

RED BACK MINING INC.



First Quarter Report

September 30, 2004

Notice: The accompanying unaudited interim consolidated financial statements of Red Back Mining Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

QUARTERLY REVIEW
For the Period Ended September 30, 2004

During the quarter ended September 30, 2004 the Company successfully concluded negotiations with Macquarie Bank in respect of debt facilities totaling US\$43 million for the construction of the Chirano Gold Mine in Ghana, West Africa. The legal documentation is expected to be completed by the end of November with the first drawdown scheduled for December. With the debt in place the development funding for Chirano is completed.

Construction at Chirano is well underway with initial production scheduled for August 2005. Based on current proven and probable reserves of 17.8MT @1.9 g/t, for a total of 1,091,000 oz (calculated at a gold price of US\$375 per ounce), Chirano is engineered for an average production of 123,000oz per annum over an initial eight and a half year mine life with production in the first three years averaging 145,000oz per annum.

Following upon the positive results of the resource conversion drilling program in the first quarter of 2004, a new drilling program will commence before year end at Chirano looking to extend the Chirano mine life beyond 8.5 years. Numerous satellite drill targets identified in the Company's 2004 exploration programs will also be tested.

In the third quarter the Company made application and received approval for listing on the Toronto Stock Exchange. Trading is expected to commence on the TSX before the end of the year.

With construction at Chirano well advanced and extensive exploration programs underway at and around Chirano and on the Company's other projects (+4000 square kilometers) in Ghana, the Company is poised for more aggressive growth in 2005.

RED BACK MINING INC.
INTERIM CONSOLIDATED BALANCE SHEET
(in United States Dollars)

| | September 30, 2004 (Unaudited) | June 30 2004 (audited) |
|---|---|-----------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 6,501,980 | \$ 15,128,019 |
| Accounts receivable | 380,227 | 76,236 |
| Prepaid expenses | 51,642 | 50,933 |
| | 6,933,849 | 15,255,188 |
| Investment | 70,875 | 66,897 |
| Property, plant and equipment, Net | 338,880 | 337,309 |
| Mineral properties and related expenditures | 35,382,986 | 24,898,231 |
| | \$ 42,726,590 | \$ 40,557,625 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 4,453,536 | \$ 2,109,182 |
| | | |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 2) | | |
| Authorized - | | |
| Unlimited common shares without par value | | |
| Issued and outstanding - | | |
| 62,464,727 (June 2004 – 62,253,882 (including | | |
| 12,500,000 allotted but not issued) common shares | 43,718,985 | 43,397,588 |
| Stock based compensation | 1,743,812 | 1,743,812 |
| Deficit | (7,105,394) | (6,608,608) |
| Cumulative translation adjustment | (84,349) | (84,349) |
| | 38,446,285 | 38,448,443 |
| | \$ 42,726,590 | \$ 40,557,625 |

Approved by the Board:

“Richard P. Clark”

Director

“Lukas H. Lundin”

Director

See accompanying notes to interim consolidated financial statements

RED BACK MINING INC.
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
(in United States Dollars)
(Unaudited)

| | Three months ended | |
|---|----------------------------|----------------------------|
| | September 30 | |
| | 2004 | 2003 |
| Expenses | | |
| Amortization and depreciation | \$ 16,779 | \$ 3,518 |
| Interest and bank charges | 176 | 16,697 |
| Management fees | 65,887 | - |
| Consulting | 108,725 | 13,950 |
| Office and general | 81,303 | 26,391 |
| Professional fees | 3,162 | 1,495 |
| Promotion and public relations | 14,138 | 15,745 |
| Salaries and other benefits | 198,290 | 61,315 |
| Stock exchange and filing fees | 9,804 | 7,467 |
| Transfer agent and shareholder information | 10,453 | 787 |
| Travel | 31,683 | 5,265 |
| | <u>540,400</u> | <u>152,630</u> |
| Other (income) expenses | | |
| Interest income | <u>(43,614)</u> | <u>(11,728)</u> |
| Loss (income) for period | 496,786 | 140,902 |
| Deficit, beginning of the period | 6,608,608 | 3,610,032 |
| Deficit, end of the period | <u><u>\$ 7,105,394</u></u> | <u><u>\$ 3,750,934</u></u> |
| Basic and diluted loss per common share | <u><u>\$ 0.008</u></u> | <u><u>\$ 0.003</u></u> |
| Weighted average number of shares outstanding | <u><u>59,557,406</u></u> | <u><u>44,890,251</u></u> |

