

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

REVETT MINERALS INC.

Years ended December 31, 2006 and 2005



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Revett Minerals Inc. as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for the years then ended. 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, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP (signed)

Chartered Accountants

Vancouver, Canada

March 2, 2007

REVETT MINERALS INC.

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

December 31, 2006 and 2005

	2006	2005
		(Restated - note 3)
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,862	\$ 4,609
Short-term investments	3,940	7,396
Receivables	980	3,090
Inventories (note 4)	4,005	1,738
Prepaid expenses and deposits	512	703
	29,299	17,536
Mineral property, plant and equipment (note 5)	56,012	57,793
Restricted cash (note 6)	7,043	6,719
Other assets	1,849	1,680
	\$ 94,203	\$ 83,728
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,848	\$ 2,859
Current portion of long-term debt (note 7)	4,387	4,077
	10,235	6,936
Long-term debt (note 7)	9,354	11,108
Reclamation and remediation liability (note 8)	7,603	8,951
Future income taxes (notes 3 and 10)	8,353	8,518
	35,545	35,513
Non-controlling interest	8,524	8,211
Shareholders' equity:		
Share capital (note 9)	53,989	42,701
Contributed surplus	816	243
Deficit	(4,671)	(2,940)
	50,134	40,004
Nature of operations (note 1)		
Commitments and contingencies (note 11)		
Subsequent events (notes 9(d) and 13)		
	\$ 94,203	\$ 83,728

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)

Years ended December 31, 2006 and 2005

	2006	2005
		(Restated - note 3)
Revenue	\$ 31,381	\$ 21,136
Expenses:		
Cost of sales	25,043	19,318
Depreciation and depletion	1,280	1,441
Exploration	1,417	1,259
General and administrative	3,558	2,618
Accretion of reclamation and remediation liability	596	584
	31,894	25,220
Loss from operations	(513)	(4,084)
Other income (expenses):		
Interest expense	(1,689)	(1,745)
Interest and other income	841	605
Foreign exchange loss	(225)	-
	(1,073)	(1,140)
Loss before income taxes and non-controlling interest	(1,586)	(5,224)
Income tax recovery (note 10)	165	1,100
Loss before non-controlling interest	(1,421)	(4,124)
Non-controlling interest	(310)	1,206
Loss for the year	(1,731)	(2,918)
Deficit, beginning of year	(2,940)	(22)
Deficit, end of year	\$ (4,671)	\$ (2,940)
Basic and diluted loss per share	\$ (0.03)	\$ (0.06)
Weighted average number of shares outstanding	61,292,210	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)

Years ended December 31, 2006 and 2005

	2006	2005
		(Restated - note 3)
Cash provided by (used in):		
Operating activities:		
Loss for the year	\$ (1,731)	\$ (2,918)
Items not involving cash:		
Depreciation and depletion	1,280	1,441
Accretion of reclamation and remediation liability	596	584
Stock based compensation	573	243
Expenses paid with common shares	-	7
Future income tax recovery	(165)	(1,100)
Non-controlling interest	310	(1,206)
Changes in non cash working capital:		
Receivables	2,110	345
Inventories	(2,267)	1,795
Prepaid expenses and deposits	191	34
Accounts payable and accrued liabilities	2,989	1,045
Deferred revenue acquired	-	(1,850)
	3,886	(1,580)
Financing activities:		
Proceeds from issuance of common stock, net	11,288	24,972
Repayment of debt	(1,529)	(502)
Repayment of capital leases	(565)	(249)
Proceeds from long-term debt	-	1,500
	9,194	25,721
Investing activities:		
Sale (purchase) of short-term investments	3,456	(7,396)
Purchase of mineral property, plant and equipment	(793)	(4,345)
Restricted cash	(324)	(6,719)
Other long-term assets	(166)	(1,600)
Business acquisitions, net of cash acquired (note 3)	-	528
	2,173	(19,532)
Increase in cash and cash equivalents	15,253	4,609
Cash and cash equivalents, beginning of year	4,609	-
Cash and cash equivalents, end of year	\$ 19,862	\$ 4,609
Supplemental disclosure of cash flow information:		
Cash paid for interest expense	\$ 1,787	\$ 1,419
Cash received for interest income	824	482
Cash paid for income taxes	-	-
Common stock issued in business acquisition (note 3)	-	17,222
Common stock issued in connection with debt settlement	-	500
Acquisition of plant and equipment under capital lease	650	889
Revision of reclamation and remediation liability and offset to mineral property, plant and equipment, being a non-cash transaction	1,944	-

