

KATANGA MINING LIMITED
(A DEVELOPMENT STAGE ENTITY)

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2007 AND 2006

Responsibility for Financial Statements

The accompanying interim consolidated 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 December 31, 2006 audited financial statements. Only changes in accounting information have been disclosed in these financial statements and they 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 consolidated financial statements, management is satisfied that these consolidated financial statements have been fairly presented. These consolidated financial statements have been reviewed by the audit committee and approved by the Board of Directors of the Company.

KATANGA MINING LIMITED
(A DEVELOPMENT STAGE ENTITY)

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2007 AND 2006

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The accompanying notes constitute an integral part of these financial statements

KATANGA MINING LIMITED
(A DEVELOPMENT STAGE ENTITY)

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(EXPRESSED IN UNITED STATES DOLLARS)

	As at June 30, 2007	As at December 31, 2006
Assets		
Current		
Cash and cash equivalents	\$ 100,618,724	\$ 196,985,623
Inventory of supplies	4,446,763	176,583
Prepaid expenses and other current assets	5,693,506	4,526,752
	110,758,993	201,688,958
Property, plant and equipment (Note 4)	141,384,867	41,847,436
Mobilization charge (Note 8)	2,520,000	2,520,000
Deferred financing costs (Note 3)	-	4,023,386
	\$ 254,663,860	\$ 250,079,780
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 14,097,466	\$ 8,813,568
Restricted stock units (Note 7)	2,360,095	835,361
	16,457,561	9,648,929
Debentures payable (Note 5)	107,953,162	93,496,963
	124,410,723	103,145,892
Shareholders' Equity		
Capital stock (Note 6)	7,820,648	7,815,648
Warrants (Note 6)	6,736,405	6,736,405
Contributed surplus (Note 6)	139,971,682	137,122,818
Deficit	(24,275,598)	(4,740,983)
	130,253,137	146,933,888
	\$ 254,663,860	\$ 250,079,780

Nature of Operations - Note 1

Commitments – Note 9

The accompanying notes constitute an integral part of these financial statements

KATANGA MINING LIMITED
(A DEVELOPMENT STAGE ENTITY)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
AND DEFICIT

(UNAUDITED)

(EXPRESSED IN UNITED STATES DOLLARS)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Administrative expenses				
General and administrative	\$ 1,570,839	\$ -	\$ 3,316,667	\$ -
Professional fees and consulting	250,067	-	646,342	-
Stock-based compensation	1,582,168	-	2,496,546	-
Foreign exchange loss (Note 5)	7,998,609	-	8,800,394	-
Loss for the period before the following	(11,401,683)	-	(15,259,949)	-
Debt interest	(4,085,434)	-	(7,904,482)	-
Interest income	1,574,883	-	3,876,720	-
Loss for the period before income taxes:	(13,912,234)	-	(19,287,711)	-
Provision for income taxes (Note 11)	79,264	-	139,226	-
Net loss and comprehensive loss for the period	(13,991,498)	-	(19,426,937)	-
DEFICIT, beginning of period	(10,284,100)	(19,747)	(4,740,983)	(19,747)
Transition adjustment (Note 3)	-	-	(107,678)	-
DEFICIT, end of period	\$ (24,275,598)	\$ (19,747)	\$ (24,275,598)	\$ (19,747)
Basic and diluted loss per share	\$ (0.18)	\$ 0.00	\$ (0.25)	\$ 0.00
Weighted average number of common shares outstanding	78,087,476	36,383,900	78,062,890	35,696,519

