

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

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED**  
**SEPTEMBER 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 NINE MONTHS ENDED**  
**SEPTEMBER 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 September 30, 2007	As at December 31, 2006
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 37,868,422	\$ 196,985,623
Inventory of supplies	10,376,747	176,583
Prepaid expenses and other current assets	6,050,311	4,526,752
	<b>54,295,480</b>	201,688,958
Property, plant and equipment (Note 4)	220,678,315	41,847,436
Mobilization charge (Note 8)	2,520,000	2,520,000
Deferred financing costs (Note 3)	-	4,023,386
	<b>\$ 277,493,795</b>	<b>\$ 250,079,780</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$ 35,052,945	\$ 8,813,568
Restricted stock units (Note 7)	4,758,472	835,361
	<b>39,811,417</b>	9,648,929
Debentures payable (Note 5)	116,347,157	93,496,963
	<b>156,158,574</b>	103,145,892
<b>Shareholders' Equity</b>		
Capital stock (Note 6)	7,900,675	7,815,648
Warrants (Note 6)	5,808,538	6,736,405
Contributed surplus (Note 6)	148,293,062	137,122,818
Deficit	(40,667,054)	(4,740,983)
	<b>121,335,221</b>	146,933,888
	<b>\$ 277,493,795</b>	<b>\$ 250,079,780</b>

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 September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Administrative expenses				
General and administrative	\$ 911,630	\$ 978,493	\$ 4,228,296	\$ 978,493
Professional fees and consulting	335,614	1,219,589	981,956	1,219,589
Stock-based compensation	2,121,929	2,008,928	4,618,475	2,008,928
Foreign exchange loss (Note 5)	7,540,741	(669,759)	16,341,134	(669,759)
Loss for the period before the following	(10,909,914)	(3,537,251)	(26,169,861)	(3,537,251)
Debt interest	(6,140,937)	-	(14,045,419)	-
Interest income	736,466	888,026	4,613,184	888,026
Loss for the period before income taxes:	(16,314,385)	(2,649,225)	(35,602,096)	(2,649,225)
Provision for income taxes (Note 11)	77,071	-	216,297	-
Net loss and comprehensive loss for the period	(16,391,456)	(2,649,225)	(35,818,393)	(2,649,225)
DEFICIT, beginning of period	(24,275,598)	(19,747)	(4,740,983)	(19,747)
Transition adjustment (Note 3)	-	-	(107,678)	-
DEFICIT, end of period	\$ (40,667,054)	\$ (2,668,972)	\$ (40,667,054)	\$ (2,668,972)
Basic and diluted loss per share	\$ (0.21)	\$ (0.03)	\$ (0.46)	\$ (0.06)
Weighted average number of common shares outstanding	78,762,378	77,131,986	78,298,615	40,810,052

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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 September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Cash and cash equivalents provided by (used in):				
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (16,391,456)	\$ (2,649,225)	\$ (35,818,393)	\$ (2,649,225)
Items not affecting cash:				
Stock-based compensation	1,953,521	1,770,676	3,986,117	1,770,676
Debenture interest	5,921,844	-	13,826,326	-
Unrealized foreign exchange loss (Note 5)	7,734,063	-	18,138,919	-
Changes in non-cash working capital				
Due to shareholders	-	(42,500)	-	(42,500)
Inventory	(5,929,984)	-	(10,200,164)	-
	<b>(6,712,012)</b>	<b>(921,049)</b>	<b>(10,067,194)</b>	<b>(921,049)</b>
<b>INVESTING ACTIVITIES</b>				
Additions to property, plant and equipment	(62,328,620)	(8,405,467)	(155,584,423)	(12,849,298)
Net cash acquired in RTO transaction	-	-	-	1,846,478
Advances to related party	-	240,917	-	240,917
	<b>(62,328,620)</b>	<b>(8,164,550)</b>	<b>(155,584,423)</b>	<b>(10,761,903)</b>
<b>FINANCING ACTIVITIES</b>				
Capital Contribution	-	-	-	3,708,675
Issue of common shares, net of issue costs	6,062,289	351,127	6,239,114	129,758,969
	<b>6,062,289</b>	<b>351,127</b>	<b>6,239,114</b>	<b>133,467,644</b>
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(62,978,343)</b>	<b>(8,734,472)</b>	<b>(159,412,503)</b>	<b>121,784,692</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<b>100,618,724</b>	<b>131,463,901</b>	<b>196,985,623</b>	<b>944,737</b>
Effect of exchange rate changes on cash held in foreign currencies	228,041	-	295,302	-
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>\$ 37,868,422</b>	<b>\$ 122,729,429</b>	<b>\$ 37,868,422</b>	<b>\$ 122,729,429</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>				
Cash interest paid	\$ (219,093)	\$ -	\$ (219,093)	\$ -
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 Nine Months Ended September 30, 2007 and 2006

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### 1. NATURE OF OPERATIONS

Katanga Mining Limited ("Katanga" or the "Company") is incorporated under the laws of Bermuda and is engaged in the acquisition, and development of mineral properties.

