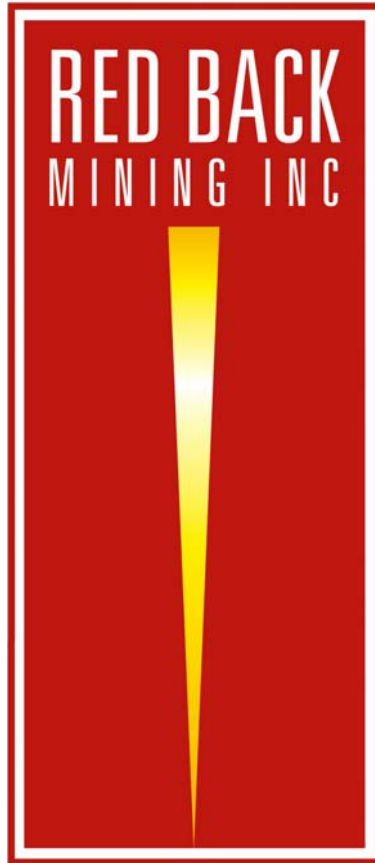


RED BACK MINING INC.



First Quarter Report

March 31, 2007

RED BACK MINING INC.
First Quarter Report
For the Period Ending March 31, 2007

Report to Shareholders

Towards its goal of becoming a leading international gold producer, the Company is pleased to report to shareholders that it recently signed an option agreement with Lundin Mining Corporation ("Lundin Mining") to acquire the Tasiast gold project in Mauritania, West Africa.

The Tasiast project comprises a gold mine under development and extensive exploration licenses(+13,000 square kilometers). The Tasiast Gold Mine has current Resources of 3,395,000 ounces of gold (Measured + Indicated: 1,230,000 ounces @ 2.63 g/t Au + Inferred: 1,165,000 ounces @ 1.94 g/t Au) and current Reserves of 1,040,000 ounces @ 2.75 g/t Au. Construction of the mine is at an advanced stage with production start-up scheduled for mid-2007 at an initial rate of 108,000 ounces per year at an average grade of 3.25 g/t gold.

The Tasiast Mine is within an extensive gold system that is largely under-explored. The deposit is open along strike and depth. Tasiast will be the first mine in the highly prospective Archaean age Aoueuat greenstone belt, a 70 kilometre long by 15 kilometre wide north-south trending Archaean greenstone belt geologically similar to other Archaean greenstone belts worldwide, which are known to host major gold deposits. The Tasiast property covers a 60 kilometre strike length of the Aoueuat greenstone belt, virtually encompassing an entire mining district in the country.

Under the terms of the option with Lundin Mining, the Company has the right to acquire Tasiast for \$225 million in cash and the assumption of \$42.5 million in project debt.

In connection with the Tasiast acquisition, the Company entered into an agreement with a syndicate of agents to raise, on a best efforts, private placement basis, up to Cdn \$350 million. The financing was substantially oversubscribed and management agreed to increase the offering to CDN \$375 million. Each Unit is comprised of 0.2 special warrants and 0.8 subscription receipts. The placement closed on May 10, 2007 and the Company issued 69,444,000 Units at a price of CDN\$5.40 per Unit.

The special warrants component of the private placement financing represents approximately CDN \$75 million. These funds have been received by the Company and will be applied to the development of the Akwaaba underground deposit and an expansion of the Chirano processing plant and for general working capital. The remaining CDN \$300 million of the financing has been deposited into escrow pending the closing of the acquisition of Tasiast from Lundin Mining, which is subject to Lundin Mining completing its announced takeover of Rio Narcea Gold Mines Ltd, the current owner of Tasiast.

At the Chirano Gold Mine in Ghana, total gold production for the quarter was 32,609 ounces and ahead of budget. Gold sales for the quarter were also higher than budget (\$2.2 million) due to a combination of the greater number of ounces produced and higher average sales prices realized.

Direct cash operating costs were \$347 per ounce. Costs were above budget due to higher than anticipated mining and processing costs as a result of harder than expected ore from the Tano pit. It is expected that these costs will reduce with the addition of secondary crushing operations to better handle the sulphide ore currently being mined. Costs will be further optimized with the proposed expansion of the Chirano plant in anticipation of mining the high grade underground Akwaaba deposit.

Management is committed to an ongoing cost review process at Chirano towards meeting its budget targets for 2007 and maximizing profits.

The Company looks forward to a busy and exciting year ahead with the closing of the acquisition of Tasiast and the commencement of development of the Akwaaba deposit. Production from these new operations will rapidly advance the Company towards intermediate gold producer status.

On Behalf of the Board,

A handwritten signature in black ink, appearing to read 'R. Clark', is written over a light gray rectangular background.

Richard P. Clark
President
May 14, 2007

RED BACK MINING INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION
THREE MONTHS ENDED MARCH 31, 2007
(In Thousands of United States Dollars)

The following discussion and analysis of the results of operations and financial condition ("MD&A") for Red Back Mining Inc. (the "Company") should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended March 31, 2007 and 2006 and related notes thereto. The financial information in this MD&A is derived from the Company's unaudited interim consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The effective date of this MD&A is May 14, 2007.

Additional information about the Company and its business activities is available on SEDAR at www.sedar.com.

General

The Company is a mineral resource corporation engaged in operating, exploring, acquiring and developing mineral properties. The Company, through its subsidiary Chirano Gold Mines Limited ("CGML"), currently holds a 100% interest in the Chirano Gold Project ("Chirano"), located in Ghana, West Africa. Upon the Government of Ghana exercising its right to back-in to a 10% ownership of CGML, at no cost, the Company will hold a 90% interest in CGML with the Government of Ghana holding 10%. The Company, through subsidiaries, also holds interests in a number of exploration properties in Ghana.

The Chirano Gold Project - Ghana

Chirano is located 21 km to the south of the Bibiani mine (historical production of ~5 million ounces) in the Western Region of Ghana. The Chirano Mining Lease was granted on April 13, 2004. Chirano commenced production in October 2005 and became the first new gold mine in Ghana in recent years. The Company is one of five significant gold producers in Ghana.

