 2004 made between HudBay and Equity Transfer Services Inc., as warrant agent (the "HudBay Warrants (2004)"); and (b) the warrant indenture dated October 26, 2007 made between Skye Resources Inc. and CIBC Mellon Trust Company, as warrant agent, as amended by a supplemental indenture pursuant to which the warrants outstanding under such indenture became exercisable for HudBay Shares (the "HudBay Warrants (2007)"). The following summary of certain provisions of the warrant indentures is not complete and is qualified in its entirety by reference to the provisions of the warrant indentures.

### **HudBay Warrants (2004)**

Every 30 HudBay Warrants (2004) entitle the holder to purchase one HudBay Share at a price of \$3.15. The exercise price and the number of HudBay shares issuable upon exercise are both subject to standard anti-dilution provisions. HudBay Warrants (2004) are exercisable at any time prior to 5:00 p.m. (Toronto time) on December 21, 2009, after which time the HudBay Warrants (2004) will expire and become null and void. Under the warrant indenture, HudBay is entitled to purchase in the market,



by private contract or otherwise, all or any of the HudBay Warrants (2004) then outstanding, and any HudBay Warrants (2004) so purchased will be cancelled.

No fractional HudBay shares will be issuable upon the exercise of any HudBay Warrants (2004), and no cash or other consideration will be paid in lieu of fractional shares. Holders of HudBay Warrants (2004) will not have any voting or pre-emptive rights or any other rights that a holder of HudBay shares would have.

As at December 19, 2008, HudBay had an aggregate of 22,521 HudBay Warrants (2004) outstanding, which were exercisable for approximately 750 HudBay shares.

#### **HudBay Warrants (2007)**

Each HudBay Warrant (2007) entitles the holder to purchase 0.61 of a HudBay Share rounded (a) up to the nearest whole HudBay Share in the event that a holder of a HudBay Warrant (2007) is entitled to a fractional share representing 0.5 or more of a HudBay Share and (b) down to the nearest whole HudBay Share in the event that the holder of a HudBay Warrant (2007) is entitled to a fractional share representing less than 0.5 of a HudBay Share and the amount of \$0.001 in cash (rounded up to the next whole cent) for each HudBay Warrant (2007) at a price of \$15.13 per HudBay Warrant (2007).

The exercise price and the number of HudBay Shares issuable upon exercise are both subject to standard anti-dilution provisions. HudBay Warrants (2007) are exercisable at any time prior to 5:00 p.m. (Vancouver time) on January 26, 2009, after which time the HudBay Warrants (2007) will expire and be void and of no further force or effect. Under the warrant indenture, HudBay is entitled to purchase in the market, by private contract or otherwise, all or any of the HudBay Warrants (2007) then outstanding, and any HudBay Warrants (2007) so purchased will be cancelled. Holders of HudBay Warrants (2007) will not have any rights that a holder of HudBay Shares would have.

The HudBay Warrants (2007) were listed for trading on the TSX under the symbol "HBM.WT" on August 28, 2008. Prior to this date the HudBay Warrants (2007) had been listed on the TSX under the symbol "SKR.WT.A".

As at December 19, 2008, HudBay had an aggregate of 3,105,000 HudBay Warrants (2007) outstanding, which were exercisable for approximately 1,894,050 HudBay Shares.

#### **HudBay Rights Plan**

The fundamental objectives of the HudBay shareholder rights plan, implemented under the terms of a shareholder rights plan agreement between HudBay and Equity Transfer Services Inc. dated as of November 9, 2004 and amended and restated on May 1, 2007 and May 31, 2007 and ratified by HudBay's shareholders on May 31, 2007, is to provide adequate time for HudBay's board of directors and shareholders to assess an unsolicited take-over bid for HudBay, to provide the board of

directors of HudBay with sufficient time to explore and develop alternatives for maximizing shareholder value if a take-over bid is made, and to provide shareholders with an equal opportunity to participate in a take-over bid.

One right (a "HudBay Right") has been issued by HudBay in respect of each HudBay Share that is currently outstanding, and one HudBay Right will be issued in respect of each HudBay Share issued, including pursuant to the terms of the Arrangement, during the balance of the term of the HudBay shareholder rights plan (which term expires at the completion of HudBay's annual shareholders' meeting in 2010). The HudBay Rights will separate from the HudBay Shares and will be exercisable 10 trading days after a person has acquired, or commences a take-over bid to acquire, 20% or more of the HudBay Shares, other than by an acquisition pursuant to a take-over bid permitted by the HudBay shareholder rights plan.

#### **Dividend Policy**

HudBay has never paid a dividend or distribution on the HudBay Shares and it has made no decision to do so in the immediate future. The actual timing, payment and amount of any dividends paid by HudBay will be determined by the board of directors from time to time based upon, among other things, HudBay's cash flow, results of operations and financial condition, HudBay's need for funds to finance ongoing operations and such other business considerations as the board of directors considers relevant.

# The Combined Company after the Arrangement



## General

On completion of the Arrangement, HudBay will continue to be a corporation governed by the CBCA. After the effective date of the Arrangement, HudBay will own all of the Lundin Mining Shares.

The business and operations of Lundin Mining will be managed and operated as a wholly-owned subsidiary of HudBay. HudBay expects that the business operations of HudBay and Lundin Mining will be consolidated and the principal executive office of the combined company will be located at the principal office of HudBay at Dundee Place, Suite 2501, 1 Adelaide Street East, Toronto, Ontario, M5C 2V9.

## Directors and Executive Officers of the Combined Company

HudBay has agreed under the arrangement agreement to use its commercially reasonable efforts to ensure that the board of directors of HudBay immediately following the effective time of the Arrangement is comprised of Colin K. Benner, Donald K. Charter, Lukas H. Lundin, William A. Rand, Philip J. Wright, Allen J. Palmiere, Ronald P. Gagel, R. Peter Gillin and M. Norman Anderson. The Chief Executive Officer of HudBay will continue to be Allen J. Palmiere.