On December 22, 2005, Katanga purchased a 23.33% 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 \$499 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 September 30, 2007 \$112 million has been spent (\$148 million committed) on this initial phase which is consistent with the budgeted cost in the Kamoto Project feasibility study.

The Company has approximately \$38 million in cash and cash equivalents at September 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 has signed a loan agreement for a US\$150 million two year loan facility with Glencore International AG (Note 13).

# KATANGA MINING LIMITED (A DEVELOPMENT STAGE ENTITY)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(EXPRESSED IN UNITED STATES DOLLARS)

Three and Nine Months Ended September 30, 2007 and 2006

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### 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:

Fair 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.

**KATANGA MINING LIMITED**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**(EXPRESSED IN UNITED STATES DOLLARS)**

**Three and Nine Months Ended September 30, 2007 and 2006**

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**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**

**a) 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.

**b) Accounting changes**

In July 2006, the Accounting Standards Board ("AcSB") issued a replacement of The Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") Section 1506, Accounting Changes. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

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**KATANGA MINING LIMITED**  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(EXPRESSED IN UNITED STATES DOLLARS)

Three and Nine Months Ended September 30, 2007 and 2006

**4. PROPERTY, PLANT AND EQUIPMENT**

**Mineral Interests**

	<b>September 30, 2007</b>	December 31, 2006
Feasibility study costs	\$ 6,242,607	\$ 6,242,607
Development costs (Note 8)	194,405,914	24,472,290
Property acquisition costs	4,711,232	4,711,232
	<b>\$ 205,359,753</b>	<b>\$ 35,426,129</b>

**Other Property, Plant and Equipment**

	Cost	Accumulated Amortization	<b>September 30, 2007</b>	December 31, 2006
Access roads	\$ 595,148	\$ 158,705	<b>\$ 436,442</b>	\$ 472,706
Computer equipment	1,674,057	262,348	<b>1,411,709</b>	542,801
Computer software	56,965	56,965	-	22,676
Furniture and fixtures	1,155,910	157,214	<b>998,696</b>	565,304
Housing	1,729,948	4,784	<b>1,725,164</b>	41,228
Tools	2,434,743	246,791	<b>2,187,952</b>	1,319,788
Vehicles	5,865,765	1,058,089	<b>4,807,676</b>	2,436,750
Leasehold improvements	1,053,631	87,803	<b>965,829</b>	1,020,054
Assets in transit	2,785,094	-	<b>2,785,094</b>	-
	\$17,351,261	\$ 2,032,699	<b>\$15,318,562</b>	\$ 6,421,307
<b>Total property, plant and equipment</b>			<b>\$220,678,315</b>	<b>\$41,847,436</b>

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**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:

	<b>September 30, 2007</b>	December 31, 2006
Debentures payable	<b>\$ 91,945,095</b>	\$ 91,945,095
Interest capitalized from closing date	<b>9,883,549</b>	1,551,868
Transition adjustment - deferred financing costs (Note 3)	<b>(4,023,386)</b>	-
Transition adjustment - interest (Note 3)	<b>107,678</b>	-
Foreign exchange translation loss (1), (2)	<b>18,434,221</b>	-
	<b>\$ 116,347,157</b>	\$ 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 three and nine months ended September 30, 2007 of \$7,540,741 and \$16,341,134 respectively in the consolidated statements of operations and comprehensive loss and deficit and \$7,734,063 and \$18,138,919 respectively in the consolidated statement of cash flow include the \$18,434,221 foreign exchange translation loss on the debentures (foreign exchange translation loss of \$7,962,104 for the three months ended September 30, 2007).

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED)

(EXPRESSED IN UNITED STATES DOLLARS)

Three and Nine Months Ended September 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	216,667	21,667	1,188,956	1,210,623
Warrants exercised during the period	633,600	63,360	5,892,997	5,956,357
Options vested during the period	-	-	4,088,291	4,088,291
<b>Balance at September 30, 2007</b>	<b>78,887,743</b>	<b>\$ 7,900,675</b>	<b>\$ 148,293,062</b>	<b>\$ 156,193,737</b>

(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 September 30, 2007
November 20, 2011 (1)	CDN\$8.50	4,600,000	-	(633,600)	<b>3,966,400</b>

- (1) The fair market value originally assigned to outstanding warrants was CDN\$7,728,000 (\$6,736,405). CDN\$1,064,448 (\$927,867) was transferred from warrants to capital stock with respect to warrants exercised during the period.

**KATANGA MINING LIMITED**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED)

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**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	650,000	14.43
Cancelled during the period	(100,000)	7.30
Exercised during the period	(216,667)	6.06
<b>Outstanding at September 30, 2007</b>	<b>2,523,333</b>	<b>\$8.98</b>

(1) Denominated in Canadian dollars.

