



louvem

LOUVEM MINES INC.

REPORT TO SHAREHOLDERS

3

Third Quarter

Ended September 30, 2006

For information

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Listing: TSX Venture Exchange

Trading symbol: LOV



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HIGHLIGHTS OF THE THIRD QUARTER OF 2006

- Sales of 2,500 ounces of gold at an average price of US\$609, compared with 2,466 ounces of gold at an average price of US\$438 for the same period in 2005;
- Net loss of \$515,305, or \$0.02 per share, during the third quarter of 2006, compared with a net loss of \$207,113, or \$0.01 per share, for the same period in 2005;
- Improvement of the average grade at the Beaufor Mine, from 5.12 g/t in 2005 to 5.75 g/t in 2006.

Financial Highlights

MONTREAL, October 27, 2006 – For the three-month period ended September 30, 2006, Louvem Mines Inc. reported total revenues of \$1,729,565 and a net loss of \$515,305, or \$0.02 per share, compared with total revenues of \$1,326,720 and a net loss of \$207,113, or \$0.01 per share, in 2005. Cash flow used in operations was \$647,933 during the third quarter of 2006, compared with \$281,865 in 2005.

For the nine-month period ended September 30, 2006, Louvem Mines Inc. reported total revenues of 6,890,732 and a net loss of \$1,274,528, or \$0.05 per share, compared with total revenues of \$8,072,421 and a net earnings of \$341,041, or \$0.01 per share in 2005. Cash flow used in operations was \$713,815 compared with \$5,892 in 2005.

Operational highlights

For the three-month period ended September 30, 2006, 2,500 ounces of gold were sold at an average price of US\$609 per ounce, compared with 2,466 ounces of gold sold at an average price of US\$438 for the same period in 2005. For the nine-month period ended September 30, 2006, 10,132 ounces of gold were sold at an average price of US\$598 per ounce, compared with 15,144 ounces of gold sold at an average price of US\$437 per ounce for the same period in 2005.

FINANCIAL DATA

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2006	2005	2006	2005
Results (\$)				
Revenues	1,729,565	1,326,720	6,890,732	8,072,421
Net earnings (loss)	(515,305)	(207,113)	(1,274,528)	341,041
Cash flow used in operations	(647,933)	(281,865)	(713,815)	(5,892)
Results per share (\$)				
Net earnings (loss), basic and diluted	(0.02)	(0.01)	(0.05)	0.01
Weighted average number of common shares outstanding	25,929,689	26,024,477	25,941,099	26,062,651

	September 30, 2006	December 31, 2005
Financial position (\$)		
Total assets	5,190,683	6,481,525
Working capital	938,491	2,375,603
Long-term debt	-	-

PRODUCTION AND SALES DATA

Beaufor Mine – 50%	Three-month periods ended September 30,	
	2006	2005
Gold production (ounces)	2,487	2,151
Gold sales (ounces)	2,500	2,466
Cash cost (per ounce sold)	US\$552	US\$435
Average selling price per ounce of gold	US\$609	US\$438

Beaufor Mine – 50%	Nine-month periods ended September 30,	
	2006	2005
Gold production (ounces)	10,095	15,504
Gold sales (ounces)	10,132	15,144
Cash cost (per ounce sold)	US\$583	US\$347
Average selling price per ounce of gold	US\$598	US\$437

Average exchange rate used for the third quarter of 2005: US\$1 = CAN\$1.21
2006 estimated exchange rate: US\$1 = CAN\$1.13

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Louvem Mines Inc. ("Louvem" or "the Company") wish, in this report, to outline the Company's highlights for the three-month and the nine-month periods ended September 30, 2006. Equipped with adequate systems of internal controls, management is able to provide reasonable assurance that the financial information presented in this report is complete and reliable. The financial information has been prepared in accordance with Canadian generally accepted accounting principles (GAAP) which are the same as those used for the financial statements as at December 31, 2005. The currency used, except where otherwise indicated, is the Canadian dollar. This report should be read in conjunction with Louvem Mines' 2005 annual report, the unaudited quarterly financial statements and the accompanying notes. The data on production is given according to the metric system, which is the method most commonly used in Canada. More information on Louvem Mines may be obtained on SEDAR (www.sedar.com) and on the Company's Web site (www.louvem.com). The following contains forward-looking information. See the following "Disclosure regarding forward-looking statements".

