

**REVETT MINERALS INC.**

**REPORT TO THE SHAREHOLDERS**

**FOR THE THREE MONTHS AND SIX MONTHS ENDING JUNE 30, 2005**

**(unaudited)**

**(Prepared by Management)**

## **REVETT MINERALS INC.**

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

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

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

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

**Revett Minerals Inc.**  
**Consolidated Balance Sheets**  
**at June 30, 2005**  
*(expressed in thousands of United States dollars)*  
*(unaudited)*

	June 30, 2005 (unaudited)	December 31, 2004
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 9,749.1	\$ -
Short term investments	7,359.0	-
Receivables	1,198.7	-
Inventories	1,328.7	-
Prepaid expenses and deposits	782.4	\$ 510.3
Total current assets	20,417.9	510.3
Property, plant, equipment & mine development (net)	55,312.8	-
Restricted cash	6,604.1	-
Other long term assets	1,764.1	-
<b>Total assets</b>	\$ 84,098.9	\$ 510.3
<b>Liabilities and stockholders equity (deficiency)</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,372.0	\$ 532.0
Current portion of lease and note obligations	2,848.5	-
Total current liabilities	4,220.5	532.0
Long-term portion of debt	13,052.4	-
Reclamation and remediation	8,600.8	-
Future income tax	8,816.0	-
Total liabilities	34,689.7	532.0
Non controlling interest	8,941.0	-
<b>Stockholders' equity (deficiency)</b>		
Preferred stock, no par value, unlimited authorized, nil issued and outstanding		
Common stock, no par value unlimited authorized, 57,227,476 shares issued and outstanding	41,419.1	-
Contributed surplus	208.3	-
Deficit	(1,159.2)	(21.7)
	40,468.2	(21.7)
<b>Total liabilities and stockholders equity</b>	\$ 84,098.9	\$ 510.3

*See accompanying notes to intermin consolidated financial statements.*

*The Company was incorporated in August 2004, therefore no comparative financial statements exist*

**Revett Minerals Inc.**  
**Consolidated Statement of Operations**  
**Three months and six months ended June 30, 2005**  
*(expressed in thousands of United States dollars)*  
*(unaudited)*

	<u>Three month period ended June 30, 2005</u>	<u>Six month period ended June 30, 2005</u>
Revenues	\$ 9,741.2	\$ 9,741.2
Costs:		
Cost of sales	9,081.0	9,081.0
Depreciation and amortization	387.9	477.8
General & administrative	938.0	1,068.8
Accretion of reclamation and remediation liability	175.3	233.8
Other	12.9	8.1
	<u>10,595.1</u>	<u>10,869.5</u>
	(853.9)	(1,128.3)
Other (income) expense:		
Interest expense	360.1	541.4
Interest income	(172.6)	(212.9)
Net income (loss) before non controlling interest and taxes	<u>(1,041.4)</u>	<u>(1,456.8)</u>
Income taxes	(43.3)	(43.3)
Net income after taxes before non controlling interest	<u>(998.1)</u>	<u>(1,413.5)</u>
Non controlling interest	(149.2)	(276.1)
Net income (loss) for the period	<u>(848.9)</u>	<u>(1,137.4)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>
Weighted average number of shares outstanding	<u>57,222,477</u>	<u>38,565,156</u>

*See accompanying notes to interim consolidated financial statements.*  
*The Company was incorporated in August 2004, therefore no comparative financial statements exist*

**Revett Minerals Inc.****Consolidated Statement of Cash Flow****Three months and six months ended June 30, 2005***(expressed in thousands of United States dollars)**(unaudited)*

