

Consolidated Financial Statements
(Expressed in thousands of United States dollars)

REVETT MINERALS INC.

Years ended December 31, 2009, 2008 and 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Revett Minerals Inc.

We have audited the accompanying consolidated balance sheets of Revett Minerals Inc. (the Company) as of December 31, 2009 and 2008 and the related consolidated statements of operations and comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2009 and 2008 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2009 in accordance with Canadian generally accepted accounting principles.

The accompanying consolidated financial statements are prepared assuming the Company will continue as a going concern. As discussed in note 1, continuing losses and negative working capital as at December 31, 2009 raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in the notes to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Canadian generally accepted accounting principles vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in note 16 to the consolidated financial statements.

Chartered Accountants

Vancouver, Canada
February 5, 2010

REVETT MINERALS INC.

Consolidated Balance Sheets
(Expressed in thousands of United States dollars)

December 31, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,622	\$ 1,633
Accounts receivable	1,173	224
Income taxes receivable	-	99
Inventories (note 4)	3,630	3,695
Prepaid expenses and deposits	290	341
	<u>7,715</u>	<u>5,992</u>
Mineral property, plant and equipment (note 5)	52,319	63,228
Restricted cash (note 6)	6,633	7,597
Other assets (note 6)	969	1,125
	<u>\$ 67,636</u>	<u>\$ 77,942</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts payable	\$ 3,251	\$ 3,532
Payroll liabilities	965	1,251
Income, property and mining taxes	1,409	1,060
Concentrate settlement payable	-	1,965
Other accrued liabilities	753	1,093
Current portion of long-term debt (note 8)	1,603	1,569
	<u>7,981</u>	<u>10,470</u>
Long-term debt (note 8)	2,572	579
Reclamation and remediation liability (note 9)	8,166	7,526
Future income taxes (note 12)	-	5,917
	<u>18,719</u>	<u>24,492</u>
Non-controlling interest	-	5,253
Shareholders' equity:		
Share capital (note 11)		
Authorized: unlimited no par common shares		
Issued and outstanding: 125,978,614 (2008 - 75,210,697)		
common shares	60,976	56,899
Contributed surplus	3,462	1,788
Deficit	(15,521)	(10,490)
	<u>48,917</u>	<u>48,197</u>
Nature of operations and going concern (note 1)		
Commitments and contingencies (note 13)		
Subsequent event (note 17)		
	<u>\$ 67,636</u>	<u>\$ 77,942</u>

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

"Larry Okada"

Director

"John Shanahan"

Director

REVETT MINERALS INC.

Consolidated Statements of Operations and Comprehensive Income (Loss)
(Expressed in thousands of United States dollars, except per share amounts)

Years ended December 31, 2009, 2008 and 2007

	2009	2008	2007
Revenue	\$ 29,401	\$ 35,942	\$ 38,885
Expenses:			
Cost of sales	28,486	37,182	30,894
Depreciation and depletion	2,361	1,864	1,393
Exploration	343	2,120	2,131
General and administrative	2,834	5,578	4,518
Accretion of reclamation and remediation liability	640	590	559
	34,665	47,334	39,495
Loss from operations	(5,264)	(11,392)	(610)
Other income (expenses):			
Interest expense	(544)	(974)	(1,307)
Interest and other income	145	1,046	1,291
Foreign exchange gain (loss)	13	(746)	1,470
	(386)	(674)	1,454
Income (loss) before income taxes and non-controlling interest	(5,650)	(12,066)	844
Future income tax recovery (note 12)	228	2,685	634
Income (loss) before non-controlling interest	(5,422)	(9,381)	1,478
Non-controlling interest	391	2,691	(607)
Net income (loss) and comprehensive income (loss) for the year	\$ (5,031)	\$ (6,690)	\$ 871
Basic and diluted income (loss) per share	\$ (0.05)	\$ (0.09)	\$ 0.01
Weighted average number of shares outstanding:			
Basic	106,304,762	74,982,556	73,308,813
Diluted	106,304,762	74,982,556	73,579,709

See accompanying notes to consolidated financial statements.

REVETT MINERALS INC.

Consolidated Statements of Shareholders' Equity
(Expressed in thousands of United States dollars, except share amounts)

Years ended December 31, 2009, 2008 and 2007

	Common shares		Contributed surplus	Deficit	Total
	Shares	Amount			
Balance, December 31, 2006	71,904,088	\$ 53,989	\$ 816	\$ (4,671)	\$ 50,134
Issued to acquire non controlling interest	1,097,999	999	-	-	999
Issued for cash on the exercise of share purchase warrants	1,293,615	1,327	-	-	1,327
Stock-based compensation on options granted	-	-	740	-	740
Net income for the year	-	-	-	871	871
Balance, December 31, 2007	74,295,702	56,315	1,556	(3,800)	54,071
Issued to acquire non controlling interest (note 3(a))	707,000	556	-	-	556
Issued to settle severance obligations	207,995	28	-	-	28
Stock-based compensation on options granted	-	-	232	-	232
Net loss for the year	-	-	-	(6,690)	(6,690)
Balance, December 31, 2008	75,210,697	56,899	1,788	(10,490)	48,197
Issued to acquire non controlling interest (note 3(a))	25,583,487	2,388	-	-	2,388
Issued for cash (note 11(a))	3,855,558	279	-	-	279
Issue of units for cash (note 11(a))	10,000,000	323	241	-	564
Issue of shares and warrants on debt restructuring (note 7)	8,333,333	1,000	621	-	1,621
Issue of shares for settlement of accounts payable (note 11(a))	3,513,098	545	-	-	545
Issue of shares for exercise of warrants	87,500	-	8	-	8
Redemption of shares (note 3(b))	(605,059)	(458)	417	-	(41)
Stock-based compensation on options granted	-	-	387	-	387
Net loss for the year	-	-	-	(5,031)	(5,031)
Balance, December 31, 2009	125,978,614	\$ 60,976	\$ 3,462	\$ (15,521)	\$ 48,917

See accompanying notes to consolidated financial statements.

REVETT MINERALS INC.

Consolidated Statements of Cash Flows
(Expressed in thousands of United States dollars)

Years ended December 31, 2009, 2008 and 2007

	2009	2008	2007
Cash provided by (used in):			
Operating activities:			
Net income (loss) for the year	\$ (5,031)	\$ (6,690)	\$ 871
Items not involving cash:			
Depreciation and depletion	2,361	1,864	1,393
Accretion of debt	70		
Accretion of reclamation and remediation liability	640	590	559
Unrealized foreign currency exchange loss (gain)	(13)	746	(1,470)
Stock-based compensation	387	260	740
Loss on disposal of fixed assets	-	88	25
Future income tax recovery	(228)	(2,685)	(634)
Non-controlling interest	(391)	(2,691)	607
Accrued interest from reclamation trust	(59)	(211)	(343)
Amortization of insurance premiums	156	139	128
Loss on debt settlement	151	-	-
Changes in non-cash working capital:			
Accounts receivables	(949)	220	10
Income taxes receivable	99	1,151	(1,250)
Inventories	65	824	(514)
Prepaid expenses and deposits	51	157	15
Accounts payable and accrued liabilities	2,315	4,097	(518)
	(376)	(2,141)	(381)
Financing activities:			
Proceeds from issuance of common stock	851	-	1,327
Repayment of debt	(1,389)	(8,716)	(3,027)
Repayment of capital leases	(557)	(977)	(1,069)
	(1,095)	(9,693)	(2,769)
Investing activities:			
Sale (purchase) of short-term investments	-	3,955	(15)
Purchase of mineral property, plant and equipment	(412)	(3,797)	(3,565)
Proceeds from sale of mineral interest and other assets	1,836	-	-
Release of restricted cash	1,023	-	-
Purchase of non controlling interest (note 3)	-	-	(1,004)
Other long-term assets	-	-	457
	2,447	158	(4,127)
Impact of foreign exchange on cash and cash equivalents	13	(746)	1,470
Increase (decrease) in cash and cash equivalents	989	(12,422)	(5,807)
Cash and cash equivalents, beginning of year	1,633	14,055	19,862
Cash and cash equivalents, end of year	\$ 2,622	\$ 1,633	\$ 14,055

REVETT MINERALS INC.

