

RED BACK MINING DEC QTR 08: RECORD PRODUCTION AND MORE EXPANSION

| | Dec Qtr | Sept Qtr | Change |
|---|----------------|----------------|-------------|
| Production (oz) | 72,664 | 60,003 | 21% |
| Head Grade (g/t) | 2.70 | 2.17 | 24% |
| Average Price (US\$/oz) | 786 | 853 | -8% |
| Total Cash Cost (US\$/oz) | 418 | 506 | -17% |
| Gross Margin (US\$/oz) | 368 | 347 | 6% |
| Gross Margin (%) per oz | 88% | 69% | 28% |
| Ongoing Capital Exp. (US\$/oz) * | 241 | 237 | 2% |
| Total Cost (US\$/oz) | 659 | 743 | -11% |
| Net Cash Margin (US\$/oz) | 127 | 110 | 15% |
| Other Investment Activities | | | |
| Exploration/Evaluation (US\$/oz) | 48.2 | 160.0 | |
| Capital Expenditure (Expansion) (US\$/oz) | 485.8 | 366.6 | |
| Purchased Marketable Securities (US\$/oz) | - | 459.6 | |
| Total Other Investment (US\$/oz) | 572.8 | 1,045.5 | |
| Cash Surplus (Deficit) (US\$/oz) | - 445.8 | - 935.1 | |
| Cash Balance (US\$m) | 22.2 | 15.8 | 41% |
| Interest Bearing Loans (US\$m) | 28.0 | 28.0 | 0% |
| Hedging Liability (US\$m) | - | - | |
| Shares Outstanding (m) | 206 | 189 | -9% |
| Share Price (C\$) (End of Qtr) | 8.59 | 6.41 | 34% |

Red Back Mining (TSX: RBI) has achieved record production for the December Quarter 08 as the Tasiast mine in Mauritania delivered 41,318 oz at an operating cash cost (including royalties) of US\$343/oz (Sep Qtr 08: 34,300 oz @ US\$428/oz). The Chirano mine in south-western Ghana also saw improved performance with 31,346 oz at an operating cash cost of US\$523/oz (Sep Qtr 08: 25,800 oz @ US\$610 an oz). The combined average head grade mined increased 24% to 2.7g/t, largely contributing to the increase in production and the 17% improvement in operating cash costs. This more than negated the 8% fall in the average realized gold price to US\$786/oz. Ongoing capital costs associated with the mines remained stubbornly high at US\$241/oz, due primarily to the underground development activities at Akwaaba Deeps (US\$131/oz) as well as ongoing open pit cut back and haul road construction work at the Chirano mine (US\$58/oz). Once this work is complete, ongoing capital expenditure should decline. Despite the high level of ongoing capital expenditure, a net cash margin of US\$127/oz was achieved.

Investment activities of US\$573/oz took place during the December quarter and involved primarily expansion related capital expenditure at both operations as well as exploration to identify new resources and increase reserves. This saw a cash deficit of US\$32.4m or US\$446/oz for the quarter, which meant the company needed to issue shares to ensure sufficient working capital was maintained (C\$60m equity deal). This investment will increase the production capacity of both mines to a combined total of close to 400,000 oz/yr for 2009 and 500,000 oz/yr in 2010 at a total cash operating cost of under US\$400/oz (2008: 260,847 oz @ US\$454/oz). Exploration for 2008 successfully increased reserves at Tasiast and Chirano by 64% and

55% respectively. Interestingly, Red Back has recently raised another C\$160m which the company says it will use to repay its existing US\$28m credit facility and for working capital purposes. In the September quarter 08, Red Back purchased a strategic stake in Australian listed Mineral Deposits (ASX: MDL) which is developing the Sabodala gold mine in Senegal. One can't help but feel Red Back may have bigger expansion plans on the agenda. We will watch with interest. .

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