See accompanying notes to consolidated financial statements.

REVETT MINERALS INC.

Notes to the 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, 2006 and 2005

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 initial public offering (IPO) 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 future profitable production or proceeds from the sale of the mineral property. The recoverability of the amounts shown for the Troy Mine and the related plant and equipment and inventories 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 Canadian generally accepted accounting principles and include the accounts of the Company's 67% owned subsidiary, Revett Silver, and Revett Silver's wholly owned subsidiaries. All inter-company balances and transactions have been eliminated on consolidation.

(b) 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 and the estimates of minerals reserves and mine life. Actual results may differ from those estimates.

REVETT MINERALS INC.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars, unless otherwise stated)

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Years ended December 31, 2006 and 2005

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 quoted market price.

(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 are 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. Compensation cost is recognized in earnings on a straight-line basis over the relevant 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 year. 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. For the years ended December 31, 2006 and 2005, diluted loss per share is the same as basic loss per share, as the Company has a loss each year, 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

(Expressed in United States dollars, unless otherwise stated)

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Years ended December 31, 2006 and 2005

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) Inventories:

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. 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 the statement of operations.

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Years ended December 31, 2006 and 2005

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.

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.

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 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 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.

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Years ended December 31, 2006 and 2005

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) 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 its 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 dependent on certain conditions being met. 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 Class B common shares to Revett Minerals common shares, on a one for one basis.

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3. Business acquisition (continued):

The Company 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:

	(Restated)
Fair value of assets acquired:	
Cash and cash equivalents	\$ 25,632
Other current assets	7,195
Mineral property, plant and equipment	53,868
Other assets	80
	<u>86,775</u>
Less:	
Current liabilities	6,629
Reclamation and remediation liability	8,367
Long-term debt	10,551
Future income tax liability	9,617
Non-controlling interest	9,417
	<u>44,581</u>
	<u>\$ 42,194</u>
Consideration given:	
Cash subscriptions for 34,500,000 common shares	\$ 24,972
Exchange of 24,489,705 Revett Silver common shares (note 9)	17,222
	<u>\$ 42,194</u>

During the year ended December 31, 2006, the Company finalized its determination of tax basis in Revett Silver at the time of acquisition. As a result, the purchase price allocation has been adjusted to increase future income tax liability by \$0.6 million with a corresponding increase to mineral property, plant and equipment. Furthermore, as a result of the Company's re-determination of tax basis at December 31, 2005, the future income tax recovery has been reduced by \$0.6 million (\$0.01 per share) with a corresponding increase to the future income tax liability.

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Notes to the Consolidated Financial Statements

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Years ended December 31, 2006 and 2005

4. Inventories:

The major components of the Company's inventory accounts at December 31, 2006 and 2005 are as follows:

	2006	2005
Concentrate inventory	\$ 933	\$ 200
Material and supplies	3,072	1,538
	<u>\$ 4,005</u>	<u>\$ 1,738</u>

5. Mineral property, plant and equipment:

The major components of the Company's mineral property, plant and equipment accounts at December 31, 2006 and 2005 are as follows:

	2006	2005
		(Restated - note 3)
Troy Mine:		
Property	\$ 9,507	\$ 11,428
Plant and equipment	8,933	7,985
Buildings and structures	907	442
Rock Creek property and development	38,201	38,201
Other corporate assets	1,062	1,060
Other mineral properties	118	118
	<u>58,728</u>	<u>59,234</u>
Accumulated depreciation and depletion:		
Troy property	(1,542)	(876)
Troy plant and equipment	(1,038)	(486)
Troy buildings and structures	(73)	(30)
Other corporate assets	(63)	(49)
	<u>(2,716)</u>	<u>(1,441)</u>
	<u>\$ 56,012</u>	<u>\$ 57,793</u>

The net book value of assets under capital leases at December 31, 2006 was \$2.0 million (2005 - \$1.4 million).

