

**NOTICE TO SHAREHOLDERS
FOR THE THREE AND SIX MONTHS ENDED
MARCH 31, 2006**

**KATANGA MINING LIMITED
(Formerly *Balloch Resources Ltd.*)
(A DEVELOPMENT STAGE ENTITY)**

Responsibility for Financial Statements

The accompanying financial statements for Katanga Mining Limited have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the September 30, 2005 audited financial statements. Only changes in accounting information have been disclosed in these financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

Auditor involvement

The auditors of Katanga Mining Limited have not performed a review of the unaudited financial statements for the three and six months ended March 31, 2006 and March 31, 2005.

KATANGA MINING LIMITED
(Formerly Balloch Resources Ltd.)
 (A DEVELOPMENT STAGE ENTITY)

BALANCE SHEETS

(EXPRESSED IN UNITED STATES DOLLARS)

(PREPARED BY MANAGEMENT)

	March 31, 2006 (Unaudited)	September 30, 2005
Assets		
Current		
Cash and cash equivalents	\$ 5,370,171	\$ 455,774
Prepaid expenses	72,217	344,501
	5,442,388	800,275
Investment in Kinross Forrest Ltd. (Note 2)	4,711,232	-
Funding of feasibility study costs (Note 4)	4,341,808	-
	\$ 14,495,428	\$ 800,275
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 112,573	\$ 103,466
Shareholders' Equity		
Capital stock (Note 5(b))	2,045,748	586,998
Contributed surplus (Note 5(b))	15,192,856	1,864,923
Deficit	(2,855,749)	(1,755,112)
	14,382,855	696,809
	\$ 14,495,428	\$ 800,275

KATANGA MINING LIMITED
(Formerly Balloch Resources Ltd.)
(A DEVELOPMENT STAGE ENTITY)

STATEMENTS OF OPERATIONS AND DEFICIT

(EXPRESSED IN UNITED STATES DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2006	2005	2006	2005
Administrative expenses				
Professional fees and transaction costs	\$ 53,063	\$ 2,238	\$ 105,135	\$ 12,512
General and administrative	247,885	9,667	284,126	(17,898)
Shareholder relations	6,700	(767)	12,856	3,221
Consulting	246,927	-	334,442	-
Foreign exchange (gain) loss	(51,308)	-	(6,927)	-
Interim financing fee	-	-	13,274	-
Stock-based compensation (Note 7)	479,275	-	479,275	-
	982,542	11,138	1,222,181	(2,165)
Net income (loss) for the period before the following:	(982,542)	(11,138)	(1,222,181)	2,165
Interest income	63,259	-	121,544	-
Net income (loss) for the period	(919,283)	(11,138)	(1,100,637)	2,165
DEFICIT, beginning of period	(1,936,466)	(1,692,057)	(1,755,112)	(1,705,360)
DEFICIT, end of period	\$ (2,855,749)	\$ (1,703,195)	\$ (2,855,749)	\$ (1,703,195)
Basic and fully diluted loss per share (Note 9)	\$ (0.05)	\$ 0.00	\$ (0.08)	\$ 0.00
Weighted average number of common shares	20,196,532	5,750,975	14,380,100	5,750,975

KATANGA MINING LIMITED
(Formerly Balloch Resources Ltd.)
(A DEVELOPMENT STAGE ENTITY)

STATEMENTS OF CASH FLOWS

(EXPRESSED IN UNITED STATES DOLLARS)

(PREPARED BY MANAGEMENT)

(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2006	2005	2006	2005
Cash (used in) provided by:				
OPERATING ACTIVITIES				
Net income (loss) for the period	\$ (919,283)	\$ (11,138)	\$ (1,100,637)	\$ 2,165
Items not affecting cash:				
Stock-based compensation (Note 7)	479,275	-	479,275	-
Changes in non-cash working capital				
Prepaid expenses	296,987	-	272,284	-
Accounts payable and accrued liabilities	71,608	(6,874)	9,107	(873)
	(71,413)	(18,012)	(339,971)	1,292
INVESTING ACTIVITIES				
Investment in Kinross Forrest Ltd.	-	-	(4,711,232)	-
FINANCING ACTIVITIES				
Issue of common shares, net if issue costs	-	-	14,016,178	893,353
Exercise of warrants	169,777	-	291,230	-
Loans payable	-	-	-	(121,892)
Funding of feasibility study costs	(2,175,615)	-	(4,341,808)	-
	(2,005,838)	-	9,965,600	771,461
CHANGE IN CASH AND CASH EQUIVALENTS	(2,077,251)	(18,012)	4,914,397	772,753
CASH AND CASH EQUIVALENTS, beginning of period	7,447,422	799,657	455,774	8,892
CASH AND CASH EQUIVALENTS, end of period	\$ 5,370,171	\$ 781,645	\$ 5,370,171	\$ 781,645