Based on a gold price of US\$375 per ounce, proven and probable reserves in 2004 were calculated to be 17.8 million tonnes ("Mt") @ 1.9 grams per tonne ("g/t"), for a total of 1,091,000 oz. Based on these numbers, Chirano was scheduled to have an average production rate of 123,000 oz per annum over an initial eight and a half year mine life. As at December 31, 2006 the remaining unmined proven and probable reserves (based on a gold price of US\$375 per ounce) are 14.6Mt @ 1.8g/t for a total 838,317oz. A revised reserve and resource estimate for Chirano is currently being prepared utilizing gold pricing more in line with current market forecasts. This revised estimate is expected to be finalised in the second quarter of 2007.

The current mine plan calls for the development of eleven gold deposits spread along a strike length of approximately nine kilometres.

The design capacity of the Chirano plant is 2.1 Mtpa. All ore and waste material is mined via conventional, open pit mining methods using a mining contractor. The operation utilizes selective mining techniques to separate ore and waste and is carried out by contractor mining. The mining fleet is a combination of 250 tonne hydraulic excavators with 14 cubic metre buckets loading 90 tonne trucks. Drilling and blasting is required for all primary material. Approximately 10% of the total volume is oxide ore which does not require blasting prior to excavation.

The treatment plant flowsheet is based on single stage crushing, SAG milling with pebble crushing and ball milling, pre-leach thickening, a single stage of leaching and a six stage CIL circuit. Gold is recovered by a 4 tonne Zadra elution circuit with electrowinning of the gold onto stainless steel cathodes. The gold is removed from the cathodes with high pressure water sprays and smelted to a final bullion product.

Recent significant exploration results at depth at the Akwaaba deposit at Chirano have prompted an evaluation of the underground economic potential for this deposit. An initial underground resource at

Akwaaba was released in November 2006. This comprised indicated resources of 3.2Mt @ 6.56 g/t for 674,000 oz and inferred resources of 0.8Mt @ 8.8 g/t for 221,000 oz. A scoping study has been commenced to examine the feasibility of an underground development at Akwaaba and results are expected in the second quarter of 2007.

Option to purchase the Tasiast Gold Project - Mauritania

In April 2007, the Company announced it had signed an option agreement with Lundin Mining Corporation ("Lundin Mining") to acquire a 100% interest in the Tasiast gold project in Mauritania, West Africa and significant exploration acreage (13,178 square kilometres) also in Mauritania (the "Tasiast Project"). The purchase price is \$225 million in cash and assumption of \$42.5 million in debt related to the Tasiast Project. The option is subject to Lundin Mining acquiring 50.1% of the issued and outstanding shares of Rio Narcea Gold Mines, Ltd. (TSX:RNG) ("Rio Narcea") on a non-diluted basis and Red Back obtaining adequate financing to exercise the Option.

Construction of the Tasiast gold mine is at an advanced stage with production start-up scheduled for mid 2007 producing approximately 108,000 ounces per year at an average grade of 3.25 g/t.

May 2007 Financing

On May 10, 2007 the Company closed a private placement of 69,444,000 Units at a price C\$5.40 per Unit raising gross proceeds of approximately C\$375 million. Each Unit consists of 0.2 special warrants (the "Special Warrants") and 0.8 subscription receipts (the "Subscription Receipts") of the Company.

The net proceeds from the sale of the Special Warrants (C\$72.2 million), being 20% of the Offering less expenses, have been released to the Company and will be used for general corporate and working capital purposes. Each Subscription Receipt entitles the holder to receive, without payment of additional consideration, one common share of the Company immediately following and subject to the acquisition by the Company of the Tasiast Project and subject to the satisfaction of certain other conditions (the "Release Conditions"). The proceeds of the sale of the Subscription Receipts (C\$300 million) have been deposited with, and are being held by, an escrow agent to be released upon satisfaction of the Release Conditions and upon release will be used to fund the acquisition of the Tasiast Project and for general corporate and working capital purposes. If the Release Conditions have not been met on or prior to the date which is 90 days following the closing of the private placement, the Escrow Funds will be returned in full to the holders of the Subscription Receipts and the Subscription Receipts will be cancelled.

Farim Phosphate Project – Guinea Bissau

In July 2003, the Company entered into an agreement for the sale of Champion Industrial Minerals (CIM), a subsidiary of the Company, for a cash payment of C\$10,550,000. CIM was the legal owner of four phosphate mining leases in the West African country of Guinea Bissau comprising the Farim Project. The purchaser failed to complete the purchase and the Company commenced an action in the Supreme Court of British Columbia. The Company was successful in obtaining default judgment against the defendants. In a written judgment dated November 10, 2006, the Company and CIM were awarded damages in the amount of C\$10,300,025 plus costs. A further judgment for interest of C\$849,187.67 was awarded on December 19, 2006. The defendants have appealed the judgment. The Company and CIM are of the view that the appeal is without merit. The Company and CIM have commenced steps to enforce the judgment. Further details can be found in the financial statements.

Non-GAAP Measures

The Company has included cash cost per ounce data in this MD&A, which are non-GAAP performance measures, in order to provide investors with information about the cash generating capabilities and profitability of the Company's mining operations and comparability to other gold producers. The Company reports total cash cost per ounce being the sum of operating costs inclusive of royalties. The Company also reports Gold Institute ("GI") cash cost per ounce data in accordance with the Gold Institute Standard, which the Company believes most gold producers follow. GI cash cost equals total cash cost, as described above, adjusted for the inclusion of certain cash costs incurred in prior periods relating to

current period production or the exclusion of certain cash costs incurred in the current period related to future production such as stockpiling, gold in process and stripping costs. These measures differ from measures determined in accordance with GAAP and should not be considered in isolation or as a substitute for measures of performance or liquidity prepared in accordance with GAAP. These measures are not necessarily indicative of operating profit or cash flow from operations as determined under GAAP.

Results of Operations

For the Quarter, Chirano produced earnings before interest, taxation, depreciation and amortization of \$3.3 million, compared to March 2006 quarter results of \$5.1 million. The net loss for the March 2007 quarter was \$1.5 million as compared to a net loss of \$0.6 million for the March 2006 quarter. The current quarter loss was primarily due to higher cost ounces previously held in inventory being expensed in the current quarter. Apart from this inventory expense and a stock based compensation expense, the results for the March 2007 quarter are materially in line with the Company's operating budget for 2007.

