

RED BACK MINING INC.



Third Quarter Report

March 31, 2006

RED BACK MINING INC.
Third Quarter Report
For the Period Ending March 31, 2006

Report to Shareholders

Chirano Gold Mine

Since commencement of production in October 2005 to the end of the third quarter period, the Company's Chirano Gold Mine produced 59,235 ounces of gold. The financial position of the Company is strong with US\$18 million in cash, cash flow from Chirano and project debt having already been reduced from US\$43 million to US\$37.5 million.

The first six month's of operations for a new mining project is generally a period of challenges. Chirano is no exception. In this past quarter the Chirano operations team have faced and addressed a number of issues which have negatively impacted on gold production. These were:

- Conservation of process water was required due to the construction timing of the water storage facility (WSF) not capturing a full wet season;
- Initially negative grade reconciliations at the Tano deposit due to insufficient drill density close to surface as a result of topographic access limitations;
- Failure of a SAG Mill drive motor late in the quarter.

In spite of these setbacks the March 2006 quarter saw Chirano produce 28,988 ounces against a budget of 34,575 ounces, a deficit of only 16%. This production deficit was offset by a strengthening gold price which minimized cash flow losses for the quarter against budget.

By quarter end the Chirano process plant was again running above design throughput rates, grades at the Tano deposit are improving, and the onset of the wet season as well as an additional lift on the WSF has been completed and will resolve water supply issues for the remaining life of the mine. Management is confident that much of the lost production from this quarter will be made up by the end of 2006.

Exploration

This quarter saw outstanding exploration results from drilling at the Akwaaba deposit, located 5 kilometres to the south of the Chirano plant site. Drilling at Akwaaba is targeting a high grade, north plunging structure that is increasing in grade and width at depth. The underground potential of Akwaaba continues to expand with each drill program. Drilling is being accelerated to establish a resource assessment and scoping study on a shallow underground operation at Akwaaba. Highlights of the drilling to date at Akwaaba include:

Hole ID	From (m)	To (m)	Interval (m)	Grade (g/t Au)
CHRC316	78	93	15	5.2
incl			4	11.9
CHRC540	81	96	15	10.7
incl			6	25.5
CHRC702	115	130	15	14.3
incl			6	31.3
CHRC713D	200.7	210.1	9.4	4.5
incl			2	12.1
	224	246	22	7.7
incl			5	17.5
CHRC727D	284.8	291.7	6.9	8.0
	308.8	318	9.2	6.2
	320	338	18	5.4
CHRC728D	158.5	174.3	15.8	15.2
incl			5.5	31.2
CHRC733D	269	279.2	10.2	7.7

Hole ID	From (m)	To (m)	Interval (m)	Grade (g/t Au)
Incl			5	13.2
	298	324	26	13.2
Incl			10	23.5
CHRC734D	420	433	13	63.5

The exceptional success at Akwaaba suggests the real potential for the discovery of high grade mineralization under the other 10 surface deposits which currently compromise the Chirano Mine. Drilling to test this potential will commence in this next quarter.

At the Abodoabo prospect located 5 kilometres north of Chirano, the Company completed a first pass reverse circulation drilling program confirming a new mineralized zone discovered from a trenching program. The Company drilled 1,534 metres in 11 holes establishing a strike length of 750 metres on 100 metre spaced section lines. Mineralisation is hosted by sheared phyllitic sediments just east of the main Birimian volcanic-sediment contact in a similar structural setting to the Bibiani gold mine (historical production +4 million ounces) owned by AngloGold Ashanti, 15 kilometres to the north. Drilling will re-commence at Abodoabo in the fourth quarter towards an initial resource definition.

Encouraging results were also received at the Boin Valley West target at the Enchi Project, located 80 kilometres south of Chirano. Drilling to date has targeted two mineralized zones, the Main and North Zones, over a combined strike length of 3.9 kilometres. An extensive geophysical program will commence at Boin Valley West in the next quarter to follow up on and orientate recent drilling. The Boin Valley East anomaly (4.5km south east of Boin Valley West) will also be evaluated to test trench results of up to 250 metres of 0.45 g/t gold.