Consolidated Statements of Cash Flows, Continued
(Expressed in thousands of United States dollars)

Years ended December 31, 2009, 2008 and 2007

	2009	2008	2007
Supplemental disclosure of cash flow information:			
Cash paid for interest expense	\$ 406	\$ 814	\$ 1,532
Cash received for interest income	126	713	1,248
Cash received (paid) for income taxes	99	1,250	(1,250)
Non-cash transactions:			
Note payable in lieu of concentrate settlement payable	4,292	-	-
Common stock issued to acquire non controlling interest (note 3)	2,387	556	999
Shares issued to settle severance obligations	-	28	-
Common stock issued in connection with debt restructuring and settlement of accounts payable	1,546	-	-
Acquisition of plant and equipment under capital lease	1,082	338	1,859
Redemption of shares in exchange for royalty	41	-	-
Reduction of reclamation and remediation liability and offset to mineral property, plant and equipment	-	206	1,021

See accompanying notes to consolidated financial statements.

REVETT MINERALS INC.

Notes to Consolidated Financial Statements

(Expressed in United States dollars, unless otherwise stated)

(Tabular amounts expressed in thousands of United States dollars, except share and per share amounts)

Years ended December 31, 2009, 2008 and 2007

1. Nature of operations and going concern:

Revett Minerals Inc. (Revett Minerals or the Company) was incorporated under the Canada Business Corporations Act in August 2004 for the purpose of accessing public markets to finance future development of the Rock Creek Project (Rock Creek) and provide the public with a vehicle for participating in the operations of the Troy Mine (Troy). Following the initial public offering (IPO) in February 2005, the Company acquired a 65% controlling interest in Revett Silver Company (Revett Silver) and as a result of subsequent acquisitions of the non controlling interests in Revett Silver, the Company now owns 100% of Revett Silver which in turn owns 100% of Rock Creek and Troy. Rock Creek is a development stage copper and silver property located in northwest Montana. Troy is an operating copper and silver mine also located in northwest Montana.

The Company's liquidity position is directly related to the level of concentrate production, the cost of this production and the provisional and final prices received for the copper and silver in concentrate that is sold. In the last half of 2008, commodity prices in general and copper in particular dropped dramatically. These price declines resulted in a corresponding decline in the Company's cash and working capital position as at December 31, 2008 largely due to an increase in amounts owed to the Company's customer for settlement of provisionally priced concentrate sales. While copper and silver prices improved during 2009, the Company still incurred a loss of \$5.0 million. At December 31, 2009, the Company has negative working capital of \$0.3 million (2008 – negative working capital of \$4.5 million). Declines in the price of copper and silver would result in a further reduction in working capital and cash flows. These conditions raise substantial doubt regarding the Company's ability to continue as a going concern. In 2009, the Company has been able to restructure some of its debt (note 7) and settle debt through the issuance of shares. As at December 31, 2009, the Company has also sold forward 5.5 million pounds of copper and 350,000 ounces of silver production at fixed prices to reduce price volatility. The Company continues to have discussions with its customer and suppliers to manage its cash flows. The Company is currently investigating a number of alternative means of raising additional capital with potential lenders and investors. However, no assurance can be given that these efforts will prove to be successful. Given current market conditions, the Company may experience difficulties in raising sufficient external financing to meet its obligations. Because of the Company's need to conserve cash, all discretionary capital spending and exploration spending has been placed on hold. Furthermore, the Company does not have sufficient cash to undertake any activities at Rock Creek at this time.

The Company's continuing operations and the underlying value and recoverability of the mineral property, plant and equipment of the Troy mine and the Rock Creek property are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to profitably operate the Troy Mine, obtaining the continued forbearance of its creditors, obtaining the necessary financing to complete exploration and development of the Rock Creek property, obtaining the necessary operating permits for the Rock Creek property and future profitable production or sufficient proceeds from the sale of the Rock Creek property.

These financial statements are prepared on a going concern basis. The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

REVETT MINERALS INC.

Notes to Consolidated Financial Statements

(Expressed in United States dollars, unless otherwise stated)

(Tabular amounts expressed in thousands of United States dollars, except share and per share amounts)

Years ended December 31, 2009, 2008 and 2007

2. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company's 100% owned subsidiary, Revett Silver as at December 31, 2009 (2008 - 69.8%; 2007 - 69%), and Revett Silver's wholly owned subsidiaries. All inter-company balances and transactions have been eliminated on consolidation.

(b) Adoption of new accounting standards:

In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. The new Section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, *Revenues and Expenses* during the pre-operating period. The new requirements were adopted by the Company on January 1, 2009. The adoption of these standards did not have a material impact on the consolidated financial statements.

(c) Future accounting changes:

Canada's Accounting Standards Board has ratified a strategic plan that will result in Canadian GAAP, as used by publicly accountable enterprises, being fully converged with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board over a transitional period. Full adoption of IFRS is required for all publically accountable enterprises for fiscal years beginning on or after January 1, 2011. The Company is currently planning to adopt accounting principles generally accepted in the United States of America ("US GAAP") as permitted by Canadian Securities regulatory authorities and adopt IFRS if and when IFRS and US GAAP converge. Material differences between Canadian GAAP and US GAAP and their impact on the consolidated financial statements are disclosed in note 16.

(d) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes and the disclosure of contingent assets and liabilities at the date of the financial statements. Significant areas requiring the use of estimates include the recoverability of mineral property, plant and equipment, the determination of the reclamation and remediation liability, assumptions used in determining the fair value of stock-based compensation, determination of valuation allowances for future income tax assets, measurement of concentrate inventory, expected economic lives and rates for depreciation, depletion and amortization, the fair value of assets and liabilities acquired in business combinations, the fair value of certain financial instruments and the estimates of mineral reserves and mine life. Actual results may differ from these estimates.

REVETT MINERALS INC.

Notes to Consolidated Financial Statements

(Expressed in United States dollars, unless otherwise stated)

(Tabular amounts expressed in thousands of United States dollars, except share and per share amounts)

Years ended December 31, 2009, 2008 and 2007

2. Significant accounting policies (continued):

(e) Cash and cash equivalents:

Cash and cash equivalents consist of funds deposited with various financial institutions and all short term money market instruments which, on acquisition, have an original maturity of three months or less. The Company's cash and cash equivalents are not subject to any restriction. Cash and cash equivalents are designated as held for trading and recorded at fair value.

(f) Short-term investments:

Short-term investments, which comprise marketable and other securities that are available for sale and have original maturity dates of more than three months, are carried at their fair value based on quoted market price. Changes in fair value are recognized in accumulated other comprehensive income until such gains and losses are realized or a decline in value is considered other than temporary in which case impairment losses are recognized in results from operations.

(g) Loans and receivables:

Loans and receivables are accounted for at amortized cost.

(h) Liabilities and debt:

Accounts payable, long-term and other liabilities are accounted for at amortized cost.

(i) Revenue recognition:

Revenue from the sale of copper and silver concentrate is recorded net of smelter treatment and refining charges. Revenue is recognized when persuasive evidence of an arrangement exists, title and risk passes to the buyer, collection is reasonably assured and price is reasonably determinable. Copper and silver concentrates are sold under pricing arrangements where final prices are determined by quoted metal prices in periods subsequent to the date of sale. Revenues are recorded at the time of sale based on forward prices for the expected date of final settlement and are re-valued at each period end. Therefore, revenue from the sale of metals in concentrate are subject to mark-to-market adjustments and adjustment upon final settlement of estimated metal prices, weights and assays. Adjustments to revenue for metal prices are recorded monthly and other adjustments are recorded on final settlement.

(j) Stock-based compensation:

The Company has a share option plan which is described in note 11(c). The Company records all stock-based payments using the fair value method.

Compensation cost for options expected to vest is recognized in income (loss) on a straight-line basis over the relevant vesting period with a corresponding charge to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

REVETT MINERALS INC.

Notes to Consolidated Financial Statements

(Expressed in United States dollars, unless otherwise stated)

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Years ended December 31, 2009, 2008 and 2007

2. Significant accounting policies (continued):

(k) Income (loss) per share:

Basic income (loss) per common share has been calculated using the weighted average number of common shares issued and outstanding during the year. Diluted income (loss) per common share is calculated using the treasury stock method, which assumes that the proceeds to be received on exercise of outstanding stock options and warrants are used to repurchase shares of the Company at the average market price of the common shares for the year. Stock options and warrants are included in the calculation of diluted earnings per common share only if earnings are positive and to the extent the market price of the common shares exceeds the exercise price of the stock options and warrants. For the year ended December 31, 2009, 8,570,000 options (2008 - 3,740,000; 2007 - 2,960,000) and 20,817,159 warrants (2008 - 5,926,326; 2007 - 5,926,326) were excluded from the calculation of diluted income (loss) per common share.

(l) Foreign currency translation:

The Company's functional currency is the United States dollar. Transactions and account balances originally stated in currencies other than the United States dollar have been translated into United States dollars as follows:

- Revenue and expense items at the rate of exchange in effect on the dates they occur.
- Non-monetary assets and liabilities at historical exchange rates, unless such items are carried at market, in which case they are translated at the exchange rate in effect on the balance sheet date.
- Monetary assets and liabilities at the exchange rate in effect at the balance sheet date.

