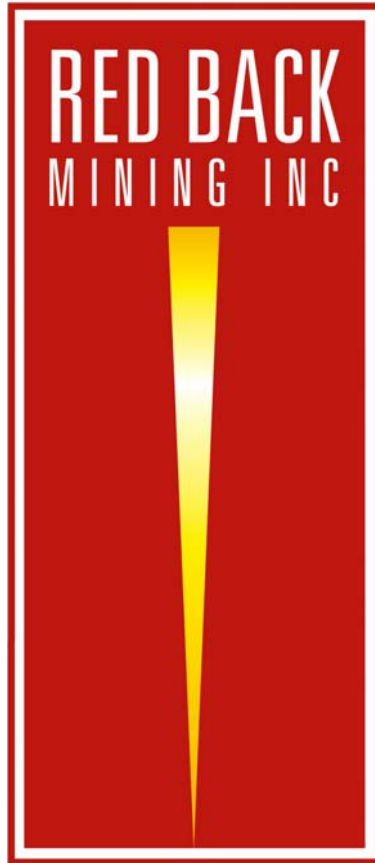


RED BACK MINING INC.



Second Quarter Report

June 30, 2007

RED BACK MINING INC.
Second Quarter Report
For the Period Ending June 30, 2007

Report to Shareholders

During the Quarter the Company achieved a number of key successes.

Ghana

At Chirano a major resource/reserve definition program was completed in the Quarter optimizing open pit designs at a US\$500 gold price. This resulted in a 33% increase in ore reserves over the last estimate in 2004. As at April 30, 2007 remaining surface ore reserves at Chirano are 24 million tonnes @ 1.6 g/t Au containing 1.2 million ounces. This is after mining almost 300,000 ounces since mid 2005. This new estimate was prepared by the Company's consultants AMC Consultants of Perth, Australia.

The potential to further increase surface resources and reserves at Chirano is considered to be excellent. Exploration is ongoing, testing new anomalies both along strike and at depth between the existing pits, in particular, the newly discovered high grade shoots under the Suraw, Akoti and Paboase pits. A drill program is underway to test the scope and extent of these discoveries.

Also at Chirano, in July 2007 the Company received an updated resource estimate from Hellman and Schofield of Perth, Australia for the Akwaaba deposit increasing the resources to 1.1 million ounces. Concurrently an Underground Scoping Study was completed by AMC Consultants which indicate that up to 1 million ounces of gold could be recovered from Akwaaba depending on the underground mining method used. A financial analysis of the mining methods recommended by AMC Consultants is underway and upon reaching a final decision in this regard the Company will tender the Akwaaba underground project for development, with the aim of commencing preparatory work before year end.

Gold production at Chirano during the Quarter was below budget. The primary reasons for this are the unexpected hardness of the sulphide ore and load shedding from the national power distribution authority due to low water levels at the Volta River dam. To address the ore hardness issue a mobile crushing plant was installed at Chirano to support operations pending installation of a longer term facility. The impact of the mobile crushing operations has realized a marked increase in resultant plant throughput and this is expected to continue and be reflected in the 3rd Quarter results.

Total gold production at Chirano for the Quarter was 28,297 ounces against a budget of 36,018. Total cash operating costs per ounce were US\$381 per ounce. The higher than budgeted cost per ounce is directly related to lower production due to rock hardness and load shedding.

Mauritania

In April 2007 the Company signed an option agreement with Lundin Mining to acquire a 100% interest in the Tasiast gold project in Mauritania, West Africa as well as significant exploration acreage in Mauritania, for US \$225 Million in cash and the assumption of US\$42.5 million in debt related to the Tasiast project. The option was subject to Lundin Mining acquiring a minimum of 50.1% of the issued and outstanding shares of Rio Narcea Gold Mines, Ltd. ("Rio Narcea").