The overall exploration budget for 2006 is U.S. \$5.2 million. The primary focus is to establish an underground high grade resource at Akwaaba, increase reserves at Chirano through a program of infill drilling and to advance the Enchi Project to an initial resource calculation by the third quarter of 2006. Work will also continue on the Company's other regional projects in Ghana to advance targets identified in 2005.

The Company looks forward to continued growth and success in the fourth quarter ahead.

On behalf of the Board,



Richard P. Clark
President and Chief Executive Officer

May 11, 2006

**RED BACK MINING INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION
NINE MONTHS ENDED MARCH 31, 2006
(In 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 nine months ended March 31, 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. The effective date of this MD&A is May 11, 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 as well as a 100% interest in the Farim Phosphate Project in Guinea Bissau.

Chirano is located 21 km to the south of AngloGold Ashanti's Bibiani mine (historical production of 5 million ounces) in the Western Region of Ghana. The Chirano Mining Lease was granted on April 13, 2004. Chirano commenced production in October 2005 and became the first new gold mine in Ghana in recent years. The Company is now the fourth largest gold producer 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.

A revised reserve and resource estimate is currently being prepared utilizing a gold price closer to the market price.

Selected Quarterly Information

Financial Data for 8 Quarters								
Three Months Ended	Mar-06	Dec-05	Sep-05	Jun-05	Mar-05	Dec-04	Sep-04	Jun-04
A. Total revenues (\$000's) (i)	14,262	11,969	28	134	36	22	44	5
B. Net Profit/(loss) (\$000's)	(584)	2,062	(975)	(603)	(1,147)	(998)	(497)	(2,229)
C. Basic and diluted profit/(loss) per share (\$)	(0.01)	0.02	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.04)

Results of Operations

Gold Production

Gold production commenced at Chirano in October 2005. Total production for the quarter ended March 31, 2006 was 28,988 ounces at a cash cost of \$295 per ounce. This production represents 559,846 tonnes of ore processed at a grade of 1.73 g/t and recoveries of 92.3%.

Of the 29,283 ounces sold in the quarter, 18,600 were delivered into a scheduled flat forward sale contract and 10,683 ounces were sold at spot. Average gold price realized was \$484. Total income from gold sales was \$14,262,430.

The result was adversely affected by mechanical problems experienced with the SAG mill at Chirano. Removal to reinstallation of the damaged motor took 31 days which resulted in a reduction in produced ounces for the quarter. Insurance claims are being pursued to minimize the financial effect and may result in a reduction in stated cash costs for the quarter ended March 31, 2006. No receivable has been recorded in respect of these insurance claims.

Final pre-production capital cost for the project was \$74.5 million.

Other items

\$1,074,326 of interest expense has been recognized in the Interim Consolidated Statements of Loss and Deficit for the three months ended March 31, 2006.

Depreciation, Amortization and Accretion charges have increased compared to previous periods as a result of the commencement of operations at Chirano.

Other items in the Interim Consolidated Statements of Loss and Deficit are materially in line with the quarter ended March 31, 2005. Details of Stock based compensation expense are outlined in Note 7(b).

General and administrative costs are associated with the Company's corporate offices.

Liquidity and Capital Resources

At March 31, 2006, the Company had working capital of \$8.9 million as compared to a deficiency in working capital of \$6.9 million at June 30, 2005. 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.

During the nine months ended March 31, 2006, the Company raised \$9.0 million (C\$11.9 million) through the sale of 7 million units at C\$1.70 each. The units comprise one share and one-half of a share purchase warrant. Each whole warrant is exercisable over a period of two years into one common share at a price of C\$2.00 per share.

