

**REVETT MINERALS INC.**

**REPORT TO THE SHAREHOLDERS**

**FOR THE THREE MONTHS ENDING MARCH 31, 2007**

**(unaudited)**

**(Prepared by Management)**

## **REVETT MINERALS INC.**

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statement have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entities auditor.

## **REVETT MINERALS INC: FIRST QUARTER 2007: MANAGEMENT'S DISCUSSION and ANALYSIS at May 10, 2007.**

This Management's Discussion and Analysis ("MD&A") of the financial results of Revett Minerals Inc. ("Revett Minerals" or the "Company") for the first quarter of the 2007 calendar year should be read in conjunction with the unaudited interim financial statements and notes as at March 31, 2007 which form part of this report. In addition, this MD&A and related financial statements should be read in conjunction with the 2006 audited consolidated financial statements dated at March 2, 2007, the related Management's Discussion and Analysis, and the Annual Information Form as well as other information related to Revett Minerals on file with Canadian provincial securities regulatory agencies and on SEDAR at [www.sedar.com](http://www.sedar.com). These financial statements are expressed in United States dollars, unless otherwise stated, and they are prepared in accordance with Canadian generally accepted accounting principles.

Some of the statements in this MD&A are forward looking statements that are subject to risk factors set out in the cautionary note contained in this MD&A.

### **Overview and Achievements for the Quarter Ending March 31, 2007**

The Company's principal assets consist of a 67% interest in the Troy copper and silver mine ("Troy") in northwest Montana, USA and also a 67% interest in the undeveloped Rock Creek copper and silver development project ("Rock Creek") also located in northwest Montana. Troy was placed back into commercial production by the Company in January, 2005.

As discussed in more detail later in this report, substantial production gains were realized during the first quarter of 2007.

*The major highlights for the quarter ending March 31, 2007, included:*

- *Troy achieved record mill throughput averaging 3,891 tons per day;*
- *Troy attained record production of 3.3 million pounds of copper and 359,134 ounces of silver;*
- *The Company initiated the "Troy Complex" exploration program outside of the existing Troy ore body;*
- *Ore reserves based upon ore tons increased by 10% over the level of proven and probable reserves of the previous year;*
- *Agent compensation warrants exercisable at (Cdn) \$1.20 per share for 1,293,615 common shares were exercised this quarter realizing (Cdn) \$1,552,338; and*
- *The Company reported net income of \$301,000 or \$0.00 per share.*

### **Overall Performance**

On a stand alone basis, Troy (100% basis) reported net income before taxes for the three month period ending March 31, 2007 of approximately \$3.0 million compared to net income before taxes of \$1.4 million for the first three months of 2006. Only 67% of these earnings are attributable to the shareholders of Revett Minerals because of the non controlling shareholdings in Revett Silver. For the three month period ending March 31, 2007 Revett Minerals reported net earnings after taxes and non-controlling interest of \$301,000 or \$0.00 per share compared to net

income after taxes and non-controlling interest of \$26,000 or \$0.00 per share for the first quarter of 2006.

### **Results of Operations for the Three Months Ended March 31, 2007 Compared to the Same Period in 2006.**

#### ***Operating Results:***

The table below illustrates certain key operating statistics for Troy (100% basis) for the three months ended March 31, 2007, with a comparison to the same three month period in 2006.

	<u>Three Months Ended March 31, 2007</u>	<u>Three Months Ended March 31, 2006</u>
<b>Tons milled</b>	350,180	282,801
<b>Tons milled per day</b>	3,891	3,142
<b>Copper grade (pct)</b>	0.54	0.44
<b>Silver grade (opt)</b>	1.15	1.12
<b>Copper recovery (pct)</b>	87.1	81.7
<b>Silver recovery (pct)</b>	88.9	84.8
<b>Copper produced (lbs)</b>	3,302,352	2,026,697
<b>Silver produced (ozs)</b>	359,134	265,321

The increase in mill throughput, an increase in the copper grade of ore mined together with the recovery in copper and silver prices are the most significant factors affecting the Company's first quarter operating and financial results. During the last six months of 2006, the management of Troy initiated a number of productivity enhancement programs with the objective of increasing the efficiency of the underground mining operations. At Troy, the bottleneck to production has traditionally been the inability of the mine to deliver ore to the mill. These productivity improvement programs included: (i) increased supervisory training, (ii) improvements in communication at shift changes, (iii) improved training of the workforce on operating the jumbo drills, (iv) more emphasis on maintenance planning, and (v) short term mine planning aimed at improving cycling efficiencies. We believe the production improvements noted in the table above are indications of the benefits of the productivity programs implemented last year. The table below illustrates the tangible results of these programs.

	<b>Q1.07</b>	<b>Q4.06</b>	<b>Q3.06</b>	<b>Q2.06</b>	<b>Q1.06</b>
Tons milled	350,180	206,614	227,093	228,275	282,801
Cost per ton milled (\$)	21.77	31.88	26.56	25.72	20.16

When comparing the results for the first quarter of 2007 to the results of the first quarter of 2006, the reasons for the increase in mill throughput are as previously discussed. In addition the grade of ore milled improved as ore grades reverted to the more normal life-of-mine plan grades. This was a function of the underground operations increasing ore development with a corresponding increase in the number of active mining areas. Another important benefit that Troy realized was a material increase in the recovery of both copper and silver in the mill, which was a function of the more normal mill throughput and specific efforts to enhance recoveries. All of these factors combined resulted in the record level of production and metal sales during the first quarter of 2007.