	<u>Three month period ended June 30, 2005</u>	<u>Six month period ended June 30, 2005</u>
<b>Cash flows from operating activities:</b>		
Net loss for the period	\$ (848.9)	\$ (1,137.4)
Adjustment to reconcile loss to net cash used by operating activities		
Depreciation and amortization	387.9	477.8
Accretion of reclamation and remediation liability	175.3	233.8
Stock based compensation	198.0	208.3
Director's fee paid in common stock	7.5	7.5
Income tax	(43.2)	(43.2)
Non controlling interest	(149.4)	(276.1)
Changes in:		
Accounts receivable	(121.2)	431.6
Inventory	1,787.4	143.8
Prepaid expenses and deposits	115.7	(492.7)
Accounts payable	(82.1)	1,252.8
Accrued interest	154.2	188.0
Deferred revenue	(2,061.0)	-
<b>Net cash used by operating activities</b>	<u>(479.7)</u>	<u>994.2</u>
<b>Cash flows from investing activities:</b>		
Business acquisitions, net	-	1,123.3
Other long term assets	(323.7)	(1,683.7)
Current portion of long term debt	837.2	861.3
Purchase of plant and equipment	(3,007.0)	(3,592.1)
<b>Net cash provided by investing activities</b>	<u>(2,493.5)</u>	<u>(3,291.3)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from the issuance of common stock, net	-	24,972.1
Restricted cash	(185.6)	(6,604.1)
Purchase of short term investments	(7,359.0)	(7,359.0)
Proceeds from long term borrowings, net	862.3	1,048.8
<b>Net cash from financing activities</b>	<u>(6,682.3)</u>	<u>12,057.7</u>
Effects of exchange rate changes on cash	(11.5)	(11.5)
<b>Net increase in cash and cash equivalents</b>	<u>(9,667.0)</u>	<u>9,749.1</u>
Cash and cash equivalents, beginning of period	19,416.1	-
Cash and cash equivalents, end of period	<u>\$ 9,749.1</u>	<u>\$ 9,749.1</u>
Supplementary cash flow information:		
Common stock issued in business acquisition	\$0.0	\$16,439.5
Cash paid for interest expense	\$168.6	\$170.3
Common stock issued to a director for service	\$7.5	\$7.5

*See accompanying notes to interim consolidated financial statements.*

*The Company was incorporated in August 2004, therefore no comparative financial statements exist*

**Revett Minerals Inc.**  
**Consolidated Statement of Deficit**  
**Three months and six months ended June 30, 2005**  
**(expressed in thousands of United States dollars)**  
*(unaudited)*

	<u>Three month period ended June 30, 2005</u>	<u>Six month period ended June 30, 2005</u>
Deficit, beginning of period	\$ 310.3	\$ 21.8
Loss for the period	<u>848.9</u>	<u>1,137.4</u>
Deficit, end of period	<u>\$ 1,159.2</u>	<u>\$ 1,159.2</u>

*See accompanying notes to interim consolidated financial statements.*  
*The Company was incorporated in August 2004, therefore no comparative financial statements exist*

## **1. Nature of Operations and Going Concern**

Revett Minerals Inc. ("Revett Minerals" or the "Company") was originally 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 and the supporting Plan of Arrangement approved by the shareholders of Revett Silver Company ("Revett Silver"), Revett Minerals owns approximately 65% 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 is 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.

### Plan of Arrangement and Initial Public Offering

In February 2005, the Company sold 34.5 million common shares and contributed the net proceeds of the offering to Revett Silver for 34.5 million Class A common shares of Revett Silver. Concurrent with this initial public offering ("IPO"), the shareholders of Revett Silver approved a Plan of Arrangement 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 and Revett Minerals received a like number of Class A common shares of Revett Silver. There are approximately 30.8 million Class B common shares of Revett Silver that remain outstanding.

## **2. Summary of Significant Accounting Policies**

### Basis of Presentation

In the opinion of management, the accompanying unaudited interim consolidated balance sheet and consolidated statements of operations, deficit and cash flows contain all adjustments, consisting only of normal recurring accruals, necessary to present fairly, in all material respects, the financial position of Revett Minerals as of June 30, 2005 and the results of its operations and its cash flows for the three month and six month periods ended June 30, 2005.

These unaudited interim financial statements are prepared using the same accounting policies and methods of application as those disclosed in note 2 to the Company's financial statements for the period ended December 31, 2004. These interim statements do not include all the notes to the financial statements required in audited statements and as such these statements should be read in conjunction with the most recently completed audited statements of the Company for the year ended December 31, 2004 and with the financial statements and accompanying notes for the period ending December 31, 2004. These statements

have been prepared in accordance with accounting principles generally accepted in Canada. All currency is reported in United States dollars unless otherwise specified.

#### 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, equipment and mine development costs, the estimation of metal revenues prior to the finalization of weights, assays and the applicable metal price quotational period, and the determination of the reclamation and remediation liability. Actual results may differ from those estimates.

#### 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 high quality financial institutions. The Company's cash and cash equivalents are not subject to any restriction.

#### 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 cost less any amounts written off to reflect impairment in value which is other than temporary.

#### Revenue recognition

Revenue from the sale of copper and silver concentrate is recorded net of smelter treatment and refining charges and deductions. Sales are recognized when shipments arrive at the port of discharge or are loaded onto rail cars for shipment to the final destination smelter and when title to the concentrate has passed to the buyer. 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. Subsequent variations in the price are recognized as revenue adjustments as they occur until the price is finalized.

#### Stock Options

The Company has adopted the CICA standard "Accounting for Stock-based Compensation and Other Stock-based Payments". As the equity awards granted by the Company consist solely of stock purchase options, the Company records the fair value of stock options granted as compensation expense and the corresponding amount is recorded as contributed surplus.