The Company raised a total of \$27.0 million through the exercise of 14,899,696 share purchase warrants. Of these, 9,743,333 warrants had been exercised for total proceeds of \$17.5 million in response to a reduction in the exercise price as detailed below.

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 of C\$2.10. 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. The reduced exercise price was available for five days ending November 1, 2005.

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

The net proceeds from the warrant exercise have been and will be used by the Company for post production development activities at Chirano, exploration of its mineral properties in Ghana and for general working capital and corporate purposes.

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 totaling US\$43 million (including a US\$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 2.25%.

As a condition of the debt financing, the Company put in place downside gold price protection such that 400,000 ounces are protected at a minimum gold price of US \$400 per ounce. The Company entered into a flat forward hedging structure with 400,000 ounces sold forward at US\$440.30 per ounce. This structure satisfies the entire price protection requirement of the loan facilities. As at March 31, 2006 deliveries of gold into the flat forward contracts has totaled 32,900 ounces.

At first draw down, the Company issued to Macquarie 1,000,000 share purchase warrants exercisable at C\$2.25 on or before December 13, 2007. Upon drawdown of the US\$10 million standby facility during the current quarter, additional warrants were issued to Macquarie entitling it to acquire up to a further 3,450,000 common shares at a price of C\$2.25 each for a period of three years from the date of issuance. Funds received from the exercise of such warrants will be applied against outstanding principal under the credit facilities.

Total expenditure capitalized at Chirano for the nine months ended March 31, 2006 was \$18,719,545 including exploration expenditures of \$1,339,266, development costs of \$13,876,700, capitalized interest of \$595,895 and deferred mining costs of \$2,907,684.

The Company will continue to incur capital expenditures at Chirano in line with the development plan. Capital expenditures will be accrued when incurred and capitalized as part of Mine properties.

Exploration expenditures incurred on the Company's other Ghanaian projects for the nine months ended March 31, 2006 totaled \$3,189,848. These costs relate to the continuing exploration and evaluation of these projects. In the event that exploration results lead to the conclusion that economic operations will not be attained on individual projects then capitalized costs associated with that project will be written-off. There were no such write offs in the quarter ended March 31, 2006.

Expenditures incurred and capitalized on the Farim project in Guinea-Bissau during the nine months ended March 31, 2006 were \$80,577. Farim project expenditures were mainly related to care, maintenance and consulting costs.

Related Party Transactions

The Company's transactions with related parties are disclosed in Note 8 of the unaudited interim consolidated financial statements.

Outstanding Share Data

As at May 11, 2006, the Company had 92,630,946 common shares issued and outstanding and 3,423,333 share options outstanding under its stock-based incentive plan. At the same date, the Company had 6,925,000 share purchase warrants outstanding.

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 to become a significant new West African gold producer and developer.

The recent outstanding 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.

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 United States Dollars)
(Unaudited)

	March 31, 2006 (Unaudited)	June 30, 2005 (Audited)
ASSETS		
Current Assets		
Cash	\$ 18,072,062	\$ 6,578,190
Accounts receivable	6,211,886	1,013,627
Inventories (Note 3)	7,901,097	987,505
Prepaid expenses	589,244	416,768
	32,774,289	8,996,090
Property, plant and equipment, Net (Note 4)	4,447,145	2,029,626
Mineral properties and related expenditures (Note 5)	103,064,071	84,730,401
	\$ 140,285,505	\$ 95,756,117
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 11,523,284	\$ 12,065,370
Current portion of loan payable (Note 6)	12,350,000	3,800,000
	23,873,284	15,865,370
Non Current Liabilities		
Loans Payable (Note 6)	25,191,034	29,200,000
Asset Retirement Obligations	5,889,981	5,607,614
	54,954,299	50,672,984
Minority Interest (Note 2)	502,912	-
SHAREHOLDERS' EQUITY		
Share capital (Note 7)		
Authorized -		
Unlimited common shares without par value		
Issued and outstanding -		
92,055,946 (June 2005 – 69,393,034) common shares	91,177,125	53,106,936
Contributed Surplus and other	2,991,930	1,820,244
Deficit	(9,340,761)	(9,844,047)
	84,828,294	45,083,133
	\$140,285,505	\$ 95,756,117