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KATANGA MINING LIMITED
(A DEVELOPMENT STAGE ENTITY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(EXPRESSED IN UNITED STATES DOLLARS)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Cash and cash equivalents provided by (used in):				
OPERATING ACTIVITIES				
Net loss for the period	\$ (13,991,498)	\$ -	\$ (19,426,937)	\$ -
Items not affecting cash:				
Stock-based compensation	1,118,218	-	2,032,597	-
Debenture interest	4,085,434	-	7,904,482	-
Unrealized foreign exchange loss (Note 5)	9,672,983	-	10,404,856	-
Changes in non-cash working capital				
Inventory of supplies	(3,831,580)	-	(4,270,180)	-
	(2,946,443)	-	(3,355,182)	-
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(62,628,135)	(2,241,540)	(93,255,803)	(4,443,831)
Net cash acquired in RTO transaction	-	1,846,478	-	1,846,478
Advances to related party	-	-	-	(150,000)
	(62,628,135)	(395,062)	(93,255,803)	(2,747,353)
FINANCING ACTIVITIES				
Issue of common shares, net of issue costs	176,825	129,407,842	176,825	129,407,842
Capital contributions	-	2,027,561	-	3,858,675
	176,825	131,435,403	176,825	133,266,517
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(65,397,753)	131,040,341	(96,434,160)	130,519,164
CASH AND CASH EQUIVALENTS, beginning of period	166,040,849	423,560	196,985,623	944,737
Effect of exchange rate changes on cash held in foreign currencies	(24,372)	-	67,261	-
CASH AND CASH EQUIVALENTS, end of period	\$ 100,618,724	\$ 131,463,901	\$ 100,618,724	\$ 131,463,901
SUPPLEMENTARY CASH FLOW INFORMATION				
Cash interest paid	\$ -	\$ -	\$ -	\$ -
Cash income taxes paid	\$ -	\$ -	\$ -	\$ -

The accompanying notes constitute an integral part of these financial statements

KATANGA MINING LIMITED (A DEVELOPMENT STAGE ENTITY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(EXPRESSED IN UNITED STATES DOLLARS)

Three and Six Months Ended June 30, 2007 and 2006

1. NATURE OF OPERATIONS

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. On November 30, 2005, the Company changed its name to Katanga Mining Limited.

On December 22, 2005, Katanga purchased a 23.33 percent ownership interest in Kinross Forrest Limited ("KFL") from Kinross Gold Corporation for CDN\$5.45 million.

On June 27, 2006, the Company acquired the remaining shares, 76.67%, of KFL which it did not own by issuing 35,001,500 Katanga shares to the shareholders of KFL and a cash payment of \$800,000. As more fully described in Note 2, as a result of this transaction, the former shareholders of KFL acquired control of Katanga and this transaction has been accounted for as a reverse takeover ("RTO"). Under this basis of accounting, KFL is the acquirer and, accordingly, the Company is considered to be a continuation of KFL with the net assets of Katanga as of June 27, 2006 deemed to have been acquired by KFL. KFL incurred no expenses during the period prior to June 27, 2006 as all general and administrative expenses prior to the RTO transaction (see Note 2) were incurred by Katanga.

Katanga, through Kamoto Copper Company SARL ("KCC"), is engaged in the refurbishment and rehabilitation of the Kamoto/Dima mining complex in the Democratic Republic of Congo (the "Kamoto Project"). The Kamoto Project includes exploration and mining properties, the Kamoto concentrator, the Lulu metallurgical plant, the Kamoto underground mine and various oxide open pit resources in the Kolwezi district of the Democratic Republic of Congo.

These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. The Company has not reached commercial production. In addition to its working capital requirements, the Company estimates its capital requirements to be \$427 million (inclusive of costs incurred to date) to complete the redevelopment of the Kamoto Project. These expenditures are expected to be made over four phases with each phase designed to increase the level of production capacity. The first phase is estimated to be \$172 million, bringing the assets into initial production by the end of 2007. As of June 30, 2007 \$77 million has been spent (\$132 million committed) on this initial phase which is consistent with the budgeted cost in the Kamoto Project feasibility study.

The Company has approximately \$101 million in cash and cash equivalents at June 30, 2007. The Company's debt and equity financings to date, while substantial, are not sufficient in and of themselves to enable the Company to fund the completion of all four phases of the redevelopment. Accordingly, management is currently pursuing further financing to fund the redevelopment and anticipates raising additional financing during the third quarter of 2007.

KATANGA MINING LIMITED
(A DEVELOPMENT STAGE ENTITY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(EXPRESSED IN UNITED STATES DOLLARS)

Three and Six Months Ended June 30, 2007 and 2006

1. NATURE OF OPERATIONS (Continued)

The Company's ability to continue as a going concern is ultimately dependent upon its ability to fund its working capital, obtain the additional financing to complete the redevelopment of the Kamoto Project and, eventually, to generate positive cash flows from mining operations. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. REVERSE TAKEOVER ACCOUNTING

On December 12, 2005, Katanga acquired a 23.33% ownership in KFL for \$4,711,232.