KATANGA MINING LIMITED
(Formerly Balloch Resources Ltd.)
(DEVELOPMENT STAGE ENTITY)

NOTES TO FINANCIAL STATEMENTS

(EXPRESSED IN UNITED STATES DOLLARS)

(PREPARED BY MANAGEMENT)

Six Months Ended March 31, 2006 and 2005

(UNAUDITED)

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Katanga Mining Limited ("Katanga" or the "Company") was incorporated under the laws of Bermuda on October 7, 1996 and is engaged in the acquisition, and development of mineral properties. The Company is considered to be in the development stage. On July 8, 2004, the Company changed its name from New Inca Gold Ltd. to Balloch Resources Ltd. and consolidate its common shares on a ten for one basis. During the first quarter of fiscal 2006, the Company changed its name to Katanga Mining Limited.

The unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by Canadian generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended March 31, 2006 may not necessarily be indicative of the results that may be expected for the year ending September 30, 2006.

The balance sheet at March 31, 2006 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for complete financial statements. The interim financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual financial statements for the year ended September 30, 2005, except for Note 2. For further information, refer to the financial statements and notes thereto included in the Company's annual financial statements for the year ended September 30, 2005.

2. CHANGE IN ACCOUNTING POLICY

On December 12, 2005, the Company acquired a 23.33% ownership interest in Kinross Forrest Limited ("KFL") for \$4,711,232 (CDN \$5,450,000). As a result of this transaction, the Company adopted the equity method of accounting for its investment in KFL. The equity method is a basis of accounting for long-term investments whereby the investment is initially recorded at cost and the carrying value adjusted thereafter to include the Company's pro-rata share of KFL's net income (loss) for the period. KFL capitalized all of its expenditures from December 12, 2005 to March 31, 2006 and, therefore, Katanga's pro-rata share of net income for the three and six months ended March 31, 2006 is \$nil.

3. NEW ACCOUNTING PRONOUNCEMENT

In January 2005, the Canadian Institute of Chartered Accountants issued four new accounting standards: Handbook Section 1530, Comprehensive Income, Handbook Section 3251, Equity, Handbook Section 3855, Financial Instruments - Recognition and Measurement, and Handbook Section 3865, Hedges. These standards are effective for interim and annual financial statements for the Company's fiscal years beginning January 1, 2007.

KATANGA MINING LIMITED
(Formerly Balloch Resources Ltd.)
 A DEVELOPMENT STAGE ENTITY

NOTES TO FINANCIAL STATEMENTS

(EXPRESSED IN UNITED STATES DOLLARS)

(PREPARED BY MANAGEMENT)

Six Months Ended March 31, 2006 and 2005

(UNAUDITED)

4. FEASIBILITY STUDY COSTS

Payments to KFL under the Option Agreement to fund feasibility study costs amounted to \$4,341,808 in the six months ended March 31, 2006. These payments are considered part of the funding of the costs incurred by KFL associated with completing the feasibility study. (Note 8)

5. CAPITAL STOCK

(a) AUTHORIZED

1,000 common shares, par value \$12.00 each
 100,000,000 common shares, par value \$0.10 each

(b) COMMON SHARES ISSUED

	NUMBER OF SHARES	STATED VALUE	CONTRIBUTED SURPLUS
Balance at September 30, 2005	5,750,975	\$ 586,998	\$ 1,864,923
Issued for cash, net of issue costs	14,000,000	1,400,000	12,616,178
Exercise of warrants - cash	587,500	58,750	517,451
Exercise of warrants - valuation	-	-	(284,971)
Black-Scholes valuation of options granted during the period	-	-	479,275
Common share adjustment	1	-	-
Balance at March 31, 2006	20,338,476	\$ 2,045,748	\$ 15,192,856

6. WARRANTS

The following table reflects the number of warrants and compensation warrants issued by the Company.

