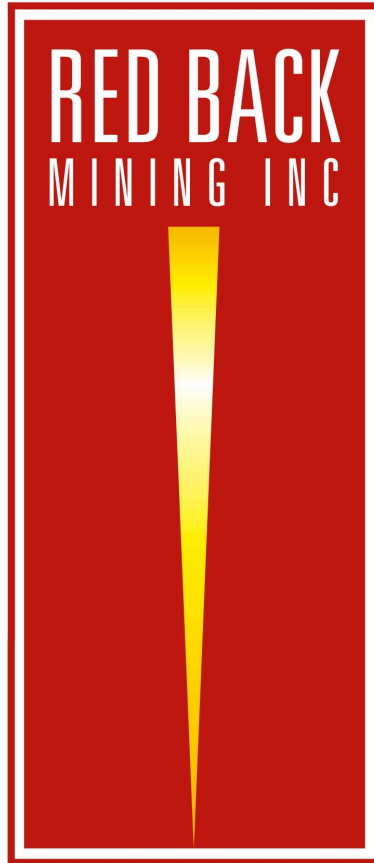


RED BACK MINING INC.



First Quarter Report

September 30, 2006

RED BACK MINING INC.
First Quarter Report
For the Period Ending September 30, 2006

Report to Shareholders

The Company's Chirano Gold Mine in Ghana, West Africa commenced production in October 2005. As a result of a number of mechanical challenges during the start-up phase of operations, including the failure in March, 2006 of one of the SAG Mill drive motors (News Releases April 4 and 16, 2006), production in the first half of 2006 was affected. For the 2006 calendar year total production is now forecast to be down by approximately 14% (125,000 ounces versus 147,000 budgeted ounces) and cash operating cost per ounce is expected to be in the range of US\$290 - US\$310 (News Release September 8, 2006). Despite the impact of these start-up mechanical issues, it is impressive to note that from October 2005 to October 2006 Chirano produced 133,199 ounces of gold. The early operational problems are now behind us. The Chirano plant has been running at or above design throughput since July 2006. For the coming years Chirano is in on track to meet or exceed production targets.

Total gold production for the quarter ended Sept 30 was 35,584 ounces at a cash operating cost of \$325 per ounce.

The financial position of the Company remains strong with US\$12 million in cash, 5,475 ounce of gold on hand, net revenues from operations for the quarter of US\$16 million and a net profit of US\$2.5 million. As at September 30 project debt stands at US\$29.2 million, down from US\$43 million.

Continued high grade results from drilling at the Akwaaba deposit have delayed delivery of a revised resource estimate until November. This drilling success suggests the potential for an increase in the Akwaaba resource beyond initial expectations. Upon receipt of the resource update the Company intends to proceed to a feasibility review of an underground development at Akwaaba in addition to an open pit operation.

With the exceptional success at Akwaaba, programs are underway to test the depth potential below the other 10 deposits which comprise the Chirano Project. Geophysical testing has commenced at Akwaaba to establish a signature for the high grade mineralization. That signature will then be applied to the other surface deposits and elsewhere along the structural shear that hosts Chirano.

During the quarter work continued on infill drilling at Chirano towards a global restatement of resources and reserves expected by the end of the first quarter of 2007. As at September 30, based upon a gold price of US\$375 per ounce, proven and probable reserves at Chirano currently stand at 15.8 Mt @ 1.8 g/t, for a total of 934,572 ounces. With drilling confirmation from the ongoing infill program and by applying a gold price of +\$500 per ounce, a material increase in resources and reserves is anticipated over and above the new high grade mineralization at Akwaaba.

Outside of Chirano, drilling has commenced at the Boin Valley East target on the Company's Enchi Project, 80 kms south of Chirano. This program is following successful geophysical and trenching results achieved earlier in the year. Drilling at Enchi had to be postponed for the last few months due to a shortage of drilling equipment in Ghana. Next to Chirano, Enchi is currently the most important exploration prospect for the Company. Results are expected from this program by year end.