### ***Financial Results:***

- a) *Revenue:* In the first quarter of 2007, revenues were \$10.7 million, an increase of \$3.3 million or 44% over the sales attained in the first quarter of 2006. The improved sales revenue was a function of both higher metal prices and improved sales volumes arising from the higher production levels. During the first quarter of 2007, copper and silver prices averaged \$2.69 per pound and \$13.31 per ounce, respectively. These price levels were higher than the first quarter of 2006 average prices of \$2.24 per pound and \$9.69 per ounce, for copper and silver respectively. In terms of production, mill throughput during the first three months of 2007 averaged 3,891 tons per day compared to 3,142 tons per day for the same period in 2006. Also contributing to the higher production were higher ore grades for both copper and silver and improved metal recoveries for both metals. As a result copper production increased by 63% and silver production increased by 35%. Because of the improved metal production, the Company recognized revenue on the delivery of approximately 2.5 million pounds of payable copper and approximately 303,500 ounces of payable silver in the first quarter of 2007. Comparable sales in the first quarter of 2006 were 1.7 million pounds of copper and 230,300 ounces of silver. This represents an increase of 47% for copper and 32% for silver.
- b) *Cost of Goods Sold:* The operating costs associated with the first quarter 2007 production were \$7.6 million, an increase of \$1.6 million (27%) over the same period in 2006. Increased production resulted in higher costs. Costs also increased because of higher labor costs (due to more people and higher wages), increased parts and supplies costs, increased equipment rental costs and an increase in property and state mining taxes (the latter being a direct function of metal sales). On an operating cost basis the cost per ton milled (calculated as mining costs per ton milled plus milling costs per ton milled plus mine indirect costs per ton milled) fell to \$21.77 per ton from \$31.88 per ton in the fourth quarter of 2006. In the first quarter of 2006, operating costs per ton milled were \$20.16 per ton.
- c) *Depreciation and amortization:* For the first quarter of 2007, these non cash charges were \$28,000 less than the comparable quarter of 2006. In spite of an increase in depreciable capital on a year over year basis, the depreciation charge actually fell. The majority of the plant and equipment at Troy are depreciated using the units-of-production method and the increase in the ore reserves reported at year end 2006 resulted in a lower per ton charge.
- d) *Exploration and development:* This expense increased by \$158,000 over the comparable period in 2006 because Troy initiated its underground exploration program during the first quarter of 2007. Rock Creek spending was essentially unchanged between 2007 and 2006.
- e) *General and administration costs:* The year over year increase in corporate administration costs were a function of higher salaries, increased stock option expenses and an increase in auditing and consultancy expenditures. The consultancy spending was associated with programs related to internal control over financial reporting functions.
- f) *Accretion of reclamation and remediation liability:* The increase of \$124,000 was a result of the increase in the expected operating life of Troy.

- g) *Income from operations:* The improved performance at Troy contributed to \$985,000 increase in income from operations.
- h) *Other Expenses:* Interest income, net of interest expense and other costs, decreased marginally in 2007 compared to 2006. While interest income rose by \$209,000, interest expense related to the Royal Gold production payment increased by \$129,000. In addition, the first quarter adoption of CICA Section 3855 resulted in an additional charge of \$33,000 which was not recognized in 2006.
- i) *Income taxes:* The increase of \$376,000 in income taxes reflects the income tax liability expected on Troy's earnings, which previously were sheltered by net operating loss carry forwards.
- j) *Non-controlling interest:* The non-controlling interest charge of \$475,000 reflects the after tax share of Revett Silver's earnings attributable to the class B shareholders of Revett Silver, and this charge increased because of the improved performance of Troy.
- k) *Net earnings:* Because of the improved performance of Troy, the Company's net income increased from \$25,000 in the first quarter of 2006 to \$301,000 in 2007.

#### Summarized Financial Results by Quarter 2005 to 2007

	2007	2006				2005			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Cu Prod'n (million lbs)	3.3	1.4	1.9	1.9	2.0	2.1	1.7	2.4	2.5
Ag Prod'n (000's ozs)	359	175	239	238	265	271	220	302	303
Total Sales (000's \$)	10,716	4,041	8,406	11,497	7,438	6,491	4,904	9,741	nil
Net Income (000's \$)	301	(4,806)	773	2,276	26	(8)	(1,155)	(849)	(289)
EPS- Basic (\$)	0.00	(0.07)	0.01	0.04	0.00	(0.00)	(0.02)	(0.01)	(0.01)
EPS- fully diluted (\$)	0.00	(0.07)	0.01	0.04	0.00	(0.00)	(0.02)	(0.01)	(0.01)
Cash & Cash Equivalents (000's \$)	18,027	19,862	9,699	4,276	3,574	4,609	5,850	9,749	19,416
Total Assets (000's \$)	94,225	94,203	87,289	86,337	82,618	83,728	82,806	84,099	87,121
Total liabilities (000's \$)	33,111	35,545	34,097	34,247	33,665	35,513	34,985	34,690	36,688
Total Equity (000's \$)	52,115	50,134	43,722	42,949	40,648	40,004	40,114	40,468	41,112

## Financing Activities

During the first quarter of 2007 the Company did not enter into any financing arrangements, however, in April and early May the Company acquired an additional rock bolter and a second jumbo drill, both through capital lease arrangements. The jumbo drill had previously been on a month to month rental basis. As of the date of this report, Revett Silver had entered into the following contractual financial obligations (in thousands of USD):

<b>Contractual Debt Obligations</b>	<b>Amount outstanding (long-term portion)</b>	<b>Repayment schedule</b>	<b>Current portion (at March 31, 2007)</b>	<b>Comments</b>
Long term note	nil	Interest only, due in February 2008	\$6,000	Interest at prime plus 1%
Royalty obligation	\$2,242	7% of gross metal value; maximum \$10.5 million	\$3,168	Amount varies with production and metal prices
Capital lease obligations	\$669	Monthly	\$973	Fixed payments
Operating lease (rail cars)	\$1,519	Monthly	\$303	Fixed payments
Term loan	\$46	Monthly for 36 months	\$532	Fixed payments
<b>Totals</b>	<b><u>\$4,476</u></b>		<b><u>\$10,976</u></b>	

## Liquidity and Capital Resources

The Company continues to be in a good working capital position. At the end of March 2007, there was \$15.3 million of working capital compared to \$19.1 million at the end of December 31, 2006. The reclassification of the Kennecott note to a current liability was the reason for the reduction in working capital. This working capital includes cash and cash investments of \$18 million and short term cash investments of \$4.4 million. The Company also has restricted cash of \$7.1 million relating to its funding of the reclamation obligations at Troy. Long term debt totals \$2.5 million. Of this amount \$2.2 million is a production royalty payable only from production from Troy. The long term portion of equipment leases and a term loan totals \$0.3 million. The Company anticipates that it will be able to commence the evaluation program at Rock Creek in the near future. Such activity will require the expenditure of a considerable sum of money over the next twelve months. The Company believes it has sufficient cash to fund the Rock Creek program as presently envisaged.