Exchange gains and losses are recorded in the statement of operations in the period in which they occur.

(m) Inventories:

Material and supplies are valued at the lower of average cost and net realizable value. Stock-piled ore and work-in-process inventory are valued at the lower of the average production cost and net realizable value after an allowance for additional processing costs. Finished goods inventory which consists of copper and silver concentrate available for sale is valued at the lower of the average production cost and net realizable value. Production costs include the cost of raw materials, direct labour, mine site overhead expenses and depreciation and depletion of mineral property, plant and equipment. When the circumstances that previously caused inventories to be written down below costs no longer exist or there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of any previous write-down to net realizable value is reversed.

REVETT MINERALS INC.

Notes to Consolidated Financial Statements

(Expressed in United States dollars, unless otherwise stated)

(Tabular amounts expressed in thousands of United States dollars, except share and per share amounts)

Years ended December 31, 2009, 2008 and 2007

2. Significant accounting policies (continued):

(n) Mineral property, plant and equipment:

Exploration costs are expensed as incurred. Costs related to the acquisition of property and mineral rights, construction of production facilities and the development of mine infrastructure are capitalized. Costs of permitting, evaluation and feasibility are only capitalized upon completion of an analysis which demonstrates the economic viability of the mineral deposit. Specifically, drilling and related costs incurred on sites without an existing mine and on areas outside the boundary of a known mineral deposit that contains proven and probable reserves are exploration expenditures and are expensed as incurred. Drilling and related costs incurred to define and delineate a residual mineral deposit that has not previously been classified as a proven or probable reserve at a development stage or production stage mine will only be capitalized when management determines there is sufficient evidence that the expenditure will result in a future economic benefit to the Company when the expenditure is made. Management evaluates whether or not there is sufficient geologic and economic certainty of being able to convert a mineral deposit into a proven or probable reserve at a development stage property, based upon the known geology and metallurgy, existing or planned mining and processing facilities, and existing operating permits and environmental programs. Costs are only capitalized when the following conditions have been met: (i) there is a probable future economic benefit to the Company; (ii) the Company has or can obtain the economic benefit and control access to it; and (iii) the transaction or event giving rise to the economic benefit has already occurred. Once commercial production has commenced, these costs are amortized using the units-of-production method based on proven and probable reserves. Production facilities and equipment are stated at cost and are depreciated using the straight-line or units-of-production method at rates sufficient to depreciate the assets over their estimated useful lives, not to exceed the life of the mine to which the assets relate. Vehicles and office equipment are stated at cost and are depreciated using the straight-line method over estimated useful lives of three to six years. Maintenance and repairs are charged to operations as incurred. Betterments of a major nature are capitalized.

(o) Impairment of long-lived assets:

The Company reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to its estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount exceeds the estimated undiscounted cash flows, an impairment loss is recognized based on the difference between the estimated fair value of the asset and its carrying value.

Whenever events or circumstances indicate that an asset's fair value may not be at least equal to its carrying value, management of the Company reviews the net carrying value. This review involves consideration of the fair value of each property to determine whether a permanent impairment in value has occurred and whether any asset write down is necessary. The Company considers metals prices, cost of production, proven and probable reserves and salvage value of the mineral property, plant and equipment in its valuation.

REVETT MINERALS INC.

Notes to Consolidated Financial Statements

(Expressed in United States dollars, unless otherwise stated)

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Years ended December 31, 2009, 2008 and 2007

2. Significant accounting policies (continued):

(o) Impairment of long-lived assets (continued):

Management's estimates are subject to risks and uncertainties of changes affecting the recoverability of the Company's investment in its mineral property, plant, equipment and mine development. Management's estimates of these factors are based on expected future conditions. Nonetheless, it is reasonably possible that in the near term, changes that would adversely affect management's estimate of net cash flows expected to be generated from its properties could occur. This would necessitate a write down for asset impairment.

(p) Reclamation and remediation:

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Company recognizes the fair value of future reclamation and remediation as a liability in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset that results from the acquisition, construction, development, and/or normal use of the asset, if a reasonable estimate of fair value can be made. The liability is measured initially at fair value and the resulting cost capitalized into the carrying value of the related assets. In subsequent periods, the liability is adjusted for accretion of the discount and any change in the amount or timing of the underlying cash flows. The asset retirement cost capitalized to the related asset is depreciated over the remaining life of the assets.

It is reasonably possible that the ultimate cost of remediation and reclamation could change in the future due to uncertainties associated with defining the nature and extent of environmental contamination, the application of laws and regulations by regulatory authorities and changes in remediation technology. The Company continually reviews its accrued liabilities as evidence becomes available indicating that its remediation and reclamation obligations may have changed. Any such increases in costs could materially impact the future amounts charged to operations for reclamation and remediation obligations.

(q) Income taxes:

The Company recognizes provision for income taxes based on the asset and liability method. The Company recognizes future income tax assets and liabilities and the expected future income tax consequences of events that have been recognized in its financial statements. Future income tax assets and liabilities are determined based on the temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities using enacted or substantively enacted tax rates in effect in the periods in which the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the date of substantive enactment. The Company records a valuation allowance against any portion of those future income tax assets that management believes will not be realized.

REVETT MINERALS INC.

Notes to Consolidated Financial Statements

(Expressed in United States dollars, unless otherwise stated)

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Years ended December 31, 2009, 2008 and 2007

2. Significant accounting policies (continued):

(r) Derivative financial instruments:

The Company may utilize derivative financial instruments to reduce cash flow risk relating to copper and silver sales.

The Company recognizes derivative financial instruments on a mark-to-market basis with changes in fair value recognized in revenues for the period except for contracts designated as held for normal purchase and sale. The effect of contracts designated as normal purchase and sale are accounted for only in the period of settlement.

3. Acquisition of non-controlling interest:

(a) Exchange of shares of Revett Silver:

During March 2009, the Company issued 20,553,500 of its common shares in exchange for an equal number of Class B common shares of Revett Silver, increasing the Company's interest in Revett Silver from 69.8% to 94.2%. The consideration was determined to be \$1.4 million being the fair value of the Company's common shares exchanged based on the quoted market value of the shares (\$0.07 per share) and the applicable foreign exchange rate.

During June 2009, the Company issued a further 2,144,650 of its common shares in exchange for an equal number of Class B common shares of Revett Silver, increasing the Company's interest in Revett Silver from 94.2% to 96.7%. The value of the consideration was determined to be \$0.23 million being the fair value of the Company's common shares exchanged based on the quoted market value of the shares (\$0.11 per share) and the applicable foreign exchange rate.

On December 31, 2009, the Company issued 2,885,337 of its common shares in exchange for an equal number of Class B common shares of Revett Silver, increasing the Company's interest in Revett Silver from 96.7% to 100%. The consideration was determined to be \$0.8 million being the fair value of the Company's common shares exchanged based on the quoted market value of the shares (\$0.26 per share) and the applicable foreign exchange rate.

The transactions were accounted for as a step acquisition of the non-controlling interest using the purchase method. The purchase price was allocated as follows:

Cost of acquisition, at fair value of shares issued	\$ 2,388
Non-controlling interest acquired	\$ 4,759
Mineral property, plant and equipment	(8,049)
Future income taxes	5,678
	<u>\$ 2,388</u>

REVETT MINERALS INC.

Notes to Consolidated Financial Statements

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3. Acquisition of non-controlling interest (continued):

(a) Exchange of shares of Revett Silver (continued):

As the fair value of the consideration, being the market value of the common shares issued, was less than the carrying value of the net assets acquired, mineral property, plant and equipment was reduced by the excess. The reduction in the mineral property, plant and equipment was allocated to the individual categories of mineral property, plant and equipment for Troy and to the mineral property acquisition cost of Rock Creek on a pro-rata basis based on their carrying values.

On February 1, 2008, Revett Silver shareholders exchanged 707,000 Class B common shares of Revett Silver for common shares of the Company on a one for one basis. The Company exchanged these Class B common shares for Class A common shares of Revett Silver increasing its ownership in Revett Silver from 69% to 69.8%. The deemed cost to the Company was \$0.6 million based on the market price of the Company's shares. As a result of this share exchange, the Company recorded an increase in the carrying value of the Troy and Rock Creek properties in the amount of \$0.5 million, an increase in the future income tax liability of \$0.2 million and a corresponding reduction of \$0.3 million in non-controlling interest.