On the corporate side management continues to evaluate opportunities for external growth.

The next quarter and the New Year look to be very prospective for the Company and its shareholders. We look forward to reporting on future developments and thank you for your continued support.

On behalf of the Board,

Richard P. Clark
President and C.E.O.

November 11, 2006

RED BACK MINING INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION
THREE MONTHS ENDED SEPTEMBER 30, 2006
(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 September 30, 2006 and 2005 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 November 14, 2006.

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.

Chirano is located 21 km to the south of the Bibiani mine (owned by AngloGold Ashanti - historical production of approximately 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 are 17.8Mt @ 1.9g/t, for a total of 1,091,000 oz. Based on these numbers, Chirano is scheduled to have an average production rate of 123,000 oz per annum over an initial eight and a half year mine life with production in the first three years averaging 145,000 oz per annum. Chirano has produced 133,199 ounces during the 12 months of production, since the commencement of commercial production in November 2005. As at September 30, 2006 the remaining unmined proven and probable reserves (based on a gold price of US\$375 per ounce) are 15.8Mt @ 1.8g/t for a total 934,572 oz.

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. The contractor's mining fleet consists of a combination of 250 tonne hydraulic excavators with 14 cubic metre buckets loading 90 tonne trucks. Drilling and blasting is required for all sulphide material and the majority of oxide 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. A gravity circuit, included in the grinding circuit, prevents build up of coarse gold during processing of higher grade primary ores.

Recent significant exploration results from the high grade Akwaaba deposit at Chirano have prompted an evaluation of the underground economic potential for this deposit. A resource estimate for Akwaaba is scheduled for completion in November 2006.

A revised reserve and resource estimate for Chirano is currently being prepared utilizing gold pricing more in line with current market forecasts.

Since August 1997 the Company has held a 100% interest in the four mining leases comprising the Farim Phosphate Project in Guinea Bissau. A pre-feasibility study was completed in June 2000 which contemplated development targeting ore with an average grade exceeding 30% P₂O₅ for a mine life of 15 years at an annual rate of 2.47 million tonnes dry weight. Since 2000 the Company has maintained title to the mining leases and refined scoping studies. In July 2006, the Government of Guinea Bissau purported to cancel 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 the mining leases is uncertain given the Government's recent attempts to expropriate the Company's rights. The Company intends to pursue all legal and political avenues available to it to challenge the recent actions of the Government of Guinea Bissau. In view of the current situation, all carried forward expenditure relating to Farim was written off in the year ended June 30, 2006.

Selected Quarterly Information

Financial Data for 8 Quarters								
Three Months Ended	Sep 06	Jun-06	Mar-06	Dec-05	Sep-05	Jun-05	Mar-05	Dec-04
A. Total revenues (US\$000's) (i)	16,043	12,786	14,262	11,969	28	134	36	22
B. Net Income/(loss) (US\$000's)	2,467	(5,830)	(584)	2,062	(975)	(593)	(1,147)	(998)
C. Basic and diluted income/(loss) per share (US\$)	0.03	(0.06)	(0.01)	0.02	(0.01)	(0.01)	(0.02)	(0.01)

(i) Total revenue includes interest income. Gold sales commenced in the quarter ended December 31, 2005.

Results of Operations

Gold Production

Total gold production for the three months ended September 30, 2006 was 35,584 ounces at a cash operating cost of \$325 per ounce. This production represents 603,815 tonnes of ore processed at a grade of 2.03 g/t at a metallurgical recovery of 90.4%. Gold production at Chirano commenced in October 2005. Cash cost per ounce data are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. Cash cost per ounce data are calculated in accordance with the Gold Institute Production Cost Standard. Cash operating cost per ounce is derived from amounts included in the Statements of Income (Loss) and Deficit and include mine site operating costs such as mining, processing, administration, smelting, refining and transportation costs less by-product credits.