REVETT MINERALS INC.

Notes to the Consolidated Financial Statements

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Years ended December 31, 2006 and 2005

6. Restricted cash:

On March 29, 2005, the Company purchased from a North American insurance company an environmental risk transfer program (the E RTP). The total cost of the E RTP 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 are reserved exclusively to pay the Company's 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. At December 31, 2006 the Commutation Account balance was \$7.0 million

The remaining \$1.9 million comprises premiums paid to the insurer and Montana state taxes on the E RTP 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. At December 31, 2006 the balance for the prepaid insurance was \$1.5 million, of which the long-term portion of \$1.3 million is included in other assets.

7. Long-term debt:

At December 31, 2006 and 2005, the balance of the Company's long-term debt and capital lease obligation was as follows:

	2006	2005
Royal Gold royalty (a)	\$ 6,023	\$ 7,064
Kennecott ⁽¹⁾ (b)	6,000	6,000
Term loan (c)	705	1,193
Capital leases (e)	1,013	928
	13,741	15,185
Less current portion	4,387	4,077
	\$ 9,354	\$ 11,108

⁽¹⁾ Includes deferred interest expense in total of \$1.0 million as of December 31, 2006 and 2005.

(a) Royal Gold royalty:

In October 2004, 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. As at December 31, 2006 the Company had paid or accrued royalty obligations totaling \$3.463 million on the Production Payment. 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 that existed as at October 13, 2004 and then at the rate of 2% for all future production.

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7. Long-term debt (continued):

(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. Commencing 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%. Commencing in May 2005, the monthly payments are \$0.1 million. The term loan is secured with certain underground production equipment acquired.

(d) Minimum principal amounts:

Minimum principal amounts due on long-term debt for the years subsequent to December 31, 2006 are as follows:

2007	\$	3,694
2008		9,034
2009 and thereafter		-

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7. Long-term debt (continued):

(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. Obligation under capital leases are as follows:

2007	\$	732
2008		283
2009		34
2010		8
2011 and thereafter		-
Total minimum lease payments		1,057
Less amount representing interest (at rates ranging from 3.33% to 7.75%)		44
Present value of net minimum capital lease payments		1,013
Less current portion		693
		\$ 320

For the year ended December 31, 2006, interest expense on capital leases was \$0.05 million.

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.

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 \$12.3 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 also provides 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, 2006 are as follows:

	2006	2005
Reclamation and remediation liability, beginning of year	\$ 8,951	\$ -
Reduction in present value of liability due to mine life extension	(1,944)	-
Assumption of reclamation and remediation liability (note 3)	-	8,367
Accretion expense	596	584
	\$ 7,603	\$ 8,951

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8. Reclamation and remediation liability (continued):

In January 2006, the estimated operating life of the Troy mine was extended. This resulted in a decrease of the reclamation and remediation liability of \$1.9 million 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, 2006 is \$10.5 million. The environmental remediation expenditures are expected to occur at the end of mine operations 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, estimated at 3.4%, 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.