Summary of Financial Results								
Quarter Ended	Mar 07	Dec 06	Sep 06	Jun-06	Mar-06	Dec-05	Sep-05	Jun-05
Gold Produced (oz)	32,609	35,059	35,584	27,206	28,988	30,247	-	-
Total Revenue (\$'000)	16,214	20,731	16,043	12,786	14,262	11,969	28	134
Net Profit (Loss) (\$'000)	(1,477)	375	2,467	(5,830)	(584)	2,062	(975)	(593)
Net Profit (Loss) per share (\$)	(0.015)	0.00	0.03	(0.06)	(0.01)	0.02	(0.01)	(0.01)

Gold Production

Total gold production at Chirano for the quarter ended March 31, 2007 was 32,609 ounces at a direct cash operating cost of \$347 per ounce (quarter ended March 31, 2006: 28,988 ounces at a direct cash operating cost of \$339 per ounce). This production represents 509,629 tonnes of ore processed at a grade of 2.08 g/t at a metallurgical recovery of 89.8% (quarter ended March 31, 2006: 559,846 tonnes @ 1.75 g/t at a recovery of 92.2%).

Of the 31,624 ounces sold in the quarter ended March 31, 2007 (quarter ended March 31, 2006: 29,823 ounces), 17,800 were delivered into a scheduled flat forward sale contract (quarter ended March 31, 2006: 18,600 ounces) and 13,824 ounces were sold at spot (quarter ended March 31, 2006: 10,683 ounces). Average gold price realized was \$528 per ounce (quarter ended March 31, 2006: \$484 per ounce).

The Company is planning to dilute the effect of the forward sales contracts by adding unhedged ounces to its production profile. It is currently envisaged that increased production will come from both underground development at Chirano and from the acquisition of the Tasiast Gold Project in Mauritania.

Chirano Operations

	March 2007 Quarter	March 2006 Quarter
Gold Production (oz)	32,609	28,988
Gold Sales (\$'000)	16,214	14,262
Ore Tonnes Mined ('000t)	518	646
Ore milled ('000t)	510	560
Head grade (g/t)	2.08	1.75
Recovery (%)	89.8	92.2
Mining cost per tonne milled (\$/t)	11.0	8.7
Milling cost per tonne milled (\$/t)	7.3	6.1
G&A cost per tonne milled (\$/t)	3.7	2.7
Total cost per tonne milled (\$/t)	22.0	17.5
Direct cash operating costs (\$/oz) *	347	339
Production Royalties (\$/oz)	18	16
Total cash operating costs (\$/oz) *	365	355
Cash cost inventory adjustments (\$/oz) *	31	(44)
GI total cash costs (\$/oz) *	396	311

* Please refer to statement regarding non-GAAP measures.

Gold sales for the March 2007 quarter were higher than the March 2006 quarter by \$2.0 million due to a combination of higher ounces produced and higher average sales prices realized.

The Chirano operation produced 32,609 oz for the March 2007 quarter. Direct cash operating costs and total cash operating costs were lower than budgeted for the period. Gold sales for the March 2007 quarter were higher than the March 2006 quarter by \$2.0 million due to a combination of higher ounces produced and higher average sales prices realized.

Inventory movements in the March 2007 quarter contributed \$1.0 million to operating costs. For the March 2006 quarter inventory movements reduced operating costs by \$1.3 million. This differential is primarily the net result of stockpile and gold in circuit build up and the cost related thereto versus stockpile and gold in circuit depletion by processing. In the March 2007 quarter there was a net reduction in stockpile and in circuit inventory. This is a normal consequence of operations and will vary from quarter to quarter depending upon mine scheduling. These movements in inventory make up the difference between total cash operating costs and the Gold Institute cash costs.

Income from operations was lower in the March 2007 quarter as compared to the March 2006 quarter due to higher costs of operations and inventory movements as discussed above. However, these higher costs are materially in line with budget for the March 2007 quarter.

Mining costs of ore have increased since the March 2006 quarter due to increased mining contractor rates that were renegotiated in late 2006. These increases have resulted in mining costs being \$0.8 million higher in the March 2007 quarter as compared to the March 2006 quarter.

Chirano General and Administrative costs in the March 2007 quarter are higher than in the March 2006 quarter by \$0.4 million reflecting a budgeted increased level of community relations and community assistance projects.

Other Income Statement items

Minority interest has been recognised to reflect the Government of Ghana's right to back-in to a 10% ownership of CGML, at no cost. In the March 2007 quarter the minority interest reduced mainly due to recognition of accretion of asset retirement obligation which had previously been recognised on consolidation and not included in the minority interest.

Interest expense for the March 2007 quarter is \$0.6 million less than in the March 2006 quarter reflecting the reduction in debt. As at March 31, 2006 the debt outstanding was \$37.5 million which had reduced to \$22.2 million by March 31, 2007.

Stock based compensation for the March 2007 quarter was \$0.8 million as compared to \$1.2 million for the March 2006 quarter. Stock based compensation relates to the issue of options to management, employees and consultants. The level of such option issues is at the discretion of the Board and is not expected to be uniform across quarters or financial years. The fair value of stock option compensation for the March 2007 quarter of \$0.8 million has been recorded in the accounts of the Company as stock-based compensation expense and an increase in contributed surplus. In preparing the fair value estimate for the period, the Company used the Black-Scholes Option Pricing Model, and assumed a risk-free rate of 4.5%, expected volatility of 50%, expected option life of two to four years, and no dividend payments.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimated, and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

Corporate head office General and administrative expenses for the March 2007 quarter were \$1.4 million compared to \$1.2 million for the March 2006 quarter. This increase is substantially due to increased travel and professional fees related to continuing corporate development initiatives.

Liquidity and Capital Resources

At March 31, 2007, the Company had working capital of \$1.6 million as compared to a deficiency in working capital of \$0.5 million at December 31, 2006. Cash from operations before changes in non-cash working capital items amounted to \$1.5 million for the March 2007 quarter.

The change in the working capital position in the March 2007 quarter is substantially due to a renegotiation of the repayment terms of the debt facilities early in the quarter. This resulted in a reclassification of a portion of the outstanding debt into non-current liabilities.

On May 10, 2007 (the "Closing Date") the Company closed a private placement of 69,444,000 Units of the Company at a price C\$5.40 per Unit raising gross proceeds of approximately C\$375 million. Each Unit consisted of 0.2 special warrants (the "Special Warrants") and 0.8 subscription receipts (the "Subscription Receipts") of the Company.