## Capital Structure

The authorized capital of HudBay following the Arrangement will continue to consist of an unlimited number of HudBay Shares. As of the effective time of the Arrangement, approximately 306 million HudBay Shares will be outstanding.

## HudBay Unaudited Pro Forma Financial Information Post Transaction

The following unaudited pro forma consolidated financial information for HudBay is based on the assumptions described in the respective notes to the HudBay unaudited pro forma consolidated financial statements as at September 30, 2008. The pro forma consolidated balance sheet has been prepared based on the assumption that, among other things, the Arrangement had been completed on September 30, 2008. The pro forma consolidated statements of earnings have been prepared based on the assumption that, among other things, the Arrangement had occurred on January 1, 2007. The unaudited pro forma consolidated financial statements are not necessarily indicative of HudBay's consolidated financial position and results of operations if the events reflected therein were in effect on September 30, 2008 or January 1, 2007, nor do they purport to project HudBay's consolidated financial position or results of operations for any future period.

The unaudited pro forma consolidated financial statements are based on certain assumptions and adjustments. The unaudited pro forma consolidated financial information set out below should be read in conjunction with the description of the Arrangement contained in the Management Proxy Circular and the audited and unaudited consolidated financial statements of each of Lundin Mining and HudBay available on [www.sedar.com](http://www.sedar.com).



# Pro Forma Financial Statements

## **Consent of Deloitte & Touche LLP**

We have read the Management Proxy Circular (available on [www.sedar.com](http://www.sedar.com)) of Lundin Mining Corporation ("Lundin") dated December 22, 2008 (the "Circular") relating to the special meeting of shareholders of Lundin to approve the Arrangement between Lundin and HudBay Minerals Inc. ("HudBay"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents. We consent to the incorporation by reference in the Circular of our report to the shareholders of HudBay on the consolidated balance sheets of HudBay as at December 31, 2007 and 2006, and the consolidated statements of earnings, retained earnings, comprehensive income and cash flows for each of the years in the two-year period ended December 31, 2007. Our report is dated March 14, 2008.

(Signed) "DELOITTE & TOUCHE LLP"

*Chartered Accountants*  
Licensed Public Accountants  
Toronto, Canada  
Dated December 22, 2008

**Hudbay Minerals Inc.**  
**Pro Forma Consolidated Balance Sheet As at September 30, 2008**  
(unaudited) (C\$000s)

	HudBay	Lundin	Lundin	Pro forma adjustments	Pro Forma
	C\$	US\$	C\$	C\$ Note 3a	C\$
<b>ASSETS</b>					
<b>CURRENT</b>					
Cash, cash equivalents and short-term investments	844,384	45,342	48,057		892,441
Cash in trust	3,357	171	181		3,538
Accounts receivable	66,861	115,613	122,536		189,397
Inventories	155,930	50,944	53,995		209,925
Prepaid expenses and other current assets	3,994	8,899	9,432		13,426
Current portion of fair value of derivatives	5,121	—	—		5,121
Future income tax and mining tax assets	20,906	—	—		20,906
	1,100,553	220,969	234,201		1,334,754
Reclamation fund	—	55,932	59,281		59,281
Property, plant and equipment	783,566	1,971,882	2,089,964	(59,119)	1,157,189
				(1,657,222)	
Long-term investments and other assets	14,525	1,585,476	1,680,419	(853)	444,870
				(1,249,221)	
Future income tax assets	14,087	122,793	130,146	161,571	305,804
Goodwill	—	386,047	409,165	(409,165)	—
	\$1,912,731	\$4,343,099	\$4,603,176	\$(3,214,009)	\$3,301,898
<b>LIABILITIES</b>					
<b>CURRENT</b>					
Accounts payable and accrued liabilities	127,591	184,589	195,644	13,000	336,235
Taxes payable	17,408	7,072	7,495		24,903
Deferred revenue	—	5,209	5,521	(5,521)	—
Other current liabilities	37,816	91	96		37,912
Current portion of long-term debt and capital leases	3,194	5,949	6,305		9,499
	186,009	202,910	215,061	7,479	408,549
Long-term debt and capital leases	139	234,212	248,237		248,376
Pension obligations	30,093	16,437	17,421		47,514
Other employee future benefits	73,704	—	—		73,704
Asset retirement obligations	42,139	118,686	125,793		167,932
Other	—	23,086	24,469	12,531	37,000
Deferred revenue	—	139,812	148,184	(148,184)	—
Future income tax liability	13,687	456,959	484,323	(372,677)	125,333
Fair value of derivatives	12,401	—	—		12,401
Non-controlling interest	—	438	464		464
	358,172	1,192,540	1,263,952	(500,851)	1,121,273
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	632,132	3,219,948	3,412,769	(2,786,951)	1,257,950
Contributed Surplus	30,358	22,614	23,968	(23,720)	30,606
Retained earnings (deficit)	896,470	(205,961)	(218,295)	(327,960)	896,470
				546,255	
Accumulated other comprehensive (loss) income	(4,401)	113,958	120,782	(120,782)	(4,401)
	1,554,559	3,150,559	3,339,224	(2,713,158)	2,180,625
	\$1,912,731	\$4,343,099	\$4,603,176	\$(3,214,009)	\$3,301,898

See accompanying Notes to the Unaudited Pro Forma Consolidated Financial Statements

**Hudbay Minerals Inc.**  
**Pro Forma Consolidated Statement of Earnings**  
**for the nine month period ended September 30, 2008**  
(unaudited) (C\$000s, except for share and per share amounts)