## **Outlook**

As previously discussed, the Company has expended considerable efforts in improving the productivity of the underground mining workforce and management believes improvements are being realized. Mine production during the first quarter of 2007 approximated budgeted levels and the mine is on target to produce approximately 2 million ounces of silver and 16 million pounds of copper in concentrate in 2007. If metal prices remain at current levels and the budgeted production levels and costs are realized, Troy's earnings and cash flow would improve significantly in 2007 over the levels achieved in previous years. The Company will continue to work aggressively to advance the Rock Creek permits and it has initiated its previously announced exploration activities at Troy which, if successful, could lead to a further extension of the operating life of Troy.

## **Off Balance Sheet Arrangements**

During 2002, Kennecott and Revett Silver agreed to amend the February 21, 2000 Asset Purchase and Sale Agreement pursuant to which Revett Silver acquired Kennecott's interest in Troy and Rock Creek. Among other things, the amendment granted Kennecott the right to acquire a 2% net smelter return royalty from the sale of metals from a defined area of the Company's Rock Creek property at any time until the later of: (i) one year after Rock Creek achieves 80% of designed commercial production capacity or, (ii) December 31, 2015. The amendment requires Kennecott to surrender the 2,250,000 shares of Revett Silver's common stock previously issued as part of the original Purchase and Sale Agreement in exchange for this royalty. The royalty terminates upon Kennecott's recovery of \$8 million in total royalty payments, plus an adjustment related to changes in the consumer price index.

In October 2004, Revett Silver sold Royal Gold 1,333,333 common shares for gross proceeds of \$1.0 million. Royal Gold has the right to convert these common shares into a perpetual, non-participating 1% net smelter return royalty from production from Rock Creek. This conversion must be made within a specified period of time after the Company makes a decision to develop Rock Creek. This agreement also gives Royal Gold the right to assume certain obligations with respect to the Kennecott note payable if the Company is in default of that note. If Royal Gold assumes the Kennecott note, Royal Gold will have the right to convert the note and interest owing into a 3% net smelter return royalty or into common shares of the Company.

## **Related Party Transactions**

There were no related party transactions during the first quarter of 2007 and for all of 2006.

## **Proposed Transactions**

In accordance with the Agreement and Plan of Reorganization approved by the shareholders of Revett Silver, Revett Silver anticipates it may either redeem for cash or exchange for common shares of Revett Minerals up to \$1.0 million worth of Class B common shares of Revett Silver per quarter. This exchange is predicated upon the introduction of the regulations for Section 7874 of the United States Internal Revenue Code.

## **Principal Risks and Uncertainties**

In June 2005 certain environmental groups sued the U.S. Forest Service, among others, over its granting of the Record of Decision (“ROD”) approving the development of Rock Creek. The Company has been granted intervener status in this dispute. This action was stayed pending the issuance of the revised biological opinion. The Company is not aware whether or not this suit will be reactivated now that a favorable biological opinion has been received.

In 2002, a judicial challenge was filed against the Montana Department of Environmental Quality (“MDEQ”) challenging the water discharge permits granted in the Record of Decision which approved the Rock Creek Project. The court has required the MDEQ to re-examine the granting of a portion of this permit as the discharge relates to the tailing facility. The Company and the DEQ were in the process of reapplying for this discharge permit when the court ruled.

In February 2007, Earthjustice, a Washington D.C. environmental organization, advised the United States Fish and Wildlife Service (“USFWS”) that if the USFWS did not initiate re-consultation on the biological opinion, it would commence legal action against the USFWS. The Company believes that this action was taken by Earthjustice because the scientific determination of the USFWS that the Rock Creek Project should proceed was in contradiction to Earthjustice’s goal of stopping the project. At about the same time, the Confederated Salish and Kootenai Tribes of the Flathead Nation advised the United States Forest Service (“USFS”) that it believed that the consultation by the USFS on cultural resources was inadequate.

The USFS has advised the Company that re-initiation of consultation was the most expedient and economical method of defending the conclusions reached in the biological opinion. Furthermore, the Company was advised that this re-consultation should be completed in 60 to 90 days which would be before the work on the evaluation audit was scheduled to commence. However, both or either of these challenges may delay the commencement of work on the evaluation audit.

The Company is an emerging mining company with one producing asset and one development property. The following is not an all inclusive discussion of all risks and uncertainties and the reader should refer to the annual information form dated April 2, 2007 for a more detailed discussion of the risk factors and uncertainties that the Company may face. As with other mining companies, the Company’s operations are subject to numerous environmental laws which may be subject to change, which change may be difficult or very costly to comply with. The Company is also subject to risks and hazards typically found with other mining and exploration activities.

## **Change in Accounting Policies**

On January 1, 2007, the Company adopted without restatement of prior periods, the provisions of Sections 3855-Financial Instruments-Recognition and Measurement, Section 3861-Financial Instruments Disclosure and Presentation, Section 1530-Comprehensive Income and Section 3865-Hedges.

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Under CICA Section 3855, all financial assets must be classified as either held-for-trading, available for sale, held to maturity investments or loans and receivables. All financial liabilities must be classified as held-for-trading or other financial liabilities. All financial instruments, including derivatives, are included on Consolidated Balance Sheets and are measured at fair value, except for held to maturity investments, loans and

receivables and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value depend on the instrument's initial classification. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available for sale financial instruments are measured at fair value, determined by published market prices in an active market, except for investments in equity instruments that do not have quoted market prices in an active market which are quoted at cost. Changes in fair value are recorded in other comprehensive income until the assets are removed from the balance sheet. Investments classified as available for sale are written down to fair value through income whenever it is necessary to reflect other than temporary impairment. Realized gains and losses on the disposal of available for sale securities are recognized in other gains and losses. Also transaction costs related to financial assets and liabilities are added to the acquisition or issue cost, unless the financial instrument is classified held-for-trading, in which case the transaction costs are recognized immediately in net income. Section 3861 identifies and details information to be disclosed in financial statements.