The net proceeds from the sale of the Special Warrants in the amount of approximately C\$72.2 million, being 20% of the Offering less expenses, have been released to the Company and will be used for general corporate and working capital purposes. Each Subscription Receipt entitles the holder to receive, without payment of additional consideration, one common share of the Company immediately following the acquisition by the Company of the Tasiast Project and the satisfaction of certain other conditions (the

"Release Conditions"). The proceeds of the sale of the Subscription Receipts in the amount of approximately C\$300 million, have been deposited with, and are being held by, an escrow agent to be released upon satisfaction of the Release Conditions and will be used to fund the acquisition of the Tasiast Project and for general corporate and working capital purposes. If the Release Conditions have not been met on or prior to the date which is 90 days following the Closing Date, the proceeds for the sale of the Subscription Receipts will be returned in full to the holders and the Subscription Receipts will be cancelled.

The Company has financed the development of the Chirano Gold Project through a combination of debt and equity. On September 7, 2004, the Company accepted a credit approved offer from Macquarie Bank Limited ("Macquarie") for financing facilities totalling US\$43 million (comprising a US\$33 million corporate facility and a US\$10 million standby facility) for the Chirano Gold Mine in Ghana. These facilities were subsequently fully drawn down. The facilities are secured by charges on the shares of the chain of corporations ultimately holding title to the Chirano Gold Mine and parent company guarantees. Interest, which was capitalized prior to commercial production, is payable at LIBOR plus 2.75%.

As at March 31, 2007, the outstanding principal of the facilities was \$22.2 million.

As a condition of the debt financing, the Company put in place downside gold price protection such that 400,000 ounces are protected at a minimum gold price of US \$400 per ounce. The Company entered into a flat forward hedging structure with 400,000 ounces sold forward at US\$440.30 per ounce. This structure satisfies the entire price protection requirement of the loan facilities. As at March 31, 2007 deliveries of gold into the flat forward contracts totalled 111,000 ounces.

There were no issuances of shares during the quarter ended March 31, 2007 other than in respect of the exercise of 35,000 share options for gross proceeds of \$0.1 million

Total expenditure capitalized at Chirano for the quarter ended March 31, 2007 was \$3.0 million including exploration expenditures of \$0.9 million and sustaining capital costs of \$2.1 million.

Exploration expenditures incurred on the Company's other Ghanaian projects for the quarter ended March 31, 2007 totalled \$0.2 million. These costs relate to the continuing exploration and evaluation of these projects. In the event that exploration results lead to the conclusion that economic operations will not be attained on individual projects then capitalized costs associated with that project will be written-off. There were no such write offs in the quarter ended March 31, 2007.

Outstanding Share Data

As at May 14, 2007, the Company had 98,710,146 common shares issued and outstanding and 3,218,333 share options outstanding under its stock-based incentive plan. At the same date, the Company had 1,900,000 share purchase warrants outstanding.

As a result of the placement closed on May 10, 2007 the company has 13,888,800 special warrants outstanding which will convert on a one-to-one basis to common shares and 55,555,200 subscription receipts outstanding which will convert on a one-to-one basis to common shares should the Release Conditions discussed above be satisfied.

Risks

The operations of the Company are speculative due to the high risk nature of its business which includes the acquisition, financing, exploration, development and operation of mining properties, in particular the Chirano Project. These risk factors could materially affect the Company's future operations and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Calculation of Mineralization, Resources and Reserves

There is a degree of uncertainty attributable to the calculation of mineralization, resources and reserves and corresponding grades being mined or dedicated to future production. Until reserves or mineralization are actually mined and processed, the quantity of mineralization and reserve grades must be considered estimates only. In addition, the quantity of reserves and mineralization may vary depending on commodity prices. Any material change in quantity of reserves, mineralization, grade or stripping ratio may affect the economic viability of a project. In addition, there can be no assurance that recoveries from laboratory tests will be duplicated in tests under on-site conditions or during production.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges and power and water supply are important determinants that affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's activities and profitability.

Title Matters

Any changes in the laws of Ghana relating to mining could materially affect the rights and title to the interests held there by the Company. No assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining authorizations nor that such exploration and mining authorizations will not be challenged or impugned by third parties.

Competition

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other exploration and mining companies, many of which have greater financial resources than the Company, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

Mineral Prices

Factors such as inflation, foreign currency fluctuation, interest rates, supply and demand and industrial disruption have an adverse impact on operating costs, commodity prices and stock market prices and on the Company's ability to fund its activities. The Company's possible revenues and share price can be affected by these and other factors which are beyond the control of the Company. The market price of minerals, including industrial minerals, is volatile and cannot be controlled. The Company's ongoing operations are influenced by fluctuation in the world gold price. If the price of gold or other minerals should drop significantly, the economic prospects of the Company's current project could be significantly reduced or rendered uneconomic. There is no assurance that, even if commercial quantities of ore are discovered, a profitable market will continue to exist for the sale of products from that ore. Factors beyond the control of the Company may affect the marketability of any minerals discovered. Mineral prices have fluctuated widely, particularly in recent years. The marketability of minerals is also affected by numerous other factors beyond the control of the Company, including government regulations relating to royalties, allowable production and importing and exporting of minerals, the effect of which cannot be accurately predicted.

Funding Requirements

Mining exploration and development involves financial risk and capital investment. The development of the Chirano Project and the continuance of the Company's development and exploration activities depend upon the Company's ability to obtain financing through the joint venturing of projects, private and public equity project financing, debt and/or other means. There is no assurance that the Company will be successful in obtaining additional financing on a timely basis.

Uninsured Risks

The mining business is subject to a number of risks and hazards including environmental hazards, industrial accidents, labor disputes, encountering unusual or unexpected geologic formations or other geological or grade problems, encountering unanticipated ground or water conditions, cave-ins, pit wall

failures, flooding, rock bursts, periodic interruptions due to inclement or hazardous weather conditions and other acts of God. Such risks could result in damage to, or destruction of, mineral properties or facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability.

The Company maintains insurance against certain risks associated with its business in amounts that it believes to be reasonable. Such insurance, however, contains exclusions and limitations on coverage. There can be no assurance that such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting claim.

