

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

REVETT MINERALS INC.

Year ended December 31, 2005
Period from incorporation on August 25, 2004
to December 31, 2004



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Revett Minerals Inc. as at December 31, 2005 and 2004 and the consolidated statements of operations and deficit and cash flows for the year ended December 31, 2005 and for the period from incorporation on August 25, 2004 to December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the year ended December 31, 2005 and for the period from incorporation on August 25, 2004 to December 31, 2004 in accordance with Canadian generally accepted accounting principles.

KPMG LLP (signed)

Chartered Accountants

Vancouver, Canada

February 24, 2006

REVETT MINERALS INC.

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

December 31, 2005 and 2004

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,608.5	\$ -
Short-term investments	7,396.4	-
Receivables	3,089.5	-
Inventory (note 4)	1,738.4	-
Prepaid expenses and deposits	703.2	510.3
	<u>17,536.0</u>	<u>510.3</u>
Mineral property, plant and equipment (note 5)	57,191.3	-
Restricted cash (note 6)	6,718.6	-
Other assets	1,680.4	-
	<u>\$ 83,126.3</u>	<u>\$ 510.3</u>
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,858.8	\$ 532.0
Current portion of long-term debt (note 7)	4,077.2	-
	<u>6,936.0</u>	<u>532.0</u>
Long-term debt (note 7)	11,108.0	-
Reclamation and remediation liability (note 8)	8,951.4	-
Future income taxes (notes 3 and 10)	7,297.8	-
	<u>34,293.2</u>	<u>532.0</u>
Non-controlling interest	8,210.8	-
Shareholders' equity (deficiency):		
Share capital (note 9)	42,701.4	-
Contributed surplus	243.2	-
Deficit	(2,322.3)	(21.7)
	<u>40,622.3</u>	<u>(21.7)</u>
	<u>\$ 83,126.3</u>	<u>\$ 510.3</u>

Nature of operations (note 1)
Commitments and contingencies (note 11)
Subsequent event (note 11(b)(ii))

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"William Orchow" Director

"Daniel Tellechea Salido" Director

REVETT MINERALS INC.

Consolidated Statements of Operations and Deficit

(Expressed in thousands of United States dollars, except per share amounts)

	Year ended December 31, 2005	Period from incorporation on August 25, 2004 to December 31, 2004
Revenue	\$ 21,135.8	\$ -
Expenses:		
Cost of sales	19,318.1	-
Depreciation and depletion	1,440.9	-
Exploration	1,258.7	-
General and administrative	2,617.5	21.7
Accretion of reclamation and remediation liability	584.3	-
	25,219.5	21.7
	(4,083.7)	(21.7)
Other expenses (income):		
Interest expense	1,745.3	-
Interest and other income	(604.7)	-
	1,140.6	-
Loss before income taxes and non-controlling interest	(5,224.3)	(21.7)
Future income tax recovery (note 10)	1,717.7	-
Loss before non-controlling interest	(3,506.6)	(21.7)
Non-controlling interest	1,206.0	-
Loss for the period	(2,300.6)	(21.7)
Deficit, beginning of period	(21.7)	-
Deficit, end of period	\$ (2,322.3)	\$ (21.7)
Basic and diluted loss per share	\$ (0.05)	
Weighted average number of shares outstanding	48,835,179	

See accompanying notes to consolidated financial statements.

REVETT MINERALS INC.