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 PROFIT/(LOSS) AND DEFICIT
(in United States Dollars)
(Unaudited)

	Three months ended March 31		Nine months ended March 31	
	2006	2005	2006	2005
Gold Sales	\$ 14,262,430	-	\$ 26,198,365	-
Costs and expenses				
Operating	8,627,311	-	14,541,225	-
Depreciation and amortization	1,920,344	-	3,663,960	-
Accretion	139,800	-	282,367	-
Royalties	481,228	-	960,851	-
Profit from operations	3,093,747	-	6,749,962	-
Interest and bank charges	1,074,326	285	1,672,302	835
Depreciation	11,893	11,666	37,321	39,773
General and administrative	1,181,792	1,247,857	2,141,695	2,585,042
Stock based compensation	1,247,931	64,186	1,922,037	182,609
Foreign exchange loss	16,218	(49,830)	118,353	25,057
Interest income	(86,768)	(36,518)	(147,944)	(102,234)
Gain on disposal of investment	-	(90,562)	-	(90,562)
	3,445,392	1,147,084	5,743,764	2,640,520
Profit (loss) for period before minority interest	(351,645)	(1,147,084)	1,006,198	(2,640,520)
Minority Interest (Note 2)	232,097	-	502,912	-
Profit (loss) for the period after minority interest	(583,742)	(1,147,084)	503,286	(2,640,520)
Deficit, beginning of the period	(8,757,019)	(8,102,044)	(9,844,047)	(6,608,608)
Deficit, end of the period	<u>\$ (9,340,761)</u>	<u>\$ (9,249,128)</u>	<u>\$ (9,340,761)</u>	<u>\$ (9,249,128)</u>
Basic and diluted profit/(loss) per common share	<u>\$(0.01)</u>	<u>\$(0.02)</u>	<u>\$0.01</u>	<u>\$(0.04)</u>
Weighted average number of shares outstanding	<u>89,185,946</u>	<u>64,002,360</u>	<u>82,179,753</u>	<u>64,004,574</u>

See accompanying notes to interim consolidated financial statements

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

	Three months ended March 31		Nine months ended March 31	
	2006	2005	2006	2005
Cash flows from(used in) operating activities				
Profit (loss) for the period	\$(583,742)	\$(1,147,084)	\$503,286	\$(2,640,520)
Items not effecting cash				
Minority Interest	232,097	-	502,912	-
Amortization and depreciation	1,932,237	11,666	3,701,281	39,773
Stock based compensation	1,247,931	64,186	1,922,037	182,029
Gain on disposal of investments	-	(90,562)	-	(90,562)
Accretion	139,800	-	282,367	-
	<u>2,968,323</u>	<u>(1,161,794)</u>	<u>6,911,883</u>	<u>(2,509,280)</u>
Net changes in non-cash working capital items				
Accounts receivable and prepaid expenses	(635,152)	(820,889)	(5,370,735)	(1,100,337)
Inventories	(1,871,083)	-	(6,913,592)	-
Accounts payable and accrued liabilities	1,935,544	111,372	(542,086)	612,014
	<u>(570,691)</u>	<u>(709,517)</u>	<u>(12,826,413)</u>	<u>(488,323)</u>
Cash flows (used in) investing activities				
Mineral properties and related expenditures	(3,573,016)	(11,282,099)	(21,241,259)	(30,070,420)
Purchase of property, plant & equipment	(1,903,374)	(332,899)	(2,875,781)	(1,520,155)
Proceeds from sale of investments	-	157,459	-	157,459
	<u>(5,476,390)</u>	<u>(11,457,539)</u>	<u>(24,117,040)</u>	<u>(31,433,116)</u>
Cash flows from financing activities				
Common shares issued, net	9,707,655	21,729	36,984,408	9,715,492
Proceeds from debt	-	12,161,239	10,000,000	17,672,917
Debt repayments	(1,200,000)	-	(5,458,966)	-
	<u>8,507,655</u>	<u>12,182,968</u>	<u>41,525,442</u>	<u>27,388,409</u>
Increase (decrease) in cash	5,428,897	(1,145,882)	11,493,872	(7,042,310)
Cash, beginning of the period	12,643,165	9,231,591	6,578,190	15,128,019
Cash, end of the period	<u>\$18,072,062</u>	<u>\$8,085,709</u>	<u>\$18,072,062</u>	<u>\$8,085,709</u>