	HudBay	HMI Nickel Adjusted	Lundin	Lundin	Proforma adjustments	Note 4	Proforma
	C\$	C\$ (Note 4 a)	US\$	C\$			
Revenue	803,113	—	791,758	806,189			1,609,302
Expenses							
Operating costs	530,027	—	351,829	358,242			888,269
Fenix development costs	—	8,324	—	—			8,324
Depreciation and amortization	67,982	864	162,250	165,207	(77,598)	d	156,455
General and administrative	22,095	19,089	32,091	32,676			73,860
Stock-based compensation expense	9,819	3,817	8,736	8,895	(8,658)	e	13,873
Accretion of asset retirement obligations	2,812	—	10,049	10,232			13,044
Foreign exchange (gain) loss	(7,589)	827	336	342			(6,420)
	625,146	32,921	565,291	575,594	(86,526)		1,147,405
<b>EARNINGS BEFORE UNDERNOTED</b>	177,967	(32,921)	226,467	230,595	86,526		461,897
Exploration	(19,886)	(866)	(29,476)	(30,013)			(50,765)
Interest and financing expenses	(620)	(5,218)	(10,186)	(10,372)			(16,210)
Interest and other income	20,956	1,667	3,303	3,363			25,986
(Loss) gain on derivative instruments	(2,228)	—	1,935	1,970			(258)
Asset impairment losses	(27,237)	—	(381,034)	(387,979)			(415,216)
Share of losses of equity investee	(3,915)	—	—	—	3,915	c	—
<b>EARNINGS BEFORE TAXATION</b>	145,037	(37,338)	(188,991)	(192,436)	89,221		5,434
Tax expense	87,503	—	39,614	40,336	19,826	d	147,665
<b>NET EARNINGS</b>	57,534	(37,338)	(228,605)	(232,772)	70,345		(142,231)
Basic and diluted earnings per share	\$ 0.44						\$ (0.46)
Weighted average basic shares outstanding	130,159,412				181,306,706	f	311,466,118
Weighted average diluted shares outstanding	131,131,242				181,306,706	f	312,437,948

See accompanying Notes to the Unaudited Pro Forma Consolidated Financial Statements.

**Hudbay Minerals Inc.**  
**Pro Forma Consolidated Statement of Earnings**  
**for the year ended December 31, 2007**  
(unaudited) (C\$000s, except for share and per share amounts)



	HudBay	HMI Nickel	HMI Nickel	Lundin Adjusted	Proforma adjustments	Note 4	Pro forma
	C\$	US\$	C\$	C\$ Note 4b			
Revenue	1,269,841	—	—	1,253,845			2,523,686
Expenses							
Operating costs	730,748	—	—	441,068			1,171,816
Fenix development costs	—	15,650	16,736	—			16,736
Depreciation and amortization	94,697	423	452	215,326	(75,712)	d	234,763
General and administrative	18,188	6,718	7,184	37,658			63,030
Stock-based compensation expense	11,979	5,418	5,794	12,859	(12,218)	e	18,414
Accretion of asset retirement obligations	3,282	—	—	11,422			14,704
Foreign exchange loss (gain)	22,578	(1,362)	(1,457)	23,546			44,667
	881,472	26,847	28,709	741,879	(87,930)		1,564,130
<b>EARNINGS BEFORE UNDERNOTED</b>	388,369	(26,847)	(28,709)	511,966	87,930		959,556
Exploration	(33,067)	(4,257)	(4,552)	(39,344)			(76,963)
Interest and financing expenses	(1,378)	(4,152)	(4,440)	(31,309)			(37,127)
Interest and other income	35,219	4,050	4,331	113,087			152,637
Loss on derivative instruments	(3,515)	—	—	(44,294)			(47,809)
Asset impairment losses	(20,172)	—	—	(580,795)			(600,967)
<b>EARNINGS BEFORE TAXATION</b>	365,456	(31,206)	(33,370)	(70,689)	87,930		349,327
Tax expense	138,317	—	—	71,805	18,533	d	228,655
<b>NET EARNINGS</b>	227,139	(31,206)	(33,370)	(142,494)	69,397		120,672
Basic earnings per share	\$ 1.79						\$ 0.39
Diluted earnings per share	\$ 1.77						\$ 0.39
Weighted average basic shares outstanding	126,847,106				184,307,662	f	311,154,768
Weighted average diluted shares outstanding	128,507,554				184,307,662	f	312,815,216

See accompanying Notes to the Unaudited Pro Forma Consolidated Financial Statements.

**Hudbay Minerals Inc.**  
**Notes to the Pro Forma Consolidated Financial Statements**  
**As at and for the nine months ended September 30, 2008 and**  
**for the year ended December 31, 2007**  
**(Unaudited) (Expressed in C\$)**

## **1. Basis of Presentation**

The unaudited pro forma consolidated financial statements of HudBay Minerals Inc. ("HudBay" or "the Company") as at and for the nine months ended September 30, 2008 and for the year ended December 31, 2007 have been prepared by management after giving effect to the acquisition by HudBay of Lundin Mining Corporation ("Lundin") and Skye Resources Inc. (since renamed HMI Nickel Inc. "HMI Nickel") and the acquisition of Rio Narcea Gold Mines, Ltd. ("Rio Narcea") by Lundin as described in Note 3. These pro forma consolidated financial statements have been compiled from and include:

- (a) A pro forma balance sheet combining the unaudited interim balance sheet of HudBay as at September 30, 2008 with the unaudited interim balance sheet of Lundin as at September 30, 2008.
- (b) A pro forma statement of earnings combining the consolidated statement of earnings of HudBay for the year ended December 31, 2007, with the consolidated statement of operations of Lundin for the year ended December 31, 2007, the consolidated statement of earnings of HMI Nickel for the year ended December 31, 2007 and the unaudited interim consolidated statement of operations of Rio Narcea for the six months ended June 30, 2007.
- (c) A pro forma statement of earnings combining the unaudited consolidated statement of earnings of HudBay for the nine months ended September 30, 2008 with the unaudited consolidated statement of operations of Lundin for the nine months ended September 30, 2008 and the unaudited interim consolidated statement of operations of HMI Nickel for the six months ended June 30, 2008.