The Tasiast gold project has current resources of 3,395,000 ounces of gold (Measured + Indicated: 1,230,000 ounces @ 2.63 g/t gold and Inferred: 1,165,000 ounces @ 1.94 g/t gold) and Reserves of 1,040,000 ounces @ 2.75 g/t gold. The mine is within an extensive gold system that is largely under-explored. The deposit itself is open along strike and at depth. Tasiast is the first mine in the highly prospective 70 kilometre long by 15 kilometre wide north-south trending Archaen age Aoueuat greenstone belt, which is geologically similar to other Archaen greenstone belts in the world that host major gold deposits. The Tasiast mine is in the commissioning stage with commercial production expected in the 4th Quarter 2007. Initial annual production rates are scheduled at 108,000 ounces of gold at an average grade of 3.25 g/t.

Also in April, the Company was successful in raising CAN\$375 M to fund the acquisition of Tasiast and for working capital. In July 2007 Lundin Mining advised the Company that it had acquired the necessary 50.1% of Rio Narcea and Red Back exercised its option, paid the purchase price (US\$225 Million) to Lundin, paid out the Tasiast debt facility with Macquarie Bank Limited (US\$42.5 million plus US\$0.3 million interest) and retired the Tasiast gold hedging structure (US\$10.1 million). The result is that the Company is now the 100% owner of Tasiast, which is debt free and unhedged.

The Tasiast gold mine was officially opened by the President of Mauritania, His Excellency Sidi Mohamed Ould Cheikh Abdallahi, on July 18, 2007 with representatives of the Company in attendance.

We are very pleased with the acquisition of Tasiast. This represents the first step in an aggressive growth strategy by the Company. The next steps are the development of the first underground operation at the Chirano gold mine in Ghana, the expansion of the Chirano processing facility, increasing resources and reserves at Tasiast, and the expansion of the Tasiast plant. The successful realization of these programs over the next 12-24 months will establish the Company as a significant mid-tier gold producer, well positioned for even further growth.

The Company is well funded to continue its growth objectives. After the Tasiast purchase the Company has approximately US\$75 million in cash and only US\$19 million in debt.

We look forward to reporting on our continued success in the third Quarter.

On behalf of the Board,

Richard Clark

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

August 14, 2007

RED BACK MINING INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION
SIX MONTHS ENDED JUNE 30, 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 six months ended June 30, 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 August 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 and Cote D'Ivoire.

On August 2, 2007, the Company exercised its option to acquire a 100% interest in the Tasiast gold mine and significant exploration acreage located in Mauritania, West Africa, from Lundin Mining Corporation. The Company paid the purchase price (US\$225 Million) to Lundin, paid out the Tasiast debt facility (US\$42.5 million plus US\$0.3 million interest) and retired the Tasiast gold hedging structure (US\$10.1 million).

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 to the Company 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.

The Company released revised resource and reserve estimates for the Chirano Gold Project in July 2007.

Based on a gold price of US\$550 per ounce, proven and probable open pit reserves were calculated to be 28 million tonnes ("Mt") @ 1.6 grams per tonne ("g/t"), for a total of 1.5 million oz ("Moz"). As at April 30, 2007 the remaining unmined proven and probable open pit reserves (based on a gold price of US\$550 per ounce) are 24Mt @ 1.6g/t for a total 1.2 million 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 Mt per annum. 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 contract 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. AMC Consultants of Perth, Western Australia have advised the Company that up to one million ounces of gold could be recoverable from Akwaaba depending upon the mining method employed. Two different mining methods have been reviewed in detail by AMC, Sub-level Open Stopping ("SLOS") and Sub-level Block Caving. A financial analysis of these different techniques is ongoing, with a final decision expected shortly. The Company is currently in a tender process for underground development, with the aim of commencing development by year end. Concurrently with the delivery of the Akwaaba scoping study by AMC, the Company has also received an updated study on the Akwaaba underground resource from Hellman and Schofield, also of Perth. This update is based upon additional drilling by the Company in 2007. The following table shows the July 2007 Resource estimate for Akwaaba reported above a 2.5g/t cut off and below the base of the proposed Akwaaba open pit.