Supplemental Schedule of Non-Cash Transactions:

Shares issued for purchase of minority interest	-	-	\$ 335,430	-
Fair value of options exercised	\$ 750,351	-	\$ 750,351	-
Accrued Interest capitalized to mineral properties and related expenditures	\$ -	-	\$ 595,895	-

See accompanying notes to interim consolidated financial statements

RED BACK MINING INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED MARCH 31, 2006
(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 Project ("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 production commenced in October 2005. The Company also holds various other exploration properties in Ghana along with a 100% interest in the Farim Phosphate Project ("Farim") located in Guinea Bissau, West Africa.

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. Minority Interest

As detailed in Note 5, the Company currently holds 100% of Chirano Gold Mines Limited ("CGML"), which owns the Chirano Gold Project. 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%.

Accordingly, the Company has recognized a minority interest of 10% in the retained earnings of CGML. The minority interest totaled \$502,912 for the nine month period ended March 31, 2006.

Prior to the quarter ended December 31, 2005, no minority interest has been recognized as CGML had been in a deficit position.

3. Inventories

	March 31, 2006	June 30, 2005
Stockpile ore	\$ 3,291,086	\$ 958,066
Gold in circuit	\$ 1,437,477	-
Materials and supplies	3,172,534	29,439
	<u>\$ 7,901,097</u>	<u>\$ 987,505</u>

4. Property, Plant and Equipment

	Cost	Accumulated Depreciation	March 31 2006 Net Book Value	June 30, 2005 Net Book Value
Plant & Equipment	3,635,685	417,537	3,218,148	\$ 725,508
Motor Vehicles	1,680,994	520,987	1,160,007	1,228,249
Buildings	92,470	23,480	68,990	75,869
	<u>\$ 5,409,149</u>	<u>\$ 962,004</u>	<u>\$ 4,447,145</u>	<u>\$ 2,029,626</u>

5. Mineral Properties and Related Expenditures

	Chirano Gold Project (Ghana)	Other Projects (Ghana)	Farim Project (Guinea Bissau)	Total
Balance, June 30, 2005	\$ 76,894,095	\$ 3,423,472	\$ 4,412,834	\$ 84,730,401
Exploration and evaluation costs	1,339,266	3,189,848	80,577	4,609,691
Capitalized interest expense	595,895	-	-	595,895
Development expenditure	13,876,700	-	-	13,876,700
Pre-production revenue	(490,432)	-	-	(490,432)
Deferred stripping costs	2,907,684	-	-	2,907,684
Amortization	(3,165,868)	-	-	(3,165,868)
Balance, March 31, 2006	<u>\$ 91,957,340</u>	<u>\$6,613,320</u>	<u>\$4,493,411</u>	<u>\$ 103,064,071</u>

- (i) Included in Mine Development and Exploration for the Chirano Gold project is deferred stripping costs in the amount of \$5,890,031 (June 30 2005 - \$2,982,347).
- (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 \$5,750,181 (June 30 2005 - \$5,607,614).
- (iii) Included Mine Development and Exploration for the Chirano Gold project is interest capitalized on the loans payable during the construction phase of \$1,158,243 (Note 5) (June 30 2005 - \$562,348).