The September 30, 2008 pro forma consolidated balance sheet has been prepared as if the acquisition of Lundin as described in Note 3 had occurred on September 30, 2008. The pro forma consolidated statement of earnings for the nine months ended September 30, 2008 and the pro forma consolidated statement of earnings for the year ended December 31, 2007 have been prepared as if the transactions described in Note 3 had occurred on January 1, 2007.

It is management's opinion that these pro forma consolidated financial statements include all adjustments necessary for the fair presentation of the transactions described in Note 3 in accordance with Canadian generally accepted accounting principles ("GAAP") applied on a basis consistent with HudBay's accounting policies. The pro forma consolidated financial statements are not intended to reflect the results of operations or the financial position of HudBay which would have actually resulted had the transactions been effected on the dates indicated. Further, the pro forma financial information is not necessarily indicative of the results of operations that may be obtained in the future. The pro forma adjustments do not give effect to op-

erating efficiencies, cost savings, or synergies that may result from the proposed acquisition.

The unaudited pro forma financial statements should be read in conjunction with the historical financial statements and notes thereto of HudBay and Lundin described above.

The financial statements of Lundin, HMI Nickel and Rio Narcea are presented in a different format than HudBay's and, in order to facilitate their inclusion in the pro forma consolidated financial statements certain of their figures have been reclassified to conform to HudBay's presentation. The pro forma consolidated financial statements have been prepared using management's best estimate of the required adjustments to ensure consistency of accounting policies and compliance with Canadian GAAP based on enquiry and analysis. Actual adjustments to record the results of operations and financial position of Lundin, HMI Nickel and Rio Narcea on a consistent basis with the accounting policies of HudBay may differ from the amounts estimated.

## **2. Summary of Significant Accounting Policies**

The unaudited pro forma financial statements have been compiled using the significant accounting policies as set out in the audited consolidated financial statements of HudBay for the year ended December 31, 2007, and the unaudited interim consolidated financial statements of HudBay for the nine months ended September 30, 2008. In preparing the unaudited pro forma consolidated financial statements a review was undertaken to identify accounting policy differences where the impact was potentially material and could be reasonably estimated. Further accounting policy differences may be identified after the consummation of the proposed acquisition of Lundin. The significant accounting policies of Lundin conform in all material respects to those of HudBay.

## **3. Pro Forma Assumptions and Adjustments to The Pro Forma Consolidated Balance Sheet**

### **(a) Acquisition of Lundin**

The proposed acquisition of Lundin will be completed through a plan of Arrangement that will result in share consideration of 0.3919 HudBay shares for each Lundin share, resulting in a total of 153.1 million HudBay shares being issued. The fair value of the HudBay shares is based on the average closing price of HudBay shares on the Toronto Stock Exchange for the two days before, the day of, and the two days after November 21, 2008, which is the date of the announcement of the transaction.

Upon entering into the plan of arrangement, HudBay concurrently subscribed for 97 million Lundin shares through a private placement at \$1.40 per share, amounting to total proceeds to Lundin for shares issued of \$135.8 million. Hud-

Bay recorded an investment upon the transfer of cash to Lundin. In the pro forma balance sheet the investment has been eliminated upon consolidation by a reduction in the share capital of Lundin and the net cash position remains unchanged as a result of the transaction.

The business combination has been accounted for as an acquisition by HudBay of Lundin as at September 30, 2008, and the purchase method of accounting has been applied. The consideration given, including the private placement proceeds, has been allocated on a preliminary basis to the net assets acquired, including future income tax effects of the acquisition, as follows:

	(000s)
Cash	\$ 183,853
Other current assets	186,144
Property, plant and equipment	306,105
Exploration and development properties	67,521
Future income tax assets	291,717
Long-term investments and other assets	489,624
	1,524,964
Current liabilities	(209,542)
Long-term debt and capital leases	(248,237)
Future income tax liabilities	(111,646)
Other liabilities	(180,676)
	<b>\$ 774,863</b>
<b>Consisting of:</b>	
Shares issued on acquisition	\$ 625,819
Private placement consideration	135,796
Stock options converted at acquisition	248
Estimated costs of acquisition	13,000
	<b>\$ 774,863</b>

A total of 11.9 million Lundin stock options outstanding at September 30, 2008 are converted to HudBay stock options at the same conversion ratio as applies to common shares, resulting in 4.7 million new HudBay options. Of this total, 3.0 million of the new options are vested at the acquisition date. The fair value of the vested options of \$0.2 million is included in the purchase consideration. The remaining 1.7 million options will be expensed over their remaining vesting period as a charge to the earnings of HudBay (item 4 (e)).

HudBay will incur costs related to legal and financial advisory, stock exchange fees, severance obligations and other expenses totaling an estimated \$13.0 million.

#### (b) **Acquisition of HMI Nickel**

On June 27, 2008, the Company acquired 12,679,266 common shares of HMI Nickel at a total cost of \$95.2 million in a private placement. On August 26, 2008, the Company acquired all of the remaining issued and outstanding common shares HMI Nickel pursuant to a court-approved plan of arrangement. In exchange for each HMI Nickel common share, HMI Nickel shareholders received 0.61 of a HudBay common share plus \$0.001 in cash. In addition, the Company exchanged HMI Nickel's outstanding stock options and warrants for similar securities of HudBay at an exchange ratio of 0.61 and at a price equivalent to the original purchase price divided by 0.61. In total, HudBay issued as consideration 31,295,685 common shares, granted 1,864,404 stock options and assumed 1,894,050 warrants.