Category	Mt	Au g/t	Moz
Indicated Resource	4.1	5.8	0.77
Inferred Resource	2.3	5.0	0.37

Based on the SLOS mine design, AMC estimated an Ore Reserve of 420,000 ounces (2.7 Mt @ 4.7 g/t (using a gold price of US\$600 with a 2.9 g/t cutoff). The resource estimate is inclusive of the Ore Reserve estimate. The Company is satisfied with this level of ore identification to proceed with underground development.

The Tasiast Gold Project, Mauritania

On August 2, 2007, The Company exercised its option to acquire a 100% interest in the Tasiast gold mine and significant exploration acreage located in Mauritania, West Africa, from Lundin Mining Corporation. The Company paid the purchase price (US\$225 Million) to Lundin, paid out the Tasiast debt facility (US\$42.5 million plus US\$0.3 million interest) and retired the Tasiast gold hedging structure (US\$10.1 million).

Construction of Tasiast is complete and commissioning is underway. Commercial production is scheduled for the fourth quarter of 2007 producing approximately 108,000 ounces per year at an average grade of 3.25 g/t.

The Tasiast gold project currently has measured and indicated resources of approximately 15 Mt averaging 2.64 g/t gold, or 1.24 million oz based on a 0.8 g/t gold cutoff. This includes diluted proven and probable reserves within four open pits of approximately 12 Mt averaging 2.70 g/t gold, or approximately 1 million oz based on a 0.8 g/t gold cutoff and a gold price of US\$491 per ounce.

The current mine plan only considers existing proven and probable reserves minable by conventional open pit methods. Mineralization remains open at depth as well as along strike. There is good potential for extension of the mine life based on the conversions of current resources into reserves.

Inferred resources total approximately 10 Mt, averaging 2.52 g/t gold or approximately 0.8 million oz based on a 1.0 g/t gold cutoff. The current resource estimate excludes the inferred resources of the West Branch and the Piment North - North Extension zones. Inferred resources are not included in the mineral reserve.

The Company has commenced a significant exploration program aimed at increasing the proven and probable reserves at Tasiast.

May 2007 Financing

On May 10, 2007 (the "Closing Date") the Company closed a private placement ("Offering") 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, were released to the Company during the quarter ended June 30, 2007 and will be used for general corporate and working capital purposes. The Special Warrants have been separately disclosed on the Balance Sheets as at June 30, 2007.

The Subscription Receipts and proceeds from their sale have not been recorded as at June 30, 2007. 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, were deposited with an escrow agent to be released upon satisfaction of the Release Conditions and to be used to fund the acquisition of the Tasiast Project and for general corporate and working capital purposes. If the Release Conditions were not met on or prior to the date which is 90 days following the Closing Date, the proceeds for the sale of the Subscription Receipts would have been returned in full to the holders and the Subscription Receipts would have been cancelled.

The Release Conditions were met subsequent to June 30, 2007 and both the Special Warrants and Subscription Receipts were converted into common shares and the C\$300 million was released to the Company from escrow.

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 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.

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 \$2.9 million, compared to June 2006 quarter results of \$3.4 million. The net loss for the June 2007 quarter was \$1.2 million as compared to a net loss of \$5.8 million for the June 2006 quarter. The current quarter loss was primarily due to less than budgeted production from Chirano.

Summary of Financial Results								
Quarter Ended	Jun 07	Mar 07	Dec 06	Sep 06	Jun-06	Mar-06	Dec-05	Sep-05
Gold Produced (oz)	28,297	32,609	35,059	35,584	27,206	28,988	30,247	-
Total Revenue (\$'000)	13,760	16,214	20,731	16,043	12,786	14,262	11,969	28
Net Income (Loss) (\$'000)	(1,180)	(1,477)	375	2,467	(5,830)	(584)	2,062	(975)
Net Income (Loss) per share (\$)	(0.01)	(0.015)	0.00	0.03	(0.06)	(0.01)	0.02	(0.01)

Gold Production

Total gold production at Chirano for the quarter ended June 30, 2007 was 28,297 ounces at a direct cash operating cost of \$384 per ounce (quarter ended June 30, 2006: 27,206 ounces at a direct cash operating cost of \$377 per ounce). This production represents 469,419 tonnes of ore processed at a grade of 2.08 g/t at a metallurgical recovery of 89.8% (quarter ended June 30, 2006: 527,438 tonnes @ 1.75 g/t at a recovery of 91.8%).