Of the 30,952 ounces sold in the three months ended September 30, 2006, 20,600 were delivered into a scheduled flat forward sale contract and 10,352 ounces were sold at spot. Average gold price realized was \$514 per ounce. Total revenue from gold sales for the three months ended September 30, 2006 was \$15.9 million.

As at September 30, 2006 Bullion on hand was 5,475 oz. These ounces, carried in inventory at \$1.8 million, were sold subsequent to September 30, 2006 for a total of \$3.1 million.

September 2006 quarter compared to September 2005 quarter

In the quarter ended September 30, 2005, the Chirano Project was in the development stage and all costs were capitalised to Mine Properties. Consequently, a comparison to the quarter ended September 30, 2006 where income from operations was \$3.8 million is not meaningful.

The income for the September 2006 quarter was \$2.5 million as compared to a loss of \$1.0 million for the September 2005 quarter. Stock based compensation for the September 2006 quarter was \$0.1 million as compared to \$0.5 million for the September 2005 quarter. Stock based compensation relates to the issue of options to management 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. Interest expense in the September 2006 quarter was \$0.4 million compared to \$nil for the September 2005 quarter. This increase is expected as interest paid on debt in the quarter ended September 30, 2006 is recognised as an expense whereas the majority of interest paid in the development stage of Chirano was capitalised to Mine Properties. Interest income for the September 2006 quarter was \$0.1 million compared to interest income of \$0.03 million for the September 2005 quarter. General and administrative expenses for the September 2006 quarter were \$0.7 million compared to \$0.3 million for the September 2005 quarter reflecting the move from construction to operations. In particular, travel and promotional costs increased as the Company moved into production. Minority interest of \$0.3 million was recognised in the September 2006 quarter to reflect the Government of Ghana's right to back-in to a 10% ownership of CGML, at no cost. In the quarter ended September 2005 CGML was in an accumulated loss position and no minority interest was recognized.

Liquidity and Capital Resources

At September 30, 2006, the Company had working capital of \$3.8 million as compared to a \$7.3 million at June 30, 2006. The current portion of the outstanding debt facility repayments is included in working capital. These repayments are due within the next year and will be funded out of cash flow from the Chirano operations. Included in working capital is Bullion on hand of 5,475oz which is included in inventory and valued at average cost of \$1.8 million.

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 \$43 million (including a \$10 million standby facility) for the Chirano Gold Project in Ghana. The facilities are secured by charges on the shares of the chain of corporations ultimately holding title to the Chirano Gold Project and parent company guarantees. Interest, which was capitalized prior to commercial production, is payable at LIBOR plus 2.75%.

As at September 30, 2006, the standby facility of \$10 million had been retired. The outstanding principal of the loan is \$29.2 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 September 30, 2006 deliveries of gold into the flat forward contracts has totalled 72,600 ounces.

Total expenditure capitalized at Chirano for the three months ended September 30, 2006 was \$1.0 million relating to continuing exploration. Sustaining capital expenditure for the quarter was \$1.6 million.

Exploration expenditures incurred on the Company's other Ghanaian projects for the quarter ended September 30, 2006 totalled \$0.3 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 three months ended September 30, 2006.

Related Party Transactions

The Company's transactions with related parties are as follows:

- (a) Paid \$0.08 million (2005: \$0.05 million) for management services provided by a company related to the President of the Company. At September 30, 2006, \$nil was due to this company.
- (b) Paid \$0.01 million (2005: \$0.03 million) to a firm related to a director for legal services. At September 30, 2006, \$nil was due to this firm.
- (c) Paid \$0.02 million (2005: \$nil) to a company controlled by a director for management services. At September 30, 2006, \$nil was due to this company.

Critical Accounting Estimates

The preparation of its interim consolidated financial statements requires the Company to use estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The Company's critical accounting estimates relate to the estimate of gold reserves and asset retirement obligations.