Pursuant to an option agreement dated July 29, 2005, as amended by agreements dated November 9, 2005 and March 15, 2006 (the "Option Agreement") KFL granted an option to Katanga to purchase the 76.67% of the outstanding shares of KFL it did not already own, in exchange for 35,001,500 common shares of Katanga and a cash payment of \$800,000 (the "RTO Transaction"). The option was exercised and the share exchange occurred on June 27, 2006. The RTO Transaction resulted in the former shareholders of KFL, other than Katanga, owning 67.01% of Katanga. Accordingly, the exchange of shares has been accounted for as an acquisition of Katanga by KFL, referred to as a "reverse takeover" ("RTO"). The agreement closed on June 27, 2006. Application of RTO accounting results in the following:

- (a) KFL is deemed to be the acquirer for accounting purposes; its assets and liabilities are included in the balance sheet at their carrying values.
- (b) The balance sheet combines the Katanga assets and liabilities acquired as follows:

Net book value of assets and liabilities of Katanga at June 27, 2006

Cash	\$	1,846,478
Prepaid expenses and other current assets		10,000
Initial investment in KFL		4,711,232
Investment in KFL with respect to feasibility study costs		6,369,369
Accounts payable and accrued liabilities		(661,674)
	\$	<u>12,275,405</u>

The fair value of Katanga's assets and liabilities other than the investment in KFL with respect to feasibility study costs approximates their net book value. No value has been allocated to the investment in KFL with respect to feasibility study costs as the actual feasibility expenditures made by KFL are already included in mineral interests.

The accompanying notes constitute an integral part of these financial statements

**KATANGA MINING LIMITED
(A DEVELOPMENT STAGE ENTITY)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(EXPRESSED IN UNITED STATES DOLLARS)

Three and Six Months Ended June 30, 2007 and 2006

3. BASIS OF PRESENTATION AND NEW ACCOUNTING POLICIES

Basis of Presentation

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The preparation of the financial statements is based upon accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements with the exception of the adoption of the new accounting policies described below. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the Notes to the Company's audited consolidated financial statements for the year ended December 31, 2006, since they do not contain all disclosures required by Canadian GAAP for annual financial statements. These unaudited interim consolidated financial statements reflect all normal and recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

New Accounting Policies - Financial instruments, comprehensive income and hedges

On January 1, 2007, the Company adopted the following new accounting standards that were issued by the Canadian Institute of Chartered Accountants:

Handbook Section 1530, Comprehensive Income, Section 3251, "Equity", Section 3855, "Financial Instruments - Recognition and Measurement", and Section 3865, "Hedges". The Company adopted these standards retrospectively; accordingly comparative amounts for prior periods have not been restated.

As a result of the adoption of the new standards, the Company has measured its accounts payable and accrued liabilities, restricted stock units and debentures payable at amortized cost and they are classified as other financial liabilities.

Upon adoption of Section 3855, the Company is using the effective interest method of amortization for transaction costs fees and discounts incurred relating to the debentures payable (see note 5). The liability was re-measured upon implementation at the present value of future payments discounted at the effective interest rate in the instrument. Upon transition to the new standard, the Company recorded an adjustment that eliminated the deferred financing cost asset, decreased debentures payable by \$4,023,386 and increased opening deficit by \$107,678.

KATANGA MINING LIMITED
(A DEVELOPMENT STAGE ENTITY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(EXPRESSED IN UNITED STATES DOLLARS)

Three and Six Months Ended June 30, 2007 and 2006

4. PROPERTY, PLANT AND EQUIPMENT

Mineral Interests

	June 30, 2007	December 31, 2006
Feasibility study costs	\$ 6,242,607	\$ 6,242,607
Development costs (Note 8)	116,741,493	24,472,290
Property acquisition costs	4,711,232	4,711,232
	\$ 127,695,332	\$ 35,426,129