Disclosure regarding forward-looking statements

The present Management's Discussion and Analysis contains forward-looking statements that include risks and uncertainties. In this report, the use of terms such as "to estimate," "to forecast," "to anticipate," "to expect," "to aim," "to believe," "to hope," "to be able," and similar expressions, together with verbs in the future tense, is intended to identify forward-looking statements. The forward-looking statements are based on our current expectations and represent nothing more than a temporal manner of speaking. They include risks, uncertainties and other factors that have in some cases affected the results that we have expected in the past and could cause future results to differ materially from the results anticipated in the forward-looking statements in this report. The primary factors that could lead to such differences are enumerated in Management's Discussion and Analysis - specifically, under the heading "Risks and uncertainties." You are advised not to place undue confidence in these forward-looking statements.

The factors that could cause actual results to differ materially from those indicated in the forward-looking statements include changes in the prevailing price of gold, the Canadian-US exchange rate, the grade of ore mined and unforeseen difficulties in mining operations that could affect revenues and production costs. Other factors such as uncertainties regarding government regulations could also affect the results. Other risks may be detailed in the Annual and Quarterly reports of Louvem Mines Inc. We do not commit to update or revise our forward-looking statements, whether they pertain to results arising from new information, future events, or any other factors.

Company Profile

As a producer of gold, Louvem focuses its activities on the development and operation of underground gold mines as well as on advanced exploration properties.

Louvem Mines holds a 50% interest in the Beaufor Mine, located near Val-d'Or, in Northwestern Quebec, Canada. The Company's 50% share in the assets, liabilities, results and cash flows of the Beaufor Mine is consolidated according to the method of proportionate consolidation. For the three-month and nine-month periods ended September 30, 2006, the majority of the assets, liabilities, results and cash flows came from, or were generated by, the Company's share in the Beaufor Mine.

The Beaufor Mine is also 50% owned by the parent company, Richmond Mines Inc., which operates the mine. Louvem owns 81% of the Monique property, which is located near the Beaufor Mine. It also holds interests in various other exploration properties in the region of Val-d'Or, in northwestern Quebec.

Summary of operations

Beaufor Mine

Three-month period ended September 30, 2006

For the three-month period ended September 30, 2006, 36,942 tonnes of ore were transported to the mill. In all, 27,052 tonnes of ore at an average recovered grade of 5.75 g/t were milled, thus yielding 5,000 ounces of gold, 2,500 ounces for Louvem, which were sold at an average price of US\$609 per ounce. During the corresponding period in 2005, 29,945 tonnes of ore at an average recovered grade of 5.12 g/t were milled, thus yielding 4,931 ounces of gold, 2,466 ounces for Louvem, which were sold at an average price of US\$438 per ounce, at that time a two-month production shut down was required to advance underground development.

For the third quarter of 2006, the rate of production was affected mainly by the lower availability of long-hole stopes. This situation can be explained by the absence of continuity in mineralized zones located east of the Beaufor property. Combined with higher prices for consumables and energy, higher wage expenses and the appreciation of the Canadian dollar relative to the US dollar, this situation is mainly responsible for the increase in cash production costs, which rose from US\$435 per ounce in the third quarter of 2005 to US\$552 per ounce during the same quarter in 2006.

Nine-month period ended September 30, 2006

For the nine-month period ended September 30, 2006, 112,492 tonnes of ore at an average recovered grade of 5.60 g/t were milled, thus yielding 20,265 ounces of gold, 10,132 ounces for Louvem, which were sold at an average price of US\$598 per ounce. For the corresponding period in 2005, 156,649 tonnes of ore at an average recovered grade of 6.01 g/t were milled, thus yielding 30,287 ounces of gold, 15,144 ounces for Louvem, which were sold at an average price of US\$437 per ounce. The decrease in production is mainly due to the lower availability of ore and to lower grades, to higher prices for consumables and energy, higher wage expenses and the appreciation of the Canadian dollar, which are all factors that have contributed to the increase in cash production costs, which went from US\$347 for the first nine months of 2005 to US\$583 for the same period in 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Development and exploration work at the Beaufor Mine