As a result of adopting Section 3855, the Company has classified its financial instruments as follows: cash and cash equivalents and derivative instruments as held-for-trading, short term investments as held-to-maturity, restricted cash as loans and receivables, and accounts payable, accrued liabilities, long term debt including the Royal Gold Production Payment, as other financial liabilities. Long term debt is initially measured at fair value and subsequently measured at amortized cost. The interest rate of the Royal Gold Production Payment is determined using the effective interest method.

Under Section 3855, share purchase warrants and stock options issued by the Company denominated in Canadian dollars, which is not the Company's functional or reporting currency, are derivative instruments and fair valued each reporting period. Upon the initial adoption of Section 3855 on January 1, 2007, the Company recorded an asset of \$10,985. During the first quarter the Company recognized a non cash charge to net income of \$32,862 and recognized a long term liability of \$21,877 on the balance sheet. The estimated tax benefit of these items was nil.

Concentrate receivables which have prices finalized in future period are considered to be derivatives. The Company uses futures markets to fair value these financial instruments. Changes in the amounts expected to be received in such future periods are recognized at each reporting period and such changes are recognized in income in the period. This method of accounting for concentrate receivables is consistent with prior periods and is not a change due to the adoption of Section 3855.

Section 1530 introduces new standards for the presentation and disclosure of the components of comprehensive income. Comprehensive income is defined as the change in net assets of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. The Company had no transactions or other events that would be classified as other income at January 1, 2007 or during the quarter ended March 31, 2007.

Section 3865 identifies when hedge accounting can be applied and it builds upon existing Canadian GAAP guidance which specifies how hedge accounting is applied and disclosed. This standard did not affect the Company's reporting because the Company does not qualify to use hedge accounting at this time.

## **Financial Instruments, Hedging Activities and Other Instruments**

The Company must fair value (i.e. mark to market) the amount of silver and copper in concentrate for which final prices have not yet been determined; often referred to as the “open quotational period”. At each month end, the Company will adjust its revenue to account for expected future prices and the corresponding expected future revenue and cash flow. In order to do this the Company must make estimates of the future prices expected to prevail when final settlement occurs. The company uses future contract prices at each month end to estimate these expected prices. As at March 31, 2007, the Company had 4.7 million pounds of copper and 512,515 ounces of silver with prices not yet fixed. The fair value revenue adjustment was \$0.15 million for silver and \$0.7 million for copper. The income recognized during the first quarter from this was \$2.6 million. Considerable judgment is required to interpret market data and to develop the estimates of fair value for future periods. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company will realize in such future periods.

In addition, in January 2007 the Company hedged the price on 275,000 pounds of copper in each month from March to December inclusive. The hedged price was \$2.63 per pound and at March 31, 2007 the fair value of these hedges was a liability of \$0.9 million. Also during the first quarter, the Company made a payment of \$0.08 million to settle the first of these hedges.

## **Internal Controls over Financial Reporting**

Management of the Company is responsible for designing, establishing and maintaining adequate internal controls over financial reporting. The Company’s internal control system was designed to provide reasonable assurance to the Company’s management and board of directors that the financial statements present fairly the financial position and activities of the Company. However all internal control systems, no matter how well designed, have limitations. Therefore, even a system believed to be effective will only provide reasonable assurance with respect to financial statement preparation and presentation.

No changes were made to the Company’s internal control over financial reporting during the first three months of 2007 that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting. Based upon their review over internal controls over financial reporting, the Company’s CEO and CFO have concluded that internal control over financial reporting was effective as of March 31, 2007.

The Company’s management is also responsible for establishing and maintaining disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is appropriately disclosed. The CEO and CFO have evaluated the Company’s disclosure controls and procedures as defined in Multi-lateral Instrument 52-109 and have determined that they were effective at March 31, 2007.

## **Other Requirements**

### Outstanding Share Data

As of the date of this MD&A, Revett Minerals had 73,197,703 million common shares outstanding. It also had 3,540,000 stock options outstanding and 2,875,000 stock purchase compensation warrants outstanding. During the first quarter of 2007, the Company granted a total of 1,090,000 stock options priced at a weighted average of (Cdn) \$1.11 to certain directors,

officers and other employees in accordance with the approved stock option plan. Revett Silver had 3,325,000 stock options and 3.6 million stock purchase warrants outstanding. The Revett Silver options and warrants may be exercised into Class B common shares of Revett Silver which, under certain conditions, may be exchanged for shares of common stock of Revett Minerals.

Further information on Revett Minerals may be found on the Company's web site at [www.revettminerals.com](http://www.revettminerals.com).

## **Forward Looking Statements**

Except for the statements of historical fact contained herein, the information presented in this MD&A may contain "forward-looking statements" within the meaning of applicable Canadian securities legislation and *The Private Securities Litigation Reform Act of 1995*. Such forward-looking statements, including but not limited to those with respect to the price of silver and copper, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the effect on the Company's operations of pending or planned legal challenges, the timing and amount of estimated future production, industrial accidents, and costs of production, all involve known and unknown risks, uncertainties and other factors which may cause 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. Generally, these forward looking statements can be identified by the use of forward-looking terminology such as "plans", "expects", or "does not expect", "is expected", "is not expected", "budget", "plans", "schedule", "estimates", "forecasts", "intends", "anticipates", "or does not anticipate" or "believes" or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward looking statements are subject to known and known risks, uncertainties and other factors. Such other factors may include, among others, ground control problems and flooding, metallurgical recovery problems, ore grade or tonnage shortfalls, labor disruptions or shortages of skilled labor, risks relating to environmental laws and regulations, the actual results of exploration activities, actual results of current reclamation activities, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, future metal prices, changes in the quantity and costs of producing copper concentrate as well as those factors discussed in the section entitled "Risk Factors" in the annual information form filed on SEDAR at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Revett Minerals does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

**Revett Minerals Inc.**  
**Consolidated Balance Sheets**  
**at March 31, 2007**  
*(expressed in thousands of United States dollars)*