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

	Year ended December 31, 2005	Period from incorporation on August 25, 2004 to December 31, 2004
Cash provided by (used in):		
Operations:		
Loss for the period	\$ (2,300.6)	\$ (21.7)
Adjustments to reconcile loss to cash used by operating activities:		
Depreciation and depletion	1,440.9	-
Accretion of reclamation and remediation liability	584.3	-
Stock based compensation	243.2	-
Expenses paid with common shares	7.5	-
Future income tax recovery	(1,717.7)	-
Non-controlling interest	(1,206.0)	-
Changes in:		
Accounts receivable	344.4	-
Inventory	1,795.0	-
Prepaid expenses and deposits	34.3	-
Accounts payable	1,045.3	-
Deferred revenue acquired	(1,850.5)	-
Cash used in operating activities	(1,579.9)	(21.7)
Investments:		
Business acquisitions, net of cash acquired (note 3)	528.2	-
Deferred financing costs, net of related accounts payable and accrued liabilities	-	(372.9)
Other long-term assets	(1,600.0)	-
Restricted cash	(6,718.6)	-
Purchase of mineral property, plant and equipment	(4,345.6)	-
Purchase of short-term investments	(7,396.4)	-
Cash used in investing activities	(19,532.4)	(372.9)
Financing:		
Proceeds from issuance of common stock, net	24,972.1	-
Proceeds from long-term debt	1,500.0	-
Repayment of debt	(502.3)	-
Repayment of capital leases	(249.0)	-
Advances from Revett Silver Company	-	394.6
Cash provided by financial activities	25,720.8	394.6
Increase in cash and cash equivalents	4,608.5	-
Cash and cash equivalents, beginning of period	-	-
Cash and cash equivalents, end of period	\$ 4,608.5	\$ -
Supplemental disclosure of cash flow information:		
Cash paid for interest expense	\$ 1,419.3	\$ -
Cash paid for income taxes	-	-
Common stock issued in business acquisition (note 3)	17,221.8	-
Common stock issued in connection with debt settlement	500.0	-
Acquisition of plant and equipment under capital lease	889.0	-

See accompanying notes to consolidated financial statements.

REVETT MINERALS INC.

Notes to the Consolidated Financial Statements

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

Year ended December 31, 2005

Period from incorporation on August 25, 2004 to December 31, 2004

1. Nature of operations:

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 and provide the public with a vehicle for participating in the operations of the Troy Mine. Following the public offering in February 2005 and the supporting plan of reorganization approved by the shareholders of Revett Silver Company ("Revett Silver"), Revett Minerals owns approximately 67% of Revett Silver which in turn owns 100% of the Rock Creek project and 100% of the Troy Mine. Rock Creek is a large development stage copper and silver property located in northwest Montana. The Troy Mine is a copper and silver mine also located in northwest Montana that was placed into production in January 2005 after being placed into a care and maintenance basis, by its previous owner ASARCO Incorporated ("ASARCO"), in 1993.

The Company's continuing operations and the underlying value and recoverability of the amounts shown for the Rock Creek mineral property are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete exploration and development of the property, obtaining the necessary operating permits and upon future profitable production or proceeds from the sale of the project. The recoverability of the amounts shown for the Troy Mine and the related plant and equipment and supplies inventory is dependent upon the ability of the Company to profitably operate the mine or from proceeds from the disposition of the mine.

2. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Canada and include the accounts of the Company's 67%-owned subsidiary, Revett Silver. All inter-company balances and transactions have been eliminated on consolidation.

(b) Use of estimates:

The preparation of the 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 non-cash stock-based compensation, determination of valuation allowances for future income tax assets, measurement of concentrate inventory, expected economic lives for depreciation, depletion and amortization and the fair value of assets and liabilities acquired in business combinations. Actual results may differ from those estimates.

REVETT MINERALS INC.

Notes to the Consolidated Financial Statements

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

Year ended December 31, 2005

Period from incorporation on August 25, 2004 to December 31, 2004

2. Significant accounting policies (continued):

(c) Cash and cash equivalents:

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

(d) Short-term investments:

Short-term investments, which comprise marketable and other securities that are available for sale or have original maturity dates of more than three months and less than one year, are carried at the lower of cost or market.

(e) 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. Therefore, revenue from the sale of metals in concentrate must be subject to 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.

(f) Stock-based compensation:

The Company has a share option plan which is described in note 9(c). The Company records all stock-based payments using the fair value method.

Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable, and are charged to operations over the vesting period. The offset is credited 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.

(g) Loss per share:

Basic loss per common share has been calculated using the weighted average number of common shares issued and outstanding during the period. Diluted loss per common share is calculated using the treasury stock method, which requires the calculation of diluted loss per share by assuming that outstanding stock options and warrants with an average price that exceeds the average exercise price of the options and warrants for the year are exercised and the assumed proceeds are used to repurchase shares of the Company at the average market price of the common shares for the year. In the Company's case, diluted loss per share is the same as basic loss per share, as the Company has a loss for the period, and any potential dilutive shares would be anti-dilutive. See note 9 for options and warrants outstanding.

REVETT MINERALS INC.

Notes to the Consolidated Financial Statements

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

Year ended December 31, 2005

Period from incorporation on August 25, 2004 to December 31, 2004

2. Significant accounting policies (continued):

(h) Foreign currency translation:

Transactions and account balances originally stated in currencies other than the United States dollar have been translated into United States dollars using the temporal method of foreign currency translation 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.

(i) Inventory:

Material and supplies are valued at the lower of average cost and replacement 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.

(j) Mineral property, plant and equipment:

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 capitalized upon completion of an analysis which demonstrates the economic viability of the mineral deposit. Once commercial production has commenced, these costs are amortized using the units-of-production method based on proven and probable reserves. If the mineral deposit proves to be uneconomical or otherwise determined to have a value less than its carrying amount, then previously capitalized costs are written down in the period in which such determination is made. 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. When assets are retired or sold, the costs and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in operations.

REVETT MINERALS INC.

Notes to the Consolidated Financial Statements

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

Year ended December 31, 2005

Period from incorporation on August 25, 2004 to December 31, 2004

2. Significant accounting policies (continued):

(k) 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. Measurement of an impairment loss is based on the estimated fair value of the asset compared to its carrying value.

At each reporting period and 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. These reviews involve 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 property and equipment in its valuation.

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 current conditions. Nonetheless, it is reasonably possible that in the near term, changes that could 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.

(l) 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 tangible long-lived assets 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 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 liabilities may have changed. Any such increases in costs could materially impact the future amounts charged to operations for reclamation and remediation obligations.

REVETT MINERALS INC.

Notes to the Consolidated Financial Statements

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

Year ended December 31, 2005

Period from incorporation on August 25, 2004 to December 31, 2004

2. Significant accounting policies (continued):

(m) Income taxes:

The provision for income taxes is 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, more likely than not, fail to be realized.

(n) Variable interest entities:

Effective January 1, 2005, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15, "*Consolidation of Variable Interest Entities*" ("AcG-15") on a prospective basis. AcG-15 prescribes the application of consolidation principles for entities that meet the definition of a variable interest entity ("VIE"). An enterprise holding other than a voting interest in a VIE could, subject to certain conditions, be required to consolidate the VIE if it is considered its primary beneficiary whereby it would absorb the majority of the VIE's expected losses, receive the majority of its expected residual returns, or both. The adoption of this new standard had no effect on the consolidated financial statements as management has determined the Company does not have any VIE's.

(o) Non-controlling interest:

Non-controlling interest exists on the Company's less than wholly-owned subsidiary and represents the non-controlling interest's share of the carrying value of the subsidiary.

3. Business acquisition:

In February 2005, the Company sold 34.5 million common shares through an initial public offering ("IPO") and utilized the net proceeds to acquire 34.5 million Class A common shares of Revett Silver. Concurrent with the IPO, the shareholders of Revett Silver approved a plan of reorganization whereby Revett Silver exchanged its common shares for Class B common shares, on a one for one basis, which are exchangeable into common shares of Revett Minerals. At the closing of the IPO, approximately 22.7 million Class B common shares of Revett Silver were exchanged for an equal number of common shares of Revett Minerals with approximately 30.8 million Class B common shares of Revett Silver remaining. In addition, on July 7, 2005, the minority interest shareholders of Revett Silver converted 1,777,917 common shares to Revett Minerals common shares, on a one for one basis.