The Company's policy is to capitalize long-term mine development and reserve expansion program costs incurred within, or contiguous to, known gold ore reserves. These costs constitute a significant portion of the Chirano property, plant and equipment and are amortized on a units-of-production basis over estimated gold reserves. Under this method, depletion cost, and therefore net book values of mining property and capitalized development is directly affected by the Company's estimate of proven and probable mineral reserves at Chirano. In addition, the useful lives of plant and equipment may be limited by the expected mine life which is dependent on mineral reserves. The Company engaged an independent consulting firm, to review the Company's mineral reserve and resource estimates, and to prepare a technical report in conformance with Canadian National Instrument 43-101, which was filed on SEDAR December 14, 2004. If these estimates prove inaccurate, or if the Company revises its mine plan at Chirano due to changes in the market price of gold or significant changes in mine operating costs, and as a result the estimate of mineral reserves is reduced, the Company could be required to write-down the book value of the Chirano property, plant and equipment, and/or to increase the amount of depreciation and depletion expense, both of which would reduce the Company's earnings and net assets. The Company does not currently anticipate any negative impact to the Chirano mineral reserve estimate.

The Company also assesses Chirano property, plant and equipment for impairment at the end of each accounting period. If prior estimates of future cash flows prove to be inaccurate, due to reductions in the price of gold, increases in the costs of production, and/or reductions in the amount of recoverable reserves, the Company would be required to write-down the recorded value of Chirano property, plant and equipment, which could reduce the Company's earnings and net assets.

The Company has an obligation to reclaim the Chirano property after the minerals have been fully depleted, and has estimated the present value of the costs to comply with existing reclamation standards. It is possible that the Company's estimate of its ultimate reclamation liabilities could change as a result of changes in regulations; the extent of environmental remediation required or completed the means of reclamation or changes in cost estimates.

Outstanding Share Data

As at November 10, 2006, the Company had 97,649,946 common shares issued and outstanding and 3,544,333 share options outstanding under its stock-based incentive plan. At the same date, the Company had 1,975,000 share purchase warrants outstanding.

Changes in Accounting Policies

In March 2006, the CICA issued EIC 160, "Stripping Costs Incurred in the Production Phase of a Mining Operation ("EIC 160"), which is applicable to stripping costs incurred in fiscal years beginning on or after July 1, 2006. EIC 160 clarifies that stripping costs should be accounted for according to the benefit received by the entity. Generally, production period stripping costs should be accounted for as variable production costs that should be included in the costs of the inventory produced during the period in which the stripping costs are incurred. However, production period stripping costs should be capitalized if the stripping activity can be shown to represent a betterment to the mineral property. Capitalized production period stripping costs should be amortized in a rational and systematic manner over the reserves directly that directly benefit from specific stripping activity. The reserves used to amortize capitalized production period stripping costs could differ from those used to amortize the mineral property and related life-of-mine assets, as the stripping costs may only relate to a portion of the total reserves. The Company adopted EIC 160 on a prospective basis on July 1, 2006 and will apply the unit of production method of amortizing production period stripping costs. The adoption of EIC 160, did not have an impact on the Company's results of operations and financial position.

Outlook

With operations again running smoothly at Chirano and an aggressive exploration program underway on the Company's other Ghanaian projects, the Company is poised for growth in 2006-2007. Studies are underway towards expanding production including a reassessment of resources and reserves at Chirano based upon more extensive drilling and consideration of the current market pricing of gold.

Recent exploration results at the Akwaaba deposit at Chirano show potential to deliver near term high grade underground ounces to the Chirano operation. These ounces could materially affect the economics of the mine and the mine life at Chirano. Consequently, the early potential development of underground production at Akwaaba is a high priority for the Company in the coming year.

An initial resource estimate for Akwaaba is underway and should be complete in November 2006.