### **3. Business Acquisition**

On February 16, 2005, the Company completed the acquisition of a 65% interest in Revett Silver Company, a private Montana corporation.

The Company contributed the net proceeds of its IPO to Revett Silver in exchange for 34,500,000 common shares of Revett Silver and in addition exchanged 22,711,788 of its common shares for 22,711,788 common shares of Revett Silver. The Company has accounted for this acquisition using the purchase method, as follows:

REVETT MINERALS, INC.  
Notes to the Consolidated Financial Statements  
For the Three months and Six Months ended June 30, 2005  
(expressed in thousands of U.S. dollars, except per share amounts)  
(unaudited)

Fair market value of assets acquired:	
Current assets	\$33,856.7
Plant and equipment	4,251.4
Mineral property	47,947.1
Other assets	<u>80.4</u>
	<u>\$86,135.6</u>
Less:	
Current Liabilities	6,628.5
Reclamation and remediation liability	8,367.0
Long term debt	10,551.1
Future income tax	8,859.2
Non controlling interest	<u>10,318.2</u>
	<u>44,724.0</u>
Consideration given:	
Cash subscription for 34,500,000 shares	24,972.1
Exchange of 22,711,788 Revett Silver common shares	<u>16,439.5</u>
	<u>\$41,411.6</u>

#### 4. Inventory

The major components of the Company's inventory accounts at June 30, 2005 are as follows:

##### June 30, 2005

Concentrate inventory	\$53.4
Material and supplies	<u>1,275.3</u>
	<u>\$ 1,328.7</u>

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

The major components of the Company's mineral property, plant, equipment and mine development accounts at June 30, 2005 are as follows:

<b>June 30, 2005</b>		=
TROY:		
Property	\$ 9,205.1	
Plant and equipment	7,406.8	
Buildings	354.4	
ROCK CREEK:		
Property and development	38,624.6	
OTHER, corporate	82.3	
OTHER, mineral properties	<u>117.5</u>	
	55,790.6	
Accumulated depreciation	<u>(477.8)</u>	
	<u>\$ 55,312.8</u>	

The Company reviews the carrying value of its assets 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.

## 6. Restricted Cash

On March 29, 2005, the Company purchased from a leading North American insurance company an environmental risk transfer program (“the ERTTP”). The total cost of the ERTTP was \$8.4 million. Of this \$8.4 million, \$6.5 million was deposited in an interest-bearing account with the insurer (“the Commutation Account”). The Commutation Account principal plus interest earned on the principal are reserved exclusively to pay the Company’s currently existing reclamation and mine closure liabilities at the Troy Mine.

The remaining \$1.9 million comprises premiums paid to the insurer and Montana state taxes on the ERTTP 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. Financing Activities

### Equipment purchase term loan

In connection with the acquisition of certain underground production equipment at the Troy Mine, Revett Silver Company entered into a month fixed rate 36 month term loan with a principal amount of \$1,500,000. The monthly payments are \$46,325 and they commenced in May 2005.

### Kennecott Note Payable

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

### Royal Gold Royalty

In October 2004, the Revett Silver sold Royal Gold two royalties on production from the Troy Mine, for \$7,250,000 (the “production payment”) and \$250,000 (the “tail royalty”), respectively. The production payment royalty is a 7% gross smelter return royalty payable in cash on production and limited to the lesser of 90% of proven and probable reserves as at October 13, 2004 or \$10,500,000. The tail royalty is also payable in cash at the rate of 6.1% on the gross smelter returns from Troy for production between 100% and 115% of its proven and probable reserves as at October 13, 2004 and then at the rate of 2% thereafter. The tail royalty was accounted for as disposition of mineral property and the production payment is accounted for as a loan.

### Capital Leases

Revett Silver has entered into two 36 month capital leases to acquire a 980 loader and a 998 wheel loader. The monthly payments are \$6,751 and \$11,148, respectively. Revett Silver also entered into a 36 month deferred sale agreement to acquire certain computer hardware and software. The monthly payments on this are \$980 and it is retired in October 2007.

At June 30, 2005, the balance of the Company's long-term debt outstanding was as follows:

	<b>June 30, 2005</b>
Royal Gold Royalty	\$ 5,068.7
Term loan	1,034.5
Capital leases	419.5
Kennecott <sup>(1)</sup>	<u>6,529.7</u>
	<u>\$ 13,052.4</u>

(1) Includes accrued and capitalized interest expense in total of \$1,529,703 as of June 30, 2005.