The Company has accounted for the acquisition as a purchase of assets and has included the net assets and results of operations of HMI Nickel in its consolidated financial statements from August 26, 2008.

(c) **Acquisition of Rio Narcea by Lundin**

On July 17, 2007, Lundin acquired 85.5% of the issued common shares and 73.3% of the outstanding warrants of Rio Narcea. As at December 31, 2007, Lundin had acquired all of the issued and outstanding shares and warrants for cash payments totaling \$918 million.

Concurrent with the offer to purchase Rio Narcea, Lundin signed an option agreement with Red Back Mining Inc. for the sale of Rio Narcea's Tasiast gold mine for cash consideration of \$225 million and the assumption of \$53.1 million of debt and hedging contracts. The sale was completed on August 2, 2007.

The purchase price was financed in part by an \$800 million syndicated senior credit facility, which was reduced by the \$225 million proceeds from the sale of the Tasiast gold mine.

This acquisition was accounted for as a business combination using the purchase method and Lundin consolidated the net assets and result of operations of Rio Narcea from July 17, 2007.

(d) **Rates of exchange used in pro forma financial statements**

The financial statements of Lundin, HMI Nickel and Rio Narcea are denominated in US Dollars and have been translated into Canadian Dollars using the following exchange rates:

	Exchange Rate
Pro forma balance sheet as at September 30, 2008	C\$1.00: US\$0.9435
Pro forma statement of earnings for the nine months ended September 30, 2008	C\$1.00: US\$0.9821
Pro forma statement of earnings for the year ended December 31, 2007	C\$1.00: US\$0.9351

## 4. Adjustments to the Pro Forma Consolidated Statement of Earnings

Adjustments to the pro forma consolidated statements of earnings for the year ended December 31, 2007 and for the nine months ended September 30, 2008 are as follows:

(a) **Adjusted HMI Nickel income statement**

HudBay acquired control of HMI Nickel on August 26, 2008. The most recently reported financial statements for HMI Nickel were prepared as of June 30, 2008. HMI Nickel incurred operating expenses during the period from June 30, 2008 to August 26, 2008. The expenses have been added to HMI Nickel's statement of loss for the six months ended June 30, 2008 as follows:

	For the six months ended June 30, 2008		Stub period expenses C\$000s	For the period from January 1, 2008 to August 26, 2008
	HMI Nickel US\$000s	HMI Nickel C\$000s		Adjusted HMI Nickel C\$000s
<b>EXPENSES</b>				
Fenix development costs	6,630	6,751	1,573	8,324
Depreciation and amortization	781	795	69	864
General and administrative	4,881	4,970	14,119	19,089
Stock-based compensation	3,645	3,711	106	3,817
Foreign exchange loss	676	688	139	827
Exploration	744	758	108	866
Interest and financing expenses	1,491	1,518	3,700	5,218
Interest and other income	(1,272)	(1,295)	(372)	(1,667)
<b>NET LOSS</b>	<b>17,576</b>	<b>17,896</b>	<b>19,442</b>	<b>37,338</b>



(b) **Adjusted Lundin statement of operations**

Lundin acquired Rio Narcea as described above in Note 3 (c). The adjustments to Lundin's 2007 consolidated statement of op-

erations to incorporate the results of Rio Narcea for the period from January 1, 2007 to July 16, 2007, including adjustments required to reflect the sale of the Tasiast gold mine, are as follows:

	Year ended December 31, 2007		Six months ended June 30, 2007		Adjustments C\$000s		Pro forma for year ended December 31, 2007
	Lundin	Lundin	Rio Narcea	Rio Narcea			Lundin
	US\$000s	C\$000s	US\$000s	C\$000s			C\$000s
<b>REVENUE</b>	<b>1,059,722</b>	<b>1,133,271</b>	<b>112,749</b>	<b>120,574</b>			<b>1,253,845</b>
<b>EXPENSES</b>							
Operating costs	379,295	405,620	33,147	35,448			441,068
Depreciation and amortization	175,692	187,886	6,438	6,885	(184)	ii	
					20,739	i	215,326
General and administrative	30,785	32,922	5,951	6,364	(1,628)	ii	37,658
Stock-based compensation	12,024	12,859	636	680	(680)	iv	12,859
Accretion of asset retirement obligations	9,085	9,716	1,595	1,706			11,422
Foreign exchange gain	18,622	19,914	2,636	2,819	813	ii	23,546
Exploration	35,374	37,829	1,417	1,515			39,344
Interest and financing expenses	13,470	14,405	298	319	16,585	iii	31,309
Loss on derivative instruments	34,526	36,922	7,120	7,614	(242)	ii	44,294
Interest and other income	(103,140)	(110,298)	(3,591)	(3,840)	650	ii	(113,488)
Asset impairment losses	543,101	580,795	—	—			580,795
Share of losses of equity investee	375	401	—	—			401
	<b>1,149,209</b>	<b>1,228,971</b>	<b>55,647</b>	<b>59,510</b>	<b>36,053</b>		<b>1,324,534</b>
<b>INCOME BEFORE TAXES</b>	<b>(89,487)</b>	<b>(95,700)</b>	<b>57,102</b>	<b>61,064</b>	<b>(36,053)</b>		<b>(70,689)</b>
Tax expense	64,670	69,158	14,129	15,110	61	ii	
					(6,302)	iii	
					(6,222)	i	71,805
<b>NET (LOSS) INCOME</b>	<b>(154,157)</b>	<b>(164,858)</b>	<b>42,973</b>	<b>45,954</b>	<b>(23,590)</b>		<b>(142,494)</b>

- (i) To increase depreciation and related tax effects, to reflect the increase in the book values for property, plant and equipment resulting from the allocation of the purchase price to the net assets.
- (ii) To remove the operating results of Tasiast included in Rio Narcea's statement of earnings.