	Three-month periods ended 30, 2006		Nine-month periods ended 30, 2006	
	2006	2005	2006	2005
Louvem's share of development investment (\$)	267,007	659,134	793,194	1,042,052
Louvem's share in exploration expenses (\$)	313,269	129,308	519,515	346,627
Metres of development (100% of Beaufor)				
Drifts and crosscuts	119	152	436	747
Raises	103	118	270	294
Sub-levels	166	97	288	263
Ramp	111	-	296	-
Total	499	367	1,290	1,304
Exploration – Metres of drilling (100% of Beaufor)				
Definition	3,093	3,836	16,577	13,659
Exploration	5,711	2,940	12,434	9,233

Outlook for Beaufor Mine

Since the first quarter of 2005, the results for Beaufor Mine have been below expectations. The problem identified can be summarized to stopes located in narrow mineralized zones in which development cannot confirm definition drilling despite sustained underground excavation in the east sector. Following the evaluation of different options for the Beaufor Mine, exploration work will be increased and a 20,000-metre drilling program will be carried out to identify significant mineral zones on the Beaufor property. Many exploration targets of interest have been identified and will be evaluated throughout the upcoming months. In order to do so, underground definition drilling has been suspended to prioritize the development of this exploration program, and production will be reduced. During the fourth quarter of 2006, Richmond Mines expects a production of 35,000 tonnes of ore at an average recovered grade of 5.00 g/t, thus yielding 5,500 ounces of gold, 2,750 ounces for Louvem.

For 2007, a production of approximately 100,000 tonnes of ore at an average grade of 6.5 g/t, thus yielding 20,000 ounces of gold, 10,000 ounces for Louvem, is expected. Approximately 35,000 tonnes of ore will come from the mineralized zone located near the Beaufor fault, accessible through the ramp located below level 20. This production decrease causes a workforce reduction of approximately 26 employees. Golder Associates has recently been mandated to prepare a reserve report, which should be available by the end of the year. The value of the assets of this property will be reassessed when this information will be available.

Consolidated results

Revenues

Three-month period ended September 30, 2006

During the third quarter of 2006, total revenues which include revenues from precious metals and other revenues, composed mainly of interest income, were \$1,729,565, compared with \$1,326,720 in 2005. Sales of 2,500 ounces of gold at an average selling price of US\$609 in 2006 compared with sales of 2,466 ounces at an average price of US\$438 in 2005 are the main reason for this increase. Other revenues were \$9,436 in 2006, compared with \$16,990 for the same period in 2005.

Nine-month period ended September 30, 2006

Total revenues for the nine-month period ended September 30, 2006, were \$6,890,732 compared with \$8,072,421 in 2005. In all, 10,132 ounces of gold at an average selling price of US\$598 were sold in 2006, compared with 15,144 ounces of gold at an average price of US\$437 sold in the previous year. Other revenues were \$36,836 in 2006, compared with \$58,351 in 2005.

Expenses

Three-month period ended September 30, 2006

Louvem's expenses for operating the Beaufor Mine reached \$1,559,659 for the third quarter of 2006, compared with \$1,300,271 for the same quarter in 2005. Louvem's proportionate interest of the Beaufor Mine's production was 13,526 tonnes of ore for the third quarter of 2006, compared with 14,973 tonnes of ore for the same quarter in 2005.

The operations generated gold sales of 5,000 gold ounces, 2,500 ounces for Louvem, at a cash cost of US\$552 and sold at an average price of US\$609 per ounce for the third quarter of 2006. Beaufor's sales during the corresponding period in 2005 were 4,931 gold ounces, 2,466 for Louvem, produced at a cash cost of US\$435 and sold at an average price of US\$438 per ounce. The cost per tonne mined rose from \$86 in the third quarter of 2005 to \$115 for the same quarter in 2006.

For the third quarter of 2006, administrative expenses were \$166,772, compared with \$152,409 for the same quarter in 2005. These amounts include general administrative expenses and management fees for services received, which were paid to the parent company.

During the third quarter of 2006, an amount of \$275,049 was incurred for exploration, compared with \$130,268 for the same period in 2005. Almost all of these expenses were allocated to the Beaufor Mine.

The accretion expense of asset retirement obligations was \$2,088 in the third quarter of 2006, compared with \$1,979 in 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The depreciation and depletion expense was \$113,290 for the third quarter of 2006, compared with \$68,501 in 2005. This difference is due to a higher depreciation rate, which last year was US\$23 (\$28), whereas it is now US\$40 (\$45) per ounce sold, mainly as a result of the increase in investments in development on the property over the past year.

