



## **JAGUAR SUGGESTS RELATED AND CONFLICTED PARTIES BADLY MISPRICED LUNDIN TRANSACTION**

TORONTO, CANADA – December 9, 2008 – Jaguar Financial Corporation (“**Jaguar**”) (TSX: JFC) today advised fellow shareholders of HudBay Minerals Inc. (“**HudBay**”) (TSX: HBM) that realistic pricing of the proposed transaction (the “**Lundin Transaction**”) with Lundin Mining Corporation (“**Lundin**”) (TSX:LUN) would have given HudBay shareholders a minimum 67% ownership interest in the combined company.

While presented to shareholders as a so-called merger of equals, the proposed Lundin Transaction is, in fact, an acquisition of effective control of HudBay by Lundin insiders and is value destructive for HudBay shareholders.

Allen Palmiere was appointed CEO of HudBay in January 2008, apparently due to his focus on mergers and acquisitions (“**M&A**”). He replaced Peter Jones, the former CEO, who has a proven record as an excellent operator.

While benefitting from his predecessor’s management, Mr. Palmiere’s forays into M&A have been a disaster for HudBay shareholders. In a deal with his long-time friend Colin Benner, Mr. Palmiere led HudBay to acquire Skye Resources Inc. (“**Skye**”) in August 2008. Mr. Palmiere rewarded Mr. Benner with more than \$6.9 million of HudBay’s cash in compensation for six months work before Skye was acquired by HudBay. HudBay’s shareholders lost considerable value after the transaction as HudBay’s share price dropped from \$14.79 on the day prior to the Skye acquisition announcement to \$5.23 on the day prior to announcement of the Lundin Transaction. In his second deal with Mr. Benner, who sits on the Boards of both HudBay and Lundin, Mr. Palmiere is proposing to pay a 103% premium to buy a nearly insolvent Lundin.

The serious mispricing of the Lundin Transaction can be attributed to Mr. Palmiere’s insupportable belief that equity values should be ignored in M&A transactions, as he has repeatedly stated publicly.

In fact, the capital markets are providing excellent opportunities for cash-rich companies such as HudBay to take advantage of lower equity values in target companies such as Lundin. Substantially reduced equity values cannot be ignored; they must be relied upon to price and structure M&A transactions.

Lundin is out of cash, saddled with US\$240 million in debt and presumably, unable to draw on its credit facility. It also has a US\$228 million capital and exploration work program through 2009. Lundin has recently placed a number of mines on care and maintenance or under review due to unprofitability. HudBay, on the other hand, is cash rich with \$844 million in cash, has no debt and its mines are operating profitably.

In a negotiated M&A transaction, HudBay should receive a premium for its substantial cash resources while Lundin should have been valued at a discount due to its financial condition.

The Lundin Transaction, negotiated by Mr. Palmiere and unaccountably and surprisingly approved by his Board, does not reflect the relative values of the two companies. On November 20, 2008, the day prior to announcement of the Lundin Transaction, the two companies had a combined market capitalization of approximately \$1.2 billion, of which 67% was attributable to HudBay and 33% was attributable to Lundin. Despite these market valuations, the terms agreed to by Mr. Palmiere give Lundin shareholders slightly more than 50% of the equity and HudBay shareholders slightly less than 50%. The minimum ownership position for HudBay shareholders should have been 67% and could have been adjusted upwards due to HudBay's strong cash position and Lundin's high risk of insolvency.

With a 67% equity interest held by HudBay shareholders, Lundin shareholders would receive 0.1932 HudBay shares for every Lundin share. Instead of paying \$2.05 per Lundin share, there would be no premium paid.

Vic Alboini, Chairman and CEO of Jaguar, said: "Mr. Palmiere is proposing to pay an excessive premium for a nearly insolvent company and turning what should be a HudBay acquisition of a smaller company into a reverse take-over with the Lukas Lundin insider group acquiring effective control of HudBay."

### **Shareholder Value is Better Served By Proposal to Distribute Cash**

Creating value for the HudBay shareholders starts with stopping the Lundin Transaction and returning some cash to shareholders. Jaguar has made this a priority. If Jaguar's proxy contest or proposed take-over bid is successful, the current intention is to make a substantial distribution of HudBay's redundant cash to shareholders and continue its current business with sufficient working capital under a new senior management team. HudBay would also explore strategic options which may include M&A transactions that are value creative, properly structured and attractively priced, unlike the Lundin Transaction.

Mr. Palmiere has been quoted criticizing the Jaguar plan by stating that HudBay's "cash is king" and should not be distributed to HudBay shareholders. For example in the December 9, 2008 edition of *Euromoney*, Mr. Palmiere is quoted as stating:

"The Jaguar proposal is designed to strip the company [HudBay] of its cash. Following, the company as we know it will cease to exist. In this environment, cash is king."

"If cash is so valuable why is Mr. Palmiere trying to give that cash to Lundin shareholders in a bailout of Lundin? HudBay's cash belongs to its shareholders and excess cash should be distributed to HudBay shareholders rather than all the cash being transferred to Lundin shareholders for little value," Mr. Alboini said.

Jaguar believes the \$844 million in cash in HudBay would be reduced to \$236 million in the Lundin Transaction or \$0.77 per share through the proposed \$136 million loan, Lundin's debt of US\$240 million, and Lundin's planned expenditures of US\$228 million, to which the loan will presumably be applied.

“This is a glaring, perhaps unprecedented, example of value destruction - from \$5.52 per HudBay share in cash to \$0.77 per share,” Mr. Alboini said. “The Lundin fiasco clearly shows that the CEO and the Board must be replaced. This is a decision for the shareholders.”

### **Concerned HudBay Shareholders**

Jaguar has received considerable feedback from various shareholders of HudBay expressing their views about the Lundin Transaction and the need for a shareholder meeting. Any concerned shareholder of HudBay who wishes to discuss the situation may contact Jaguar by emailing [info@jaguarfinancial.ca](mailto:info@jaguarfinancial.ca) or by contacting any the following individuals:

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### **About Jaguar**

Jaguar is a Canadian merchant bank that invests in a variety of industry sectors and specializes in undervalued small capitalization companies in a variety of industry sectors.

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