- (iii) To adjust interest expense and related income tax recovery to reflect the drawdown of the debt facility, net of Tasiast proceeds, from January 1, 2007.
- (iv) To remove stock-based compensation to reflect acquisition as at January 1, 2007.

- (c) To eliminate the loss resulting from the Company's equity investment in HMI Nickel prior to the acquisition of control. Prior to the acquisition of control of HMI Nickel, HudBay acquired 12,679,266 common shares of HMI Nickel in a private placement transaction for total consideration of \$95.2 million. The private placement was completed on June 27, 2008. For the period between June 27, 2008 and August 26, 2008, when HudBay acquired all of the remaining issued and outstanding shares of HMI Nickel, HudBay accounted for the investment according to the equity method and recorded a loss of \$3.9 million.
- (d) To adjust depreciation expense as a result of the allocation of the purchase price to the fair value of property, plant and equipment and the related future income tax effects.
- (e) To remove stock-based compensation expense for the converted Lundin options that vested on the acquisition of Lundin and to record the stock-based compensation expense for those converted Lundin options that continue to vest as HudBay options after the acquisition.
- (f) The pro forma earnings per share has been calculated assuming that the 153.1 million common shares to be issued upon acquisition of Lundin and 31.3 million common shares issued upon the acquisition of HMI Nickel were issued at the beginning of the period. The effects of options issued are not considered as they are anti-dilutive.

# Risk Factors



## Related to the Arrangement and the Combined Company

There are risks associated with the completion of the Arrangement and an investment in HudBay Shares. The following risk factors should be carefully considered by Lundin Mining SDR holders in evaluating whether to approve the Arrangement Resolution, in addition to those risk factors set forth under the heading “Information Concerning Lundin – Risk Factors Related to Lundin” and “Information Concerning HudBay – Risk Factors Related to HudBay” in the Management Proxy Circular available on [www.sedar.com](http://www.sedar.com).

**There can be no certainty that all conditions precedent to the Arrangement will be satisfied or waived, or as to the timing of their satisfaction or waiver. Failure to complete the Arrangement could negatively impact the price of the Lundin Mining Shares.**

The completion of the Arrangement is subject to a number of conditions precedent which must be satisfied or waived, some of which are outside the control of HudBay and Lundin Mining, including receipt of the Lundin Mining Shareholder approval and the final order. It is also a condition in favour of HudBay, that from the date of the arrangement agreement to and including the effective time of the Arrangement, there shall not have occurred any event, occurrence, development or circumstance that, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on Lundin Mining. There can be no certainty, nor can Lundin Mining provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied.

If the Arrangement is not completed, for any reason, the market price of the Lundin Mining Shares may be adversely affected. Moreover, if the arrangement agreement is terminated, there is no assurance that the Directors will be able to find a party willing to pay an equivalent or a more attractive price for Lundin Mining Shares than the price that HudBay is willing to pay for the Lundin Mining Shares.

**The arrangement agreement may be terminated by Lundin Mining or HudBay in certain circumstances.**

Each of Lundin Mining and HudBay has the right, in certain circumstances, in addition to termination rights relating to the failure to satisfy the conditions of closing, to terminate the arrangement agreement. Accordingly, there can be no certainty, nor can Lundin Mining provide any assurance, that the arrangement agreement will not be terminated by either of Lundin Mining or HudBay prior to the completion of the Arrangement. For example, the arrangement agreement may be terminated by Lundin Mining or HudBay, as applicable, if the other party willfully and materially breaches its non-solicitation obligations. See “The Arrangement Agreement – Termination” in the Management Proxy Circular available on [www.sedar.com](http://www.sedar.com) and on [www.lundinmining.com](http://www.lundinmining.com).

**Under the Arrangement, Lundin Mining Shareholders will receive HudBay Shares based on a fixed exchange ratio that will not be adjusted to reflect market fluctuations. Consequently, the HudBay Shares issuable under the Arrangement may have a market value lower than expected.**

Lundin Mining Shareholders will receive a fixed number of HudBay Shares under the Arrangement, rather than HudBay Shares with a fixed market value. As the exchange ratio under the Arrangement will not be adjusted to reflect any changes in the market value of the HudBay Shares, the market value of HudBay Shares may vary significantly from the value at the dates referenced in the Management Proxy Circular or the actual dates that Lundin Mining Shareholders become entitled to receive HudBay Shares pursuant to the Arrangement. Many of the factors that affect the market value of the Lundin Mining Shares are beyond the control of HudBay. These factors include fluctuations in commodity prices, fluctuations in currency exchange rates, changes in regulatory environment, adverse political developments, prevailing conditions in the capital markets and interest rate fluctuations.

**The issuance of HudBay Shares under the Arrangement and their subsequent sale may cause the market price of HudBay to decline.**

As of December 19, 2008, 153,020,124 HudBay Shares were issued and outstanding and an aggregate of up to 9,054,742 HudBay Shares were issuable upon the exercise of 7,159,942 HudBay options, 22,521 HudBay Warrants (2004) and 3,105,000 HudBay Warrants (2007). HudBay currently expects that, in connection with the Arrangement, it will issue approximately 153 million HudBay Shares (calculated based on the issued and outstanding Lundin Mining Shares as at December 19, 2008) and reserve approximately 4.6 million HudBay Shares for issue on exercise of converted options of HudBay. The issuance of these new HudBay Shares that may become eligible for sale in the public market from time to time could depress the market price for HudBay Shares.

**The combined company may not realize the benefits currently anticipated due to challenges associated with integrating the operations, technologies and personnel of Lundin Mining and HudBay.**

The success of the combined company will depend in large part on the success of management of the combined company in integrating the operations, technologies and personnel of Lundin Mining with those of HudBay after the effective date of the Arrangement. The failure of the combined company to achieve such integration could result in the failure of the combined company to realize any of the anticipated benefits of the Arrangement and could impair the results of operations, profitability and financial results of the combined company.