The Company is subject to mining and income taxes in Canada and in the province of Quebec. For the third quarter of 2006, the Company reported a tax expense of \$128,012, compared with a tax recovery of \$119,595 in 2005. The expense in the third quarter of 2006 is mainly due to a reduction in the future tax asset as the Company believes that it is more likely than not that this asset will not be realized given the operating results of 2006.

Nine-month period ended September 30, 2006

Louvem's expenses for operating the Beaufor Mine reached \$6,673,774 for the nine-month period ended September 30, 2006, compared with \$6,356,532 for the same period in 2005. Louvem's proportionate share of the production of the Beaufor Mine was 56,246 tonnes of ore in 2006, compared with 78,325 tonnes of ore for the same period in 2005.

Operations generated gold sales of 20,265 ounces, 10,132 ounces for Louvem, at a cash cost of US\$583 and sold at an average price of US\$598 per ounce for the first nine months of the 2006 fiscal year. During the same period in 2005, sales for Beaufor Mine were 30,287 ounces of gold, 15,144 ounces for Louvem, produced at a cash cost of US\$347 per ounce and sold at an average price of US\$437 per ounce. The cost per tonne mined rose from \$81 for the first nine months of 2005 to \$119 for the same period in 2006. This increase is mainly due to lower production at the Beaufor Mine, mainly attributable to the operation of narrower mineralized zones and a higher development rate per tonne of ore, which resulted in an average production rate 33% lower than during the same period in 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statistics of gold production for the ounces sold

All data are based on ounces sold, except data on ounces produced

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2006	2005	2006	2005
Beaufor Mine (Louvem's 50% share)				
Ounces sold	2,500	2,466	10,132	15,144
Ounces produced	2,487	2,151	10,095	15,504
Tonnes milled (t)	13,526	14,973	56,246	78,325
Head grade (g/t Au)	5.83	5.22	5.69	6.10
Recovery rate (%)	98.53	98.04	98.55	98.55
Recovered grade (g/t Au)	5.75	5.12	5.60	6.01
Cash cost per tonne (\$)				
Mining	79	52	80	49
Surface and administration	13	11	16	9
Transportation and milling	23	23	23	23
Total per tonne (\$)	115	86	119	81
Total cash cost per ounce (US\$)	552	435	583	347
Depreciation and depletion per ounce (US\$)	40	23	35	17

For the nine-month period ended September 30, 2006, administrative expenses were \$528,054 compared with \$470,641 for the same period in 2005. These amounts include general administrative expenses as well as management fees for services received, which were paid to the parent company.

An amount of \$478,687 was incurred for the first nine months of 2006 for exploration, compared with \$364,162 for the same period in 2005. Almost all of these costs were allocated to the Beaufor Mine.

The accretion expense of asset retirement obligations was \$6,181 for the nine-month period in 2006, compared with \$5,859 in 2005.

Depreciation and depletion expenses were \$399,426 for the first nine months of the 2006 fiscal year, compared with \$296,707 for the same period in 2005. This difference is due to the increase in the depreciation rate, which totaled US\$17 (\$20) per ounce sold in 2005, whereas it is now US\$35 (\$39) per ounce sold, mainly as a result of the increase in investments for the development of the property.

The Company is subject to mining and income taxes in Canada and in the province of Quebec. For the nine-month period ended September 30, 2006, the Company reported a tax expense of \$79,138, compared with \$237,479 for the same period in 2005. The 2006 expense is mainly due to a reduction in the future income tax assets, net of a recovery resulting from loss carry-backs to previous years.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Consolidated balance sheets

Short-term assets went from \$3,374,838 at December 31, 2005, to \$1,900,617 at September 30, 2006. This difference is mainly due to the reduction of cash and cash equivalents which decreased, as a result of higher operating and exploration expenses at the Beaufor Mine, from \$1,888,869 at December 31, 2005, to \$308,706 at September 30, 2006.

Property, plant and equipment went from \$2,528,407 at December 31, 2005, to \$2,982,729 at September 30, 2006, mainly as a result of investments made at the Beaufor Mine.

At September 30, 2006, total liabilities were \$1,450,982, compared with \$1,454,696 at December 31, 2005, and consisted of short-term liabilities, asset retirement obligations and future mining and income taxes. Louvem Mines Inc. has no long-term debt.

At September 30, 2006, shareholders' equity was \$3,739,701, compared with \$5,026,829 at December 31, 2005. At September 30, 2006, Louvem Mines Inc. had 25,929,689 shares outstanding.