See accompanying notes to interim consolidated financial statements

RED BACK MINING INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(in United States Dollars)
(Unaudited)

| | Three months ended September 30 | |
|---|------------------------------------|--------------|
| | 2004 | 2003 |
| Cash flows (used in) operating activities | | |
| (Loss) income for the period | \$ (496,786) | \$ (140,902) |
| Items not effecting cash | | |
| Amortization and depreciation | 16,779 | 3,518 |
| Termination payments settled by issue of shares | 291,596 | - |
| | (188,411) | (137,384) |
| Net changes in non-cash working capital items | | |
| Accounts receivable and other current assets | (308,678) | (350) |
| Accounts payable and accrued liabilities | 2,344,354 | 7,646 |
| | 2,035,676 | 7,296 |
| Cash flows (used in) investing activities | | |
| Mineral properties and related expenditures | (10,484,755) | (332,215) |
| Purchase of fixed assets | (18,350) | (24,461) |
| | (10,503,105) | (356,676) |
| Cash flows from financing activities | | |
| Common shares issued, net | 29,801 | 1,346,885 |
| | 29,801 | 1,346,885 |
| (Decrease) increase in cash | (8,626,039) | 860,121 |
| Cash, beginning of the period | 15,128,019 | 571,788 |
| Cash, end of the period | \$ 6,501,980 | \$ 1,431,909 |

See accompanying notes to interim consolidated financial statements

RED BACK MINING INC.
INTERIM CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND RELATED
EXPENDITURES
(in United States Dollars)
(Unaudited)

| | Chirano Gold Project (Ghana) | Other Ghana Projects (Ghana) | Farim Project (G Bissau) | Australian Projects (Australia) | Total |
|----------------------------------|------------------------------------|------------------------------------|--------------------------------|---------------------------------------|---------------|
| Balance, June 30, 2002 | \$ 6,707,113 | \$ 119,273 | \$ - | \$ 1,086,323 | \$ 7,912,709 |
| Exploration and evaluation costs | 3,764,822 | 316,130 | - | 206,993 | 4,287,945 |
| Write-off of property interests | - | - | - | (469,495) | (469,495) |
| Balance, June 30, 2003 | 10,741,935 | 435,403 | - | 823,821 | 11,731,159 |
| Acquisition Costs | 221,224 | 42,258 | - | - | 263,482 |
| Exploration and evaluation costs | 3,329,672 | 738,706 | 94,360 | 28,417 | 4,191,155 |
| Development expenditure | 5,765,177 | - | - | - | 5,765,177 |
| Write-off of property interests | - | (46,355) | - | - | (46,355) |
| Sale of mineral properties | - | - | - | (852,238) | (852,238) |
| Recognition of reverse takeover | - | - | 3,845,851 | - | 3,845,851 |
| Balance, June 30, 2004 | 19,788,008 | 1,170,012 | 3,940,211 | - | 24,898,231 |
| Exploration and evaluation costs | - | 229,087 | 21,490 | - | 250,577 |
| Development expenditure | 10,234,178 | - | - | - | 10,234,178 |
| Balance, September 30, 2004 | \$ 30,022,186 | \$ 1,399,099 | \$ 3,961,701 | - | \$ 35,382,986 |

See accompanying notes to interim consolidated financial statements

RED BACK MINING INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2004
(Unaudited)

1. Basis of Presentation and Reverse Takeover Accounting

The unaudited interim consolidated financial statements of Red Back Mining Inc. (the "Company") are prepared in accordance with accounting principles generally accepted in Canada using the same accounting policies and methods of application as those disclosed in Note 2 to the Company's consolidated financial statements for the year ended June 30, 2004.

These interim consolidated financial statements do not contain all of the information required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the consolidated financial statements included in the Company's 2004 Annual Report.

2. Share Capital

(a) The authorized and issued share capital is as follows:

Authorized:

Unlimited common shares without par value

| | Number of Shares | Amount |
|---------------------------------------|---------------------|----------------------|
| Shares Issued and Outstanding: | | |
| Balance, June 30, 2004 | 62,253,882 | \$ 43,397,588 |
| Issued on private placements (note 1) | 184,176 | 291,596 |
| Issued on exercise of options | <u>26,667</u> | <u>29,801</u> |
| Balance, September 30, 2004 | <u>62,464,727</u> | <u>\$ 43,718,985</u> |

Note (1) : The private placement was to entities associated with two directors and is outlined in Note 4 to these interim financial statements..