## **8. Share Capital**

### Common Stock

The Company has one class of no par value common stock of which an unlimited number are authorized for issue. The holders of common stock are entitled to receive dividends without restriction when and if declared by the board of directors. Holders of the Company's common stock are not entitled to preemptive rights to acquire additional shares of common stock and do not have cumulative voting rights. At June 30, 2005, 57,227,478 shares of common stock were outstanding. In addition Revett Silver has 30,756,623 Class B common shares outstanding which are exchangeable into common shares of the Company under certain conditions.

	<u>No. of Shares</u>	<u>Amount</u>
Balance, December 31, 2004	1	\$ -
Issued for cash on IPO	34,500,000	24,972.1
Exchanged for Revett Silver shares	22,711,788	16,439.5
Redeemed	(1)	-
Issued for services to a director	<u>15,690</u>	<u>7.5</u>
Balance June 30, 2005	<u>57,227,478</u>	<u>\$41,419.1</u>

### 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 June 30, 2005, no preferred stock was issued or outstanding.

### 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, with stock. The Plan is currently administered by the Company's board of directors, which is authorized to grant common stock, incentive stock options, stock appreciation rights or any combination of the foregoing to eligible participants.

The Plan requires the Company to reserve and have available for issue, 8,000,000 shares of common stock, less that number of shares reserved for issuance pursuant to stock options granted under the Revett Silver stock option plan. The aggregate number of shares of common stock 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. The Plan was approved by the Company's board of directors in January 2005.

To June 30, 2005, Revett Silver had granted a total of 3,325,000 stock purchase options exercisable into Class B common shares of Revett Silver at a weighed average price of \$0.59 per share

To June 30, 2005, the Company granted its directors options to acquire 700,000 common shares of the Company pursuant to the Plan at an average exercise price of \$0.63 per share. All of these options have a term of 5 years from the date of grant.

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

- a) Risk-free interest rate at the date of the grant- 3.80% per annum;
- b) Life of the option- 4 years; and
- c) Volatility- 70%.

#### Stock Purchase Warrants

In conjunction with the IPO of Revett Minerals in 2005, the Company granted the underwriters non-assignable compensation warrants exercisable into 2,070,000 common shares of the Company at (Cdn) \$1.20 per share until February 15, 2007.

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 the private placement completed in the first quarter of 2004, Revett Silver issued compensation warrants to the underwriter exercisable into 520,667 Class B common shares of Revett Silver at \$0.75 per share until March 18, 2006. 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.

	<b>WARRANT SUMMARY TABLE</b>		
	<b><u>Number</u></b>	<b><u>Exercise price</u></b>	<b><u>Expiry</u></b>
Revett Minerals	2,070,000	C\$1.20	February 2007
Revett Silver	520,667	US\$ 0.75	March 2006
Revett Silver	3,054,659	US\$ 1.00	To be determined
Revett Silver	620,000	US\$ 0.25	September 2008

## 9. Related Party Transactions

In April 2005, the Company granted non-executive directors a total of 600,000 options to purchase common shares of the Company at an exercise price of (Cdn) \$0.76 per share. In June 2005, the Company issued 15,960 common shares to a director as compensation for his services as a director. The other directors elected to receive cash for services rendered.

## 10. Commitments and Contingencies

### Environmental

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

In connection with the terms of the ASARCO asset purchase agreement, the Company agreed to assume all liabilities associated with reclamation and closure obligations at the Troy Mine. The Montana Department of Environmental Quality ("Montana DEQ") looks to Genesis Inc. as primary obligor of the reclamation liabilities, and has required that Genesis post a reclamation bond in the amount of \$10.5 million as security for the reclamation obligations at Troy. Revett Silver has purchased an environmental risk transfer program which will fund Revett Silver's expected reclamation and remediation cost obligations at the Troy Mine.

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

To initially apply CICA 3110 the following assumptions were made:

- a) the cost in 2003 dollars to fully reclaim the site is \$9,313,900;
- b) the rate of inflation is 2.5%;
- c) the Company's risk adjusted risk free rate is 8.5%; and
- d) operations cease in 2007.

In accordance with the operating permit granted the Troy Mine the Montana DEQ is periodically required to review the ultimate bonding requirements for the Troy Mine. The bonding requirements at Troy total \$10.5 million and a review of this requirement is underway.

#### Kennecott Purchase Agreement Amendment

During 2002, Kennecott and Revett Silver agreed in principle to amend the February 21, 2000 Asset Purchase and Sale Agreement. Among other things, the amendment granted Kennecott the right to acquire a 2% net smelter return royalty from the sale of metals from a defined area of the Company's Rock Creek property beginning one year after the Rock Creek Project achieves 80% of designed commercial capacity production or December 31, 2015, whichever is later. The amendment requires Kennecott to surrender the 2,250,000 shares of the Company's common stock or the common stock of Revett Silver previously issued in exchange for this royalty (note 6). The royalty terminates upon Kennecott's recovery of \$8 million in total royalty payments, plus an adjustment related to changes in the consumer price index.