Exploration continues towards establishing a resource at the Company's Enchi project located 80km south of Chirano. Enchi is a new discovery by the Company's exploration team on the Sefwi/Bibiani belt margin, which currently hosts AngloGold Ashanti's +5 million ounce Bibiani Mine and the Company's Chirano Mine.

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)

	September 30, 2006 (Unaudited)	June 30, 2006 (Audited)
ASSETS		
Current Assets		
Cash	\$ 11,863	\$ 15,038
Accounts receivable	5,712	7,176
Inventories (Note 3)	10,452	10,952
Prepaid expenses	875	437
	28,902	33,603
Property, plant and equipment, Net (Note 4)	8,013	6,580
Mineral properties and related expenditures (Note 5)	100,285	99,388
	\$ 137,200	\$ 139,571
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,807	\$ 12,305
Current portion of loan payable (Note 6)	18,250	14,000
	25,057	26,305
Non Current Liabilities		
Loan Payable (Note 6)	10,950	15,200
Asset Retirement Obligations	6,147	6,007
	42,154	47,512
Minority Interest	895	571
Share capital (Note 7)		
Authorized -		
Unlimited common shares without par value		
Issued and outstanding -		
97,638,746 (June 2006 – 97,580,946) common shares	101,529	101,341
Contributed Surplus and other	5,326	5,318
Deficit	(12,704)	(15,171)
	94,151	91,488
	\$137,200	\$ 139,571

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	
	September 30	
	2006	2005
Gold Sales	\$ 15,907	-
Costs and expenses		
Operating	10,092	-
Depreciation and amortization	1,278	-
Accretion	140	-
Royalties	572	-
	<hr/>	<hr/>
Income from operations	3,825	-
	<hr/>	<hr/>
Interest and bank charges	397	-
Depreciation	15	152
General and administrative	685	332
Stock based compensation	88	519
Foreign exchange gain	(15)	-
Interest income	(136)	(28)
	<hr/>	<hr/>
	1,034	975
	<hr/>	<hr/>
Income (loss) for period before minority interest	2,791	(975)
Minority Interest	324	-
	<hr/>	<hr/>
Income (loss) for the period after minority interest	2,467	(975)
Deficit, beginning of the period	(15,171)	(9,844)
Deficit, end of the period	<hr/> <hr/>	<hr/> <hr/>
	\$ (12,704)	\$ (10,819)
Basic and diluted income/(loss) per common share	<hr/> <hr/>	<hr/> <hr/>
	\$0.03	\$(0.01)
Weighted average number of shares outstanding	<hr/> <hr/>	<hr/> <hr/>
	97,603,362	74,378,849
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	
	September 30	
	2006	2005
<u>Cash flows (used in) operating activities</u>		
Income (loss) for the period	\$ 2,467	\$ (975)
Items not effecting cash		
Amortization and depreciation	1,293	152
Stock based compensation	88	519
Accretion of asset retirement obligation	140	-
Minority Interest	324	-
	4,312	(304)
<u>Net changes in non-cash working capital items</u>		
Accounts receivable and prepaid expenses	1,026	(1,719)
Inventories	500	-
Accounts payable and accrued liabilities	(5,498)	(5,351)
	(3,972)	(7,070)
<u>Cash flows (used in) investing activities</u>		
Mineral properties and related expenditures	(1,992)	(11,663)
Purchase of property, plant and equipment	(1,631)	(213)
	(3,623)	(11,876)
<u>Cash flows from financing activities</u>		
Common shares issued, net	108	9,882
Proceeds from debt	-	5,000
	108	14,882
(Decrease) in cash	(3,175)	(4,368)
Cash, beginning of the period	15,038	6,578
Cash, end of the period	\$ 11,863	\$ 2,210
<u>Supplemental Schedule of Non-Cash Transactions:</u>		
Accrued Interest capitalized to mineral properties and related expenditures	-	\$ 596

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, 2006
(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 Policy