	March 31, 2007 (unaudited)	December 31, 2006 (audited)
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 18,027	\$ 19,862
Short term investments	4,419	3,940
Receivables (note 11)	2,255	980
Inventories (note 3)	4,863	4,005
Prepaid expenses and other	867	512
Total current assets	30,431	29,299
Property, plant, and equipment (note 4)	54,863	56,012
Restricted cash (note 5)	7,125	7,043
Other long term assets	1,806	1,849
<b>Total assets</b>	\$ 94,225	\$ 94,203
<b>Liabilities and stockholders equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 4,797	\$ 5,848
Current portion of lease and note obligations (note 6)	10,311	4,387
Total current liabilities	15,108	10,235
Long-term portion of debt (note 6)	2,510	9,354
Reclamation and remediation (note 10)	6,742	7,603
Unrealized foreign exchange liability for warrants and stock options (note 2)	22	-
Future income tax (note 8)	8,729	8,353
Total liabilities	33,111	35,545
Non controlling interest	8,999	8,524
<b>Stockholders' equity (note 7)</b>		
Preferred stock, no par value, unlimited authorized, nil issued and outstanding		
Common stock, no par value unlimited authorized, 73,197,703 shares issued and outstanding	55,316	53,989
Contributed surplus	1,158	816
Accumulated other comprehensive income	-	-
Retained earnings (deficit)	(4,359)	(4,671)
<b>Total liabilities and stockholders equity</b>	\$ 94,225	\$ 94,203
Commitments and contingencies (note 10)		
Subsequent events (note 12)		

*See accompanying notes to interim consolidated financial statements.*

**Revett Minerals Inc.**  
**Consolidated Statement of Operations**  
**Three months ended March 31, 2007 and 2006**  
*(expressed in thousands of United States dollars)*

	Three month period March 31, 2007 (unaudited)	Three month period March 31, 2006 (unaudited)
Revenues	\$ 10,716	\$ 7,438
Expenses:		
Cost of sales	7,550	5,934
Depreciation and amortization	386	415
Exploration and development	475	317
General & administrative	975	551
Accretion of reclamation and remediation liability (note 10)	161	37
	<u>9,547</u>	<u>7,254</u>
Income from operations	1,169	184
Other expenses (income):		
Interest expense	371	242
Interest and other income	(387)	(178)
Unrealized foreign exchange loss on warrants and stock options (note 2)	33	
Total other expenses	<u>17</u>	<u>64</u>
Net income before non controlling interest and taxes	<u>1,152</u>	<u>120</u>
Income taxes (note 8)	<u>376</u>	<u>-</u>
Net income before non controlling interest	<u>776</u>	<u>120</u>
Non controlling interest	<u>475</u>	<u>94</u>
Net income for the period	<u>\$ 301</u>	<u>\$ 26</u>
Basic earnings per share	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Fully diluted earnings per share	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Weighted average number of shares outstanding	<u>72,934,097</u>	<u>60,047,503</u>

*See accompanying notes to interim consolidated financial statements.*

Revett Minerals Inc.

Consolidated Statement of Cash Flow

Three months ended March 31, 2007 and 2006

(expressed in thousands of United States dollars)

	Three month period March 31, 2007 (unaudited)	Three month period March 31, 2006 (unaudited)
<b>Cash flows from operating activities:</b>		
Net income for the period	\$ 301	\$ 26
Adjustment to reconcile loss to net cash used by operating activities		
Depreciation and amortization	386	415
Accretion of reclamation and remediation liability	161	37
Stock based compensation	343	-
Unrealized foreign exchange loss on warrants and stock options	33	-
Future income tax expense	376	-
Non controlling interest	475	94
Changes in:		
Accounts receivable	(1,275)	(1,423)
Inventory	(858)	(862)
Prepaid expenses and other	(354)	(91)
Accounts payable	(1,052)	(91)
<b>Net cash used by operating activities</b>	<u>(1,464)</u>	<u>(1,895)</u>
<b>Cash flows from investing activities:</b>		
Business acquisitions, net	-	-
Other long term assets	42	39
Restricted cash	(82)	(79)
Purchase of plant and equipment	(258)	(32)
<b>Net cash provided (used) by investing activities</b>	<u>(298)</u>	<u>(72)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from the issuance of common stock, net	1,327	-
Proceeds from long term debt	0	-
Repayment of debt	(740)	(463)
Repayment of capital leases	(181)	(112)
Proceeds (Sale) of short term investments	(479)	1,506
<b>Net cash from (used by) financing activities</b>	<u>(73)</u>	<u>931</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(1,835)	(1,036)
Cash and cash equivalents, beginning of period	19,862	4,609
Cash and cash equivalents, end of period	<u>\$ 18,027</u>	<u>\$ 3,573</u>
Supplementary cash flow information:		
Cash paid for interest expense	\$ 545	\$ 300

See accompanying notes to interim consolidated financial statements.

**Revett Minerals Inc.**

**Consolidated Statements of Stockholders' Equity**

**Three months ended March 31, 2007 and 2006**

*(expressed in thousands of United States dollars)*

	<u>Common Shares</u>		<u>Additional Paid</u>		<u>Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>in Capital</u>			
<b>Balance, December 31, 2005</b>	60,047,503	\$ 42,701	\$ 243	\$	(2,322)	\$ 40,623
Cumulative impact of change in accounting policy (note 2)						-
Issued on the exercise of stock options						-
Issued on the exercise of share purchase warrants	-	-				-
Stock-based compensation on options granted						-
Net income (loss) for the period					26	26
<b>Balance, March 31, 2006</b>	<u>60,047,503</u>	<u>\$ 42,701</u>	<u>\$ 243</u>	<u>\$</u>	<u>(2,296)</u>	<u>\$ 40,649</u>

	<u>Common Shares</u>		<u>Additional Paid</u>		<u>Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>in Capital</u>			
<b>Balance, December 31, 2006</b>	71,904,088	\$ 53,989	\$ 816	\$	(4,671)	\$ 50,134
Cumulative impact of change in accounting policy (note 2)					11	11
Issued on the exercise of stock options						-
Issued on the exercise of share purchase warrants	1,293,615	1,327				1,327
Stock-based compensation on options granted			343		-	343
Net income (loss) for the period					301	301
<b>Balance, March 31, 2007</b>	<u>73,197,703</u>	<u>\$ 55,316</u>	<u>\$ 1,159</u>	<u>\$</u>	<u>(4,359)</u>	<u>\$ 52,116</u>

*See accompanying notes to interim consolidated financial statements.*

## **1. Basis of Presentation**

In the opinion of management, the accompanying unaudited interim consolidated balance sheet and consolidated statements of operations, and cash flows contain all adjustments, consisting only of normal recurring accruals, necessary to present fairly, in all material respects, the financial position of Revett Minerals as of March 31, 2007 and the results of its operations and its cash flows for the three month period ended March 31, 2007.