Chirano Gold Project, Ghana

The Chirano project 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 owns a 100% interest in four Mining Leases covering a total area of 30,625 hectares, which comprise the Farim property. The Mining Leases have a term of twenty-five years.

6. Loans Payable

Details are as follows:

	March 31, 2006	June 30, 2005
Loans payable	\$37,541,034	\$ 33,000,000
Current portion	(12,350,000)	(3,800,000)
	<u>\$ 25,191,034</u>	<u>\$ 29,200,00</u>

On September 7, 2004, the Company accepted a credit approved offer from Macquarie Bank Limited ("Macquarie") for financing facilities totaling US\$43 million (including a US\$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 is capitalized prior to commercial production, is payable at LIBOR plus 2.25%.

As a condition of the debt financing, the Company put in place downside gold price protection such that 400,000 ounces are protected at a minimum gold price of US \$400 per ounce. The Company sold 300,000 ounces at US \$404.38 on September 1, 2004 and this position was subsequently rolled into a flat forward hedging structure with 400,000 ounces sold forward at US\$440.30 per ounce. This structure satisfies the entire price protection requirement of the loan facilities. As at March 31, 2006 deliveries of gold into the flat forward contracts has totaled 32,900 ounces.

At first draw down, the Company issued to Macquarie 1,000,000 share purchase warrants exercisable at C\$2.25 on or before December 13, 2007. Upon drawdown of the US\$10 million standby facility during the current quarter, additional warrants were issued to Macquarie entitling it to acquire up to a further 3,450,000 common shares at a price of C\$2.25 each for a period of three years from the date of issuance. Funds received from the exercise of such warrants will be applied against outstanding principal under the credit facilities.

As at March 31, 2006, the Company had drawn down the US\$33 million corporate loan facility and the \$10 million standby facility. Interest totaling \$2,267,402 has been paid or accrued to March

31, 2006. This includes interest totaling \$1,158,243 which was capitalized as part of the Mine Development and Exploration for the Chirano Gold project (Note 5).

In December 2005, the Company made a voluntary prepayment against the standby facility of \$4,258,966 and the first scheduled repayment of \$1,200,000 was made on March 31, 2006.

Scheduled principal payments on the loan payable are as follows:

Year Ended March 31	Amount
2007	12,350,000
2008	17,000,000
2009	8,191,034
	<u>\$ 37,541,034</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:	<u>Number of Shares</u>	<u>Amount</u>
Balance, June 30, 2005	69,393,034	\$ 53,106,936
Issued on private placement (i)	7,000,000	8,993,803
Issued on exercise of warrants (ii)	14,899,696	27,069,680
Issued as consideration for CGML minority interest (iii)	178,883	335,430
Issued on exercise of options	584,333	920,925
Fair value of options exercised (iv)	-	<u>750,351</u>
Balance, March 31, 2006	<u>92,055,946</u>	<u>\$ 91,177,125</u>

- (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\$11,900,000 (US\$8,993,803).
- (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.

On November 2, 2005 the Company announced that 9,743,333 warrants had been exercised in response to the reduced exercise price.

5,010,000 warrants were exercised at from \$2.00 - \$2.25 in the quarter ended March 31, 2006.

- (iii) On November 9, 2005, The Company announced that it had successfully negotiated the purchase of the 5% minority interest in the Chirano Gold Mine. The consideration for the purchase was \$275,000 plus the issuance of 178,883 fully paid common shares in the capital of the Company in escrow, subject to regulatory approval. 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 Chirano with the Government of Ghana holding 10%.
 - (iv) The fair value of options issued has been recorded in contributed surplus, as detailed in Note 7(c). Upon exercise of options the pro-rata fair value is recognized in issued share capital and the contributed surplus is reduced accordingly. In the period ended March 31, 2006, options exercised for the nine months ended March 31, 2006 have been so recognized.
- (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 issued and outstanding share capital of the Company as at April 14, 2004. 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 vesting of options is at the discretion of the Board.