Cash flows

Operating activities

Cash flow used in the operations was of \$647,933 for the third quarter of 2006, compared with \$281,865 for the same quarter in 2005. This difference is mainly due to the increase of the net loss in 2006 compared with 2005. For the nine-month period ended September 30, 2006, cash flow used in operations was \$713,815 compared to \$5,892 for the same period in 2005.

Investing activities

During the third quarter of 2006, Louvem invested \$267,529 in fixed assets at the Beaufor Mine, compared with \$669,531 in the third quarter of 2005. For the nine-month period ended September 30, 2006, \$853,748 was invested, compared with \$1,117,485 for the same period in 2005.

Details of the investments are provided in the section entitled "Summary of operating income for the periods of three months and nine months ended September 30, 2006" under the heading "Beaufor Mine".

Financing activities

As part of its existing share buyback program, the Company did not buy back any common shares during the third quarter of 2006, whereas it had bought back 50,000 shares for \$19,060 during the third quarter of 2005. For the first nine months of the 2006 fiscal year, the Company bought back 35,000 common shares for \$12,600, compared with 111,500 common shares for \$48,365 during the same period in 2005. The share buyback program will remain in effect until November 15, 2006.

Financial instruments

In order to minimize the risks associated with fluctuations in the gold price and exchange rates, Louvem Mines could use derivative financial instruments and short-term gold hedging contracts. At September 30, 2006 and 2005, the Company had no gold or currency hedging contracts. During these periods, no gain or loss related to derivative financial instruments or to short-term gold hedging contracts was recorded in the financial statements.

Commitments and contingency

Since the conclusion of an agreement with the Quebec Ministry of Natural Resources in July 2001, the amounts of government assistance recorded as revenues and as a reduction to property, plant and equipment have totalled \$882,957 and \$287,122, respectively. According to this agreement, an amount of \$390,026 must be repaid on July 31, 2007, if the Beaufor Mine is in production during the twelve months preceding the date of repayment and if the average daily price of an ounce of gold on the "AM FIX" of the London exchange is greater than or equal to US\$325. Currently it is impossible to predict the amount that could become repayable; consequently, no provision for this purpose has been recorded in the financial statements.

In addition, the Company is subject to royalty payments on certain exploration properties, should they be put into commercial operation.

Risks and uncertainties

In the normal course of operations, the mining industry involves exposure to numerous risks that can affect the performance of companies such as Louvem. Here is a non-exhaustive list of the main critical factors that must be taken into account when evaluating a mining company: the company must assume responsibility for replacing its gold reserves, maintaining satisfactory grades, dealing with a certain amount of uncertainty associated with exploration, respecting the environment at all times by preparing site restoration plans, providing for the well-being of its workers so as to avoid labour disputes and ensuring their safety by preventing mining accidents. The profitability of a gold producer is also linked to factors beyond its control, such as gold prices, exchange rates, inflation, interest rates, the availability of financing and changes to effective regulations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Quarterly review

The quarterly differences observed in the revenues of the past eight quarters are directly related to gold sales, which follow the course of production at the Beaufor Mine. In this case, the quarterly differences affecting net earnings (loss) are also influenced by this factor.

(In thousands dollars, except per share amounts and ounces)	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004
Revenues	1,730	2,433	2,728	1,842	1,327	3,538	3,208	3,989
Net earnings (loss)	(515)	(284)	(475)	(277)	(207)	347	201	669
Net earnings (loss) per share, basic and diluted	(0.02)	(0.01)	(0.02)	(0.01)	(0.01)	0.01	0.01	0.03
Cash flow from (used in) operations	(648)	(160)	94	(514)	(282)	66	210	1,386
Gold sales (ounces)	2,500	3,452	4,181	3,181	2,466	6,611	6,066	7,487

Auditors

The external auditors have not examined this management's discussion and analysis or the Company's consolidated financial statements for the three-month and nine-month periods ended September 30, 2006.

Outlook

The Beaufor Mine continues to be operated and many exploration targets will be examined over the upcoming months. At September 30, 2006, Louvem had no long-term debt, had cash and cash equivalents of \$308,706 and could count on working capital of \$938,491. The Company has no hedging contract on gold and currency.