Of the 29,764 ounces sold in the quarter ended June 30, 2007 (quarter ended June 30, 2006: 25,442 ounces), 22,500 were delivered into a scheduled flat forward sale contract (quarter ended June 30, 2006: 19,100 ounces) and 7,264 ounces were sold at spot (quarter ended June 30, 2006: 6,342 ounces). Average gold price realized was \$495 per ounce (quarter ended June 30, 2006: \$492 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 the permanent installation of a more effective crushing system at Chirano, the development of an underground mine (Akwaaba) at Chirano and from the recently acquired Tasiast Gold Project in Mauritania.

Chirano Operations

	June 2007 Quarter	June 2006 Quarter	June 2007 Half Year	June 2006 Half Year
Gold Production (oz)	28,297	27,206	60,906	56,194
Gold Sales (\$'000)	13,760	12,544	29,974	26,806
Ore Tonnes Mined ('000t)	603	660	1,121	1,306
Ore milled ('000t)	469	527	979	1,087
Head grade (g/t)	2.08	1.75	2.07	1.75
Recovery (%)	88.4	91.8	89.5	91.4
Mining cost per tonne milled (\$/t)	11.7	11.0	11.4	9.8
Milling cost per tonne milled (\$/t)	7.7	6.6	7.5	6.4
G&A cost per tonne milled (\$/t)	3.6	1.9	3.7	2.3
Total cost per tonne milled (\$/t)	23.0	19.4	22.5	18.4
Direct cash operating costs (\$/oz) *	384	377	364	357
Production Royalties (\$/oz)	17	17	18	17
Total cash operating costs (\$/oz) *	402	393	382	374
Cash cost inventory adjustments (\$/oz) *	(21)	(52)	7	(48)
GI total cash costs (\$/oz) *	381	341	389	326

* Please refer to statement regarding non-GAAP measures.

Gold sales for the June 2007 quarter were higher than the June 2006 quarter by \$1.2 million due substantially to more ounces being produced and sold.

Inventory movements in the June 2007 quarter reduced operating costs by \$0.5 million. For the June 2006 quarter inventory movements reduced operating costs by \$1.4 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 June 2006 quarter there was a net increase 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 June 2007 quarter as compared to the June 2006 quarter due to higher costs of operations, particularly related to increased crushing and processing costs as a consequence of harder than expected ore. The quarterly result is also negatively impacted by less than budgeted gold production due substantially to the harder ore reducing mill throughput and recovery. The reduced gold production leads to less ounces available for sale at spot price, which reduces the average price per ounce realised due the effect of the forward contracts outstanding. The forward contracts were entered into as a condition of the original project finance.

Mining costs of ore have increased since the June 2006 quarter due to the increased mining contractor rates renegotiated in late 2006. These increases have resulted in mining costs being \$0.7 million higher in the June 2007 quarter as compared to the June 2006 quarter.

Chirano General and Administrative costs in the June 2007 quarter are higher than in the June 2006 quarter by \$0.5 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.

Stock based compensation for the June 2007 quarter was \$nil as compared to \$1.0 million for the June 2006 quarter. Stock based compensation relates to the granting of options to management, employees and consultants. The granting of such options is at the discretion of the Board and is not expected to be uniform across quarters or financial years. There were no options granted in the June 2007 quarter.

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.

Liquidity and Capital Resources

At June 30, 2007, the Company had working capital of \$64.3 million as compared to a deficiency in working capital of \$0.9 million at December 31, 2006.

The change in the working capital position in the period ended June 2007 is substantially due to the proceeds from the special warrant equity financing which contributed \$65 million to the Company's treasury.

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, were released to the Company during the quarter ended June 30, 2007 and will be used for general corporate and working capital purposes. The Special Warrants have been separately disclosed on the Interim Consolidated Balance Sheets as at June 30, 2007.