REVETT MINERALS INC.

Notes to the Consolidated Financial Statements

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

Year ended December 31, 2005

Period from incorporation on August 25, 2004 to December 31, 2004

3. Business acquisition (continued):

The Company has accounted for this acquisition using the purchase method of accounting, and as such, the fair value of the consideration given was allocated to the assets and liabilities acquired based upon the fair values of such assets and liabilities at the time of purchase. These consolidated financial statements include 65% of Revett Silver's operating results for the period March 1, 2005 to July 7, 2005 and 67% of the results thereafter.

The allocation of the purchase price for the combined acquisition, based on the consideration given, is summarized as follows:

Fair value of assets acquired:	
Cash and cash equivalents	\$ 25,631.7
Other current assets	7,194.5
Plant and equipment	4,251.4
Mineral property	49,014.8
Other assets	80.4
	<hr/>
	86,172.8
Less:	
Current liabilities	6,628.5
Reclamation and remediation liability	8,367.0
Long-term debt	10,551.1
Future income tax liability	9,015.5
Non-controlling interest	9,416.8
	<hr/>
	43,978.9
	<hr/>
	\$ 42,193.9
Consideration given:	
Cash subscriptions for 34,500,000 common shares	\$ 24,972.1
Exchange of 24,489,705 Revett Silver common shares (note 9)	17,221.8
	<hr/>
	\$ 42,193.9

4. Inventory:

The major components of the Company's inventory accounts at December 31, 2005 and 2004 are as follows:

	2005	2004
Concentrate inventory	\$ 200.4	\$ -
Material and supplies	1,538.0	-
	<hr/>	
	\$ 1,738.4	\$ -

REVETT MINERALS INC.

Notes to the Consolidated Financial Statements

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

Year ended December 31, 2005

Period from incorporation on August 25, 2004 to December 31, 2004

5. Mineral property, plant and equipment:

The major components of the Company's mineral property, plant and equipment accounts at December 31, 2005 and 2004 are as follows:

	2005	2004
Troy Mine:		
Property	\$ 11,090.8	\$ -
Plant and equipment	7,984.9	-
Buildings	441.5	-
Rock Creek property and development	37,937.5	-
Other corporate	1,058.8	-
Other mineral properties	118.7	-
	58,632.2	-
Accumulated depreciation and depletion	(1,440.9)	-
	\$ 57,191.3	\$ -

6. Restricted cash:

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, \$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 currently existing reclamation and mine closure liabilities at the Troy Mine. If the costs of reclaiming the Troy Mine 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.

The remaining \$1.9 million comprises premiums paid to the insurer and Montana state taxes on the ERTP transaction. This remaining amount is considered a non-current asset and will be amortized over the life of the mine on a units-of-production basis.

7. Long-term debt:

At December 31, 2005, the balance of the Company's long-term debt and capital lease obligation is as follows:

Royal Gold royalty (a)	\$ 7,063.7
Kennecott ⁽¹⁾ (b)	6,000.0
Term loan (c)	1,193.2
Capital leases (e)	928.3
	15,185.2
Current portion	4,077.2
	\$ 11,108.0

⁽¹⁾ Includes accrued interest expense in total of \$1.0 million as of December 31, 2005.

REVETT MINERALS INC.

Notes to the Consolidated Financial Statements

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

Year ended December 31, 2005

Period from incorporation on August 25, 2004 to December 31, 2004

7. Long-term debt (continued):

(a) Royal Gold royalty:

In October 2004, the Company's subsidiary, Revett Silver sold Royal Gold, Inc. ("Royal Gold") two separate royalties on production from the Troy Mine; the first for \$7.25 million (the "Production Payment") and the second for \$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 proven and probable reserves as at October 13, 2004 or \$10.5 million. The Tail Royalty is also payable in cash at the rate of 6.1% on the gross smelter returns from the Troy Mine 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.