Jean-Guy Rivard
President



CONSOLIDATED FINANCIAL STATEMENTS

Third Quarter
ended September 30, 2006

CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)	(in Canadian dollars)			
	Three months ended		Nine months ended	
	September 30, 2006 \$	September 30, 2005 \$	September 30, 2006 \$	September 30, 2005 \$
REVENUES				
Precious metals	1,720,129	1,309,730	6,853,896	8,014,070
Other revenues	9,436	16,990	36,836	58,351
	1,729,565	1,326,720	6,890,732	8,072,421
EXPENSES				
Operating costs	1,559,659	1,300,271	6,673,774	6,356,532
Administration	166,772	152,409	528,054	470,641
Exploration	275,049	130,268	478,687	364,162
Accretion expense of asset retirement obligations	2,088	1,979	6,181	5,859
Depreciation and depletion	113,290	68,501	399,426	296,707
	2,116,858	1,653,428	8,086,122	7,493,901
EARNINGS (LOSS) BEFORE MINING AND INCOME TAXES	(387,293)	(326,708)	(1,195,390)	578,520
MINING AND INCOME TAXES (RECOVERIES)	128,012	(119,595)	79,138	237,479
NET EARNINGS (LOSS)	(515,305)	(207,113)	(1,274,528)	341,041
NET EARNINGS (LOSS) PER SHARE				
Basic and diluted	(0.02)	(0.01)	(0.05)	0.01
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	25,929,689	26,024,477	25,941,099	26,062,651

CONSOLIDATED STATEMENTS OF DEFICIT

(Unaudited)	(in Canadian dollars)			
	Three months ended		Nine months ended	
	September 30, 2006 \$	September 30, 2005 \$	September 30, 2006 \$	September 30, 2005 \$
BALANCE, BEGINNING OF PERIOD	(3,817,946)	(2,540,373)	(3,049,273)	(3,064,757)
Net earnings (loss)	(515,305)	(207,113)	(1,274,528)	341,041
Redemption of common shares	-	(14,560)	(9,450)	(38,330)
BALANCE, END OF PERIOD	(4,333,251)	(2,762,046)	(4,333,251)	(2,762,046)

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

	(in Canadian dollars)	
	September 30, 2006 \$	December 31, 2005 \$
	(Unaudited)	(Audited)
ASSET		
CURRENT ASSETS		
Cash and cash equivalents	308,706	1,888,869
Accounts receivable	240,723	204,628
Mining and income taxes receivable	213,352	240,649
Inventories (note 2)	1,137,836	1,040,692
	<u>1,900,617</u>	3,374,838
PROPERTY, PLANT AND EQUIPMENT (note 3)	2,982,729	2,528,407
FUTURE MINING AND INCOME TAXES	307,337	578,280
	<u>5,190,683</u>	<u>6,481,525</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued charges	962,126	979,235
Mining and income taxes payable	-	20,000
	<u>962,126</u>	999,235
ASSET RETIREMENT OBLIGATIONS	157,040	150,859
FUTURE MINING AND INCOME TAXES	331,816	304,602
	<u>1,450,982</u>	<u>1,454,696</u>
SHAREHOLDERS' EQUITY		
Capital stock (note 4)	2,462,577	2,465,727
Contributed surplus	5,610,375	5,610,375
Deficit	(4,333,251)	(3,049,273)
	<u>3,739,701</u>	5,026,829
	<u>5,190,683</u>	<u>6,481,525</u>
Contingency (note 6)		

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)	(in Canadian dollars)			
	Three months ended		Nine months ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
	\$	\$	\$	\$
CASH FLOW USED IN OPERATIONS				
Net earnings (loss)	(515,305)	(207,113)	(1,274,528)	341,041
Adjustments for:				
Depreciation and depletion	113,290	68,501	399,426	296,707
Accretion expense of asset retirement obligations	2,088	1,979	6,181	5,859
Future mining and income taxes	275,182	108,961	298,157	262,490
	(124,745)	(27,672)	(570,764)	906,097
Net change in non-cash working capital items	(523,188)	(254,193)	(143,051)	(911,989)
	(647,933)	(281,865)	(713,815)	(5,892)
CASH FLOW USED IN INVESTMENTS				
Property, plant and equipment – Beaufor Mine	(267,529)	(669,531)	(853,748)	(1,117,485)
CASH FLOW USED IN FINANCING				
Redemption of common shares	-	(19,060)	(12,600)	(48,365)
Decrease in cash and cash equivalents	(915,462)	(970,456)	(1,580,163)	(1,171,742)
Cash and cash equivalents, beginning of period	1,224,168	3,653,438	1,888,869	3,854,724
Cash and cash equivalents, end of period	308,706	2,682,982	308,706	2,682,982

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three-month periods ended September 30, 2006 and 2005 (in Canadian dollars)
(Unaudited)

Louvem Mines Inc. (the "Company"), incorporated under Part 1A of the Quebec Companies Act, is engaged in mining, exploration and development of mining properties, principally gold, in Quebec.