#### Royal Gold Private Placement

In October 2004, Revett Silver sold Royal Gold 1,333,333 common shares for gross proceeds of \$1,000,000. Royal Gold has the right to convert these common shares or the common shares of the Company into a perpetual, non-participating 1% net smelter return royalty from production from the Rock Creek project. This conversion must be made within a specified period of time after the Company makes a decision to develop the Rock Creek project. This agreement also gives Royal gold the right to assume certain obligations with respect to the Kennecott note payable if Revett silver is in default of that note. If Royal Gold assumes the Kennecott note, Royal Gold will have the right to convert the note and interest owing into a 3% net smelter return royalty or into common shares of the Company.

#### Rail Car Lease

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

### **11. 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, accounts payable and accrued liabilities, are reasonable estimates of their fair values based upon the short term nature of these amounts. It is not practicable to determine the fair value of the royalty obligation and the Kennecott note payable due to the nature of the obligations and the absence of a secondary market for such instruments.

### **12. Subsequent Events**

In July 2005, Revett Minerals exchanged 1,777,917 of its common shares for a like number of Revett Silver Class B common shares. Also in July, a subsidiary of Revett Minerals entered into an option agreement to buy certain lands near the Cabinet Mountains, Montana for \$975,000. These lands are intended to be part of the mitigation lands for the Rock Creek project.

## **Management's Discussion and Analysis**

This Management's Discussion and Analysis ("MD&A") of the financial results of Revett Minerals Inc. ("Revett Minerals" or the "Company") for the second quarter of the 2005 calendar year should be read in conjunction with the financial statements and notes as at June 30, 2005 which form part of this report. This financial information is expressed in thousands of United States dollars, unless otherwise stated, and it is prepared in accordance with Canadian generally accepted accounting principles. This MD&A is prepared as of August 11, 2005.

### **Overview**

The Company was incorporated in August of 2004 under the Canada Business Corporations Act for the purpose of accessing the 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 Company's Initial Public Offering (the "IPO") in February 2005 and the supporting Agreement and Plan of Reorganization which was approved by the shareholders of Revett Silver Company ("Revett Silver"), Revett Minerals acquired approximately 65% 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, in 1993, was placed into a care and maintenance basis, by its previous owner ASARCO Incorporated ("ASARCO"). The Troy Mine was restarted by Revett Silver in late 2004. The consolidated financial statements of Revett Minerals at June 30, 2005 include the accounts of the Company and its subsidiaries being Revett Silver Company and its wholly owned subsidiaries. All inter company transactions have been eliminated upon consolidation.

### **Overall Performance**

The Troy Mine had been placed on care and maintenance by its previous owner ASARCO in 1993 and had not operated since its acquisition by Revett Silver. As more fully discussed below, the resumption of operations has been successful and with the recent delivery of new underground mining equipment, it is expected that planned production rates will be achieved during the third quarter of 2005. In February of 2005 the Company completed its initial public offering raising net proceeds of approximately \$25.0 million. At the end of the second quarter the company had over \$17 million of cash and short term investments and is in a strong liquidity position. This cash excludes restricted cash of \$6.6 million used to secure the reclamation financial assurance obligations at the Troy Mine and \$500,000 of cash used as security for an equipment purchase loan.

The end of the second quarter of 2005 represented the first full operating six months for the Troy Mine since it was acquired by Revett Silver in 1999. For the six month period ending June 30, 2005, the Company reported revenue from the sale of 4,551,376 pounds of payable copper and 522,878 ounces of payable silver recognizing \$9.7 million in revenue. Costs of goods sold totaled \$9.4 million for that same period. The Company reported a loss of \$1.4 million or \$(0.03) per share for the six months ending June 30, 2005. For the three months ending June 30, 2005, the loss was \$848,894 or \$(0.01) per share. The reported loss for the six months ending June 30, 2005 is almost due in its entirety to general and administrative expenses of \$1,068,762 and interest on debt, net of interest income, of \$328,473. For the three months ended June 30, 2005, the

company used \$479,700 in cash from operations, however, for the six months ended June 30, 2005, the Company generated \$994,200 from operating activities. The Company's ability to generate cash is dependant upon metal prices, costs of production and mill throughput.

### **Results of Operations for the Quarter and Six Months Ended June 30, 2005**

The table below illustrates certain key operating statistics for the three months and six months ended June 30, 2005.