Cost of acquisition, at fair value of shares issued	\$ 556
Non-controlling interest acquired	\$ 233
Mineral property, plant and equipment	529
Future income taxes	(206)
	\$ 556

(b) Conversion of shares to royalty:

On January 5, 2009, Royal Gold Inc. exercised its option to convert its 605,059 common shares of the Company and 728,274 common shares of Revett Silver into a one percent net smelter royalty on future production of Rock Creek.

The conversion of the 605,059 common shares of the Company was accounted for as a redemption of shares at a cost of \$0.04 million, being the fair market value of the common shares exchanged based on their quoted market value and applicable foreign exchange rate on the conversion date. This cost was allocated to the Rock Creek property and the difference between the cost of redemption and the stated or assigned value of the common shares was allocated to contributed surplus as follows:

Redemption value of common shares	\$ 41
Stated value of common shares	\$ (458)
Contributed surplus	417
Allocated to mineral property	\$ (41)

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3. Acquisition of non-controlling interest (continued):

(b) Conversion of shares to royalty (continued):

The conversion of the Revett Silver shares was accounted for as an acquisition of non-controlling interest similar to the transactions described in note 3(a). The acquisition cost, being the fair market value of the Company's common shares into which the Revett Silver shares were convertible based on the quoted market value of those shares on the conversion date, was allocated as follows:

Cost of acquisition	\$ 48
Non-controlling interest acquired	\$ 103
Mineral property, plant and equipment	(89)
Future income tax asset	34
	\$ 48

4. Inventories:

The major components of the Company's inventory accounts at December 31, 2009 and 2008 are as follows:

	2009	2008
Concentrate inventory	\$ 885	\$ 380
Material and supplies	2,745	3,315
	\$ 3,630	\$ 3,695

Concentrate inventories were written down to net realizable value at December 31, 2008 with a provision of \$0.3 million recognized. The table below identifies the nature of expenses included in cost of sales for the years ended December 31, 2009 and 2008:

	2009	2008	2007
Raw materials and consumables used	\$ 11,088	\$ 13,963	\$ 11,509
Labor costs	10,659	12,788	9,758
Other costs	7,244	9,624	9,885
Net change in concentrate inventories	(505)	807	(258)
	\$ 28,486	\$ 37,182	\$ 30,894

Depreciation included in the cost of inventory is shown as depreciation expense when the inventory is sold.

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5. Mineral property, plant and equipment:

The major components of the Company's mineral property, plant and equipment accounts at December 31, 2009 and 2008 are as follows:

2009	Cost	Accumulated amortization	Net book value
Troy Mine:			
Property acquisition and development costs	\$ 6,264	\$ 3,665	\$ 2,599
Plant and equipment	13,212	3,812	9,400
Buildings and structures	2,518	724	1,794
	21,994	8,201	13,793
Rock Creek property acquisition costs	34,822	-	34,822
Other corporate assets	3,674	88	3,586
Other mineral properties	118	-	118
	\$ 60,608	\$ 8,289	\$ 52,319

2008	Cost	Accumulated amortization	Net book value
Troy Mine:			
Property acquisition and development costs	\$ 8,989	\$ 2,927	\$ 6,062
Plant and equipment	12,105	2,598	9,507
Buildings and structures	3,840	322	3,518
	24,934	5,847	19,087
Rock Creek property acquisition costs	40,044	-	40,044
Other corporate assets	4,059	80	3,979
Other mineral properties	118	-	118
	\$ 69,155	\$ 5,927	\$ 63,228

The net book value of assets under capital leases at December 31, 2009 was \$3.9 million (2008 - \$3.1 million). No drilling costs were incurred and capitalized to convert mineral resources to reserves at the Troy Mine in any of the periods presented. No drilling costs were incurred and capitalized at the Rock Creek property for any of the periods presented.

Included in other corporate assets are Rock Creek mitigation lands acquired with a carrying value of \$3.6 million. This land will be gifted to the U.S. Forest Service or the State of Montana, as directed, as the Rock Creek evaluation program and mine development proceeds. The property costs for Rock Creek will not be amortized until the property is placed into production. The lands have been pledged as security for amounts owing to the Company's customer (note 7).

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5. Mineral property, plant and equipment (continued):

For the Troy mine, the Company completed a life of mine undiscounted cash flow analysis as at December 31, 2009 based upon its most recent proven and probable ore reserves, expected production rates and costs, and estimated revenues based on estimated metal prices for copper and silver of \$2.70 per pound and \$16.25 per ounce, respectively, for 2010 and \$2.67 per pound and \$12.33 per ounce, respectively thereafter until the end of the mine life. The projected cash flows to be generated exceeded the carrying value of the Troy mine, therefore no write-down was required at December 31, 2009. However, the estimates are based on significant assumptions. The Company has analyzed external and internal data in determining appropriate assumptions. Given the judgment and estimates required to carry out the test for recoverability and the sensitivity of results to significant assumptions used, it is possible that future conditions may change and may result in different assumptions which could result in impairment of the carrying value of mineral property, plant and equipment in the future.

6. Restricted cash and other assets:

On March 29, 2005, the Company purchased from a North American insurance company an environmental risk transfer program (the ERTP). The total cost of the ERTP was \$8.4 million. Of this \$8.4 million paid, \$6.5 million was deposited in an interest-bearing account with the insurer (the Commutation Account). The Commutation Account principal plus interest earned are reserved exclusively to pay the Company's existing reclamation and mine closure liabilities at Troy. If the costs of reclaiming Troy are less than the value of the Commutation Account at that time, the Company will be entitled to a refund of the amount of the trust fund not expended. If the reclamation costs exceed the value of the Commutation Account, the insurance company will fund the excess up to a maximum limit of \$18.0 million of total expenditures (including the amount funded by the Commutation Account). At December 31, 2009 the Commutation Account balance was \$6.6 million (2008 - \$7.6 million).

The remaining \$1.9 million paid comprises premiums paid to the insurer and Montana state taxes on the ERTP transaction. This remaining amount is considered a non-current asset and is being amortized over the life of Troy on a units-of-production basis. At December 31, 2009 the balance for the prepaid insurance was \$1.1 million (2008 - \$1.3 million), of which the long-term portion of \$1.0 million (2008 - \$1.1 million) is included in other assets.

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7. Note payable:

On January 23, 2009, the Company entered into a Senior Floating Rate Note (the "Note") for \$4.3 million with an interest rate of LIBOR plus five percent with its primary concentrate sales customer which extended the due date of concentrate settlements otherwise payable. The outstanding principle balance of this Note was originally due on June 30, 2009 but was subsequently extended to August 31, 2009. In July of 2009, the Company made a \$0.2 million principal payment. On August 24, 2009, the Company and its customer entered into an agreement to modify the terms of the Note. Of the outstanding principal value of the Note, \$1.0 million was repaid through the issuance of 8.3 million common shares of the Company. The term of the remaining note payable of \$3.1 million was extended with principal payments of \$0.2 million due on December 31, 2009, \$0.5 million payable on each June 30 and December 31 thereafter through December 31, 2011, and the remaining principal payment of \$0.9 million due on June 30, 2012 as consideration for the August 24, 2009 amendment. The Company is also required to make additional payments equal to the amount by which the Company's cash balance exceeds \$3.0 million at the end of each quarter to a maximum payment of \$0.5 million per quarter, commencing on March 31, 2010. The interest on the note continues at LIBOR plus five percent payable on the last day of each quarter. In addition, the Company issued warrants to purchase up to 10 million common shares of the Company at an exercise price of \$0.20 per share with an expiry date of June 30, 2012. The fair value of the warrants was \$0.6 million determined using the Black Scholes option pricing formula with the following assumptions: volatility of 96.17%; risk free interest rate of 1.81% and expected life of 2 years. The value of the warrants was allocated between the remaining principal amount of the note and the amount settled through the issuance of shares based on the relative fair value of each component. The amount allocated to the remaining principal value of \$0.4 million has been netted against the remaining principal value of the note and is being amortized over the remaining life of the note using the effective interest method. The amount allocated to the debt settlement of \$0.2 million was expensed. The Company has granted a first-priority mortgage on certain lands acquired for the Rock Creek project. If the lands are sold by the Company, the proceeds must be used to repay the note.