These unaudited interim consolidated financial statements have been prepared by management who assumes responsibility for them.

1. Significant accounting policies

The accounting policies used and the application of these policies for the preparation of these unaudited interim consolidated financial statements are identical to those used in the presentation of the financial statements for the year ended December 31, 2005. Accordingly, these unaudited consolidated financial statements should be read in conjunction with the most recent audited annual consolidated financial statements and the accompanying notes.

2. Inventories

	September 30, 2006	December 31, 2005
	\$	\$
		(Audited)
Precious metals	4,620	24,269
Ore	723,250	637,485
Supplies	409,966	378,938
	1,137,836	1,040,692

3. Property, plant and equipment

	September 30, 2006			December 31, 2005		
	Cost \$	Accumulated depreciation and depletion \$	Net book value \$	Cost \$	Accumulated depreciation and depletion \$	Net book value \$
						(Audited)
Development costs	3,725,720	1,369,898	2,355,822	2,932,526	1,070,332	1,862,194
Buildings	411,334	236,713	174,621	411,334	207,179	204,155
Equipment	780,160	343,111	437,049	719,605	275,361	444,244
Asset retirement costs	88,318	73,081	15,237	88,318	70,504	17,814
	5,005,532	2,022,803	2,982,729	4,151,783	1,623,376	2,528,407

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Three-month periods ended September 30, 2006 and 2005 (in Canadian dollars)
(Unaudited)

4. Capital stock

Authorized: Unlimited number of common shares with no par value

	Three months ended September 30, 2006		Nine months ended September 30, 2006	
	Number of shares	Amount \$	Number of shares	Amount \$
Issued and paid: Common shares				
Beginning balance	25,929,689	2,462,577	25,964,689	2,465,727
Redemption of shares a)	-	-	(35,000)	(3,150)
Ending balance	25,929,689	2,462,577	25,929,689	2,462,577

a) Redemption of shares

In November 2005, the Company renewed its share buyback program in the normal course of business. Under this program, the shares that are purchased are automatically cancelled. The Company may repurchase from November 16, 2005 to November 15, 2006 up to 1,250,000 common shares, representing approximately 5% of the 25,964,689 common shares outstanding at that date.

During the first quarter of 2006, the Company redeemed 35,000 common shares for \$12,600 in cash. This transaction increased the deficit by \$9,450.

5. Related party transactions

The related party transactions are as follows:

	Three months ended		Nine months ended	
	September 30, 2006 \$	September 30, 2005 \$	September 30, 2006 \$	September 30, 2005 \$
Parent company, Richmond Mines Inc.				
Services and management fees	114,000	135,000	342,000	405,000
Camflo Mill Inc., subsidiary of the parent company				
Milling costs	337,896	221,288	1,090,720	1,430,672

As at September 30, 2006, the accounts payable and accrued charges include \$71,220 (\$72,122 as at December 31, 2005) payable to related parties. Accounts receivables include an amount receivable from related parties of \$15,578 (\$7,885 as at December 31, 2005). These transactions were conducted in the normal course of operations and were calculated at the exchange amount, which is the amount established under normal market conditions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Three-month periods ended September 30, 2006 and 2005 (in Canadian dollars)
(Unaudited)

6. Contingency

Since the signing of an agreement in July 2001 with the Quebec Ministry of Natural Resources, the amounts of government assistance recorded in revenues and as a reduction of the cost of property, plant and equipment totalled \$882,957 and \$287,122, respectively. According to this agreement, an amount of \$390,026 is repayable on July 31, 2007, if the Beaufor Mine is in operation during the last twelve months preceding the repayment date and if the annual average daily price per ounce of gold on "AMFIX" at the London exchange is equal to or greater than US\$325. It is not currently possible to determine the amount that may become payable and, accordingly, no amount is recorded in these consolidated financial statements.

7. Comparative figures

Certain comparative figures provided for the period ended September 30, 2005 have been reclassified to conform with the presentation adopted for the period ended September 30, 2006.