	Number of shares	Amount
Balance, December 31, 2004	1	\$ -
Issued for cash on IPO	34,500,000	24,972
Exchanged for Revett Silver shares (note 3)	24,489,705	17,222
Redeemed	(1)	-
Issued for expenses	15,690	7
Issued for interest owing	1,042,108	500
Balance, December 31, 2005	60,047,503	42,701
Issued for cash on exercise of warrants	356,585	368
Issued for cash on private placement	11,500,000	10,920
Balance, December 31, 2006	71,904,088	\$ 53,989

In November 2006, the Company completed the issuance of 11,500,000 units in a private placement which raised gross proceeds of CAD\$12,995,000; each unit consisted of one common share and one-quarter common share purchase warrant. The warrants, if fully exercised, would result in the issuance of an additional 2,875,000 common shares of the Company. The warrants expire on May 22, 2009 and the exercise price of a whole warrant is CAD\$1.36. The agent for this offering received a cash commission of 3.5% and the right to acquire 268,000 units until May 22, 2009 under the same terms and conditions as the subscribers received, except the unit price was CAD\$1.25 instead of CAD\$1.13.

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 CAD\$1.00 per share for net proceeds of approximately \$25.0 million.

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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, 2006 and 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 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.

In 2006, the Company granted certain employees, consultants, officers and directors stock options to acquire 1,675,000 common shares of the Company pursuant to the Plan at exercise prices between CAD\$1.10 and CAD\$1.45 per share. All of these options have a term of five years from the date of grant. The weighted average fair value of the options granted in 2006 was \$0.55 per option and the total stock-based compensation recognized during the year ended December 31, 2006 was \$0.6 million (2005 - \$0.2 million).

In 2005, the Company granted certain employees stock options to acquire 825,000 common shares of the Company pursuant to the Plan at a weighted average exercise price of CAD\$0.76 per share. Of this total 50,000 were cancelled upon the resignation of an employee. All of these options have a term of five years from the date of grant.

The outstanding stock options are presented below:

Number of options granted	Exercise price	Number vested	Expiry date
100,000	US\$0.75	100,000	January 25, 2010
600,000	CAD\$0.76	400,000	April 27, 2010
75,000	CAD\$0.55	75,000	December 15, 2010
40,000	CAD\$1.25	20,000	May 12, 2011
20,000	CAD\$1.25	20,000	September 15, 2011
1,590,000	CAD\$1.10	795,000	October 4, 2011
25,000	CAD\$1.45	25,000	December 4, 2011
2,450,000		1,435,000	

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9. Share capital (continued):

(c) Stock options (continued):

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 - 4.57% (2005 - 3.79%);

(ii) Expected life - 4 years (2005 - 4 years);

(iii) Volatility - 70% (2005 - 70%);

(iv) Expected dividends - nil (2005 - nil)

Revett Silver has granted employees a total of 3,325,000 stock options. A total of 2,005,000 have an exercise price of US\$0.50 and expire between March and September 2008; 100,000 have an exercise price of US\$0.50 and expire on March 31, 2009; 295,000 have an exercise price of US\$0.75 and expire between June and October 2009 and 925,000 have an exercise price of US\$0.75 and expire on December 6, 2009. Revett Silver has ceased granting options pursuant to this plan.

(d) Share purchase warrants:

In 2006, Revett Minerals granted to subscribers of the 2006 private placement 2,875,000 share purchase warrants exercisable into an equal number of common shares at an exercise price of CAD\$1.36 which expire on May 22, 2009. The Company has the right to accelerate the expiry date of the warrants in the event that the Company's share price closes above CAD\$2.00 per share for fifteen consecutive trading days. In addition, the agent for this private placement has an option to acquire 268,000 units until May 22, 2009 with terms and conditions essentially the same as those granted to the subscribers of the private placement, except the agent's unit price is CAD\$1.25 per unit.

In connection with the IPO, the Company issued to the underwriters a total of 2,070,000 share purchase warrants. Each warrant entitles the underwriters to purchase one common share at an exercise price of CAD\$1.20. During 2006, a total of 356,585 warrants were exercised and to the end of February 2007 an additional 1,293,615 warrants were exercised. The remaining 419,800 warrants expired unexercised.

As at December 31, 2006 the following share purchase warrants are outstanding:

	Number	Exercise price	Expiry
Revett Minerals	1,713,415	CAD\$1.20	February 2007
Revett Minerals	2,875,000	CAD\$1.36	May 2009
Revett Silver	3,051,326	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.