(b) Kennecott Montana Company note payable:

The Kennecott Montana Company ("Kennecott") note payable is for \$5.0 million and bears an interest rate of one-percent over the U.S. prime rate in effect on the last day of the preceding quarter and the maturity date is February 21, 2008. The note allows Kennecott the option to receive interest payments in cash or in common shares. In addition, Kennecott may elect to receive the interest semi-annually or to defer such payments. In December 2005, Kennecott elected to have current interest owing paid in cash, however, Kennecott may change this election at its option. In addition, Kennecott retains the right to have deferred interest paid in common stock at any time until the note matures. Until February 2005, Kennecott had elected to defer the interest payments due to it, and accordingly, such accrued interest amounts were classified as long-term. During the year ended December 31, 2005, the Company issued 1,042,108 common shares in settlement of \$0.5 million of accrued interest.

The Kennecott note is secured by mortgages on the mining claims comprising the Troy and Rock Creek properties, buildings and mill facilities. The Company 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.

(c) 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 an interest rate of 6.9%. The monthly payments are \$0.1 million which commenced in May 2005. The term loan is secured with certain underground production equipment acquired.

REVETT MINERALS INC.

Notes to the Consolidated Financial Statements

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

Year ended December 31, 2005

Period from incorporation on August 25, 2004 to December 31, 2004

7. Long-term debt (continued):

(d) Minimum principal amounts:

Minimum principal amounts due on long-term debt for each of the five years subsequent to December 31, 2005 are as follows:

2006	\$	2,343.9
2007		3,164.0
2008		8,788.0
2009		-
2010 and thereafter		-

(e) Capital leases:

The Company has entered into a number of capital leases and loans to acquire new mining equipment for use at the Troy Mine.

	2005	2004
2006	\$ 472.0	\$ -
2007	381.0	-
2008	78.3	-
2009	31.1	-
2010 and thereafter	9.0	-
Total minimum lease payments	971.4	-
Less amount representing interest (at rates ranging from 3.33% to 5.57%)	43.1	-
Present value of net minimum capital lease payments	928.3	-
Current portion	441.1	-
	\$ 487.2	\$ -

Interest of \$21,100 (2004 - nil) relating to capital lease obligations has been included in interest expense - long-term debt.

8. 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.

REVETT MINERALS INC.

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

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8. Reclamation and remediation liability (continued):

The Company has recorded an asset retirement obligation for the estimated costs of reclaiming the Troy Mine once operations have ceased. The Montana Department of Environmental Quality ("DEQ") looks to the Company as primary obligor of the reclamation liabilities, and has required a reclamation bond in the amount of \$10.5 million to be posted. The Company has purchased an environmental risk transfer program which will fund the expected reclamation and remediation cost obligations at the Troy Mine and provide a surety bond to the DEQ for the required reclamation bond (note 6).

Changes in the reclamation and remediation liability for the year ended December 31, 2005 is as follows:

	2005	2004
Reclamation and remediation liability, beginning of year	\$ -	\$ -
Assumption of reclamation and remediation liability (note 3)	8,367.0	-
Accretion expense	584.4	-
	\$ 8,951.4	\$ -

The total undiscounted amount of the estimated future expenditures required to settle the environmental remediation obligation at December 31, 2005 is \$10.5 million. The environmental remediation expenditures are expected to occur at the end of mine operations, which is expected to occur in 2008 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; and the rate of inflation over the expected years to settlement.

9. Share capital:

(a) Common shares - issued and outstanding:

The Company has one class of no par value common share of which an unlimited number are authorized for issue. At December 31, 2005, 60,047,503 shares of common stock were outstanding.