	<u>Three Months Ended June 30, 2005</u>	<u>Six Months Ended June 30, 2005</u>
<b>Tons milled</b>	188,717	389,714
<b>Copper grade (pct)</b>	0.79	0.79
<b>Silver grade (opt)</b>	1.86	1.85
<b>Copper recovery (pct)</b>	81.6	79.9
<b>Silver recovery (pct)</b>	86.0	83.6
<b>Payable Copper sold (lbs)</b>	4,551,376	4,551,376
<b>Payable Silver sold (ozs)</b>	522,878	522,878

During the first six months of 2005, 389,714 tons of ore have been processed through the mill, which is 42% of expected levels. The primary reason for the shortfall is employee inexperience operating the new jumbo drills and delays in developing a sufficient number of mining areas. Management at the mine anticipates that these issues should largely be resolved by the end of the third quarter. The grade of copper milled was above plan as was the grade of silver milled, however, management believes that ore grades will revert to life of mine estimates over the rest of the year which are 0.65% for copper and 1.57 opt for silver, respectively. Recoveries have been marginally below estimates, which is due to restarting the mill and the normal low recoveries experienced during restart periods. No revenue was recorded during the first quarter due to uncertainty respecting the accuracy of the Company's weights and assays on shipments. Commencing with the start of the second quarter, concentrate shipments will be booked as revenue.

### **Results of Operations for the Quarter Ended June 30, 2004**

The Company was not in existence during this period.

### **Select Annual Information For 2004**

The Company was originally incorporated in August 2004. In 2004, it had no source of revenue and no continuous operating activities. During December 2004, the Company initiated the preparation of a prospectus for its IPO which was completed in February 2005. The only expenses incurred during 2004 were, therefore, the costs of incorporation, the costs of director fees and meetings and the costs relating to the IPO. All of these expenditures were financed by non-interest bearing advances from Revett Silver which became a subsidiary of the Company following Revett Minerals' IPO. In 2004, the incorporation costs and costs relating to the prospectus were capitalized and the director fees and relating expenses were charged to general and administrative expenses. For 2004, director fees and related costs totaled \$21,747 and these expenses represented the entire loss for the period. In addition, the Company incurred an

estimated \$510,268 in incorporation costs and expenditures related to the IPO. These costs were capitalized pending completion of the IPO.

The Troy Mine commenced operations in December 2004 and shipped its first copper concentrate in January 2005. Currently, it is producing at approximately 2,200 tons per day, which is well below the planned full production level of 6,500 tons per day. During the second quarter, the Company accepted delivery of 3 new 55 ton haul trucks and a new roof bolter.

Prior to commencing development activities at Rock Creek, the Company must first complete certain mitigation measures as stipulated in the Rock Creek Record of Decision. While the Company and the related permitting agencies believe they can successfully defend the granting of the development permit, the Company anticipates further challenges from environmental groups may be initiated as its activities at Rock Creek gain momentum. Please refer to Principal Risks and Uncertainties.

### Financing Activities

Following the completion of the IPO in February of 2005 and including the exercise of the over allotment rights granted the underwriters, Revett Minerals issued 34.5 million common shares for net proceeds after commissions and the costs of the offering of approximately \$25.0 million. Revett Minerals used these funds to subscribe for 34.5 million common shares of Revett Silver. Also, in conjunction with the IPO, the Company exchanged 22.7 million of its common shares for 22.7 million common shares of Revett Silver held by the previous owners of Revett Silver. Currently, Revett Minerals owns approximately 67% of Revett Silver, with the remaining 33% of Revett Silver retained by its prior shareholders. As of the date of this report, Revett Silver had entered into the following contractual financial obligations:

<b>Contractual Debt Obligations</b>	<b>Amount outstanding (long term portion)</b>	<b>Repayment schedule</b>	<b>Current portion</b>	<b>Comments</b>
Long term debt	\$6,529,700	Interest only, principal due in February 2008	\$144,366	Interest at prime plus 1%
Royalty obligation	\$5,068,714	7% of gross metal value; maximum \$10.5 million	\$2,204,887	Amount varies with actual production and actual metal prices
Capital lease obligations (loader)	\$118,240	Monthly for 36 months	\$75,278	Fixed payments
Capital lease obligations (loader)	\$228,179	Monthly for 36 months	\$121,730	Fixed payments
Capital lease obligations	\$15,674	Monthly for	\$26,720	Fixed

(miscellaneous)		36 months		payments
Operating lease (rail cars)	\$1,518,480	Monthly for 36 months and for 60 months	\$303,696	Fixed payments
Term loan	\$1,034,538	Monthly for 36 months	\$390,128	Fixed payments
<b>Totals</b>	<b><u>\$14,513,525</u></b>		<b><u>\$3,266,805</u></b>	

All of the above obligations were entered into by Revett Silver in late 2004 or early 2005. The long term debt due to Kennecott Montana Company was part of the original consideration given by Revett Silver for the acquisition of the Troy Mine and Rock Creek project. The royalty obligation was entered into by Revett Silver in October 2004 and the proceeds from the sale of this royalty were used to restart the Troy Mine. This royalty obligation is only applicable to production from the Troy Mine. The capital lease obligations were to acquire from Caterpillar Equipment two wheel loaders which are used in the Troy Mine. The automobile lease was entered into by Revett Silver in early 2005. The two operating leases for the use of rail cars are to ship copper concentrate produced at the Troy Mine. The term loan was used to partially finance the purchase of the three new haul trucks and the roof bolter; all intended to increase the rate of ore production at Troy.