Expiry date	Exercise price (1)	September 30, 2005	Exercised during the period	Issued during the period	March 31, 2006
October 6, 2006 (2)	\$0.35	1,837,500	(50,000)	-	1,787,500
December 12, 2006 (3)	1.45	<u>560,000</u>	<u>(125,000)</u>	<u>-</u>	<u>435,000</u>
		<u>2,397,500</u>	<u>(175,000)</u>	<u>-</u>	<u>2,222,500</u>

(1) Noted in Canadian dollars.

(2) Fair market value assigned to warrants using the Black-Scholes valuation model is \$105,311.

(3) Fair market value assigned to compensation warrants using the Black-Scholes valuation model is \$981,449.

KATANGA MINING LIMITED
(Formerly Balloch Resources Ltd.)
 A DEVELOPMENT STAGE ENTITY

NOTES TO FINANCIAL STATEMENTS

(EXPRESSED IN UNITED STATES DOLLARS)

(PREPARED BY MANAGEMENT)

Six Months Ended March 31, 2006 and 2005

(UNAUDITED)

7. STOCK OPTIONS

The following table reflects the continuity of stock options for the period:

	Number of Stock Options	Weighted Exercise Price per share(1)
Balance at September 30, 2005	-	\$nil
Granted during the period	205,000	4.10
Balance at March 31, 2006	205,000	\$4.10

(1) Noted in Canadian dollars.

(2) The value assigned was calculated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, expected volatility 80%, risk-free interest rate 3.84% and expected maturity of 5 years. The fair value of each stock option granted averaged \$2.34 per option. The total fair value assigned to these options was \$479,275.

The following table summarizes the stock options outstanding at March 31, 2006:

Exercise Price per Share (1)	Expiry Date	Outstanding Options
\$4.10	January 17, 2011	205,000

(1) Noted in Canadian dollars.

8. PROPERTY AGREEMENTS AND OTHER INFORMATION

On March 21, 2006, the Company announced an amendment to the agreement pursuant to which the Company had an option to acquire all of the issued and outstanding shares in the capital of Kinross Forrest Ltd. ("KFL") (the "option agreement"). As a result of the amendment, Katanga has agreed to acquire all of the outstanding shares of KFL not currently owned by Katanga in exchange for an aggregate of 35,001,500 common shares of the Company.

Katanga's agreement to purchase all of the outstanding shares of KFL is subject to certain conditions, including: (i) receipt of all requisite regulatory approvals, including the approval of the TSX Venture Exchange (the "TSXV"); (ii) receipt of approval to the purchase transaction from the shareholders of Katanga; and (iii) receipt of a feasibility study demonstrating that the net present value of KFL's interest in the Kamoto Joint Venture is not less than US\$570 million (using a discount rate to net cash flow of KFL's interest in the Kamoto Joint Venture of 10% per annum and based on a price of US\$1.10 per pound of copper and a price of US\$10.00 per pound of cobalt).

KATANGA MINING LIMITED
(Formerly Balloch Resources Ltd.)
A DEVELOPMENT STAGE ENTITY

NOTES TO FINANCIAL STATEMENTS

(EXPRESSED IN UNITED STATES DOLLARS)

(PREPARED BY MANAGEMENT)

Six Months Ended March 31, 2006 and 2005

(UNAUDITED)

8. PROPERTY AGREEMENTS AND OTHER INFORMATION (continued)

The acquisition of the remaining shares of KFL not currently owned by Katanga will be considered to be a reverse takeover transaction pursuant to Policy 5.2 of the TSXV Corporate Finance Manual as it will result in a shareholder owning in excess of 20% of the issued and outstanding shares of Katanga, namely, George Forrest International Afrique sprl. The Exchange will impose a condition to completion of the reverse takeover transaction/acquisition that Katanga must demonstrate its ability to meet the minimum listing requirements of the Exchange, which require evidence of financial means to complete 18 months worth of expenditures as contemplated in the first phase of operations as set forth in the feasibility study to be completed by Katanga. It is currently contemplated that the Exchange will impose a condition that Katanga raise a minimum of CDN\$75,000,000 in equity financing prior to or concurrent with its completion of the acquisition.