Foreign Operations

Operations, development and exploration activities carried out by the Company are or may be affected to varying degrees by taxes and government regulations relating to such matters as environmental protection, land use, water use, health, safety, labor, restrictions on production, price controls, currency remittance, maintenance of mineral rights, mineral tenure, and expropriation of property. There is no assurance that future changes in taxes or such regulation in the various jurisdictions in which the Company operates will not adversely affect the Company's operations. Industrial disruptions, work stoppages and accidents in the course of the Company's operations can result in future production losses and delays, which may adversely affect future profitability. The Company's principal asset is held outside of Canada in Ghana, West Africa. Although the operating environment in Ghana is considered favorable compared to that in other developing countries, with various government incentives offered to attract international investment into Ghana, there are still political risks. The risks include, but are not limited to, terrorism, hostage taking, military repression, expropriation, extreme fluctuations in currency exchange rates, high rates of inflation and labor unrest. Changes in mining or investment policies or shifts in political attitudes may also adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, maintenance of claims, environmental legislation, expropriation of property, land use, land claims of local people, water use and safety. The effect of these factors cannot be accurately predicted.

Exploration and Development Risks

The successful exploration and development of mineral properties is speculative and subject to a number of uncertainties which even a combination of careful evaluation, experience and knowledge may not eliminate. There is no certainty that the expenditures made or to be made by the Company in the exploration and development of its mineral properties or properties in which it has an interest will result in the discovery of mineralized materials in commercial quantities. Most exploration projects do not result in the discovery of commercially mine able deposits. While discovery of a base metal or precious metal bearing structure may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that exploration programs carried out by the Company will result in profitable commercial mining operations.

The Company's operations are subject to all of the hazards and risks normally incident to mineral exploration, mine development and operation, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. The Company's activities may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which the Company has interests. Hazards such as unusual or unexpected formations, pressures or other conditions may also be encountered.

Environmental and Other Regulatory Requirements

The current or future operations of the Company, including development activities and, if warranted, commencement of production on properties in which it has an interest, require permits from various governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labor standards, occupational health and safety, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. The Company believes it is in substantial

compliance with all material laws and regulations that currently apply to its activities. However, there can be no assurance that all permits which the Company may require for the conduct of mineral exploration and development can be obtained or maintained on reasonable terms or that such laws and regulations would not have an adverse effect on any such mineral exploration or development which the Company might undertake.

Amendments to current laws, regulations and permits governing operations and activities of mineral exploration companies, or more stringent interpretation, implementation or enforcement thereof, could have a material adverse impact on the Company.

Mining and Investment Policies

Changes in mining or investment policies or shifts in political attitude may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, maintenance of claims, environmental legislation, land use, land claims of local people, water use and safety regulations. The effect of these factors cannot be accurately predicted.

Hedging and Foreign Exchange

While hedging of commodity prices and exchange rates is possible, there is no guarantee that appropriate hedging will be available at an acceptable cost.

Secured Debt

The Company has granted a charge over its assets, including the Chirano Project, to secure the debt financing facilities provided by Macquarie Bank Limited ("MBL"). Were that security to become enforceable, MBL could appoint a receiver, sell part or all of the assets the subject of the charge, or take other enforcement action which could have a serious impact on the value of shareholders' equity in the Company.

Outlook

The Company has signaled its intention to become an intermediate gold producer. Internal growth at Chirano coupled with the acquisition of the Tasiast Gold Project in Mauritania should result in the Company's production profile growing significantly.

A revised resource and reserve estimate at Chirano is expected to be complete in the second quarter of 2007. It is expected that the current open pit resource and reserve inventory will increase as a result of this estimate.

Recent exploration results at the Akwaaba deposit at Chirano show potential to deliver near term high grade underground gold ounces to the Chirano operation. These ounces could materially affect the economics of the mine and the mine life at Chirano. A development decision for an underground operation at Akwaaba will be considered mid year following completion of a scoping study in the second quarter. It is anticipated that development of the Akwaaba underground mine has the potential to double monthly gold production at Chirano.

Recent exploration results from below the current optimized pits at Obra and Tano further illustrate the potential for further high grade discoveries at depth on the Chirano Mining Lease. An aggressive further exploration program is underway.

As mining at Chirano has progressed it has become apparent that the ore in certain deposits, is harder than originally understood. This has resulted in reduced throughput in the milling circuit and correspondent increased milling costs. To mitigate this issue a portable secondary crushing system has been installed. This measure is aimed at reducing the crush size reporting to the Mill and reducing the amount of oversize material being fed into the circuit. It is intended that the portable system will be replaced by a permanent operation as part of a plant expansion in 2007 to handle the increased throughput from the Akwaaba underground operation. It is anticipated that the plant expansion and associated redesign of the crushing system will reduce overall processing costs and increase recoveries.

Chirano 2007 budget targets are sensitive to power availability from the Ghanaian national grid. For the March 2007 quarter operations were only minimally affected by power reduction. Although Management looks to continued steady power availability going forward, and is in constant communication with the power provider in this regard, local supply of power is ultimately outside the Company's control.

On April 4, 2007, the Company signed an Option agreement with Lundin Mining Corporation ("Lundin Mining") pursuant to which the Company has the right to acquire a 100% interest in the Tasiast gold project in Mauritania, West Africa and significant exploration acreage in Mauritania. The purchase price is US \$225 million in cash and assumption of US \$42.5 million in debt related to the Tasiast project.

The Option is subject to Lundin Mining acquiring 50.1% of the issued and outstanding shares of Rio Narcea Gold Mines, Ltd. (TSX:RNG) ("Rio Narcea") on a non-diluted basis and Red Back obtaining adequate financing to exercise the Option. Lundin Mining and Rio Narcea have announced that Lundin Mining has agreed to a take-over bid to acquire all of the issued and outstanding shares of Rio Narcea.

Rio Narcea holds, among other assets, a 100% interest in the Tasiast gold project which includes the Tasiast gold deposit under development as an open pit mine and exploration licenses encompassing 13,178 square kilometres. Construction of the Tasiast gold mine is at an advanced stage with production start-up scheduled for mid 2007 at an initial rate of 108,000 ounces per year at an average grade of 3.25 g/t.

Internal Control

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. The Company believes its internal controls and procedures are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers.

The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2007 and have concluded that these controls and procedures are effective in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company.

Cautionary Note Regarding Forward-Looking Statements

Certain statements contained in the foregoing Management's Discussion and Analysis and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set above.