Other Property, Plant and Equipment

	Cost	Accumulated Amortization	June 30, 2007	December 31, 2006
Access roads	\$ 595,148	\$ 128,948	\$ 466,200	\$ 472,706
Computer equipment	917,629	174,279	743,350	542,801
Computer software	56,965	48,835	8,130	22,676
Furniture and fixtures	946,357	116,053	830,304	565,304
Housing	1,640,173	3,680	1,636,493	41,228
Tools	1,490,683	181,186	1,309,497	1,319,788
Vehicles	5,357,629	658,364	4,699,265	2,436,750
Assets in transit	3,004,127	-	3,004,127	-
Leasehold improvements	1,053,631	61,462	992,169	1,020,054
	\$15,062,342	\$ 1,372,807	\$13,689,535	\$ 6,421,307

Total property, plant and equipment	\$141,384,867	\$41,874,436
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KATANGA MINING LIMITED
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(EXPRESSED IN UNITED STATES DOLLARS)

Three and Six Months Ended June 30, 2007 and 2006

5. DEBENTURES PAYABLE

On November 20, 2006, the Company closed a debenture offering of 115,000 units (“Units”) for an aggregate of CDN\$115,000,000. Each Unit consists of a CDN\$1,000 unsecured subordinated note (“Notes”) and 40 common share purchase warrants (“Warrants”). Each Warrant entitles the holder to purchase one common share of the Company anytime within five years from the closing date at CDN\$8.50 per share. The Units do not trade and were separated into Notes and Warrants immediately upon issuance. The Notes bear interest at the rate of 14% per annum, payable semi-annually in arrears in equal installments on January 1 and July 1 of each year, with interest payable from the closing date to June 30, 2007 capitalized and cash interest payments commencing January 1, 2008.

The Company is using the net proceeds of the offering to continue the refurbishment and development of the Kamoto Joint Venture Assets in the Democratic Republic of Congo and for general corporate purposes including working capital. The Notes mature on November 30, 2013.

The resulting 4,600,000 warrants have been fair valued using the Black-Scholes valuation model at CDN\$7,728,000 (\$6,736,405) with the following underlying assumptions: dividend yield 0%, expected volatility (based on pricing of warrants at time of debenture issue) 30%, risk-free rate of return 4.26% and expected life of 5 years. The fair value of each stock warrant issued was CDN\$1.68.

The debentures payable balance is comprised of the following:

	June 30, 2007	December 31, 2006
Debentures payable	\$ 91,945,095	\$ 91,945,095
Interest capitalized from closing date	9,451,658	1,551,868
Transition adjustment - deferred financing costs (Note 3)	(4,023,386)	-
Transition adjustment - interest (Note 3)	107,678	-
Foreign exchange translation loss (1), (2)	10,472,117	-
	\$ 107,953,162	\$ 93,496,963

- (1) The foreign exchange translation loss is unrealized and represents the revaluation of the CND\$ denominated debentures to US\$. The foreign exchange translation amount will move quarterly in accordance with the relevant movement of the CND\$ to the US\$. The foreign exchange translation gain or loss will be realized upon maturity of the debentures on November 30, 2013.
- (2) The unrealized foreign exchange loss in the six months to June 30, 2007 of \$10,404,856 in the consolidated statements of cash flow and the foreign exchange loss of \$8,800,394 in the consolidated statements of operations and comprehensive loss and deficit include the \$10,472,117 foreign exchange translation loss on the debentures (foreign exchange translation loss of \$9,648,611 for the three months ended June 30, 2007).

The accompanying notes constitute an integral part of these financial statements

KATANGA MINING LIMITED
(A DEVELOPMENT STAGE ENTITY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(EXPRESSED IN UNITED STATES DOLLARS)

Three and Six Months Ended June 30, 2007 and 2006

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS

(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	CAPITAL STOCK	CONTRIBUTED SURPLUS	TOTAL
Balance at December 31, 2006	78,037,476	\$ 7,815,648	\$ 137,122,818	\$ 144,938,466
Options exercised during the period	50,000	5,000	171,824	176,824
Options vested during the period	-	-	2,677,040	2,677,040
Balance at June 30, 2007	78,087,476	\$ 7,820,648	\$ 139,971,682	\$ 147,792,330

(c) WARRANTS

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

Expiry date	Exercise price (1)	Outstanding December 31, 2006	Issued during the period	Exercised/ Expired during the period	Outstanding June 30, 2007
November 20, 2011 (1)	CDN\$8.50	4,600,000	-	-	4,600,000

(1) Fair market value assigned to outstanding warrants is CDN\$7,728,000 (\$6,736,405).