In March 2006, the CICA issued EIC 160, "Stripping Costs Incurred in the Production Phase of a Mining Operation ("EIC 160"), which is applicable to stripping costs incurred in fiscal years beginning on or after July 1, 2006. EIC 160 clarifies that stripping costs should be accounted for according to the benefit received by the entity. Generally, production period stripping costs should be accounted for as variable production costs that should be included in the costs of the inventory produced during the period in which the stripping costs are incurred. However, production period stripping costs should be capitalized if the stripping activity can be shown to represent a betterment to the mineral property. Capitalized production period stripping costs should be amortized in a rational and systematic manner over the reserves directly that directly benefit from specific stripping activity. The reserves used to amortize capitalized production period stripping costs could differ from those used to amortize the mineral property and related life-of-mine assets, as the stripping costs may only relate to a portion of the total reserves. The Company adopted EIC 160 on a prospective basis on July 1, 2006 and will apply the unit of production method of amortizing production period stripping costs. The adoption of EIC 160, did not have an impact on the Company's results of operations and financial position.

3. Inventories

	September 30, 2006	June 30, 2006
Bullion on Hand	\$ 1,810	\$ -
Stockpile ore	3,642	4,654
Gold in Circuit	1,580	2,179
Materials and supplies	3,420	4,119
	\$ 10,452	\$ 10,952

4. Property, Plant and Equipment

	September 30, 2006			June 30, 2006		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Plant & Equipment	\$ 7,599	\$ 610	\$ 6,989	\$ 5,968	\$ 525	\$ 5,443
Motor Vehicles	1,705	745	960	1,705	634	1,071
Buildings	92	28	64	92	26	66
	\$ 9,396	\$ 1,383	\$ 8,013	\$ 7,765	\$ 1,185	\$ 6,580

5. Mineral Properties and Related Expenditures

	Chirano Gold Mine (Ghana)	Other Projects (Ghana)	Farim Project (Guinea Bissau)	Total
Balance, June 30, 2005	76,894	3,423	4,413	84,730
Exploration and evaluation costs	4,233	3,512	199	7,944
Capitalize net present value of asset retirement obligation (ii)	117	-	-	117
Capitalized interest expense (iii)	596	-	-	596
Development expenditure	12,875	-	-	12,875
Pre-production revenue	(490)	-	-	(490)
Pre-production stripping costs (i)	2,460	-	-	2,460
Shares issued to acquire minority interest	335	-	-	335
Cash for minority interest	275	-	-	275
Write-off of Farim Project	-	-	(4,612)	(4,612)
Amortization	(4,842)	-	-	(4,842)
Balance, June 30, 2006	92,453	6,935	-	99,388
Exploration and evaluation costs	1,697	295	-	1,992
Amortization	(1,095)	-	-	(1,095)
Balance, September 30, 2006	93,055	7,230	-	100,285

- (i) Included in Mine Development and Exploration for the Chirano Gold project are pre-production stripping costs in the amount of \$5,385 (June 30 2006 - \$5,442).

- (ii) Included in Mine Development and Exploration for the Chirano Gold project is the capitalized net present value of the asset retirement obligation in the amount of \$5,725 (June 30 2006 - \$5,725).
- (iii) Included Mine Development and Exploration for the Chirano Gold project is interest capitalized on the loans payable during the construction phase of \$1,158 (Note 6) (June 30 2006 - \$1,158).

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 has historically owned a 100% interest in four Mining Leases in Guinea Bissau, West Africa covering a total area of 30,625 hectares, 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 was written off in the year ended June 30, 2006.

6. Loans Payable

Details are as follows:

	September 30, 2006	June 30, 2006
Loan payable	\$ 29,200	\$ 29,200
Current portion	(18,250)	(14,000)
	<u>\$ 10,950</u>	<u>\$ 15,200</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. 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 September 30, 2006 deliveries of gold into the flat forward contracts has totaled 72,600 ounces.