8. Long-term debt:

At December 31, 2009 and 2008, the balance of the Company's long-term debt and capital lease obligations was as follows:

	2009	2008
Note payable (note 7)	\$ 2,491	\$ -
Royal Gold royalty (a)	-	989
Capital leases (b)	1,684	1,159
	4,175	2,148
Less current portion	1,603	1,569
	\$ 2,572	\$ 579

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8. Long-term debt (continued):

(a) Royal Gold royalty:

In October 2004, Revett Silver, which is currently a 100% owned subsidiary of the Company, sold Royal Gold Inc. (Royal Gold) two royalties on production from the Troy Mine for \$7.25 million (the "Production Payment") and \$0.25 million (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 production revenue to be received on proven and probable reserves existing for Troy as at October 13, 2004 or \$10.5 million. The Tail Royalty was payable in cash at the rate of 6.1% on the gross smelter returns from Troy for production revenue arising on between 100% and 115% of its proven and probable reserves which existed as at October 13, 2004 and then at the rate of 2% of production revenue on production revenues in excess of 115% of proven and probable reserves as at October 13, 2004. During 2009, production royalty obligations of \$1.6 million were payable to Royal Gold. On October 13, 2009, the Company and Royal Gold agreed to restructure the Tail Royalty in exchange for a payment from Royal Gold to the Company in the amount of \$ 1.6 million. The Tail Royalty was restructured to a 3% gross smelter return payable over the life of the Troy Mine commencing with production on and after July 1, 2010. The Company used the \$1.6 million proceeds from the restructuring of the Tail Royalty to repay the \$1.6 million production payment royalty obligation. The payment received from Royal Gold was credited against the Troy Mineral Property.

(b) Capital leases:

The Company has entered into a number of capital leases and loans to acquire new mining equipment for use at Troy. Obligations under capital leases are as follows:

2010	\$ 709
2011	558
2012	286
2013 and thereafter	334
Total minimum lease payments	1,887
Less amount representing interest (at rates ranging from 2.9% to 8.5%)	204
Present value of net minimum capital lease payments	1,683
Less current portion	603
	\$ 1,080

For the year ended December 31, 2009 interest expense on capital leases was \$0.2 million (2008 - \$0.1 million; 2007 - \$0.2 million).

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9. Reclamation and remediation liability:

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.

The Company has recorded a reclamation and remediation liability for the estimated costs of reclaiming Troy. The Montana Department of Environmental Quality (DEQ) looks to the Company as primary obligor of the reclamation liabilities, and required the Company to post a reclamation bond in the amount of \$12.9 million. The Company has purchased an environmental risk transfer program which will fund the expected reclamation and remediation liability at Troy and also provides cash collateral of \$6.6 million as security to the DEQ for the required reclamation bond (note 6).

Changes in the reclamation and remediation liability for the years ended December 31, 2009, 2008 and 2007 are as follows:

	2009	2008	2007
Reclamation and remediation liability, beginning of year	\$ 7,526	\$ 7,141	\$ 7,603
Reduction in present value of liability due to mine life extension	-	(205)	(1,021)
Accretion expense	640	590	559
	\$ 8,166	\$ 7,526	\$ 7,141

In each of 2008 and 2007, the estimated operating life of Troy was extended. This resulted in a decrease of the reclamation and remediation liability of \$0.2 million for 2008 and \$1.0 million for 2007 with a corresponding decrease to the associated long-lived asset. The total undiscounted amount of the estimated future expenditures required to settle the environmental remediation obligation at December 31, 2009 was \$13.3 million (2008 - \$13.3 million). The environmental remediation expenditures are expected to occur at the end of mine operations, being 2015, and have been discounted at the Company's credit-adjusted risk-free rate of 8.5%. Other assumptions used by management to determine the carrying amount of the asset retirement obligation are: labour costs based on current market place wages required to hire contractors to carry out reclamation activities; market risk premium for unforeseeable circumstances estimated at 8.5%; and the rate of inflation, estimated at 3.4%, over the expected years to settlement.

10. Capital management:

The Company has only one producing asset and limited access to financial markets at advantageous terms and conditions. The Company's objectives in managing its capital are twofold;

- (a) to maintain sufficient liquidity to ensure the Company can meet its obligations as they become due and to ensure sufficient cash or debt facilities are in place to fund the Company's growth objectives and projects; and
- (b) to minimize dilution of common equity now and in the future as and when the Company is required to access the capital markets.

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10. Capital management (continued):

The Company defines capital to include debt and equity. The Company establishes the amount of capital in proportion to risk by managing the capital structure and making adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or seek debt financing.

The Company's size, limited operating history, and the limited magnitude of its internally generated cash may be inadequate to finance its planned development activities at Rock Creek and its exploration and property, plant and equipment requirements at Troy. These factors also make accessing the debt markets difficult and costly. The Company may, from time to time, sell equity to finance these cash requirements. The Company endeavors to sell its equity under the most favorable terms and conditions while attempting to minimize dilution to existing shareholders. To accomplish its objectives in managing capital, the Company continually monitors both the debt and equity markets to ensure the best possible price for any offering. The Company has decided not to pay dividends or repurchase any of its own outstanding equity for the foreseeable future.

Neither the Company nor its subsidiaries are subject to any externally imposed capital requirements, loan covenants or capital ratios. There were no changes to the Company's approach to capital management for the year ended December 31, 2009.

11. Share capital:

(a) Common shares:

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.

On January 5, 2009, Royal Gold exercised its option to convert its 605,059 common shares of the Company and 728,274 common shares of Revett Silver into a one percent net smelter royalty from future production at Rock Creek (note 3(b)).

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11. Share capital (continued):

(a) Common shares (continued):

On February 12, 2009, the Company closed a private placement of 10 million Equity Units for \$0.06 per Unit or gross proceeds of \$0.6 million. Each Unit consists of one common share of the Company, plus three-quarters of one purchase warrant. Each full purchase warrant allows holder to acquire one common share of the Company for a period of two years for \$0.10 per full purchase warrant. If the closing price of the common shares of the Company is above CAD\$0.50 per share for fifteen consecutive trading days, the Company may accelerate the expiry of the warrants by issuing a press release to the effect that the warrants will expire 30 days following the date of such press release. The proceeds of the Units were allocated between the common shares and the warrants based on their relative fair values. The fair value of the common shares was based on the quoted market price and the fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: stock price volatility - 70%; risk free interest rate - 0.89%; expected life - 2 years; and dividend rate - nil.

In April 2009, under an existing Shareholder Participation Rights Agreement, the Company completed a private placement of 3,855,558 shares and realized gross proceeds of approximately \$0.3 million.

In August 2009, the Company issued 8,333,333 common shares to its primary customer as principal payment on a note payable (see note 7). The principal of the note payable was reduced by \$ 1.0 million.

In October 2009, the Company issued 3,513,098 shares to settle accounts payable. The fair value of the shares issued was \$0.5 million.

During the year ended December 31, 2009, the Company issued a total of 25,583,487 (2008 – 707,000, 2007 – 1,097,987) of its common shares in exchange for an equal number of Class B common shares of Revett Silver Company (Revett Silver), increasing the Company's interest in Revett Silver from 69.8% to 100% (note 3(a))

(b) 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 December 31, 2009 and 2008, no preferred stock was issued or outstanding.

(c) Stock options:

The Company has an Equity Incentive Plan (the Plan) the purpose of which is to enable the Company to attract and retain employees and to provide a means of compensating those employees, and directors, officers and other individuals or entities integral to the Company's success. The Plan is administered by the Company's Board of Directors.

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11. Share capital (continued):

(c) Stock options (continued):

The Plan requires the Company to reserve and have available for issue, 18,000,000 common shares, less that number of common shares reserved for issuance pursuant to stock options granted under the Revett Silver stock option plan. The aggregate number of common shares that may be issued to any holder or awarded to any grantee under the Plan may not exceed five percent of the outstanding common shares. Vesting of options is at the discretion of the Board at the time the options are granted.

The continuity of stock options granted and outstanding is as follows:

	2009		2008		2007	
	Number of shares	Weight average exercise price (CAD)	Number of shares	Weight average exercise price (CAD)	Number of shares	Weight average exercise price (CAD)
Outstanding, beginning of year	3,740,000	\$ 1.01	3,735,000	\$ 1.02	2,450,000	\$ 0.99
Granted	5,745,000	0.12	60,000	0.60	1,300,000	1.07
Cancelled	(915,000)	0.93	(55,000)	1.10	(15,000)	(1.10)
Outstanding, end of year	8,570,000	\$ 0.43	3,740,000	\$ 1.01	3,735,000	\$ 1.02
Options exercisable	8,570,000	\$ 0.43	3,290,000	\$ 1.01	2,874,997	\$ 1.00

Details of the outstanding stock options as at December 31, 2009 are presented below:

Number of options granted and outstanding	Exercise price	Number exercisable	Expiry date
100,000	US\$0.75	100,000	January 25, 2010
600,000	CAD\$0.76	600,000	April 27, 2010
75,000	CAD\$0.55	75,000	December 15, 2010
40,000	CAD\$1.25	40,000	May 12, 2011
20,000	CAD\$1.25	20,000	September 15, 2011
1,145,000	CAD\$1.10	1,145,000	October 4, 2011
25,000	CAD\$1.45	25,000	December 4, 2011
750,000	CAD\$1.11	750,000	January 10, 2012
40,000	CAD\$1.15	40,000	March 5, 2012
210,000	CAD\$0.84	140,000	April 9, 2010
30,000	CAD\$0.60	30,000	April 29, 2013
200,000	CAD\$0.095	200,000	March 31, 2014
2,485,000	CAD\$0.105	2,485,000	March 31, 2014
670,000	CAD\$0.09	670,000	April 27, 2014
1,100,000	US\$0.09	1,100,000	September 10, 2014
750,000	US\$0.15	750,000	May 1, 2011
100,000	US\$0.21	100,000	November 2, 2014
180,000	US\$0.33	180,000	December 30, 2014
50,000	US\$0.33	50,000	June 30, 2011
8,570,000		8,570,000	

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11. Share capital (continued):

(c) Stock options (continued):

The weighted average fair value of options granted during the year ended December 31, 2009 was \$0.08 (2008 - \$0.31; 2007 - \$0.60) per share. The fair value of stock options granted was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

(i) Risk-free interest rate 1.18% to 2.69% (2008 - 2.23% to 2.84%; 2007 - 4.22% to 4.55%)

(ii) Expected life - 5 years (2008 - 4 years; 2007 - 4 years)

(iii) Volatility - 98% (2008 - 71%; 2007 - 71.6%)

(iv) Expected dividends – nil

Total stock-based compensation recognized during the year ended December 31, 2009 was \$0.4 million (2008 - \$0.3 million; 2007 - \$0.7 million).

(d) Share purchase warrants:

As at December 31, 2009 the following share purchase warrants are outstanding:

	Number	Exercise price	Expiry
Revett Minerals	7,462,500	US\$0.10	February 2011
Revett Minerals	300,000	CND\$0.50	October 2011
Revett Minerals	2,060,998	US\$1.00	September 2010
Revett Minerals	256,997	US\$1.00	October 2010
Revett Minerals	736,664	US\$1.00	June 2012
Revett Minerals	10,000,000	US\$0.20	June 2012
	20,817,159		

12. Income taxes:

The Company's income tax recovery differs from the amounts computed by applying the combined United States federal and state statutory rate of 39.09% (2008 - 39.09%) as follows:

	2009	2008	2007
Income (loss) before income taxes and non-controlling interest	\$ (5,669)	\$ (12,066)	\$ 844
Expected tax recovery (expense)	2,216	\$ 4,716	\$ (329)
Change in valuation allowance	(2,321)	(271)	(656)
Percentage depletion	-	-	1,368
Other differences	333	(1,760)	251
	\$ 228	\$ 2,685	\$ 634

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12. Income taxes (continued):

The significant components of the Company's future income tax assets and liabilities at December 31, 2009 and 2008 are as follows:

	2009	2008
Future income tax assets:		
Reclamation and remediation	\$ 3,192	\$ 2,942
Net operating losses:		
United States	14,600	10,161
Canada	1,833	1,505
Other assets	512	347
Total future income tax assets	20,137	14,955
Valuation allowance	(4,231)	(1,996)
Net future income tax assets	15,906	12,959
Future income tax liabilities:		
Mineral property, plant and equipment	(15,906)	(18,876)
Net future income tax liability	\$ -	\$ (5,917)

At December 31, 2009, the Company has federal United States losses of approximately \$37.4 million (2008 - \$34.1 million), State losses of approximately \$32.6 million (2008 - \$29.4 million) and Canadian losses of approximately \$7.0 million (2008 - \$6.0 million), which may be carried forward and used to reduce certain taxable income in future years. The use of the United States losses that were incurred prior to the acquisition of Revett Silver (note 3) are subject to an annual limitation of approximately \$2.1 million. The United States and Canadian losses expire at various dates between 2019 and 2029. The future income tax assets related to the Canadian losses and tax deductions have been offset by a valuation allowance.

13. Commitments and contingencies:

(a) Federal Mine Safety and Health Act Violations:

The federal Mine Safety and Health Administration issued 51 safety related citations against Genesis Inc., a subsidiary of the Company. The Company disputes these allegations and is vigorously defending its actions in the operations of Troy. The Company has accrued its best estimate of possible penalties at December 31, 2009.

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13. Commitments and contingencies (continued):

(b) Litigation:

- (i) Cabinet Resources Group, Inc. Plaintiff v. Montana Department of Environmental Quality, and Genesis Inc. (defendants):

The plaintiff's suit alleges that Troy is being operated in violation of the Montana Metal Mine Reclamation Act (MMRA) because of deficiencies in its reclamation plan and that all of the defendants have violated the Montana Constitution and various state statutes and regulations by allowing such operations to continue. The plaintiff seeks a declaration that the Troy operating permit and reclamation plan are void and invalid; alternatively it seeks a writ of madamus from the court requiring the Montana Department of Environmental Quality (DEQ) to enforce the MMRA and presumably suspend or revoke Troy's operating permit, declare a forfeiture of the Company's performance bond and enjoin the Company from further operations at Troy pending approval of a new reclamation plan. The Company believes this action is without merit, particularly in view of on-going discussions with the DEQ concerning proposed revisions to the existing approved reclamation plan at Troy and the increased performance bonds provided to the DEQ. The Company's subsidiary, Genesis Inc., is vigorously defending itself with respect to this action.

- (ii) Rock Creek Permitting Matters:

There are a number of permitting challenges or letters of petition relating to the United States Forest Service (USFS) and DEQ granting the Rock Creek record of decision and supporting studies and analysis. These challenges have been mounted by individuals or organizations generally opposed to mining in the United States and are similar in nature to the claims described in (i) above. The Company, generally, is not named as a party to these actions but in certain cases has received intervener status due to the direct impact the outcome of these actions will have on the Company's Rock Creek property development plans. These actions are either very preliminary in nature or where the Company has prevailed, the decision of the court is being appealed by the plaintiffs or petitioners. Therefore, the outcome of these matters are not determinable. Although the Company believes that it will ultimately receive environmental and operating permits, it is possible that successful challenges could delay or prevent the Company from developing the Rock Creek project which could result in the impairment and write-down of the carrying value related to the Rock Creek property.

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13. Commitments and contingencies (continued):

(c) Possible litigation:

Revett Silver believes that ASARCO LLC (ASARCO) has filed or intends to file an action in the United States Bankruptcy Court for the Southern District of Texas against Revett Silver. To date, Revett Silver has not been served and it may not be served in the future. The possible claim relates to two amendments to the agreement by which Revett Silver and a wholly owned subsidiary acquired ASARCO's interest in Troy and Rock Creek. The possible claim seeks to avoid certain transfers and obtain a judgment in an amount equal to the value ceded by the transfers that comprised the substance of the two agreements. The complaint does not challenge the provisions of the original agreement that resulted in the transfer of Troy and Rock Creek to the Company, but only the changes made with respect to the manner and amount of the payments to be made to ASARCO as provided for in the two amendments.

The two amendments resulted from arms length negotiations between the two companies in 2002 and 2004. As previously noted, Revett Silver has not been served with a notice of claim as of December 31, 2009. Revett Silver believes the possible complaint lacks merit and will vigorously defend itself if the Complaint is ever served.

(d) Kennecott royalty:

Kennecott has the right to acquire a 2% net smelter return royalty (the NSR royalty) from the sale of metals from a defined area of the Company's Rock Creek property anytime until the later of one year after Rock Creek achieves 80% of designed commercial capacity production or December 31, 2015. Kennecott is required to surrender 2,250,000 shares of the Company's common shares to acquire the NSR royalty. This NSR royalty terminates upon Kennecott's recovery of \$8.0 million in total royalty payments plus an adjustment related to changes in the consumer price index.

(e) Operating leases:

The Company has entered into a number of operating leases relating to the production and transportation of the copper concentrate produced at Troy. All such leases expire in 2010 and many may be renewed annually. Total operating lease costs recognized for the years ended December 31, 2009, 2008 and 2007 was \$0.5 million, \$0.5 million and \$0.4 million, respectively. The obligations in 2010 under the terms of these leases are \$0.1 million.

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14. Financial instruments:

(a) Financial risk management:

The Company has exposure to credit risk, liquidity risk and market risk from its use of financial instruments.

(b) Credit risk:

Credit risk is the potential for loss if a counterparty or customer fails to meet its financial obligations, principally with respect to the Company's cash and cash equivalents, short term investments, restricted cash and accounts receivable and if applicable, from the counterparty's failure to honor obligations on forward contracts. In general, the Company manages this risk by doing business with reputable, highly rated companies and by closely monitoring the prompt payment of all obligations owing it.