KATANGA MINING LIMITED
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(EXPRESSED IN UNITED STATES DOLLARS)

Three and Six Months Ended June 30, 2007 and 2006

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (Continued)

(d) STOCK OPTIONS

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

	Number of Stock Options	Weighted Exercise Price per share(1)
Outstanding at December 31, 2006	2,190,000	\$6.90
Granted during the period	450,000	12.37
Exercised during the period	(50,000)	4.10
Outstanding at June 30, 2007	2,590,000	\$7.91

(1) Denominated in Canadian dollars.

During the six months ended June 30, 2007, 450,000 options were granted (325,000 in the three months ended June 30, 2007) with exercise prices ranging from C\$6.61 to C\$17.50. The value assigned to these options was calculated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, expected volatility 84%, risk-free rate of return 4.4% and expected maturity of 5 years. The weighted average grant date fair value of each option was \$8.72. The total fair value assigned to these options was \$3,921,968. These options vest at a rate of 33.33% in each of 2008, 2009 and 2010, respectively.

The following table summarizes the stock options outstanding at June 30, 2007:

Exercise Price per Share (1)	Expiry Date	Outstanding Options(2)
\$4.10	January 17, 2011	30,000
\$7.40	April 19, 2011	850,000
\$6.15	July 6, 2011	400,000
\$6.00	July 9, 2011	185,000
\$7.30	December 17, 2011	675,000
\$7.20	December 31, 2011	50,000
\$6.61	January 7, 2012	50,000
\$6.66	January 29, 2012	25,000
\$12.81	April 1, 2012	175,000
\$15.97	May 6, 2012	25,000
\$17.41	May 9, 2012	100,000
\$17.50	June 3, 2012	25,000
		2,590,000

(1) Denominated in Canadian dollars.

(2) Of the 2,590,000 stock options outstanding at June 30, 2007, 2,276,667 are subject to vesting in future periods. The aggregate fair value of these unvested options not yet charged to operations is CDN\$ 7,645,618.

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KATANGA MINING LIMITED
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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Three and Six Months Ended June 30, 2007 and 2006

(e) SHAREHOLDER RIGHTS PLAN

On May 10, 2007 the Company announced that it had enacted a shareholder rights plan. The plan is designed to prevent a creeping takeover of the Company, which is the acquisition of control through progressive increase in ownership, without an offer to all shareholders.

The rights issued under the rights plan entitle the holder to acquire 0.162 of a common share for CDN\$100.00 (the "Exercise Price"). The rights will trade together with the common shares of the Company until the "Separation Time" and will not be exercisable until the "Separation Time". The Separation Time occurs on the tenth business day following the date a person, together with any parties related to it, acquires or announces its intention to acquire 20% or more of the Company's outstanding common shares without complying with the "Permitted Bid" provisions of the rights plan or without approval of the Board of Directors of the Company. A "Permitted Bid" is one that has been made to all shareholders of the Company by a takeover bid circular.

The rights plan also provides that, on the tenth business day following the occurrence of a "Flip-In Event", which will occur when a person becomes the "Beneficial Owner" of in excess of 20% of the Company's outstanding shares, the exercise price and, in certain circumstances, the number of shares for which the right is exercisable will be adjusted. In particular, if the Flip-In Event occurs prior to the date the Shareholders of the Company authorize an increase in the authorized capital of the Company, each right will be exercisable for 0.162 of a common share at an Exercise Price equal to the then current market price of a common share multiplied by 0.08. Following the approval by the shareholders of the increase in capital, the Exercise Price for each right will be CDN\$100.00 and each right will be exercisable for that number of common shares having a then current aggregate market value equal to twice the Exercise Price.

Under the terms of the rights plan, beneficial ownership of more than 20% of the outstanding shares on the day the plan is adopted does not make a person an "Acquiring Person", which would trigger certain aspects of the plan. However acquisition of additional shares may cause the 20% holder to become an "Acquiring Person", depending upon the circumstances.