These unaudited interim financial statements are prepared using the same accounting policies and methods of application as those disclosed in note 2 to the Company's audited financial statements for the period ended December 31, 2006. These interim statements do not include all the notes to the financial statements required in audited statements and as such these statements should be read in conjunction with the most recently completed audited financial statements and notes of the Company for the year ended December 31, 2006. These statements have been prepared in accordance with accounting principles generally accepted in Canada. All currency is reported in United States dollars unless otherwise specified.

## **2. Change in Accounting Policy**

On January 1, 2007, the Company adopted without restatement of prior periods, the provisions of Sections 3855-Financial Instruments-Recognition and Measurement, Section 3861-Financial Instruments Disclosure and Presentation, Section 1530-Comprehensive Income and Section 3865-Hedges.

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Under CICA Section 3855, all financial assets must be classified as either held-for-trading, available for sale, held to maturity investments or loans and receivables. All financial liabilities must be classified as held-for-trading or other financial liabilities. All financial instruments, including derivatives, are included on Consolidated Balance Sheets and are measured at fair value, except for held to maturity investments, loans and receivables and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value depend on the instrument's initial classification. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available for sale financial instruments are measured at fair value, determined by published market prices in an active market, except for investments in equity instruments that do not have quoted market prices in an active market which are quoted at cost. Changes in fair value are recorded in other comprehensive income until the assets are removed from the balance sheet. Investments classified as available for sale are written down to fair value through income whenever it is necessary to reflect other than temporary impairment. Realized gains and losses on the disposal of available for sale securities are recognized in other gains and losses. Also transaction costs related to financial assets and liabilities are added to the acquisition or issue cost, unless the financial instrument is classified held-for-trading, in which case the transaction costs are recognized immediately in net income. Section 3861 identifies and details information to be disclosed in financial statements.

As a result of adopting Section 3855, the Company has classified its financial instruments as follows: cash and cash equivalents and derivative instruments as held-for-trading, short term investments as held-to-maturity, restricted cash as loans and receivables, and accounts payable, accrued liabilities, long term debt including the Royal Gold Production Payment, as other financial liabilities. Long term debt is initially measured at fair value and subsequently measured at amortized cost. The interest rate of the Royal Gold Production Payment is determined using the effective interest method.

REVETT MINERALS, INC.

Notes to the Consolidated Financial Statements

For the Three Months ended March 31, 2007

(tabular amounts are expressed in thousands of U.S. dollars, except per share amounts)

(unaudited)

Under Section 3855, share purchase warrants and stock options issued by the Company denominated in Canadian dollars, which is not the Company's functional or reporting currency, are derivative instruments and fair valued each reporting period. Upon the initial adoption of Section 3855 on January 1, 2007, the Company recorded an asset of \$10,985. During the first quarter the Company recognized a non cash charge to net income of \$32,862 and recognized a long term liability of \$21,877 on the balance sheet. The estimated tax benefit of these items was nil.

Concentrate receivables which have prices finalized in future period are considered to be derivatives. The Company uses futures markets to fair value these financial instruments. Changes in the amounts expected to be received in such future periods are recognized at each reporting period and such changes are recognized in income in the period. This method of accounting for concentrate receivables is consistent with prior periods and is not a change due to the adoption of Section 3855.

Section 1530 introduces new standards for the presentation and disclosure of the components of comprehensive income. Comprehensive income is defined as the change in net assets of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. The Company had no transactions or other events that would be classified as other income at January 1, 2007 or during the quarter ended March 31, 2007.

Section 3865 identifies when hedge accounting can be applied and it builds upon existing Canadian GAAP guidance which specifies how hedge accounting is applied and disclosed. This standard did not affect the Company's reporting because the Company does not qualify to use hedge accounting at this time.

### 3. Inventory

The major components of the Company's inventory accounts at March 31, 2007 and December 31, 2006 are as follows:

	<b>March 31, 2007</b>	<b>December 31, 2006</b>
Concentrate inventory	\$ 1,564	\$ 933
Material and supplies	<u>3,299</u>	<u>3,072</u>
	<u><b>\$ 4,863</b></u>	<u><b>\$ 4,005</b></u>

#### 4. Mineral Property, Plant, Equipment and Mine Development

The major components of the Company's mineral property, plant, and equipment accounts at March 31, 2007 and December 31, 2006 are as follows:

	March 31, 2007	December 31, 2006
TROY:		
Property	\$ 8,484	\$ 9,507
Plant and equipment	9,182	8,933
Buildings and structures	907	907
ROCK CREEK:		
Property and development	38,201	38,201
OTHER, corporate	1,071	1,062
OTHER, mineral properties	118	118
Accumulated depreciation & depletion:		
Troy Property	(1,716)	(1,542)
Troy plant and equipment	(1,221)	(1,038)
Troy buildings and structures	(98)	(73)
Other corporate assets	<u>(65)</u>	<u>(63)</u>
	<b><u>\$ 54,863</u></b>	<b><u>\$ 56,012</u></b>

Mitigations lands acquired for the Rock Creek project with a value of approximately \$1 million are classified as Rock Creek property and development.

The Company reviews the carrying value of its assets at each reporting period and whenever events or circumstances indicate that an assets fair value may not be at least equal to its carrying value.

#### 5. Restricted Cash

On March 29, 2005, the Company purchased from a leading North American insurance company an environmental risk transfer program ("the ERTTP"). The total cost of the ERTTP was \$8.4 million. Of this \$8.4 million, \$6.5 million was deposited in an interest-bearing account with the insurer ("the Commutation Account"). The Commutation Account principal plus interest earned on the principal are reserved exclusively to pay the Company's reclamation and mine closure liabilities at the Troy Mine. The remaining \$1.9 million was comprised of a premium paid to the insurer and Montana state taxes on the ERTTP transaction. This remaining amount is considered a non-current asset and is amortized over the life of the mine on a units-of-production basis.