### **Liquidity and Capital Resources**

The Company is in a strong working capital position. At the end of June 2005, there was \$16.2 million of working capital, including cash and cash investments of \$17.1 million. The mine is currently operating at a slight cash flow deficit position; however, with marginal improvements in production it should begin to generate cash at current metal prices. The Company also has restricted cash of \$6.6 million relating to its funding of the reclamation obligations at Troy. Long term debt totals \$13.1 million. Of this amount \$5.1 million is a production royalty payable only from production from the Troy Mine. The long term portion of equipment leases totals \$0.4 million and the remainder is a note given Kennecott on the original acquisition of the Troy and Rock Creek properties. This note is due in full in February 2008 and interest only is payable semi-annually.

### **Off Balance Sheet Arrangements**

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

In October 2004, Revett Silver sold Royal Gold 1,333,333 common shares for gross proceeds of \$1,000,000. Royal Gold has the right to convert these common shares into a perpetual, non-

participating 1% net smelter return royalty from production from the Rock Creek project. This conversion must be made within a specified period of time after the Company makes a decision to develop the Rock Creek project. This agreement also gives Royal Gold the right to assume certain obligations with respect to the Kennecott note payable if the Company is in default of that note. If Royal Gold assumes the Kennecott note, Royal Gold will have the right to convert the note and interest owing into a 3% net smelter return royalty or into common shares of the Company..

### **Related Party Transactions**

There were no related party transactions during the second quarter of 2005.

### **Proposed Transactions**

In accordance with the Agreement and Plan of Arrangement approved by the shareholders of Revett Silver, Revett Silver anticipates it will either redeem or exchange for common shares of Revett Minerals up to \$1,000,000 Class B common shares of Revett Silver per quarter beginning at the end of the second quarter of 2005. In July 2005, Revett Minerals exchanged 1,777,917 of its common shares for a like number of Revett Silver Class B common shares.

### **Principal Risks and Uncertainties**

On March 30, 2005, the Company received the decision of the United States District Court in Missoula, Montana respecting an action by certain environmental groups challenging the United States Fish and Wildlife Services (USFWS) Biological Opinion. That Biological Opinion concluded that the proposed development of the Rock Creek project would not jeopardize the continued existence of grizzly bears or bull trout in the vicinity of the proposed development. Essentially, the environmental groups alleged the Biological Opinion ignored best available science and was arbitrary and capricious. The groups also challenged the mitigation plan which allowed Revett Silver to acquire certain mitigation lands over a period of time, rather than acquiring such lands prior to the commencement of any activity. The Court denied the appeal by the environmental groups on this issue and granted summary judgment on this issue to the USFWS. However, in accordance with the Court's order, the Biological Opinion was remanded back to the USFWS to reanalyze its non-jeopardy findings. The Company believes that the permitting agencies used the best available science and fairly considered all evidence in their deliberations. Neither the Company nor the permitting agencies can predict the effect this decision will have on the timing of the development activities for the Rock Creek Project.

In June certain environmental groups sued the United States Forest Service, among others, over its granting of the Record of Decision ("ROD") approving the development of the Rock Creek project. The Company is planning to make application to intervene in this dispute and plans to vigorously assist the Forest Service in its defense of the ROD for Rock Creek.

As more fully discussed in the final prospectus of Revett Minerals dated February 3, 2005, the Company is an emerging mining company with one producing asset and one developmental property. The following is not an all inclusive discussion of all risks and uncertainties and the reader should refer to the prospectus dated February 3, 2005 for a more detailed discussion of the risk factors that the Company may face. As with other mining companies, the Company's operations are subject to numerous environmental laws which may be subject to change, which change may be difficult or very costly to comply with. The Company is also subject to risks and hazards typically found with other mining and exploration activities. At the present time the

Company does not hedge the price of its metal production and is therefore at risk to declines in the price of copper and silver. The Company continues to review its hedging policy and may in the future consider hedging a portion of the production from Troy.