The issuance of the shares upon exercise of the rights is subject to receipt of certain regulatory approvals. The rights plan must be ratified by shareholders within six months. The Company received on August 8, 2007 a requisition for a special meeting of shareholders from one of its shareholder's, Central African Mining & Exploration Company plc ("CAMEC"), in an apparent attempt by CAMEC to terminate Katanga's shareholder rights plan. Katanga's Board will meet as soon as possible to review the requisition and respond appropriately.

KATANGA MINING LIMITED
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(EXPRESSED IN UNITED STATES DOLLARS)

Three and Six Months Ended June 30, 2007 and 2006

7. RESTRICTED STOCK UNITS

In the six months ended June 30, 2007, 62,500 (42,500 in the three months ended June 30, 2007) Restricted Stock Units ("RSUs") were granted to officers of the Company. Each unit entitles the holder to one share of the Company's common stock upon vesting. The RSUs vest at a rate of 33.33 % in each of 2008, 2009 and 2010, respectively. Upon vesting, the Company is obligated to provide a trustee with the necessary funds to enable the trustee to acquire the Company's common stock in the marketplace for the benefit of the holder. The holders of the RSUs have no rights of ownership associated with common shares until the RSUs have vested and the common shares have been transferred to the participant.

Included on the Company's June 30, 2007 balance sheet is a payable of \$2,360,095 (CDN\$ 2,506,967) related to the issuance of 362,500 RSUs.

8. RELATED PARTY TRANSACTIONS

Kamoto Operating Limited ("KOL"), a company incorporated pursuant to the laws of the DRC, has been appointed to act as the operator of the Kamoto project pursuant to the Kamoto Joint Venture Agreement and an operating agreement ("Operating Agreement") between KOL and the Company's subsidiary, KCC, executed on November 2, 2005. Current shareholders and directors of the Company are owners of KOL. The Operating Agreement establishes the terms and conditions pursuant to which KOL as operator will provide services to KCC in the planning and conduct of exploration, development, mining, processing and related operations with respect to the Kamoto Joint Venture Assets, including a management fee to be provided to KOL. During the six months ended June 30, 2007, management fees totaling \$2,895,937 (2006 - \$875,707) were incurred and accrued to KOL. These fees have been capitalized to mineral interests.

During the six months ended June 30, 2007, the Company engaged an entity owned by one of its directors for the sourcing and provision of goods and services (including airplanes, construction and other resources), mining of one of its open pit ore bodies and the construction of a tailings dam. The total paid for these services was \$3,212,136 (2006 - \$nil).

KOL, on behalf of KCC, entered into an agreement for the mining of one of its open pit ore bodies with an entity owned by one of its directors. The mining commenced in April 2007 and is expected to continue through 2011. A mobilization fee of \$2,520,000 was paid during the year ended December 31, 2006.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(EXPRESSED IN UNITED STATES DOLLARS)

Three and Six Months Ended June 30, 2007 and 2006

9. COMMITMENTS

The Company is obligated under the terms of an operating lease for minimum annual rental payments of \$1,000,705 for a period of five years, commencing September 19, 2006, with an option to renew for a further five years.

The Company estimates its capital expenditures for the redevelopment of the Kamoto Project to be \$427 million (inclusive of costs already incurred) over the next four years ending December 31, 2010. The project is being developed in four phases with each phase designed to increase the level of production capacity. The initial phase, expected to be completed in 2007 is estimated to be \$172 million. Phases II, III and IV are estimated to be \$96 million, \$105 million and \$50 million, respectively. Each of these phases is expected to last one year beginning in January 2008. Katanga has also entered into an engineering contract with a vendor for the design of two 400 tonne per day industrial copper concentrate roasters. The initial roaster to be built is part of Phase II of the redevelopment plan and the second roaster to be built is part of Phase III. The contract for the design of these roasters is for \$3.8 million.

10. FINANCIAL INSTRUMENTS

At June 30, 2007, the Company's financial instruments consisted of cash and cash equivalents, prepaid expenses and other sundry assets, accounts payable and accrued liabilities and debentures payable. The Company estimates that the fair value of these financial instruments approximate the carrying values at June 30, 2007.