Incentive stock options outstanding at March 31, 2006 are outlined in the table below:

	Number of Options	Exercise Price (C\$)	
Expiring 2 June 2007	1,265,000	\$2.00	
Expiring 23 November 2007	150,000	\$2.00	
Expiring 25 November 2007	83,333	\$1.46	(i)
Expiring 12 January 2008	75,000	\$2.00	
Expiring 7 August 2008	200,000	\$2.00	
Expiring 29 September 2008	400,000	\$2.10	
Expiring 13 December 2008	150,000	\$2.30	
Expiring 14 February 2009	1,000,000	\$2.67	(ii)
	<u>3,323,333</u>		

- (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 March 31, 2006, has been estimated using an option-pricing model.

During the period, the Company issued to directors, officers, and employees 1,000,000 options with an exercise price of \$2.67 per option. The fair value of stock option compensation is \$1,247,931, 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 4.8%, expected volatility of 76%, 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 and other are as follows:

Balance – June 30, 2005	\$ 1,820,244
Fair value of stock-based compensation (Note 7b)	1,922,037
Fair value of options exercised (Note 7a)	<u>(750,351)</u>
Balance – March 31, 2006	<u>\$ 2,991,930</u>

- (d) As at March 31, 2006, the following non-transferable share purchase warrants were outstanding:

<u>Number of Warrants</u>	<u>Common Share Entitlement</u>	<u>Exercise Price (C\$)</u>	<u>Expiry Date</u>
1,000,000	1,000,000	\$2.25	December 13, 2007
1,725,000	1,725,000	\$2.25	July 18, 2008
3,000,000	3,000,000	\$2.00	July 26, 2007
862,500	862,500	\$2.25	October 15, 2008
862,500	862,500	\$2.25	October 27, 2008
<u>7,450,000</u>	<u>7,450,000</u>		

8. Related Party Transactions

Transactions for each of the nine month periods ended March 31, 2006 and March 31, 2005 respectively and period end balances with related parties not disclosed elsewhere in these financial statements are as follows:

- (a) Paid \$739,245 (2005: \$150,377) for management services provided by a company related to the President of the Company. At March 31, 2006, \$nil was due to this company.
- (b) Paid \$58,205 (2005: \$82,632) to a firm related to a director for legal services. At December 31, 2005, \$16,019 was due to this firm.
- (c) Paid \$61,711 (2005: \$93,876) to a company controlled by a director for management services. At December 31, 2005, \$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 Project.

10. Contingencies and Commitments

- (a) The Company has signed a number of contracts relating to development and operations of the Chirano gold mine in Ghana. Under the most material of the contracts, the Company will have to pay \$5,000,000, \$3,500,000, \$2,000,000 or \$1,000,000 if the contract is cancelled in the first, second, third or a fourth year respectively.
- (b) As detailed in Note 5, The Company has entered into a flat forward hedging structure with 400,000 ounces sold forward at US\$440.30 per ounce. The Company has delivery commitments relating to these flat forwards which commenced in December 2005 and continue on a quarterly basis until March 2011 at an average of 18,182 ounces per quarter. As at March 31, 2006 the remaining commitment totaled 367,100 ounces.

11. Subsequent Events

Subsequent to March 31, 2006 an additional 50,000 options and 525,000 warrants were exercised for total proceeds of \$990,000, increasing the issued and outstanding capital of the Company to 92,630,946 shares.

**RED BACK MINING INC.
CORPORATE DIRECTORY
MARCH 31, 2006**

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

AUDITORS

Staley, Okada & Partners
Vancouver, British Columbia, Canada

BANKERS

Canadian Imperial Bank of Commerce
Vancouver, British Columbia, Canada

Macquarie Bank Limited
Perth, Western Australia, Australia

LEGAL COUNSEL

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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