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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 may be exchangeable into common shares 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, which expired unexercised. 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. A total of 3,333 of these warrants were exercised in 2006. These warrants 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:

	2006	2005
		(Restated - note 3)
Loss before income taxes and non-controlling interest	\$ (1,586)	\$ (5,224)
Expected tax recovery	\$ 625	\$ 2,058
Tax losses not recognized	(554)	(740)
Percentage depletion	437	-
Other differences	(343)	(218)
Future income tax recovery	\$ 165	\$ 1,100

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10. Income taxes (continued):

The significant components of the Company's future income tax assets and liabilities at December 31, 2006 and 2005 are as follows:

	2006	2005
		(Restated - note 3)
Future income tax assets:		
Reclamation and remediation	\$ 2,996	\$ 3,527
Net operating losses:		
United States	6,619	5,999
Canada	876	296
Other assets	340	283
Total future income assets	10,831	10,105
Valuation allowance	(1,191)	(560)
Net future income tax assets	9,640	9,545
Future income tax liabilities:		
Mineral property, plant and equipment	(17,993)	(18,063)
Net future income tax liabilities	\$ (8,353)	\$ (8,518)

At December 31, 2006, the Company has United States losses of approximately \$22.3 (2005 - \$20.5) million and Canadian losses and tax deductions of approximately \$3.7 million (2005 -\$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) are subject to an annual limitation of approximately \$2.1 million. The United States and Canadian losses expire at various dates prior to 2026. 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 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) *Rock Creek Alliance, et al., Plaintiffs v. United States Fish and Wildlife Service and Revett Silver Company, Defendants.*

United States District Court District of Montana, Missoula Division:

The plaintiffs sued the United States Fish & Wildlife Service (USFWS) seeking injunctive and other relief for alleged violations of the Endangered Species Act. The plaintiffs challenged the USFWS's issuance of a "no jeopardy" biological opinion regarding the proposed Rock Creek Project's impact on grizzly bears and bull trout. The essence of plaintiff's claim is that the USFWS acted arbitrarily and failed to rely on the best scientific data in rendering the biological opinion.

On March 28, 2005 the U.S. District Court set aside and remanded the biological opinion to the USFWS for consideration in accordance with the Order issued by the Court. This ruling was appealed by all of the parties to the 9th Circuit Court of Appeals. By agreement of all the parties, including the Company, this appeal was subsequently dismissed. In October 2006, the USFWS completed its work on the 2003 biological opinion and reconfirmed its non-jeopardy opinion. It is possible that the revised biological opinion will necessitate some modifications to the Record of Decision (ROD) and the revised biological opinion may be challenged in court.

- (ii) *Rock Creek Alliance, Clark Fork Coalition, Cabinet Resource Group, Montana Wilderness Association, Earthworks, and Alliance for the Wild Rockies, Plaintiffs, v. United States Forest Service, U.S. Department of Agriculture, Abigail R. Kimbell, in her official capacity as Regional Forester for the Northern Region, Bob Castaneda, in his official capacity as Forest Supervisor of the Kootenai National Forest, and Mike Johanns, in his official capacity as Secretary of the U.S. Department of Agriculture, Defendants.*

United States District Court for the District of Montana, Missoula Division:

This action was filed on June 20, 2005 and is seeking injunctive and declaratory relief against the defendants. It claims that the defendants unlawfully approved the ROD, Plan of Operations, and Final Environmental Impact Statement (FEIS) for the Rock Creek Project. The suit alleges violations of the Endangered Species Act, National Environmental Policy Act, 1872 Mining Law, Federal Land Policy Management Act, Wilderness Act, National Forest Management Act, the Clean Water Act, Forest Service Organic Administration Act of 1897, the Administrative Procedure Act and the implementing regulations of these laws.

The Company petitioned the Court for intervention and the intervention was ordered by the Court on October 12, 2005.