KATANGA MINING LIMITED
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Three and Six Months Ended June 30, 2007 and 2006

11. INCOME TAXES

The following table reconciles the expected income tax recovery at the statutory income tax rate to the amounts recognized in the statements of operations for the three and six months ended June 30, 2007 and 2006:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Loss before income taxes reflected in the statements of operations	\$ (13,912,234)	\$ -	\$ (19,287,711)	\$ -
Expected income tax recovery at Canadian statutory rates	\$ 5,025,099	\$ -	6,966,721	\$ -
Effect of differences in foreign tax rates	17,466	-	31,060	-
Effect of change in temporary differences not recognized	(3,187,621)	-	(4,344,888)	-
Permanent differences	(2,330,233)	-	(2,787,424)	-
Current period losses not recognized	396,025	-	(4,695)	-
Provision for income taxes	\$ (79,264)	\$ -	\$ (139,226)	\$ -

The following table reflects the future income tax assets at June 30, 2007 and December 31, 2006:

	2007	2006
Future Income Tax Assets		
Non-capital losses carried forward	\$ 355,879	\$ 1,443,392
Other	<u>2,824,474</u>	<u>(5,789)</u>
	3,180,353	1,437,603
Less : Valuation allowance	<u>(3,180,353)</u>	<u>(1,437,603)</u>
Net future income taxes	<u>\$ -</u>	<u>\$ -</u>

The Company has recorded a valuation allowance in respect of non-capital losses and other tax assets in the amount of \$3,180,353 as at June 30, 2007 as it is not considered to be more likely than not that the benefit associated with these items will be realized prior to their expiry.

As at June 30, 2007, the Company had non-capital losses available for future use, expiring as follows:

2007	\$ 97,663
2008	58,821
2009	45,405
2010	52,052
2011 and thereafter	<u>855,262</u>
	<u>\$ 1,109,203</u>

The accompanying notes constitute an integral part of these financial statements

KATANGA MINING LIMITED
(A DEVELOPMENT STAGE ENTITY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(EXPRESSED IN UNITED STATES DOLLARS)

Three and Six Months Ended June 30, 2007 and 2006

12. SEGMENTED INFORMATION

The Company is engaged in mining, exploration and development and has assets and operations in Canada, the United Kingdom and the Democratic Republic of Congo, as described below:

As at June 30, 2007

	Canada	United Kingdom	Democratic Republic of Congo	Total
Cash and cash equivalents	\$ 1,025,497	\$ 93,684,557	\$ 5,908,670	\$ 100,618,724
Other assets	186,564	4,352,662	149,505,910	154,045,136
Total Assets	\$ 1,212,061	\$ 98,037,219	\$ 155,414,580	\$ 254,663,860

Three months ended June 30, 2007

Net loss	\$(13,872,514)	\$ (118,934)	\$ -	\$(13,991,498)
Interest income	1,574,883	-	-	1,574,883
Debenture interest	(4,085,434)	-	-	(4,085,434)
Provision for income taxes	-	(79,264)	-	(79,264)

Six months ended June 30, 2007

Net (loss) income	\$(19,509,515)	\$ 82,578	\$ -	\$(19,426,937)
Interest income	3,876,720	-	-	3,871,720
Debenture interest	(7,904,482)	-	-	(7,904,482)
Provision for income taxes	-	(139,226)	-	(139,226)

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KATANGA MINING LIMITED
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(EXPRESSED IN UNITED STATES DOLLARS)

Three and Six Months Ended June 30, 2007 and 2006

12. SEGMENTED INFORMATION (Continued)

As at December 31, 2006

	Canada	United Kingdom	Democratic Republic of Congo	Total
Cash and cash equivalents	\$ 3,312,139	\$ 193,110,302	\$ 563,182	\$ 196,985,623
Other assets	4,223,774	4,568,826	44,301,557	53,094,157
Total Assets	\$ 7,535,913	\$ 197,679,128	\$ 44,864,739	\$ 250,079,780

Three and six months ended June 30, 2006

Net (loss)	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	-	-
Debenture interest	-	-	-	-
Provision for income taxes	-	-	-	-

The accompanying notes constitute an integral part of these financial statements