	Number of shares	Amount
Balance, December 31, 2004	1	\$ -
Issued for cash on IPO	34,500,000	24,972.1
Exchanged for Revett Silver shares (note 3)	24,489,705	17,221.8
Redeemed	(1)	-
Issued for expenses	15,690	7.5
Issued in lieu of interest payable to Kennecott (note 7(b))	1,042,108	500.0
Balance, December 31, 2005	60,047,503	\$ 42,701.4

On February 26, 2005, the Company completed its IPO and listing on The Toronto Stock Exchange. Pursuant to the IPO, the Company issued 34.5 million common shares at CDN\$1.00 per share for net proceeds of approximately \$25.0 million.

REVETT MINERALS INC.

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Year ended December 31, 2005

Period from incorporation on August 25, 2004 to December 31, 2004

9. Share capital (continued):

(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, 2005, no preferred stock was issued or outstanding.

(c) Stock options:

In 2005, the Company adopted the Equity Incentive Plan (the "Plan"). The purposes of the Plan are to enable the Company to attract and retain able 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 currently administered by the Company's Board of Directors.

The Plan requires the Company to reserve and have available for issue, 8,000,000 shares of 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 shares 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.

In 2005, the Company granted certain employees stock options to acquire 825,000 (2004 - nil) common shares of the Company pursuant to the Plan at a weighted average exercise price of \$0.63 per share. All of these options have a term of five years from the date of grant.

As at December 31, 2005, 400,000 of these options with a weighted average exercise price of \$0.61 had vested and were exercisable. The weighted average fair value of options granted during the year ended December 31, 2005 was \$0.33.

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 - 3.79%;

(ii) Expected life - 4 years;

(iii) Volatility - 70%; and

(iv) Expected dividends - nil

(d) Share purchase warrants:

In connection with the IPO, the Company issued to the underwriters a total of 2,070,000 warrants. Each warrant entitles the underwriters to purchase one common share at an exercise price of CDN\$1.20. 1,800,000 of these warrants expire February 16, 2007 and the remaining 270,000 expire February 25, 2007.

REVETT MINERALS INC.

Notes to the Consolidated Financial Statements

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Year ended December 31, 2005

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9. Share capital (continued):

(d) Share purchase warrants (continued):

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. In conjunction with a 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. In addition, as part of this private placement Revett Silver Company issued stock purchase warrants exercisable into 3,054,659 Class B common shares of Revett Silver at \$1.00 per share. 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.

Warrant summary table

	Number	Exercise price	Expiry
Revett Minerals	2,070,000	CDN\$1.20	February 2007
Revett Silver	520,667	US\$0.75	March 2006
Revett Silver	3,054,659	US\$1.00	To be determined ⁽¹⁾
Revett Silver	620,000	US\$0.25	September 2008

⁽¹⁾ Expire 18 months after Revett Silver becomes listed on a public stock exchange.

10. 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 39.4% as follows:

	2005	2004
Loss before income taxes and non-controlling interest	\$ (4,843.5)	\$ (21.7)
Expected tax recovery	\$ 1,908.3	\$ 8.5
Tax losses not recognized	(273.4)	(7.0)
Other permanent differences	82.8	(1.5)
Future income tax recovery	\$ 1,717.7	\$ -

The significant components of the Company's future income tax assets and liabilities at December 31, 2005 and 2004 are as follows:

REVETT MINERALS INC.

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10. Income taxes (continued):

	2005	2004
Future income tax assets:		
Reclamation and remediation	\$ 49.8	\$ -
Long-term debt	365.7	-
Net operating losses:		
United States	3,645.1	-
Canada	273.4	-
Other	297.6	7.0
Total future income assets	4,631.6	7.0
Valuation allowance	(538.1)	(7.0)
Net future income tax assets	4,093.5	-
Future income tax liabilities:		
Mineral property, plant and equipment	(11,391.3)	-
Net future income tax liabilities	\$ (7,297.8)	\$ -

At December 31, 2005, the Company has United States losses of approximately \$9.5 million and Canadian losses and tax deductions of approximately \$1.7 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) is subject to an annual limitation of approximately \$2.1 million. The United States and Canadian losses expire at various dates prior to 2025. The future income tax assets related to the Canadian losses and tax deductions have been offset by a valuation allowance.