As at September 30, 2006, the Company had drawn down the US\$33 million corporate loan facility and the \$10 million standby facility. The standby facility has been retired and \$3.8 million of the corporate loan facility has been repaid. The total outstanding principal of the corporate facility at September 30, 2006 is \$29.2 million. Interest totaling \$3.6 million has been paid or accrued to September 30, 2006. This includes interest totaling \$1.1 million which was capitalized as part of the Mine Development and Exploration for the Chirano Gold Mine (Note 5).

Scheduled principal payments on the loan payable are as follows:

12 Months Ended September 30	Amount
2006	\$ 18,250
2007	10,950
	<u>\$ 29,200</u>

7. Share Capital

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

Authorized:

Unlimited common shares without par value

Shares Issued and Outstanding:	Number of Shares	Amount
Balance, June 30, 2005	69,393,034	53,107
Issued on private placement (i)	7,000,000	8,409
Issued on exercise of warrants (ii)	20,374,696	37,717
Issued as consideration for CGML minority interest (iii)	178,883	335
Issued on exercise of options	634,333	1,044
Fair value of options exercised (iv)	-	729
	97,580,946	\$ 101,341
Balance, June 30, 2006		
Issued on exercise of options	57,800	108
Fair value of options exercised (iv)	-	80
	97,638,746	\$ 101,529
Balance, September 30, 2005		

- (i) On July 26, 2005, the Company issued, by private placement, 7,000,000 units at C\$1.70 per unit for gross proceeds of C\$11.9 million. These proceeds have been allocated to both common shares (US\$8,409) and warrants (US\$1,312) (refer note 7(c)). On December 16, 2004, the Company issued, by private placement, 5,789,474 common shares at C\$1.90 per unit for gross proceeds of C\$11.0 million (US\$8,606).

- (ii) On October 13, 2005, the Company announced its intention to offer the holders of certain of its outstanding share purchase warrants the opportunity to exercise their warrants at a reduced exercise price. The affected warrants were those exercisable for 1,999,999 common shares at a price of C\$2.25 per common share until December 4, 2005 and those exercisable for an additional 12,500,000 common shares at a price of C\$2.25 per common share until June 9, 2006. The warrants to purchase the 1,999,999 common shares were issued under separate agreements with individual warrant holders while the 12,500,000 warrants were issued under an indenture.

Shareholder approval was obtained at the AGM held on November 24, 2005 for Belike Nominees Pty Ltd., an insider of the Company to exercise their 2,500,000 warrants. These warrants were subsequently exercised.

20,374,696 warrants were exercised at prices from \$2.00 - \$2.25 in the year ended June 30, 2006 of which 9,743,333 were exercised in response to the reduced exercise price.

- (iii) On November 9, 2005, the Company announced that it had successfully negotiated the purchase of a 5% minority interest in the Chirano Gold Mine held by a private third party. The consideration for the purchase was \$275,000 plus the issuance of 178,883 fully paid common shares in the capital of the Company, subject to regulatory approval. Regulatory approval was gained on August 2, 2006.

Following the acquisition of this 5% interest and upon the Government of Ghana exercising its right to back-in to a 10% ownership of Chirano Gold Mines Limited, for no consideration, the Company will hold a 90% interest in the Chirano Gold Mine with the Government of Ghana holding 10%.

- (iv) 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. The options vest immediately upon grant.