In addition, the overall integration of the operations, technologies and personnel of Lundin Mining with those of HudBay may result in unanticipated operational problems, expenses, liabilities and diversion of management’s attention.

**The combined company may not meet key production and cost estimates.**

A decrease in the amount of, or a change in the timing of the production outlook for, or in the prices realized for, metals of the combined company will directly affect the amount and timing of the combined company's cash flow from operations. The actual effect of such a decrease on the combined company's cash flows from operations would depend on the timing of any changes in production and on actual prices and costs. Any change in the timing of these projected cash flows that would occur due to production shortfalls or labour disruptions would, in turn, result in delays in receipt of such cash flows and in using such cash to reduce debt levels, and may require additional borrowings to fund capital expenditures, including capital for the combined company's development projects, in the future. Any such financing requirements could adversely affect the combined company's ability to access capital markets in the future to meet any external financing requirements or increase its debt financing costs. In addition, a number of these and other developments or events, including changes in product mix, demand for the combined company's products, and production disruptions, could make historic trends in Lundin Mining and HudBay cash flows lose their predictive value.

The level of production and capital and operating costs estimates relating to development projects, which are used in establishing mineral reserve and mineral resource estimates for determining and obtaining financing and other purposes, are based on certain assumptions and are inherently subject to significant uncertainty. It is very likely that actual results for the combined company's projects will differ from current estimates and assumptions, and these differences may be material. In addition, experience from actual mining or processing operations may identify new or unexpected conditions which could reduce production below, or increase capital or operating costs above, current estimates. If actual results are less favourable than currently estimated, the combined company's business, results of operations, financial condition and liquidity could be materially adversely affected.

**The termination fee provided under the arrangement agreement may discourage other parties from attempting to acquire Lundin Mining.**

Under the arrangement agreement, Lundin Mining is required to pay a termination fee in the event the arrangement agreement is terminated in certain circumstances following the occurrence of the termination fee event. The termination fee may discourage other parties from attempting to acquire the Lundin Mining Shares, even if those parties would otherwise be willing to offer greater value to Lundin Mining Shareholders than that offered by HudBay under the Arrangement. See "The Arrangement Agreement – Termination Fees and Expenses" in the Management Proxy Circular on [www.sedar.com](http://www.sedar.com) and on [www.lundinmining.com](http://www.lundinmining.com).

**The combined company may not realize the benefits of its growth projects.**

As part of its strategy, the combined company will continue existing efforts and initiate new efforts to develop new mineral

projects and will have a larger number of such projects as a result of the Arrangement. A number of risks and uncertainties are associated with the development of these types of projects, including political, regulatory, design, construction, labour, operating, technical, and technological risks, uncertainties relating to capital and other costs, and financing risks. The failure to develop one or more of these initiatives successfully could have an adverse effect on the combined company's financial position and results of operations.

**The combined company will be subject to significant capital requirements associated with its expanded operations and its expanded portfolio of development projects.**

The combined company must generate sufficient internal cash flow or be able to utilize available financing sources to finance its growth and sustain capital requirements. If the combined company does not realize satisfactory prices for copper, zinc, nickel and other metals that it will produce, it could be required to raise significant additional capital through equity financings in the capital markets or to incur significant borrowings through debt financings to meet its capital requirements. If these financings are required, the combined company's cost of raising capital in the future may be adversely affected. In addition, if the combined company is required to make significant interest and principal payments resulting from a debt financing, the combined company's financial condition and ability to raise additional funds may be adversely impacted. Any significant delay in completing its development projects or in achieving commercial production from them on a consistent basis or the incurring of capital costs that are significantly higher than estimated, could have a significant adverse effect on the combined company's results of operations, cash flow from operations and financial condition.

**The combined company will be subject to a broad range of environmental laws and regulations in the jurisdictions in which it operates and will be exposed to potentially significant environmental costs and liabilities.**

Each of Lundin Mining and HudBay is currently subject to a broad range of environmental laws and regulations in each jurisdiction in which they operate, which laws and regulations will apply to the combined company after the effective time of the Arrangement. These laws and regulations, as interpreted by relevant agencies and the courts, impose increasingly stringent environmental protection standards regarding, among other things, air emissions, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic materials, waste disposal practices, and the remediation of environmental contamination. The costs of complying with these laws and regulations, including participation in assessments and remediation of sites, could be significant. In addition, these standards can create the risk of substantial environmental liabilities, including liabilities associated with divested assets and past activities. Environmental matters cannot be predicted with certainty, and any amounts reserved by HudBay or Lundin Mining may not be adequate.

# Cautionary Statement

## Regarding Forward-looking Statements

This Information Summary and the information incorporated by reference in the Management Proxy Circular available on [www.sedar.com](http://www.sedar.com) and on [www.lundinmining.com](http://www.lundinmining.com) contain “forward-looking statements” and “forward-looking information” under applicable securities laws (collectively, the “forward-looking statements”) relating, but not limited to, Lundin Mining’s and HudBay’s expectations, intentions, plans and beliefs. Forward-looking statements can often be identified by forward-looking words such as “anticipate”, “believe”, “expect”, “goal”, “plan”, “intend”, “estimate”, “optimize”, “may”, “will” or similar words suggesting future outcomes or other expectations, intentions, plans, beliefs, objectives, assumptions or statements about future events or performance.

Lundin Mining SDR holders are cautioned not to place undue reliance on forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. In evaluating these statements, Lundin Mining SDR holders should specifically consider various factors, including the risks outlined under the headings “Information Concerning Lundin – Risk Factors Related to Lundin”, “Information Concerning HudBay – Risk Factors Related to HudBay” and “Risk Factors Related to the Arrangement and the Combined Company” in the Management Proxy Circular, which risks may cause actual results to differ materially from any forward-looking statement.