## 6. Long-term debt

At March 31, 2007 and December 31, 2006 the balance of the company's long term debt and capital lease obligations were as follows.

	<b><u>March 31, 2007</u></b>	<b><u>December 31, 2006</u></b>
Royal Gold royalty	\$ 5,410	\$ 6,063
Kennecott note	6,000	6,000
Term loan	578	705
Capital leases	833	1,013
Current portion	<u>(10,311)</u>	<u>(4,387)</u>
	<b><u>\$ 2,510</u></b>	<b><u>\$ 9,354</u></b>

### Royal Gold Royalty

In October 2004, Revett Silver sold Royal Gold two royalties on production from the Troy Mine for \$7,250,000 (the "production payment") and \$250,000 (the "tail royalty"), respectively. The production payment royalty is a 7% gross smelter return royalty payable in cash on production and limited to the lesser of 90% of proven and probable reserves as at October 13, 2004 or \$10,500,000. The tail royalty is payable in cash at the rate of 6.1% on the gross smelter returns from Troy for production between 100% and 115% of its proven and probable reserves as at October 13, 2004 and then at the rate of 2% thereafter. The tail royalty was accounted for as disposition of mineral property and the production payment is accounted for as a loan. At September 30, 2006 royalty payments approximating a cumulative total of \$2.4 million had been made with an additional \$0.6 million payable in October, 2006.

### Kennecott Note Payable

The Kennecott note payable is for \$5 million, and initially accumulated interest at 9% compounded on a semi-annual basis and matured on February 21, 2004. In 2002, an amendment to the Kennecott purchase agreement changed the interest rate to 1% over the prime rate in effect on the last day of the preceding quarter and extended the maturity date to February 21, 2008. The note allows Kennecott the option to receive interest payments in cash or in common stock provided the stock has traded on a public market for no less than thirty days at the time the interest payment is due. In addition, Kennecott may elect to receive the interest semi-annually or to defer such payments. Until February 2005, Kennecott had elected to defer the interest payments due it, and accordingly, such accrued interest amounts were classified as long-term. The Kennecott note is secured by mortgages on the mining claims comprising the Troy and Rock Creek properties, buildings and mill facilities. Revett Silver cannot sell or further encumber these assets (other than in connection with production financing) without Kennecott's express consent for so long as the obligation is outstanding. Kennecott also has the right to approve any sale of all or substantially all of the assets of Revett Silver, or a merger or consolidation in which Revett Silver is not the surviving entity.

### Term loan

In connection with the acquisition of certain underground production equipment at the Troy Mine, the Company entered into a 36 month term loan with a principal amount of \$1.5 million, bearing interest at a rate of 6.9%. Commencing in May 2005, the monthly payments are \$0.1 million. The term loan is secured with certain underground equipment acquired in 2004 and 2005 from an original equipment manufacturer.

## 7. Share Capital

### Common Stock

The Company has one class of no par value common stock of which an unlimited number are authorized for issue. The holders of common stock are entitled to receive dividends without restriction when and if declared by the board of directors. Holders of the Company's common stock are not entitled to preemptive rights to acquire additional shares of common stock and do not have cumulative voting rights. At March 31, 2007 the Company had 73,197,703 shares of common stock outstanding. In addition Revett Silver has 28,982,039 Class B common shares outstanding which are exchangeable into common shares of the Company under certain conditions.

### Preferred Stock

The Company is authorized to issue an unlimited number of no par preferred stock. The Company's board of directors is authorized to create any series and, in connection with the creation of each series, to fix by resolution the number of shares of each series, and the designations, powers, preferences and rights; including liquidation, dividends, conversion and voting rights, as they may determine. At March 31, 2007, no preferred stock was issued or outstanding.

### Stock options

The Company's Equity Incentive Plan authorizes the Company to reserve and have available for issue, 8,000,000 shares of common stock, less that number of shares reserved for issuance pursuant to stock options granted under the Revett Silver stock option plan. As at March 31, 2007 Revett Silver had granted a total of 3,325,000 stock purchase options exercisable into Class B common shares of Revett Silver at a weighed average price of \$0.59 per share. Revett Silver will not grant any further stock options pursuant to this plan.

During the first quarter of 2007, 1,090,000 stock options were granted, of which 1,050,000 were granted at a price of (Cdn) \$ 1.11 per share and 40,000 were granted at a price of (Cdn) \$1.15 per share. Since inception, Revett Minerals has granted a total of 3,540,000 stock options.

The fair value of stock options granted was estimated using the Black-Scholes option pricing model with the following assumptions: The exercise price of the option at the date of the grant equals the fair value of the stock;

- a) Risk-free interest rate at the date of the grant- 4.5% per annum (2007) 4.57% per annum (2006);
- b) Life of the option- 4 years;
- c) Volatility- 70%; and
- d) Dividends- nil.

### Stock Purchase Warrants

In November 2006, Revett Minerals granted the subscribers to the 2006 private placement 2,875,000 share purchase warrants exercisable into an equal number of common shares at an exercise price of (Cdn) \$ 1.36 which expire no later than May 22, 2009. The Company may accelerate the expiry date of the warrants in the event the Company's share price closes above (Cdn) \$2.00 per share for fifteen consecutive trading days. In addition, the agent for this private placement has an option to acquire 268,000 units until May 22, 2009 with terms and conditions essentially the same as those granted to the subscribers of the private placement, except the agent's unit price is (Cdn) \$1.25 per unit. If the agent were to exercise this option, the agent would also receive, in addition to the common shares, options for an additional 67,000 common shares of the Company.

All of the warrants of Revett Silver are exercisable into Class B common stock of Revett Silver, which in turn are exchangeable into common stock of Revett Minerals, under certain conditions. In conjunction with the private placement completed in the first quarter of 2004, Revett Silver issued compensation warrants to the underwriter exercisable into 520,667 Class B common shares of Revett Silver at \$0.75 per share until March 18, 2006. These warrants expired unexercised. Also as part of this private placement Revett Silver issued stock purchase warrants exercisable into 3,054,659 Class B common shares of Revett Silver at \$1.00 per share of which 3,333 were exercised during the third quarter of 2006. These warrants expire 18 months after Revett Silver becomes listed on a public stock exchange. In 2003, the Revett Silver issued 620,000 stock purchase warrants in connection with a series of private placements of common stock of Revett Silver. These warrants expire on September 17, 2008 and have an exercise price of \$0.25 per common share.