Incentive stock options outstanding at September 30, 2006 are outlined in the table below:

Expiry Date	Exercise Price (C\$)	Balance June 30, 2005	Granted / (exercised)	Balance, June 30, 2006	Granted / (exercised)	Balance, September 30, 2006
2 October 2005	\$0.57	25,000	(25,000)	-	-	- (i)
22 October 2005	\$1.46	89,333	(89,333)	-	-	- (i)
11 December 2005	\$1.35	10,000	(10,000)	-	-	-
2 June 2007	\$2.00	1,715,000	(450,000)	1,265,000	-	1,265,000
23 November 2007	\$2.00	160,000	(10,000)	150,000	-	150,000 (ii)
25 November 2007	\$1.46	83,333	-	83,333	-	83,333 (i)
12 January 2008	\$2.00	75,000	-	75,000	-	75,000 (ii)
7 August 2008	\$2.00	-	200,000	200,000	-	200,000 (ii)
29 September 2008	\$2.10	-	400,000	400,000	(57,800)	342,200 (ii)
13 December 2008	\$2.30	-	100,000	100,000	-	100,000 (ii)
14 February 2009	\$2.67	-	1,000,000	1,000,000	-	1,000,000 (ii)
4 May 2009	\$3.95	-	150,000	150,000	-	150,000 (ii)
12 June 2009	\$3.95	-	50,000	50,000	-	50,000 (ii)
27 July 2009	\$3.95	-	-	-	50,000	50,000 (ii)
		2,157,666	1,315,667	3,473,333	(7,800)	3,465,533

The weighted average exercise price of outstanding options as at September 30, 2006 is C\$2.34

- (i) Options are as a result of the merger with Red Back Mining NL.
- (ii) The fair value of options granted during the period ended September 30, 2005, has been estimated using an option-pricing model.

During the period, the Company issued to directors, officers, and employees a total of 50,000 options with an exercise price of \$3.95 per option. The fair value of stock option compensation is \$0.09 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 63%, 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:

Balance – June 30, 2005	\$ 1,820
Fair value of stock-based compensation	2,915
Fair value of warrants issued	1,312
Fair value of options exercised	(729)
Balance – June 30, 2006	5,318
Fair value of stock-based compensation	88
Fair value of options exercised	(80)
Balance – September 30, 2006	<u>\$ 5,326</u>

(d) As at September 30, 2006, the following non-transferable share purchase warrants were outstanding:

Expiry Date	Exercise Price (C\$)	Balance June 30, 2005	Granted / (exercised)	Balance, June 30, 2006	Granted / (exercised)	Balance, September 30, 2006
4 December 2005	\$2.25	1,999,999	(1,999,999)	-	-	-
9 June 2006	\$2.25	12,500,000	(12,500,000)	-	-	-
13 December 2007	\$2.25	1,000,000	(1,000,000)	-	-	-
26 July 2007	\$2.00	-	1,975,000	1,975,000	-	1,975,000
		<u>15,499,999</u>	<u>(13,524,999)</u>	<u>1,975,000</u>	-	<u>1,975,000</u>

8. Related Party Transactions

Transactions for the three months ended September 30, 2006 and 2005 and balances with related parties not disclosed elsewhere in these financial statements are as follows:

- Paid \$0.08 million (2005: \$0.05 million) for management services provided by a company related to the President of the Company. At September 30, 2006, \$nil was due to this company.
- Paid \$0.01 million (2005: \$0.03 million) to a firm related to a director for legal services. At September 30, 2006, \$nil was due to this firm.
- Paid \$0.02 million (2005: \$nil) to a company controlled by a director for management services. At September 30, 2006, \$nil 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 September 30, 2006 the remaining commitment totaled 327,400 ounces.

11. Subsequent Events

- (a) Subsequent to September 30, 2006 an additional 11,200 options were exercised for total proceeds of \$0.02 million increasing issued and outstanding capital of the Company to 97,649,946 shares.
- (b) On November 10, 2006 the Company was awarded damages of CAD\$10.3 million by the Supreme Court of British Columbia in relation to the action against Geyser Ltd and Oswal Chemicals and Fertilizers Ltd. The award of these damages has not been taken into account in the interim consolidated financial statements. Further details regarding the litigation are outlined in the 2006 Annual Report of the Company.

**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
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
Audit Committee
Compensation Committee
Corporate Governance and Nominating
Committee

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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