Copper concentrate is sold to one customer under a long-term contract. This customer is a privately held international metal trading company and it is one of the largest metal trading companies in the world. The Company receives a 90% provisional payment 14 days from the rail bill of lading date and may be at risk for this payment and the remaining provisional payments on prior shipments should this company encounter significant liquidity problems. Since 2005, the Company has received prompt and timely payment for all outstanding metal sales invoices. All sales are finalized and are required to be settled within three months of the rail car arriving at the smelter. Therefore, if the Company's current customer is unable to purchase the Company's concentrate, the Company believes that another buyer could be found, although the terms and conditions may not be the same as those obtained from the current arrangement.

The Company may be exposed to credit risk on copper and silver forward contracts if its counterparty were not to honor its contractual commitment at settlement. The Company attempts to manage this risk by contracting only with reliable and reputable third parties. All current forward contracts are with its customer.

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14. Financial instruments (continued):

(b) Credit risk (continued):

The Company manages its credit risk associated with cash and short-term investments through the use of large reputable regional financial institutions in the United States and in Canada by utilizing the services of one of Canada's largest chartered banks. At December 31, 2009, the Company held cash and cash equivalents and short-term investments in the amount of \$2.6 million. The Company uses two banking institutions, a local regional bank which holds approximately \$2.5 million of the total and a major Canadian chartered bank which holds approximately \$0.1 million. The funds held by the Canadian chartered bank are only invested in certificates of deposit which have a typical maturity of less than a year and are cashable on demand. All of the total \$2.5 million held in the regional bank is liquid, held in checking or sweep accounts. The board of directors has approved a policy with respect to the investment of cash that includes criteria such as maximum length to maturity, concentration of holdings, portfolio liquidity requirements and counterparty credit worthiness.

The Company is required to provide third party financial assurance to the State of Montana regarding its reclamation obligations. This assurance is provided by an insurance company with a credit rating of A+ XV by AM Best, and this company also holds and controls the Commutation Account funds. The Commutation Account is used to secure the financial assurance required by the State. This provider of the financial assurance and the holder of the Commutation Account Funds must be approved by the State of Montana. However, should this company become insolvent, the State will require third party assurance from a different assurance company which may not be obtainable, in which case the operating permits at Troy and Rock Creek would likely be revoked.

The carrying amount of financial assets represents the maximum credit exposure. At December 31, 2009, the Company's gross credit exposure was as follows:

Cash and cash equivalents	\$ 2,622
Accounts receivable	1,173
Restricted cash	6,633
	<hr/>
	\$ 10,428

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14. Financial instruments (continued):

(c) Liquidity risk:

Liquidity risk is the risk the Company will not be able to obtain sufficient cash to meet its financial obligations as they come due. This risk is typically managed through the prudent investment of cash balances, through the close monitoring of discretionary expenditures, such as capital and exploration programs and by the preparation of detailed cash forecasts and monitoring trends in metal production and metal prices. Significant cash commitments at December 31, 2009 are as follows:

	1 year	2-3 years	3 plus years	Total
Accounts payable and accrued liabilities	\$ 6,378	-	-	\$ 6,378
Capital leases ⁽¹⁾	709	884	344	1,887
Note payable	1,000	1,491	-	2,491
Operating leases	100	-	-	100
Asset retirement obligation ⁽²⁾	-	-	13,320	13,320

⁽¹⁾ These amounts include interest.

⁽²⁾ These amounts represent the undiscounted cash flow estimates.

(d) Market risk:

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income, cash flow or the value of its financial instruments.

(i) Commodity price risk:

This is the largest market risk the Company is exposed to as changes in the prices of copper and silver will have a significant effect on revenue, cash flow and the value of concentrate receivables or payables because a significant portion of the Company's sales are subject to a future pricing mechanism and changes in metal prices will change both revenue and the value of concentrate receivables or payables. The Company does have a hedging policy which permits the Company to fix the sales price of concentrate to be produced in the future or for which concentrate has been sold and for which final settlement has not occurred.

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14. Financial instruments (continued):

(d) Market risk (continued):

(i) Commodity price risk (continued):

For financial statement purposes, the Company records at fair value the amount of silver and copper in concentrate sold to its customer for which final prices have not yet been determined. At each month-end, the Company adjusts 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 published forward prices for the period of expected settlement to estimate these expected prices. The table below identifies the sales for which revenues are subject to adjustment in the future as at December 31, 2009 and December 31, 2008.

At December 31, 2009, the Company had 0.6 million pounds of copper (2008 – 3.0 million priced at an average of \$3.38 per pound (2008 - \$1.32) and 7,438 ounces of silver (2008 – 265,414) priced at an average of \$18.46 per ounce (2008 - \$10.39) subject to final pricing in the first quarter of 2010.

A 10% change in the forward price of both metals at December 31, 2009 would change earnings (loss) by approximately \$0.4 million for the year ended December 31, 2009.

As at December 31, 2009, the Company had 5.5 million pounds of copper and 350,000 ounces of silver forward sales contracts outstanding. As of December 31, 2008, no forward sales contracts were outstanding. All contracts are with the Company's customer and have been designated as normal purchase and sale. Accordingly, the effect of these contracts are accounted for in the period they are settled.

(ii) Interest rate risk:

At December 31, 2009, the Company had limited interest rate risk as the majority of its capital leases have fixed rates of interest and secondly, its cash investments are of a sufficiently short duration that changes in interest rates are unlikely to have significant effect on the value of these investments. The interest rate on the note payable is based on LIBOR and as such changes in interest rates do affect it. A 10% change in the average LIBOR rate during the year would change earnings (loss) by approximately \$0.002 million.

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14. Financial instruments (continued):

(d) Market risk (continued):

(iii) Foreign exchange risk:

The Company's only foreign exchange risk is its exposure to the Canadian dollar which as at December 31, 2009 is limited to the \$0.1 million dollars invested with a Canadian chartered bank. The Company has limited operating risk created through changes in foreign exchange because its operating assets are located in the United States, the U.S. dollar is the Company's functional currency and metal sales are priced in United States dollars. A 10% change in the value of the Canadian dollar against the U.S. dollar as at December 31, 2009 would have changed net income (loss) by less than \$0.01 million, all other things being held constant.

(e) Fair values:

The carrying values of cash and cash equivalents, short-term investments, accounts receivable, restricted cash, and accounts payable and accrued liabilities approximate fair value due to their limited time to maturity or ability to immediately convert them to cash in the normal course. The carrying value of concentrate settlement payable or receivable are marked to market each month using quoted forward prices as at the last trading day of each month, and accordingly are recognized at fair value. The carrying values of capital lease obligations approximate fair market values as they are based on market rates of interest. The fair value of the note payable is approximately \$2.9 million based on market rates of interest. The fair value of the Company's forward contracts is approximately \$3.9 million.

Amended CICA handbook section 3862 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

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14. Financial instruments (continued):

(e) Fair values (continued):

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair value at December 31, 2009			
	Total	Level 1	Level 2	Level 3
Cash equivalents	\$ 2,622	\$ 2,622	\$ -	\$ -
Restricted cash	6,633	6,633	-	-
Concentrate receivables	1,160	-	1,160	-
	<u>\$ 10,415</u>	<u>\$ 9,255</u>	<u>\$ 1,160</u>	<u>\$ -</u>

The Company's cash equivalent instruments including restricted cash are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. The cash equivalent instruments that are valued based on quoted market prices in active markets are primarily money market securities and U.S. Treasury securities.

The Company's concentrate receivables, which includes provisionally priced sales, are valued using pricing models and the Company generally uses similar models to value similar instruments. Where possible, the Company verifies the values produced by its pricing models to market prices. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit spreads, measures of volatility, and correlations of such inputs. Such instruments are typically classified within Level 2 of the fair value hierarchy.

15. Segmented information:

The Company considers itself to operate in a single segment being copper and silver mining and related activities including exploration, development, mining and processing. All revenues earned and mineral, property, plant and equipment are located in the United States. For all periods presented, all revenues, accounts receivables and concentrate settlements payable are from one customer pursuant to a concentrate sales agreement.

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16. Reconciliation to United States generally accepted accounting principles:

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP), which differ in certain material respects from those principles that the Company would have followed had its consolidated financial statements been prepared in accordance with United States generally accepted accounting principles (US GAAP).