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

	March 31, 2007	December 31, 2006
ASSETS		
Current Assets		
Cash	\$ 2,182	\$ 7,564
Accounts receivable	7,192	7,487
Inventories (Note 3)	10,497	12,053
Prepaid expenses	272	418
	20,143	27,522
Property, plant and equipment, Net (Note 4)	4,449	4,490
Mineral properties and related expenditures (Note 5)	106,745	105,425
	\$ 131,337	\$ 137,437
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 7,422	\$ 11,723
Current portion of loan payable (Note 6)	11,100	16,700
	18,522	28,423
Non Current Liabilities		
Loan Payable (Note 6)	11,100	6,700
Asset Retirement Obligations	6,514	6,424
	36,136	41,547
Minority Interest	941	1,049
Share capital (Note 7)		
Authorized -		
Unlimited common shares without par value		
Issued and outstanding -		
97,775,946 (Dec 2006 – 97,740,946) common shares	101,944	101,849
Contributed Surplus	6,206	5,405
Accumulated Other Comprehensive Income	(84)	(84)
Deficit	(13,806)	(12,329)
	94,260	94,841
	\$ 131,337	\$ 137,437
Contingencies and commitments (Note 10)		
Subsequent Events (Note 11)		

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 Thousands of United States Dollars)
(Unaudited)

	Three months ended	
	March 31	
	2007	2006
Gold Sales	\$ 16,214	\$ 14,262
Costs and expenses		
Operating	12,350	8,627
Depreciation and amortization	2,171	1,920
Accretion	90	140
Royalties	588	481
	<hr/>	<hr/>
Income from operations	1,015	3,094
	<hr/>	<hr/>
Interest and bank charges	455	1,074
Depreciation	14	12
General and administrative	1,368	1,182
Stock based compensation (Note 7b)	828	1,248
Foreign exchange gain	-	17
Interest income	(65)	(87)
	<hr/>	<hr/>
	2,600	3,446
	<hr/>	<hr/>
Loss for period before minority interest	(1,585)	(352)
Minority Interest	108	(232)
	<hr/>	<hr/>
Loss for the period	(1,477)	(584)
Deficit, beginning of the period	(12,329)	(8,757)
	<hr/>	<hr/>
Deficit, end of the period	<u>(13,806)</u>	<u>(9,341)</u>
	<hr/>	<hr/>
Loss per common share – basic and diluted	\$ (0.02)	\$ (0.01)
Weighted average number of shares outstanding – basic and diluted	97,759,379	89,185,946

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in Thousands of United States Dollars)
(Unaudited)

	Three months ended	
	March 31	
	2007	2006
Loss for the period	\$ (1,477)	\$ (584)
Comprehensive income (loss) – (Note 2)	-	-
	<hr/>	<hr/>
Comprehensive income (loss) for the period	<u>\$ (1,477)</u>	<u>\$ (584)</u>

See accompanying notes to interim consolidated financial statements

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

	Three months ended March 31	
	2007	2006
<u>Cash flows (used in) operating activities</u>		
Loss for the period	\$ (1,477)	\$ (584)
Items not effecting cash		
Amortization and depreciation	2,185	1,932
Stock based compensation	828	1,248
Accretion of asset retirement obligation	90	140
Minority Interest	(108)	232
	1,518	2,968
Net changes in non-cash working capital items		
Accounts receivable and prepaid expenses	441	(635)
Inventories	1,556	(1,871)
Accounts payable and accrued liabilities	(4,513)	1,935
	(998)	2,397
<u>Cash flows (used in) investing activities</u>		
Mineral properties and related expenditures	(3,047)	(3,573)
Purchase of property, plant and equipment	(205)	(1,903)
	(3,252)	(5,476)
<u>Cash flows from financing activities</u>		
Common shares issued, net	68	9,708
Debt repayments	(1,200)	(1,200)
	(1,132)	8,508
(Decrease) Increase in cash	(5,382)	5,429
Cash, beginning of the period	7,564	12,643
Cash, end of the period	2,182	18,072
<u>Supplemental Cash Flow Information:</u>		
Accrued mineral property expenditure	\$ 1,044	\$ -

See accompanying notes to interim consolidated financial statements

RED BACK MINING INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2007
(in Thousands of United States Dollars)
(Unaudited)

1. Nature of Operations and Basis of Presentation

These interim financial statements do not contain all the information required for annual financial statements and should be read in conjunction with the most recent annual financial statements of the Company.

Red Back Mining Inc. (the "Company") together with its subsidiary companies is a mineral resource corporation engaged in operating, exploring, acquiring and developing mineral properties. The Company currently holds a 100% interest in the Chirano Gold Mine ("Chirano") in Ghana, West Africa. Upon the Government of Ghana exercising its right to back-in to a 10% ownership of Chirano Gold Mines Limited, at no cost, the Company will hold a 90% interest in Chirano with the Government of Ghana holding 10%. Development of Chirano is complete and commercial production commenced in October 2005. The Company also holds various other exploration properties in Ghana.

The recoverability of the costs of mineral properties and related deferred exploration expenditures is dependent upon the production of established economically recoverable reserves, preservation of the Company's interest in the underlying mineral claims, and future profitable production or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material reductions in the carrying amount of mineral properties and related expenditures.

The mineral properties are also subject to sovereign risks, including political and economic instability, government regulations relating to exploration and mining, military repression, civil disorder, currency fluctuations and inflation, all or any of which may impede the Company's activities or may result in the impairment or loss of part or all of the Company's interest in the properties.

2. Change in Accounting Policies

Effective January 1, 2007, the Corporation adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants:

- a) Section 3855 – Financial Instruments – Recognition and Measurement. Section 3855 requires that all financial assets, except those classified as held to maturity, and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at cost. Investments classified as available for sale are reported at fair market value (or mark to market) based on quoted market prices with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. Investments subject to significant influence are reported at cost and not adjusted to fair market value.
- b) Section 1530 – Comprehensive Income. This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings (loss) and other comprehensive income (loss). Other

comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings (loss) until realized. This statement has been included in the interim consolidated financial statements commencing this period.

- c) The adoption of Section 3855 had no impact on the opening equity and losses of the Corporation. The adoption of Section 1530 caused the Company to reclassify \$84 thousand from the cumulative translation adjustment account to accumulated other comprehensive income at March 31, 2007.