The Subscription Receipts and proceeds from their sale have not been recorded as assets or equity of the Company as at June 30, 2007. 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, were deposited with an escrow agent to be released upon satisfaction of the Release Conditions and to be used to fund the acquisition of the Tasiast Project and for general corporate and working capital purposes. If the Release Conditions were not met on or prior to the date which is 90 days following the Closing Date, the proceeds for the sale of the Subscription Receipts would have been returned in full to the holders and the Subscription Receipts would have been cancelled.

The Release Conditions were met subsequent to June 30, 2007 and both the Special Warrants and Subscription Receipts were converted into common shares and the C\$300 million was released to the Company from escrow.

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 June 30, 2007, the outstanding principal of the facilities was \$19.4 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 June 30, 2007 deliveries of gold into the flat forward contracts totalled 133,500 ounces.

A total of 2,070,000 shares were issued during the June 2007 quarter from the exercise of options (1,445,000 shares) and the exercise of warrants (625,000 shares). In addition, 13,888,800 special warrants were issued as outlined above. Total proceeds from the exercise of options and warrants during the June 2007 quarter was C\$4.2 million.

Total exploration expenditure capitalized at Chirano for the quarter ended June 30, 2007 was \$2.7 million.

Exploration expenditures incurred on the Company's other Ghanaian projects for the quarter ended June 30, 2007 totalled \$0.4 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 June 30, 2007.

Outstanding Share Data

As at August 14, 2007, the Company had 170,686,446 common shares issued and outstanding and 5,126,833 share options outstanding under its stock-based incentive plan. All share purchase warrants have been exercised.

The 13,888,800 special warrants and 55,555,200 subscription receipts issued on May 10, 2007 were converted to common shares on a one-to one basis in early August 2007 and are included in the total common shares issued and outstanding as at August 14, 2007

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 or Mauritania 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 and Tasiast Projects 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 assets are held outside of Canada in Ghana and Mauritania, West Africa. Although the operating environment in Ghana and Mauritania is considered favorable compared to that in other developing countries, with various government incentives offered to attract international investment into Ghana and Mauritania, 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.

The increase in open pit ore reserves at Chirano to 28 Mt grading 1.6 g/t for 1.5 million oz of gold clearly demonstrates the Company's exploration success to date. Surface ore reserves have been increased by 33%, materially more ounces than have been mined at Chirano to date. The potential to further increase surface resources and reserves is considered by management to be excellent. Exploration is ongoing, testing new anomalies along strike and between existing pits 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.

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 improve the economics of the mine and the mine life at Chirano. Following the initial results from the underground scoping study at Akwaaba, which showed that up to one million ounces of gold could be recoverable, the Company is now in the tender process for underground development at Akwaaba. It is anticipated that development of the Akwaaba underground mine has the potential to double monthly gold production at Chirano.

As mining at Chirano has progressed it has become apparent that the ore in certain deposits is harder than originally anticipated. This has resulted in reduced throughput in the milling circuit with a correspondent increase in milling costs. To mitigate this issue a portable secondary crushing system has been installed. This measure is aimed at reducing the size of material entering 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 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.

The Chirano 2007 budget targets are sensitive to power availability from the Ghanaian national grid. The June 2007 quarter operations were negatively 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, the local supply of power is ultimately outside the Company's control.

On August 2 2007, the Company completed the purchase of the Tasiast gold mine and significant exploration acreage located in Mauritania, West Africa, from Lundin Mining Corporation ("Lundin").

The Company has paid the purchase price (US\$225 Million) to Lundin, paid out the Tasiast debt facility with Macquarie Bank Limited (US\$42.5 million plus US\$0.3 million interest) and retired the gold hedging structure (US\$10.1 million). The result is that the Company is now the 100% owner of Tasiast, which is debt free and unhedged. The proceeds of the Subscription Receipts were used to fund this acquisition.

The Tasiast gold mine was officially opened by the President of Mauritania, His Excellency Sidi Mohamed Ould Cheikh Abdallahi, on July 18, 2007 with representatives of the Company in attendance. Tasiast is in the commissioning process with commercial production expected early in the fourth quarter of 2007. Initial annual production rates are scheduled at 108,000 ounces of gold at an average grade of 3.25 g/t.