The effect of the material measurement differences between Canadian GAAP and US GAAP on the amounts reported in the consolidated balance sheets, statements of operations and cash flows are as follows:

	2009	2008	
Total assets under Canadian GAAP	\$ 67,636	\$ 77,942	
Adjustment to property, plant and equipment for acquisition of non-controlling interest (f)(iii)	3,767	-	
Unamortized finance costs	401	-	
Total assets under US GASO GAAP	\$ 71,804	\$ 77,942	
Liabilities and non-controlling interest under Canadian GAAP	\$ 18,719	\$ 29,745	
Shares redeemable at option of holder (a)	676	1,076	
Non-controlling interest	-	(5,253)	
Adjustment to future tax liabilities for acquisition of non-controlling interest (f)(iii)	303	-	
Unamortized finance costs	401	-	
Total liabilities under US GAAP	\$ 20,099	\$ 25,568	
Shareholders' equity under Canadian GAAP	\$ 48,917	\$ 48,197	
Shares redeemable at option of holder (a)	(676)	(1,076)	
Non-controlling interest (f)(iii)	-	5,253	
Adjustment to contributed surplus for acquisition of non-controlling interest (f)(iii)	2,473	-	
Adjustment to deficit for additional depreciation and income taxes (f)(iii)	991	-	
	\$ 51,705	\$ 52,374	
	2009	2008	2007
Net income (loss) and comprehensive income (loss) under Canadian GAAP	\$ (5,031)	\$ (6,690)	\$ 871
Depreciation (f)(iii)	(325)	-	-
Income taxes (f)(iii)	1,316	-	-
Net income (loss) and comprehensive income (loss) under US GAAP	\$ (4,040)	\$ (6,690)	\$ 871

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16. Reconciliation to United States generally accepted accounting principles (continued):

There are no material differences between Canadian GAAP and US GAAP with respect to results from operations as stated in the consolidated statement of operations and total operating, financing or investing cash flows in the consolidated statement of cash flows.

(a) Redeemable shares:

The Company has issued 2,250,000 common shares which are redeemable, at the option of the holder, into a net smelter return royalty as described in note 13(d). Under Canadian GAAP, the equity portion of these shares would be classified as equity. Under US GAAP, the full value associated with the redeemable shares is classified as temporary equity.

(b) Income taxes:

For Canadian GAAP purposes, future income tax assets and liabilities are calculated based on substantially enacted tax rates in effect in the periods when the temporary differences are expected to reverse. For US GAAP purposes, enacted tax rates are used to calculate future income tax assets and liabilities. For all periods presented, there were no differences between the tax rates used for Canadian and US GAAP purposes.

The Company has reviewed its income tax positions in its tax filings and, based on its review, the Company does not believe that any income tax positions taken are subject to material uncertainty if reviewed by the Internal Revenue Service or Canada Revenue Agency. In cases where the Company is charged interest and penalties on uncertain tax positions which do not meet the recognition criteria, the Company includes these in interest expense and other operating expenses respectively. Tax years subsequent to December 31, 2004 remain open for examination by the Internal Revenue Service and Canada Revenue Agency. However, in both jurisdictions, if the Company utilizes tax loss carry forwards in the future, those losses can be challenged in the year they are used even though the tax year in which they were incurred is statute barred.

(c) Common share units:

Under Canadian GAAP, the proceeds received on issuance of units, consisting of common shares and warrants, are not required to be allocated to the individual common share and warrant components when the instrument and its components are all determined to be equity instruments. Under US GAAP, the Company is required to allocate the proceeds received on unit offerings to the individual common share and warrant components on a relative fair value basis when both components are determined to be classified as equity. The fair value of the share purchase warrants issued in November 2006 (note 11(a)) was determined to be \$1.0 million using the Black-Scholes method based on the following factors: risk free rate - 4.50%; volatility - 70%; expected life - 2.5 years; expected dividend yield - nil. Accordingly, under US GAAP, share capital would be reduced and contributed surplus as at December 31, 2008 would be increased by \$1.0 million respectively to reflect the relative fair values of the shares and warrants. As of December 31, 2009, none of the warrants have been exercised and the warrants have expired.

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16. Reconciliation to United States generally accepted accounting principles (continued):

(c) Common share units (continued):

On January 1, 2009, the \$1.0 million was reclassified from contributed surplus to deficit as a result of adoption of a new accounting standard for US GAAP purposes (note 16 (f)(iii)). As a result, there is no change in total shareholders' equity arising from the warrants when reconciling Canadian GAAP to US GAAP.

(d) Stock option plan and compensation expense:

As at December 31, 2009 the weighted average intrinsic value of options outstanding and exercisable was \$1.1 million (2008 - nil).

As at December 31, 2009 the total unrecognized compensation cost related to unvested stock options is nil.

(e) Inventory:

Under Canadian GAAP, in certain circumstances, inventory written down to net realizable value may be written up to its original cost. Under US GAAP, such write-up would not be permitted. For all periods presented, no inventory was written up.

(f) Impact of recent United States accounting pronouncements:

(i) Effective January 1, 2009, the Company adopted a new accounting standard for business combinations for US GAAP purposes which is applicable for transactions on or after January 1, 2009. The new standard changes the accounting for assets acquired and liabilities assumed in a business combination as follows:

- acquisition costs are generally expensed as incurred;
- non controlling interests are valued at fair value at the acquisition date;
- acquired contingent liabilities are recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for non acquired contingencies;
- in-process research and development is recorded at fair value as an indefinite-lived intangible asset at the acquisition date;
- restructuring costs associated with a business combination are generally expensed subsequent to the acquisition date; and
- changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date affect income tax expense.

Adoption of the new standard did not have a material effect on the consolidated financial statements.

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16. Reconciliation to United States generally accepted accounting principles (continued):

(f) Impact of recent United States accounting pronouncements (continued):

- (ii) Effective January 1, 2009, the Company adopted a new accounting standard for US GAAP purposes related to the accounting for non-controlling interests in consolidated financial statements. The new standard establishes accounting and reporting standards for the non-controlling ownership interest in a subsidiary and for the deconsolidation of a subsidiary. The adoption of the standard requires that for US GAAP purposes non-controlling interest be classified as equity where as for Canadian GAAP, it is classified between liabilities and equity. Also, income (loss) before non-controlling interest, non-controlling interest and net income (loss) for US GAAP purposes would be labeled net income (loss), net income (loss) attributable to non-controlling interest and net income (loss) attributable to the Company, respectively.

The acquisition of the non-controlling interest during the twelve months ended December 31, 2009 would be accounted for as an equity transaction rather than a step acquisition using the purchase method for US GAAP purposes. Accordingly, for US GAAP purposes, a reduction of mineral property, plant and equipment of \$4.0 million and a reduction of the future income tax liability of \$1.6 million recorded for Canadian GAAP purposes would not be made under US GAAP and instead \$2.7 million would be included in contributed surplus. In addition, under US GAAP, additional depreciation expense of \$0.1 million and \$0.2 million, respectively and income tax recovery of \$0.4 million and \$0.8 million, respectively for the year ended December 31, 2009 was recognized.

The following table shows the changes in the non-controlling interest under US GAAP during the year ended December 31, 2009 and 2008:

	December 31, 2009	December 31, 2008
Balance, beginning of period	\$ 5,253	\$ 8,175
Income (loss) attributable to non-controlling interest	(391)	661
Acquisition of non-controlling interest	(4,862)	(3,583)
Balance, end of period	\$ -	\$ 5,253

The following table shows, using US GAAP measurements, the effect of changes to the Company's interest in Revett Silver on shareholders' equity attributable to the Company:

	December 31, 2009	December 31, 2008
Net loss under US GAAP attributable to the Company	\$ (4,040)	\$ (6,690)
Increase in contributed surplus on acquisition of non-controlling interest	2,472	-
Change from loss attributable to the Company and acquisition of non-controlling interest	\$ (1,568)	\$ (6,690)

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16. Reconciliation to United States generally accepted accounting principles (continued):

(f) Impact of recent United States accounting pronouncements (continued):

(iii) Effective January 1, 2009, the Company adopted new accounting standards for US GAAP purposes relating to whether an equity linked financial instrument is indexed to an entity's own stock. Among other things, the guidance indicates that an equity-linked financial instrument would not be considered indexed to the Company's own stock if the exercise price is denominated in a currency other than the issuer's functional currency. The adoption of the new guidance resulted in no material impact on the balance sheet or statement of operations as the fair value of the Company's outstanding warrants with exercise price in Canadian dollars as at January 1, 2009 and at December 31, 2009 was nominal. However, certain of the Company's warrants related to a previous Unit offering had an assigned value of \$1.0 million for US GAAP purposes recognized in contributed surplus. On adoption of the new guidance, this amount was reclassified from contributed surplus to a liability. The liability has been adjusted to its fair value on January 1, 2009 of nil, resulting in an overall reduction in contributed surplus and opening deficit of \$1.0 million on adoption of the new standard on January 1, 2009.

17. Subsequent events:

(a) On January 13, 2010, the Company issued 3,613,899 million common shares in a private placement for CAD\$0.32 per share or gross proceeds of CAD\$1.2 million.