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11. Commitments and contingencies (continued):

(b) Litigation (continued):

(ii) Continued:

This action is stayed pending the issuance of a revised biological opinion by the USFWS following the remanding of the 2003 biological opinion to the Fish and Wildlife Service which is now concluded (see (i) above). The reconsidered biological opinion concluded that development of Rock Creek was not likely to jeopardize the continued existence of endangered or threatened species. Following the issuance of the revised biological opinion, the Forest Service undertook a review of the Rock Creek Plan of Operation to see if changes were required to this document due to changed circumstances, new information or the revised biological opinion. This review is on-going. The lawsuit continues to be stayed pending the review by the Forest Service and its determination with respect to the Plan of Operations. Due to the very early stage of this action, management is unable to estimate with certainty the ultimate outcome of this matter.

(iii) *Cabinet Resources Group, Inc. Plaintiff v. Montana Department of Environmental Quality, Revett Minerals Inc. and Genesis Inc., Defendant:*

The plaintiffs sued seeking a declaratory judgment against the defendants alleging violations of the regulations, statutes and constitution of the State of Montana; a declaration that the Troy Mine reclamation permit and reclamation plan are void and invalid; and in the alternative, the writs and mandamus requiring the Montana Department of Environmental Quality (DEQ) to enforce the provisions of the Metal Mines Reclamation Act (MMRA). Specifically, the plaintiffs are alleging that the Troy Mine is operating in violation of the MMRA because its operating permit is invalid due to deficiencies in its reclamation plan, and therefore, its operating permit should be suspended or revoked and continued operation of the mine enjoined. The plaintiffs claim for mandamus is alleging the DEQ has a duty to forfeit the Troy bond, issue a violation letter and serve a notice of violation pursuant to the MMRA. The plaintiffs also claim that the DEQ has failed to maintain a clean and healthy environment as required by the Montana Constitution by allowing the Troy Mine to operate without a valid reclamation plan.

Due to the preliminary nature of this action, the Company has not yet filed a response to the plaintiffs allegations. However, the Company believes that this action is without merit and intends to vigorously defend this matter.

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11. Commitments and contingencies (continued):

(b) Litigation (continued):

- (iv) *Letter of Petition from Rock Creek Alliance, Trout Unlimited, Alliance for the Wild Rockies, Sierra Club, Earthworks, Cabinet Resource Group and Pacific Rivers Counsel (Petitioners) to the United States Fish and Wildlife Service dated February 13, 2007:*

The Petitioners have petitioned the USFWS to withdraw the October 2006 biological opinion for the proposed actions associated with the Plan of Operation for the Rock Creek Mine and have requested the re-initiation of formal consultation with the United States Forest Service under section 7 of the Endangered Species Act. The Petitioners claim that the USFWS has received new information undermining the agency's analysis of the effects of a potential mine on the bull trout and grizzly bear. The Company has been advised the USFWS will re-initiate consultation as that was judged to be the most expedient and economical means of defending the biological opinion. The Company has been advised that this re-consultation should be completed in 60 to 90 days. This work may delay the commencement of exploration activities and the Company cannot predict the ultimate effect this action may have on the Rock Creek Project.

(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.

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11. Commitments and contingencies (continued):

(e) Operating leases:

The Company has entered into a number of short-term operating leases relating to the production and transportation of the copper concentrate produced at the Troy Mine. All such leases expire by 2010 and many may be renewed annually. The estimated obligation in 2007 under the terms of these leases is \$0.8 million and the remaining obligation to the expiration of all the leases is \$0.7 million.

12. Financial instruments:

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.

13. Subsequent events:

- (a) In January 2007 the Company entered into agreements that fixed the selling price of approximately 275,000 pounds of copper per month between March and December 2007 at a fixed price of \$2.63 per pound.
- (b) In January 2007, stock option grants totaling 1,050,000 were granted at an exercise price of CAD\$1.11 per share. The options vest equally over a three year period and have a five year term.