3. Inventories

	March 31, 2007	December 31, 2006
Stockpile ore	\$ 3,983	\$ 4,300
Gold in Circuit	1,286	2,649
Materials and supplies	4,587	5,104
Bullion on Hand	641	-
	\$ 10,497	\$ 12,053

4. Property, Plant and Equipment

	March 31, 2007			December 31, 2006		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Plant & Equipment	\$ 2,001	\$ 837	\$ 1,164	\$ 1,686	\$ 705	\$ 981
Motor Vehicles	1,739	966	773	1,739	858	881
Construction in Progress	2,313	-	2,313	2,423	-	2,423
Buildings	247	48	199	247	42	205
	\$ 6,300	\$ 1,851	\$ 4,449	\$ 6,095	\$ 1,605	\$ 4,490

5. Mineral Properties and Related Expenditures

	Chirano Gold Mine (Ghana)	Other Projects (Ghana)	Total
Balance, June 30, 2006	92,453	6,935	99,388
Exploration and evaluation costs	4,733	703	5,436
Development expenditure	4,851	-	4,851
Amortization	(4,250)	-	(4,250)
Balance, December 31, 2006	97,787	7,638	105,425
Exploration and evaluation costs	910	228	1,138
Development expenditure	2,121	-	2,121

Amortization	(1,939)	-	(1,939)
Balance, March 31, 2007	\$ 98,879	\$ 7,866	\$ 106,745

Chirano Gold Mine, Ghana

The Chirano Gold Mine comprises one mining lease and one prospecting license held through the Company's 100% subsidiary, Chirano Gold Mines Limited ("CGML"). Upon the Government of Ghana exercising its right to back-in to a 10% ownership of CGML, at no cost, the Company will hold a 90% interest in CGML with the Government of Ghana holding 10%.

Other Ghanaian Exploration Projects

The Company owns interests in a number of other exploration properties in Ghana. These interests are represented by various prospecting licenses and call options. Exploration on these properties is ongoing.

Farim Project, Guinea Bissau

The Company historically owned a 100% interest in four Mining Leases in Guinea Bissau, West Africa, which comprise the Farim property. The Mining Leases have a term of twenty-five years. In July 2006, the Government of Guinea Bissau purported to cancel certain contracts with the Company which preceded the issuance of the Mining Leases. The Company believes the mining leases remain in good standing although the Company's title to those leases is uncertain given the Government's recent attempts at expropriation. In view of the current situation, all carried forward expenditure relating to Farim were written off in the year ended June 30, 2006. The litigation referred to in Note 8 is unaffected by these events.

6. Loans Payable

Details are as follows:

	March 31, 2007	December 31, 2006
Loan payable	\$ 22,200	\$ 23,400
Current portion	(11,100)	(16,700)
	<u>\$ 11,100</u>	<u>\$ 6,700</u>

On September 7, 2004, the Company accepted a credit approved offer from Macquarie Bank Limited ("Macquarie") for financing facilities totaling US\$43 million (comprising a US\$33 million corporate facility and a US\$10 million standby facility) for the Chirano Gold Mine in Ghana. These facilities were subsequently fully drawn down. The facilities are secured by charges on the shares of the chain of corporations ultimately holding title to the Chirano Gold Mine and parent company guarantees. Interest, which was capitalized prior to commercial production, is payable at LIBOR plus 2.75%.

As a condition of the debt financing, the Company put in place downside gold price protection such that 400,000 ounces are protected at a minimum gold price of US \$400 per ounce. The Company sold 300,000 ounces at US \$404.38 on September 1, 2004 and this position was subsequently rolled into a flat forward hedging structure with 400,000 ounces sold forward at US\$440.30 per ounce. This structure satisfies the entire price protection requirement of the loan

facilities. As at March 31, 2007 deliveries of gold into the flat forward contracts has totaled 111,000 ounces.

The total outstanding principal of the corporate facility at March 31, 2007 is \$22.2 million. Interest totaling \$4.9 million has been paid or accrued to March 31, 2007. This includes interest totaling \$1.1 million which was capitalized as part of the Mine Development and Exploration for the Chirano Gold Mine (Note 4).

During the period ended March 31, 2007, the Company renegotiated the repayment schedule of the corporate facility. Scheduled principal payments on the loan payable are now as follows:

12 Months Ended	
March 31	Amount
2008	\$ 11,100
2009	11,100
	<u>\$ 22,200</u>

7. 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, 2006	97,580,946	\$ 101,341
Issued on exercise of options	160,000	292
Fair value of options exercised (i)	-	216
Balance, December 31, 2006	97,740,946	101,849
Issued on exercise of options	35,000	68
Fair value of options exercised (i)	-	27
Balance, March 31, 2007	<u>97,775,946</u>	<u>\$ 101,944</u>

(i) The fair value of options issued has been recorded in contributed surplus. Upon exercise of options the pro-rata fair value is recognized in share capital and the contributed surplus is reduced accordingly.

(b) The Company has a stock option plan (the "Plan") in which 4,906,725 common shares have been made available for the Company to grant incentive stock options to certain directors, officers, employees and consultants of the Company. The number of common shares reserved under the Plan was based on 10% of the currently issued and outstanding share capital of the Company. The term of any option granted under the Plan will be fixed by the Board of Directors and may not exceed 10 years from the date of grant. No optionee shall be entitled to a grant of more than 5% of the Company's outstanding issued shares. Vesting terms are at the discretion of the Board.

A summary of outstanding Incentive stock options outstanding at March 31, 2007 and December 31, 2006 and changes for the periods ending on those dates are outlined in the table below:

	Period ended March 31, 2007		Period ended December 31, 2006	
	Options outstanding and exercisable	Weighted Average Exercise Price (C\$)	Options outstanding and exercisable	Weighted Average Exercise Price (C\$)
Balance, beginning of period	3,473,333	2.31	2,157,666	1.94
Granted	600,000	4.29	1,900,000	2.59
Exercised	<u>(35,000)</u>	2.26	<u>(584,333)</u>	1.85
Balance, end of period	<u>4,038,333</u>	2.60	<u>3,473,333</u>	2.31

During the period, the Company issued to directors, officers, and employees a total of 500,000 options with an exercise price of \$4.33 per option and 100,000 options with an exercise price of \$4.06 per option. The fair value of stock option compensation is \$0.8 million which has been recorded in the accounts of the Company as stock-based compensation expense and an increase in contributed surplus. In preparing the fair value estimate for the period, the Company used the Black-Scholes Option Pricing Model, and assumed a risk-free rate of 4.5%, expected volatility of 50%, expected option life of two to four years, and no dividend payments.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimated, and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