	<b>WARRANT SUMMARY TABLE</b>		
	<u>Number</u>	<u>Exercise price</u>	<u>Expiry</u>
Revett Minerals	2,875,000	C \$ 1.36	May 22, 2009
Revett Silver	3,051,326	US\$ 1.00	To be determined
Revett Silver	620,000	US\$ 0.25	September 2008

## 8. Income Taxes:

The Company's income tax expense differs from the amount computed by applying the combined United States federal and state statutory rate of 39.4% as follows:

<u>Income before taxes and non-controlling interest</u>	<u>\$ 1,153</u>
Expected tax expense	\$ 454
Tax losses utilized	(206)
Other differences	<u>529</u>
Income tax expense	<u>\$ 376</u>

At March 31, 2007, the Company had United States operating losses of approximately \$21 million and Canadian losses and tax deductions of approximately \$3 million, which may be carried forward and used to reduce certain taxable income in future years. The use of the United States operating losses that were incurred prior to Revett Minerals' acquisition of Revett Silver are subject to an annual limitation. The future income tax assets related to Canadian losses and tax deductions have been offset by a valuation allowance.

## 9. Related Party Transactions

There were no related party transactions during the first three months of 2007 and no related party transactions in 2006.

## 10. Commitments and Contingencies

### Environmental

The Company's mining properties are subject to various federal and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company conducts its operations so as to protect the public health and environment and believes its operations are in compliance with all material applicable laws and regulations.

In connection with the terms of the ASARCO asset purchase agreement, the Company agreed to assume all liabilities associated with reclamation and closure obligations at the Troy Mine. The Montana Department of Environmental Quality ("Montana DEQ") looks to Genesis Inc. as primary obligor of the reclamation liabilities, and has required that Genesis post a reclamation bond in the amount of \$12.3 million as security for the reclamation obligations at Troy. Revett Silver has purchased an environmental risk transfer program which is expected to fund Revett Silver's expected reclamation and remediation cost obligations at the Troy Mine.

Revett Silver has estimated its environmental liabilities in conjunction with its purchase accounting of the Troy Mine and recorded them in accordance with CICA 3110 "Asset Retirement Obligations". This statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred. CICA 3110 requires the Company to record a liability for the present value of the estimated environmental remediation costs and the related asset created with it. The liability will be accreted and the asset will be depreciated over the remaining life of the Troy Mine using the units-of-production method. Adjustments for changes resulting from the passage of time and changes to either the timing or amount of the original present value estimate underlying the obligation will be made as such facts become quantifiable. The estimate for the final closure costs at Troy, assuming a third party manages the closure is \$10.5 million.

In accordance with the operating permit granted the Troy Mine, the Montana DEQ is periodically required to review the ultimate bonding requirements for the Troy Mine. The bonding requirements at Troy total \$12.3 million and they are expected to increase by \$338,005 per year to 2009.

	<b>March 31, 2007</b>	<b>December 31, 2006</b>
Reclamation and remediation liability beginning of period	\$ 7,603	\$ 8,951
Change in present value of liability due to increase in mine life	(1,021)	(1,944)
Accretion expense	<u>160</u>	<u>596</u>
Ending balance	<b><u>\$ 6,742</u></b>	<b><u>\$ 7,603</u></b>

#### Kennecott Purchase Agreement Amendment

During 2002, Kennecott and Revett Silver agreed in principle to amend the February 21, 2000 Asset Purchase and Sale Agreement. Among other things, the amendment granted Kennecott the right to acquire a 2% net smelter return royalty from the sale of metals from a defined area of the Company's Rock Creek property. Kennecott may exercise this right at any time until the later of: (1) one year after the Rock Creek Project achieves 80% of designed commercial capacity production or (2) December 31, 2015. The amendment requires Kennecott to surrender the 2,250,000 shares of the Company's common stock or the common stock of Revett Silver previously issued in exchange for this royalty. The royalty terminates upon Kennecott's recovery of \$8 million in total royalty payments, plus an adjustment related to changes in the consumer price index.

#### Royal Gold Private Placement

In October 2004, Revett Silver sold Royal Gold 1,333,333 common shares for gross proceeds of \$1,000,000. Royal Gold has the right to convert these common shares or the common shares of the Company into a perpetual, non-participating 1% net smelter return royalty from production from the Rock Creek Project. This conversion must be made within a specified period of time after the Company makes a decision to develop the Rock Creek Project. This agreement also gives Royal Gold the right to assume certain obligations with respect to the Kennecott note payable if Revett Silver is in default of that note. If

Royal Gold assumes the Kennecott note, Royal Gold will have the right to convert the note and interest owing into a 3% net smelter return royalty or into common shares of the Company.

## **11. Hedging Arrangements and Other Financial Derivatives**

The Company fair values the amount of silver and copper in concentrate for which final prices have not yet been determined; often referred to as the "open quotational period". At each month end, the Company will adjust its revenue to account for expected future prices and the corresponding expected future revenue and cash flow. In order to do this the Company must make estimates of the future prices expected to prevail when final settlement occurs. The Company uses future contract prices at each month end to estimate these expected prices. As at March 31, 2007, the Company had 4.7 million pounds of copper and 512,515 ounces of silver with prices not yet fixed. The mark to market revenue adjustment was \$0.15 million for silver and \$0.7 million for copper. Considerable judgment is required to interpret market data and to develop the estimates of fair value for future periods. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company will realize in such future periods. In addition, in January 2007 the Company hedged the price on 275,000 pounds of copper in each month from March to December inclusive. The hedged price was \$2.63 per pound and at March 31, 2007 the fair value of these hedges was a liability of \$0.9 million.

## **12. Subsequent Events**

Subsequent to March 31, 2007, the Company entered into two capital lease agreements. The first was for the purchase of another jumbo drill which had a principal amount of \$203,000 was for 18 months at an interest rate of 8.5% and the second was for the purchase of a rock bolter, which was in the amount of \$674,000, for a term of 24 months and at an interest rate of 7.75%.