11. Commitments and contingencies:

(a) Agreement for electric service:

The Company has a power sales and services agreement with a local utility company to provide electric power to its Troy Mine. The agreement provides for the Company's purchase of electric power at agreed upon kilowatt per hour prices and other specified charges and to include a monthly administrative charge of \$4,660. Payments are subject to capital credits and cost recovery adjustments. The agreement expires and renews annually on September 30 of each year.

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11. Commitments and contingencies (continued):

(b) Litigation:

- (i) On December 20, 2002, an action was filed against Revett Silver and ASARCO in the United States District Court of Montana, Missoula Division, by an environmental activist group alleging violations of various federal and state environmental laws at the Troy Mine, and with breaching the terms of an earlier settlement agreement entered into by ASARCO in 1997 requiring it (and Revett Silver, as successor and owner and operator of the mine) to operate and maintain the tailings impoundment in accordance with technical recommendations. The Company believes the claims are inaccurate and is vigorously defending against them. The Company is in the process of applying to the Court to have this action dismissed because the plaintiffs have failed to adhere to the Court's scheduling order for discovery. The ultimate outcome of the litigation is not determinable.
- (ii) On March 2, 2002, an amended judicial challenge was filed against the DEQ, challenging a water discharge permit approved under the Record of Decision with respect to the Rock Creek Project. Subsequent to December 31, 2005, the Court required the DEQ to re-examine the granting of this permit as it relates to water discharge from the proposed tailing facility. Under Montana law, all water discharge permits are required to be reconsidered every five years and the Company was in the process of reapplying for this permit prior to the ruling by the judge. The Company is not a party to this action. While the outcome of this judicial challenge is uncertain, it could delay the eventual permitting of the Rock Creek Project.
- (iii) The Company's proposed development of the Rock Creek Project was the subject of a judicial appeal in federal district court filed by a number of environmental groups, challenging the May 2003 biological opinion. In March 2005, the US District Court set aside and remanded the biological opinion back to the United States Fish and Wildlife Service ("USFWS"). The Company expects the USFWS to complete a revised biological opinion in 2006. A negative biological opinion could materially affect the ultimate permitting of the Rock Creek project.
- (iv) In June 2005, a number of environmental groups sued the United States Forest Service ("USF") claiming that the USF unlawfully approved the Record of Decision, the Plan of Operations and the Environmental Impact Statement for the Rock Creek Project. The Company petitioned the court for intervener status and was granted such status. This action is stayed pending the issuance of the biological opinion. After the stay is lifted, a new scheduling order will be issued by the Court. Due to the very preliminary stage of this action, management is unable to estimate the ultimate outcome of this action or the effect it will have on the Rock Creek Project.

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11. Commitments and contingencies (continued):

(c) 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 the Rock Creek Project 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, or the common stock of Revett Silver previously issued and not yet exchanged for common shares of the Company, to acquire the NSR royalty. The 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.

(d) Royal Gold private placement:

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, or the common shares of the Company that were received on exchange of Revett Silver common shares, into a perpetual, non-participating 1% net smelter return royalty on 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 on production from the Rock Creek Project or into common shares of the Company.

(e) Rail care lease:

During the year ended December 31, 2005, the Company entered into two five year agreements to lease a total of 57 rail cars at an average price of \$436 per month.

12. Fair value of financial instruments:

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data and to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

The carrying amounts for cash and cash equivalents, short-term investments, receivables, restricted cash and accounts payable and accrued liabilities are reasonable estimates of their fair values based upon the short term nature of these amounts. Long-term debt is estimated to approximate fair value due to the nature of the obligation and market bearing interest rates.