The Tasiast deposit is within an extensive gold system that is largely under-explored. The deposit is open along strike and at depth. Tasiast is the first mine in the highly prospective 70 kilometre long by 15 kilometre wide north-south trending Archaen age Aoueuat greenstone belt, which is geologically similar to other Archaen greenstone belts in the world that 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.

Mineral reserves at Tasiast are currently 12Mt @ 2.7 g/t Au for 1.04 million contained ounces. An extensive exploration program is underway at Tasiast and will be expanded by the Company towards converting Inferred resources (18.6Mt tonnes @ 1.94 g/t Au containing 1.2 million ounces gold) into mineral reserves. A new resource/reserve estimate for Tasiast is expected in the first quarter of 2008. Concurrently, the Company will conduct an engineering review at Tasiast towards a near term expansion of processing capacity.

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 June 30, 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 SHEETS
(in Thousands of United States Dollars)
(Unaudited)

	June 30, 2007	December 31, 2006
ASSETS		
Current Assets		
Cash	\$ 66,618	\$ 7,564
Accounts receivable	4,272	7,487
Inventories (Note 3)	11,171	12,053
Prepaid expenses	128	418
	82,189	27,522
Property, plant and equipment, Net (Note 4)	5,757	4,490
Mineral properties and related expenditures (Note 5)	107,748	105,425
	\$ 195,694	\$ 137,437
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,838	\$ 11,723
Current portion of loan payable (Note 6)	11,100	16,700
	17,938	28,423
Non Current Liabilities		
Loan Payable (Note 6)	8,325	6,700
Asset Retirement Obligations	6,604	6,424
	32,867	41,547
Minority Interest	919	1,049
Share capital (Note 7)		
Authorized -		
Unlimited common shares without par value		
Issued and outstanding -		
99,845,946 (Dec 2006 – 97,740,946) common shares	106,970	101,849
Special Warrants (Note 7)	65,033	-
Contributed Surplus	4,975	5,405
Accumulated Other Comprehensive Income	(84)	(84)
Deficit	(14,986)	(12,329)
	161,908	94,841
	\$ 195,694	\$ 137,437
Contingencies and commitments (Note 11)		
Subsequent Events (Note 12)		
Approved by the Board:		
<u>“Richard P. Clark”</u> Director	<u>“Lukas H. Lundin”</u> 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 June 30		Six months ended June 30	
	2007	2006	2007	2006
Gold Sales	\$ 13,760	\$ 12,544	\$ 29,974	\$ 26,806
Costs and expenses				
Operating	10,295	8,711	22,645	17,338
Depreciation and amortization	2,355	1,809	4,526	3,729
Accretion	90	-	180	139
Royalties	494	452	1,082	934
Income from operations	<u>525</u>	<u>1,572</u>	<u>1,540</u>	<u>4,666</u>
Interest and bank charges	454	408	908	1,482
Depreciation	15	13	29	25
General and administrative	1,553	1,459	2,922	2,641
Stock based compensation	-	993	828	2,241
Foreign exchange loss (gain)	(116)	3	(116)	19
Interest income	(179)	(154)	(244)	(241)
	<u>1,727</u>	<u>2,722</u>	<u>4,327</u>	<u>6,167</u>
Loss for period before minority interest and write off	<u>(1,202)</u>	<u>(1,150)</u>	<u>(2,787)</u>	<u>(1,501)</u>
Minority Interest	22	(68)	130	(300)
Write off of Farim Project	-	(4,612)	-	(4,612)
Loss for the period	<u>(1,180)</u>	<u>(5,830)</u>	<u>(2,657)</u>	<u>(6,413)</u>
Deficit, beginning of the period	(13,806)	(9,341)	(12,329)	(8,757)
Deficit, end of the period	<u><u>\$ (14,986)</u></u>	<u><u>\$ (15,171)</u></u>	<u><u>\$ (14,986)</u></u>	<u><u>\$ (15,171)</u></u>
Loss per common share – basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.06)</u>	<u>\$ (0.03)</u>	<u>\$ (0.07)</u>
Weighted average number of shares outstanding – basic and diluted	<u>98,700,655</u>	<u>94,207,320</u>	<u>98,232,645</u>	<u>91,715,561</u>