In December, 2005, Katanga purchased a 23.33% interest in KFL from Kinross Gold Corporation who retains an 11.67% interest in KFL. The other shareholders of KFL are Tain Holdings Limited, George Forrest International Afrique sprl. and Robert M. Buchan. Tain Holdings Limited is a company that holds its interest for the benefit of Arthur H. Ditto, the President, Chief Executive Officer and a director of Katanga. George Forrest International Afrique sprl is a company that is wholly-owned by George Forrest, a director of Katanga. Robert M. Buchan is the non-executive chairman and director of Katanga. Mr. Ditto currently owns 980,000 common shares of Katanga, Mr. Forrest currently owns 1.0 million common shares of Katanga and Mr. Buchan currently owns 500,000 common shares of Katanga. Messrs. Ditto, Forrest and Buchan collectively own 10.99 % of the issued and outstanding shares of Katanga. For the purposes of Ontario Securities Commission Rule 61-501, the completion of the acquisition is considered to be a "related party transaction". Katanga will therefore seek the approval of a majority of the disinterested shareholders. The special shareholders' meeting will be held on June 15, 2006.

After completion of the acquisition, Tain Holdings Limited and Mr. Ditto will own 6,505,000 common shares of Katanga, George Forrest and George Forrest International Afrique sprl will own 18,800,000 common shares of Katanga and Mr. Buchan will own 6,425,000 common shares of Katanga.

KFL is the owner of a 75% interest in the Kamoto Joint Venture, the remaining 25% being owned by LaGénérale des Carrières et des Mines ("Gécamines"). The Kamoto Joint Venture was formed in February, 2004 by KFL and Gécamines, the state owned and operating mining enterprise of the Democratic Republic of Congo (the "DRC"). The Kamoto Joint Venture, through Kamoto Copper Company SARL ("KCC") a DRC company incorporated and organized by KFL and Gécamines, leases from Gécamines the Kamoto concentrator, the Luilu metallurgical plant, the Kamoto underground mine and various oxide open pit resources, in the Kolwezi area of the DRC. Pursuant to the Mining Code of the DRC, KCC is the recorded leaseholder of the real properties and the minerals related thereto. KCC is owned 75% by KFL and 25% by Gécamines. KCC has a six person board, four members of which are nominees of KFL. Under the Kamoto Joint Venture, KFL must provide all funding to conduct operations and it is anticipated that KFL will receive repayment of the capital and interest on such loans on a preferential basis.

KATANGA MINING LIMITED
(Formerly Balloch Resources Ltd.)
A DEVELOPMENT STAGE ENTITY

NOTES TO FINANCIAL STATEMENTS

(EXPRESSED IN UNITED STATES DOLLARS)

(PREPARED BY MANAGEMENT)

Six Months Ended March 31, 2006 and 2005

(UNAUDITED)

9. LOSS PER SHARE

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share is the same as basic loss per share. The conversion of warrants was not included in the calculation of diluted loss per share because it would be anti-dilutive.

10. RELATED PARTY TRANSACTIONS

The majority of the shareholders of KFL are also shareholders of Katanga and, as such, any transactions with KFL are considered related party transactions. (Note 8)

11. SUBSEQUENT EVENTS

- (a) On April 17, 2006, 850,000 options were granted to officers of the Company. The options are exercisable at CDN\$7.40 and will expire on April 18, 2011.
- (b) On May 2, 2006 the company completed a private placement of 21,000,000 subscription receipts of the Company, at a price of CDN\$7.25 per subscription receipt. Each subscription receipt entitled the holder to acquire one common share in the capital of the Company without payment of any additional consideration. The gross proceeds of CDN\$152,250,000, less the out-of-pocket costs and expenses of underwriters, will be held in escrow and will be released to the Company upon satisfaction of certain conditions, including:
- Shareholder and regulatory approval and exercise of the option whereby the Company acquires 100% of KFL; and
 - The Company obtaining a receipt for a final prospectus to qualify the common shares of the Company issuable upon exercise of the Subscription Receipts.

The subscription receipts will be automatically exercised following satisfaction of the escrow release conditions. If the escrow release conditions are not satisfied by June 30, 2006, the escrowed proceeds will be returned to the holders of the subscription receipts and the outstanding subscription receipts will be cancelled.