(b) Incentive stock options outstanding at September 30, 2004 are as follows:

| | Number of Options | Exercise Price |
|---------------------------|----------------------|----------------|
| Expiring 23 November 2004 | 936,668 | \$0.72 |
| Expiring 9 March 2005 | 6,667 | \$1.41 |
| Expiring 15 May 2005 | 71,499 | \$1.35 |
| Expiring 2 October 2005 | 25,000 | \$0.57 |
| Expiring 22 October 2005 | 106,666 | \$1.46 |
| Expiring 11 December 2005 | 10,000 | \$1.35 |
| Expiring 2 June 2007 | 2,065,000 | \$2.00 |
| Expiring 25 November 2007 | 83,333 | \$1.46 |
| | <u>3,304,833</u> | |

- (c) As at September 30, 2004, the following non-transferable share purchase warrants were outstanding:

| <u>Number of Warrants</u> | <u>Common Share Entitlement</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|---------------------------|---------------------------------|-----------------------|--------------------|
| 138,333 | 138,333 | \$1.50 | May 8, 2005 |
| 1,999,999 | 1,999,999 | \$2.25 | December 4, 2005 |
| <u>12,500,000</u> | <u>12,500,000</u> | \$2.25 | June 9, 2006 |
| <u>14,638,332</u> | <u>14,638,332</u> | | |

3. Litigation

In July 2003, the Company entered into a letter agreement with Geyser Ltd. ("Geyser"), a company based in Dubai, U.A.E. for the sale of Champion Industrial Minerals (CIM), a subsidiary of the Company, for a cash payment of C\$10,550,000. CIM is the legal owner of the mining leases comprising the Farim Project. Geyser advanced a C\$250,000 deposit (the "Deposit") against the purchase price, refundable only in the event that the Company did not obtain shareholder and regulatory approval to the sale and purchase. These approvals were received on August 25, 2003 and September 8, 2003, respectively and Geyser was notified. The closing of the purchase and sale was to take place on September 9, 2003. In breach of the express provisions of the Purchase Agreement, Geyser failed to advance the remaining C\$10,300,000. The Company has commenced an action in the Supreme Court of British Columbia against Geyser. The Company is seeking damages from Geyser for its failure to fulfill its obligations under the Purchase Agreement and intends to pursue this matter vigorously. In the first quarter of 2004, Geyser filed a defence with a counter claim in the amount of the deposit. A trial date has been set for September, 2005.

4. Related Party Transactions

Transactions and balances with related parties not disclosed elsewhere in these financial statements are as follows:

- (a) Paid \$51,186 for management services provided by a company related to the President of the Company. At September 30, 2004, \$nil was due to this company.
- (b) Paid \$43,093 to a company related to director for engineering consulting fees. At September 30, 2004, \$nil was due to this party.
- (c) Paid \$32,528 to a company controlled by a director for geological consulting fees. At September 30, 2004, \$nil was due to this party.
- (d) Paid \$5,678 to a firm related to a director for legal services. At September 30, 2004, \$nil was due to this firm.
- (e) Paid \$32,147 to a company controlled by a director for reimbursement of management services. At September 30, 2004, \$nil was due to this company.

During the quarter, termination payments were made to a director and a company controlled by that director in relation to the cancellation of contracts for the provision of geological services. These payments totaled \$211,000.

A private placement was made during the quarter to two entities controlled by directors. This placement was made to satisfy termination obligations in respect of previous arrangements between the directors' and a subsidiary of the Company. A total of 184,176 shares were issued in this placement.

**RED BACK MINING INC.
CORPORATE DIRECTORY
SEPTEMBER 30, 2004**

OFFICERS

Richard Clark,
President & CEO
Ross Ashton
Chairman of the Board
Simon Jackson,
Chief Financial Officer
Kathy Love,
Corporate Secretary

DIRECTORS

Ross Ashton
* Richard Clark
* Michael Hunt
Lukas Lundin
* Harry Michael

* *Audit Committee*

AUDITORS

Staley, Okada & Partners
Vancouver, British Columbia, Canada

BANKERS

Canadian Imperial Bank of Commerce
Vancouver, British Columbia, Canada

Macquarie Bank Limited
Perth, Western Australia, Australia

LAWYERS

Blake, Cassels & Graydon
Vancouver, British Columbia, Canada

CORPORATE OFFICE

Suite 2101 - 885 West Georgia Street
Vancouver, British Columbia
Canada V6C 3E8
Telephone: (604) 806-3070
Fax: (604) 689-5452

REGISTERED AND RECORDS OFFICE

Suite 2600
P.O. Box 49314
595 Burrard Street
Vancouver, BC V7X 1L3

SHARE CAPITAL

Authorized: Unlimited
Issued and outstanding: 62,464,727 shares

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
Vancouver, British Columbia and
Toronto, Ontario
Canada

SHARE LISTING

TSX Venture Exchange
Symbol: RBI
CUSIP No.: 756297107
S.E.C.: 12g3-2(b)
Exemption Number: 82-4286