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

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Loss for the period	\$ (1,180)	\$ (5,830)	\$ (2,657)	\$ (6,413)
Comprehensive loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Comprehensive loss for the period	<u>\$ (1,180)</u>	<u>\$ (5,830)</u>	<u>\$ (2,657)</u>	<u>\$ (6,413)</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 June 30		Six months ended June 30	
	2007	2006	2007	2006
Cash flows from(used in) operating activities				
Loss for the period	\$ (1,180)	\$ (5,830)	\$ (2,657)	\$ (6,414)
Items not effecting cash				
Amortization and depreciation	2,370	1,822	4,555	3,755
Write-off of Farim project	-	4,612	-	4,612
Accretion of asset retirement obligation	90	-	180	139
Minority Interest	(22)	68	(130)	300
Stock based compensation	-	993	828	2,241
	<u>1,258</u>	<u>1,665</u>	<u>2,776</u>	<u>4,633</u>
Net changes in non-cash working capital items				
Accounts receivable and prepaid expenses	3,064	(812)	3,505	(1,447)
Inventories	(674)	(3,051)	882	(4,922)
Accounts payable and accrued liabilities	(584)	783	(4,885)	2,718
	<u>3,064</u>	<u>(1,415)</u>	<u>2,278</u>	<u>982</u>
Cash flows used in investing activities				
Mineral properties and related expenditures	(3,117)	(2,307)	(6,375)	(5,880)
Purchase of property, plant & equipment	(1,564)	(2,468)	(1,770)	(4,371)
	<u>(4,681)</u>	<u>(4,775)</u>	<u>(8,145)</u>	<u>(10,251)</u>
Cash flows from financing activities				
Common shares issued, net	3,795	11,497	3,863	21,205
Special warrants issued	65,033	-	65,033	-
Debt repayments	(2,775)	(8,341)	(3,975)	(9,541)
	<u>66,053</u>	<u>3,156</u>	<u>64,921</u>	<u>11,664</u>
Increase (decrease) in cash	64,436	(3,034)	59,054	2,395
Cash, beginning of the period	<u>2,182</u>	<u>18,072</u>	<u>7,564</u>	<u>12,643</u>
Cash, end of the period	<u><u>66,618</u></u>	<u><u>15,038</u></u>	<u><u>66,618</u></u>	<u><u>15,038</u></u>
<u>Supplemental Schedule of Non-Cash Transactions:</u>				
Accrued mineral property expenditure	\$ 745	\$ -	\$ -	\$ -

See accompanying notes to interim consolidated financial statements

RED BACK MINING INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 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 producing 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%. 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.
- 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 January 1, 2007

- 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.

3. Inventories

	June 30, 2007	December 31, 2006
Stockpile ore	\$ 4,594	\$ 4,300
Gold in Circuit	943	2,649
Materials and supplies	4,678	5,104
Bullion on Hand	956	-
	<u>\$ 11,171</u>	<u>\$ 12,053</u>

4. Property, Plant and Equipment

	June 30, 2007			December 31, 2006		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Plant & Equipment	\$ 3,025	\$ 1,165	\$ 1,860	\$ 1,686	\$ 705	\$ 981
Motor Vehicles	1,739	1,118	621	1,739	858	881
Construction in Progress	3,083	-	3,083	2,423	-	2,423
Buildings	247	54	193	247	42	205
	<u>\$ 8,094</u>	<u>\$ 2,337</u>	<u>\$ 5,757</u>	<u>\$ 6,095</u>	<u>\$ 1,605</u>	<u>\$ 4,490</u>

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
Exploration and evaluation costs	2,724	393	3,117
Amortization	(2,114)	-	(2,114)
Balance, June 30, 2007	<u>\$ 99,489</u>	<u>\$ 8,259</u>	<u>\$ 107,748</u>

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:

	June 30, 2007	December 31, 2006
Loan payable	\$ 19,425	\$ 23,400
Current portion	(11,100)	(16,700)
	<u>\$ 8,325</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 June 30, 2007 deliveries of gold into the flat forward contracts has totaled 133,500 ounces.