### **Critical Accounting Estimates**

The company's accounting policies are presented in note 2 of the accompanying financial statements. The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to select accounting policies and make estimates. Such estimates may have a significant effect on the financial statements. These estimates may include but are not limited to:

- a) the estimates of mineral resources and reserves,
- b) the estimate of concentrate receivables and deferred revenue,
- c) the carrying values of mineral properties,
- d) the carrying values of plant, equipment and mine development,
- e) future costs of site reclamation and remediation;
- f) the valuation of stock-based compensation expense; and
- g) the estimate of the allocation of the purchase price for the acquisition of the 65% interest in Revett Silver Company

Actual amounts could differ from the estimates used and, accordingly, affect the results of operation.

#### Mineral resources and reserves, and the carrying values of mineral properties, and plant, equipment and mine development

Mineral resources and reserves are estimated by professional geologists and engineers in accordance with recognized industry, professional and regulatory standards. These estimates require inputs such as future metal prices, future operating costs and various technical, geological, engineering and construction parameters. Changes in any of these inputs could cause a significant change in the resources and reserves calculated which in turn could have a material effect on the carrying value of mineral property, plant, equipment and mine development.

The carrying value of mineral property is also dependant on the valuation of the consideration given when such properties were acquired. These estimates included the value of common stock, notes payable and reclamation obligations assumed at the time of the acquisition.

The carrying value of property, plant, equipment, and mine development is dependant on the rates used for depreciation and depletion, which themselves are estimates.

#### Concentrate receivables and deferred revenue

The Company sells its copper in concentrate based upon assays of metal content, moisture content and the estimated dry weight of copper concentrate loaded in rail cars. These weight and assay estimates are subject to final confirmation by the receiving smelter and as such these weights and assay estimates may be subject to change. In addition, the Company records the revenue anticipated to be received from the sale of this metal based upon these weight and assay estimates and in accordance with the contract respecting the sale of this copper in concentrate, the preliminary payments are based upon the copper and silver prices determined subsequent to the

date of the provisional invoice. Changes in these estimates or in metal prices could result in a significant change to the results from operations.

#### Reclamation and remediation obligations

The Company has a legal obligation to reclaim its mineral properties, and it has estimated the final costs necessary to comply with the standards currently enacted under the applicable laws and regulations. These estimates are prepared and reviewed by third party consultants, government authorities and its employees. The Company must also make estimates for the rate of interest applicable for determination of the periodic accretion expense and the depreciation expense, and for the timing and magnitude of future payments for the work undertaken. Changes in these estimates could result in a significant change to the results from operations.

#### Stock-based compensation expense

The Company may, from time to time, grant stock options to employees, directors, and service providers. The Company uses the Black-Scholes option pricing model to estimate a value for these options. This model requires management to make estimates as to the expected volatility of the common stock of the Company, the expected term of the option to exercise and future interest rates. Additionally, the Black-Scholes model includes a number of assumptions which are inconsistent with the terms under which these options are granted, such assumptions assume that the options are exercisable by the holder at any time and that these options are freely transferable. Neither of these critical valuation parameters may hold for the options granted by the Company. Thus, changes in these estimates and the conditions underlying the grant of the option could cause a significant change in the stock-based compensation expense charged in any period.

#### Allocation of the purchase price for the acquisition of a 65% interest in Revett Silver Company

The Company is required to make estimates of the fair market value of the consideration paid for the assets of Revett Silver when it completed its acquisition of a 65% interest in Revett Silver. These estimates included estimates of the fair market value of minerals properties and plant and equipment associated with the Troy Mine which do not have readily determinable market prices and in addition the liabilities assumed are not publicly traded and as such their fair market value is subject to uncertainty.

### **Financial Instruments and Other Instruments**

The Company has no financial instruments and other instruments. Revett Minerals has not engaged in any hedging activities at the present time. The Company is analyzing its alternatives with respect to the Troy operations and may consider entering into hedging transactions in the future.

### **Other Requirements**

#### Outstanding Share Data

As of the date of this MD&A, Revett Minerals had 59.0 million common shares outstanding. Revett Minerals had 700,000 stock options outstanding and Revett Silver had 3.325 million stock options and 4.195 million stock purchase warrants outstanding. The Revett Silver options and

warrants may be exercised into Class B common shares of Revett Silver which, under certain conditions, may be exchanged for shares of common stock of Revett Minerals.

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

### **Forward Looking Statements**

Except for the statements of historical fact contained herein, the information presented in this M, D and A may contain "forward-looking statements" within the meaning of the Private Securities Litigation reform Act of 1995. Such forward-looking statements, including but not limited to those with respect to the price of silver and copper, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, risks relating to environmental laws and regulations, the actual results of exploration activities, actual results of current reclamation activities, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, future metal prices, as well as those factors discussed in the section entitled "Risk Factors" in the File Long form prospectus filed on sedar at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.