(c) Details of contributed surplus are as follows:

	<u>Contributed Surplus</u>
Balance – June 30, 2006	\$ 5,402
Fair value of stock-based compensation (Note 7b)	219
Fair value of options exercised (Note 7a)	<u>(216)</u>
Balance – December 31, 2006	5,405
Fair value of stock-based compensation (Note 7b)	828
Fair value of options exercised (Note 7a)	<u>(27)</u>
(27)	<u>\$ 6,206</u>

(d) As at March 31, 2007, the following non-transferable share purchase warrants were outstanding:

Expiry Date	Exercise Price (C\$)	Balance, June 30, 2006	Granted / (exercised)	Balance, March 31, 2007
26 July 2007	\$2.00	1,975,000	-	1,975,000
		<u>1,975,000</u>	<u>-</u>	<u>1,975,000</u>

7. Litigation

In July 2003, the Company entered into a letter agreement with Geysler Ltd. ("Geysler"), 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 four mining leases comprising the Farim Project. Geysler 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 by the Company on August 25, 2003 and September 8, 2003, respectively, and Geysler 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, Geysler failed to advance the remaining C\$10,300,000. The Company commenced an action in the Supreme Court of British Columbia against Geysler and later joined Geysler's affiliated company Oswal Chemicals and Fertilizers Ltd ("Oswal").

The Company was successful in obtaining default judgment against both Geysler and Oswal. In a written judgment dated November 10, 2006, the Plaintiffs (the Company and CIM) were awarded damages in the amount of C\$10,300,025 plus costs. A further judgment for interest of C\$849,187.67 was received on December 19, 2006. The judgment is under appeal by Geysler and Oswal. The Company believes that the appeal is without merit. The Company and CIM have commenced steps to enforce this judgment against the Defendants Geysler and Oswal.

The damages awarded have not been taken to account in these financial statements.

8. Related Party Transactions

Transactions for the three months ended March 31, 2007 and 2006 and balances with related parties not disclosed elsewhere in these financial statements are as follows:

- (a) Paid \$0.3 million (2006: \$0.7 million) for management services provided by a company related to the President of the Company. At March 31, 2007, \$nil was due to this company.
- (b) Paid \$0.01 million (2006: \$0.06 million) to a firm related to a director for legal services. At March 31, 2007, \$nil was due to this firm.
- (c) Paid \$0.02 million (2006: \$0.1 million) to a company controlled by a director for management services. At March 31, 2007, \$0.03 million was due to this company.

9. Segmented Information

The Company operates only in the gold sector in Ghana. Currently, revenues are earned exclusively at the Company's Chirano Gold Mine.

10. Contingencies and Commitments

- (a) The Company has signed a number of contracts relating to operations of the Chirano Gold Mine in Ghana. Under the most material contract, the Company will have to pay a penalty of \$2 million or \$1 million if the contract is cancelled prior to November, 2007 or 2008 respectively of the contract.
- (b) The Company has entered into a flat forward hedging structure with 400,000 ounces sold forward at US\$440.30 per ounce. The Company has delivery commitments relating to these flat forwards which commenced in December 2005 and continue on a quarterly basis until March 2011 at an average of 18,182 ounces per quarter. As at March 31, 2007 the remaining commitment totaled 289,000 ounces.

11. Subsequent Events

- (a) On April 4, 2007, the Company signed an Option agreement with Lundin Mining Corporation ("Lundin Mining") pursuant to which the Company has the right to acquire a 100% interest in the Tasiast gold project in Mauritania, West Africa and significant exploration acreage in Mauritania, in consideration for US \$225 million in cash and assumption of US \$42.5 million in debt related to the Tasiast project.

The Option is subject to Lundin Mining acquiring 50.1% of the issued and outstanding shares of Rio Narcea Gold Mines, Ltd. (TSX:RNG) ("Rio Narcea") on a non-diluted basis and Red Back obtaining adequate financing to exercise the Option. Lundin Mining and Rio Narcea have announced that Lundin Mining has agreed to a take-over bid to acquire all of the issued and outstanding shares of Rio Narcea.

Rio Narcea holds, among other assets, a 100% interest in the Tasiast gold project which includes the Tasiast gold deposit under development as an open pit mine and exploration licenses. Construction of the Tasiast gold mine is at an advanced stage with production start-up scheduled for mid 2007.

- (b) On May 10, 2007 (the "Closing Date") the Company closed a private placement of 69,444,000 Units of the Company at a price C\$5.40 per Unit raising gross proceeds of approximately C\$375 million. Each Unit consisted of 0.2 special warrants (the "Special Warrants") and 0.8 subscription receipts (the "Subscription Receipts") of the Company.

The net proceeds from the sale of the Special Warrants in the amount of approximately C\$72.2 million, being 20% of the Offering less expenses, have been released to the Company and will be used for general corporate and working capital purposes. Each Subscription Receipt entitles the holder to receive, without payment of additional consideration, one common share of the Company immediately following the acquisition by the Company of the Tasiast Project and the satisfaction of certain other conditions (the "Release Conditions"). The proceeds of the sale of the Subscription Receipts in the amount of approximately C\$300 million, have been deposited with, and are being held by, an escrow agent to be released upon satisfaction of the Release Conditions and will be used to fund the acquisition of the Tasiast Project and for general corporate and working capital purposes. If the Release Conditions have not been met on or prior to the date which is 90 days following the Closing Date, the proceeds for the sale of the Subscription Receipts will be returned in full to the holders and the Subscription Receipts will be cancelled.

**RED BACK MINING INC.
CORPORATE DIRECTORY**

OFFICERS

Richard Clark,
President and Chief Executive Officer
Lukas Lundin,
Chairman of the Board
Simon Jackson,
Chief Financial Officer
Hugh Stuart
Vice President - Exploration
Kathy Love,
Corporate Secretary

DIRECTORS

Richard Clark
Lukas Lundin
Compensation Committee
Michael Hunt
Corporate Governance and Nominating
Committee
Compensation Committee
Harry Michael
Audit Committee
Robert Chase
Audit Committee
Corporate Governance and Nominating
Committee
Brian Edgar
Lead Director
Audit Committee
Compensation Committee
Corporate Governance and Nominating
Committee

AUDITORS

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BANKERS

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REGISTRAR AND TRANSFER AGENT

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

SHARE LISTING

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