The total outstanding principal of the corporate facility at June 30, 2007 is \$19.4 million. Interest totaling \$5.3 million has been paid or accrued to June 30, 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. Remaining scheduled principal payments on the loan payable are now as follows:

12 Months Ended	
June 30	Amount
2008	\$ 11,100
2009	8,325
	<u>\$ 19,425</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	97,775,946	101,944
Issued on exercise of warrants	625,000	1,125
Issued on exercise of options	1,445,000	2,670
Fair value of options exercised (i)	-	1,231
Balance, June 30, 2007	<u>99,845,946</u>	<u>\$ 106,970</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 12,000,000 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 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 June 30, 2007 and December 31, 2006 and changes for the periods ending on those dates are outlined in the table below:

	Period ended June 30, 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	3,463,333	2.34	3,473,333	2.31
Granted	600,000	4.29	250,000	3.26
Exercised	<u>(1,480,000)</u>	2.05	<u>(260,000)</u>	2.81
Balance, end of period	<u>2,583,333</u>	3.30	<u>3,463,333</u>	2.34

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>
Balance – March 31, 2007	6,206
Fair value of options exercised (Note 7a)	<u>(1,231)</u>
Balance – June 30, 2007	<u>4,975</u>

- (d) As at June 30, 2007, the following non-transferable share purchase warrants were outstanding:

Expiry Date	Exercise Price (C\$)	Balance, December 31, 2006	Granted / (exercised)	Balance, June 30, 2007
26 July 2007	\$2.00	1,975,000	(625,000)	1,350,000

- (e) On May 10, 2007 (the "Closing Date") the Company closed a private placement ("the Offering") 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, were released to the Company during the quarter ended June 30, 2007 and will be used for general corporate and working capital purposes. The Special Warrants have been separately disclosed in the Interim Consolidated Balance Sheets as at June 30, 2007.

The Subscription Receipts and proceeds from their sale have not been recorded as assets or equity of the Company as at June 30, 2007. 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, were deposited with an escrow agent to be released upon satisfaction of the Release Conditions and to be used to fund the acquisition of the Tasiast Project and for general corporate and working capital purposes. If the Release Conditions were not met on or prior to the date which is 90 days following the Closing Date, the proceeds for the sale of the Subscription Receipts would have been returned in full to the holders and the Subscription Receipts would have been cancelled.

The Release Conditions were met subsequent to June 30, 2007 and both the Special Warrants and Subscription Receipts were converted into 69,444,000 common shares and the C\$300 million was released to the Company from escrow.

8. 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 Oswald. 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 Oswald. 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 Oswald.

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

9. Related Party Transactions

Transactions for the six months ended June 30, 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 June 30, 2007, \$nil was due to this company.
- (b) Paid \$0.01 million (2006: \$0.04 million) to a firm related to a director for legal services. At June 30, 2007, \$0.02 million was due to this firm.
- (c) Paid \$0.1 million (2006: \$0.1 million) to a company controlled by a director for management services. At June 30, 2007, \$nil was due to this company.

10. Segmented Information

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

11. 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 June 30, 2007 the remaining commitment totaled 266,500 ounces.

12. Subsequent Events

On August 2, 2007, The Company exercised its option to acquire a 100% interest in the Tasiast gold mine and significant exploration acreage located in Mauritania, West Africa, from Lundin Mining Corporation. The Company paid the purchase price (US\$225 Million) to Lundin, paid out the Tasiast debt facility (US\$42.5 million plus US\$0.3 million interest) and retired the gold hedging structure (US\$10.1 million). The proceeds from the Subscription Receipts were used to fund this acquisition.

The Special Warrants and Subscription Receipts were converted to 69,440,000 common shares on satisfaction of the Release Conditions.

**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

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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