Assumptions upon which forward-looking statements related to the Arrangement are based include, without limitation, (a) that the Lundin Mining Shareholders will approve the Arrangement Resolution in the manner required by the interim order; (b) that the Ontario Superior Court of Justice (Commercial List) will approve the Arrangement; and (c) that all other conditions to the completion of the Arrangement will be satisfied or waived. Many of these assumptions are based on factors and events that are not within the control of Lundin Mining and HudBay and may not prove to be correct.

Factors that could cause actual results of Lundin Mining, HudBay or the combined company to vary materially from results anticipated by such forward-looking statements include, but are not limited to, changes in market conditions, variations in ore grade or recovery rates, risks relating to international operations, fluctuating metal prices and currency exchange rates, changes in project parameters, the possibility of project cost

overruns or unanticipated costs and expenses, labour disputes and other risks of the mining industry, failure of plant, equipment or processes to operate as anticipated, the businesses of Lundin Mining and HudBay not being integrated successfully or such integration providing more difficult, time consuming or costly than expected.

Certain of the forward-looking statements and other information contained in this Information Summary or incorporated in the Information Circular by reference concerning HudBay and the mining industry and HudBay’s general expectations concerning the mining industry are based on estimates prepared by HudBay using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which Lundin Mining or HudBay believe to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, these data are inherently imprecise.

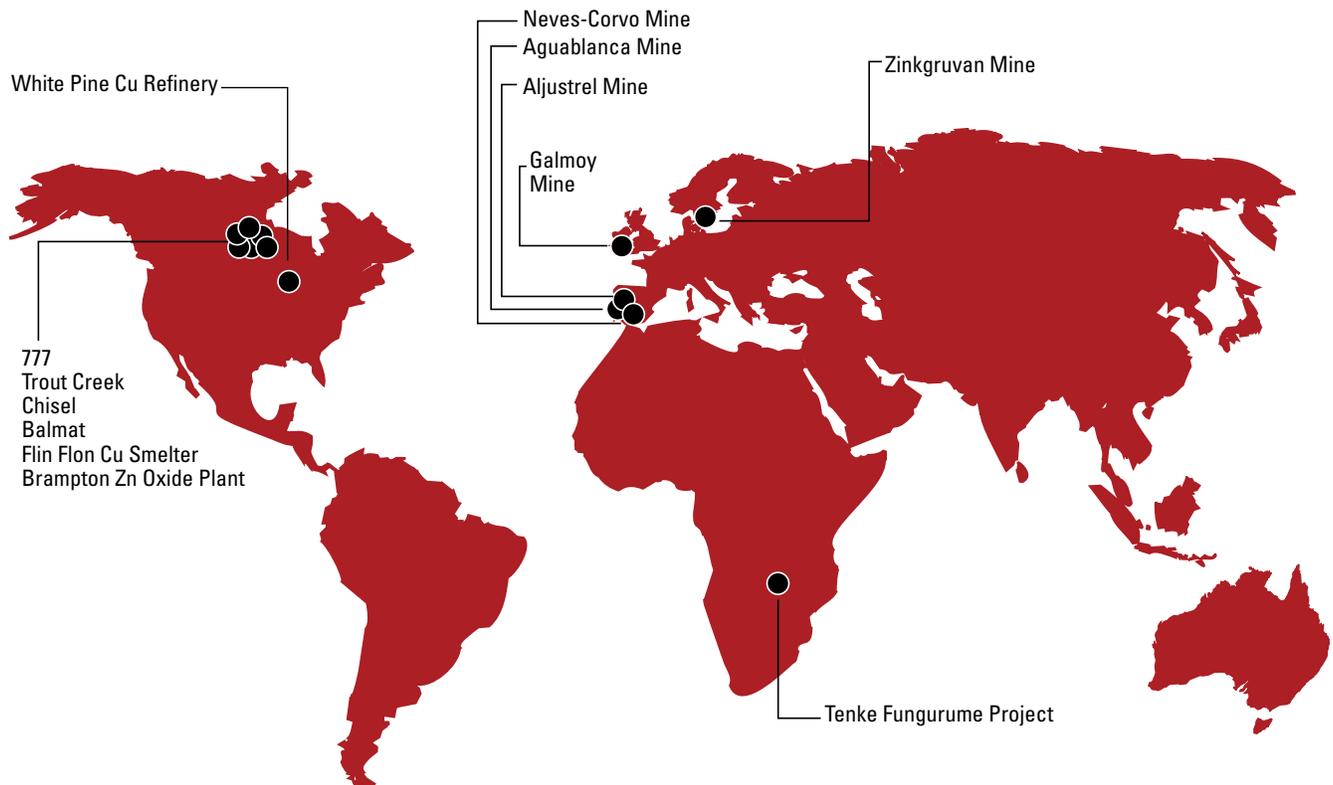
Lundin Mining and HudBay caution that the list of forward-looking statements, risks and assumptions set forth or referred to above is not exhaustive. All forward-looking statements in this Information Summary are qualified by these cautionary statements. Some of the risks, uncertainties and other factors which negatively affect the reliability of forward-looking statements are discussed in Lundin Mining’s and HudBay’s public filings with the Canadian and United States securities authorities. These statements are made as of the date of this Information Summary and neither Lundin Mining nor HudBay undertakes to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except to the extent expressly required by Law. Neither Lundin Mining nor HudBay undertakes any obligation to comment on analyses, expectations or statements made by third parties in respect of Lundin Mining, its financial or operating results or its securities or HudBay, its financial or operating results or its securities, respectively.

## Reporting Currencies

Unless otherwise indicated, all references to “\$” and “C\$” in this Information Summary refer to Canadian dollars, and all references to “US\$” in this Information Summary refer to U.S. dollars.

# Combined Global Base Metals Portfolio

Operations diversified by metal and location





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