During the nine months ended September 30, 2007, 650,000 options were granted (200,000 in the three months ended September 30, 2007) with exercise prices ranging from \$6.61 to \$20.10. The value assigned to these options was calculated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, expected volatility 60% to 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 \$8.51. The total fair value assigned to these options was \$5,531,468. 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 September 30, 2007:

Exercise Price per Share (1)	Expiry Date	Outstanding Options(2)
\$4.10	January 17, 2011	30,000
\$7.40	April 19, 2011	783,333
\$6.15	July 6, 2011	300,000
\$6.00	July 9, 2011	185,000
\$7.30	December 17, 2011	575,000
\$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
\$18.09	July 1, 2012	50,000
\$20.10	August 31, 2012	100,000
\$17.93	September 25, 2012	50,000
		<b>2,523,333</b>

(1) Denominated in Canadian dollars.

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**Three and Nine Months Ended September 30, 2007 and 2006**

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**6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (Continued)**

- (2) Of the 2,523,333 stock options outstanding at September 30, 2007, 2,115,000 are subject to vesting in future periods. The aggregate fair value of these unvested options not yet charged to operations is CDN\$ 7,141,506.

**7. RESTRICTED STOCK UNITS**

In the nine months ended September 30, 2007, 87,500 (25,000 in the three months ended September 30, 2007) Restricted Stock Units ("RSUs") were granted to Company's directors, senior officers, employees, consultants and consultant companies. 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 September 30, 2007 balance sheet is a payable of \$4,758,472 (CDN\$ 4,720,238) related to the issuance of 475,433 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 nine months ended September 30, 2007, management fees totaling \$4,917,714 (2006 - \$875,707) were incurred and accrued to KOL. These fees have been capitalized to mineral interests.

During the nine months ended September 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 \$12,978,185 (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 pre-stripping commenced in April 2007 and mining 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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**(UNAUDITED)**

**(EXPRESSED IN UNITED STATES DOLLARS)**

**Three and Nine Months Ended September 30, 2007 and 2006**

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**9. COMMITMENTS**

The Company is obligated under the terms of an operating lease for minimum annual rental payments of \$1,039,798 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 \$499 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 \$136 million, \$124 million and \$64 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 September 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 September 30, 2007.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED)

(EXPRESSED IN UNITED STATES DOLLARS)

Three and Nine Months Ended September 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 nine months ended September 30, 2007 and 2006:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Loss before income taxes reflected in the statements of operations	\$ (16,314,385)	\$ (2,649,225)	\$ (35,602,096)	\$ (2,649,225)
Expected income tax recovery at Canadian statutory rates	\$ 4,468,672	\$ 956,900	\$ 11,435,394	\$ 956,900
Effect of differences in foreign tax rates	1,563,328	-	1,594,388	-
Effect of change in temporary differences not recognized	(2,766,725)	96,879	(7,111,613)	96,879
Permanant differences	(1,666,391)	(628,070)	(4,453,816)	(628,070)
Adjustment in respect of prior years	(20,636)	-	(20,636)	-
Current period losses not recognized	(1,655,319)	(425,709)	(1,660,014)	(425,709)
Provision for income taxes	\$ (77,071)	\$ -	\$ (216,297)	\$ -

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

	2007	2006
<b>Future Income Tax Assets</b>		
Non-capital losses carried forward	\$ 1,781,301	\$ 1,443,392
Other temporary differences	<u>4,699,791</u>	<u>(5,789)</u>
	6,481,092	1,437,603
Less : Valuation allowance	<u>(6,481,092)</u>	<u>(1,437,603)</u>
Net future income taxes	\$ -	\$ -

*The accompanying notes constitute an integral part of these financial statements*

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**11. INCOME TAXES (Continued)**

The Company has recorded a valuation allowance in respect of capital losses and other tax assets in the amount of \$6,481,092 as at September 30, 2007 as it not considered to be more likely than not that the benefit associated with these losses will be realized prior to their expiry.

As at September 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>5,996,238</u>
	\$	<u>6,250,178</u>

**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 September 30, 2007**

	Canada	United Kingdom	Democratic Republic of Congo	Total
Cash and cash equivalents	\$ 1,034,426	\$34,940,489	\$ 1,893,507	\$ 37,868,422
Other assets	128,240	4,540,891	234,956,242	239,625,373
<b>Total Assets</b>	<b>\$ 1,162,666</b>	<b>\$ 39,481,380</b>	<b>\$236,849,749</b>	<b>\$ 277,493,795</b>

**Three months ended September 30, 2007**

Net loss	\$(17,455,395)	\$ 1,063,939	\$ -	\$(16,391,456)
Interest income	736,466	-	-	736,466
Debenture interest	(6,140,937)	-	-	(6,140,937)
Provision for income taxes	-	(77,071)	-	(77,071)

**Nine months ended September 30, 2007**

Net (loss) income	\$(36,964,910)	\$ 1,146,517	\$ -	\$(35,818,393)
Interest income	4,613,184	-	-	4,613,184
Debenture interest	(14,045,419)	-	-	(14,045,419)
Provision for income taxes	-	(216,297)	-	(216,297)

*The accompanying notes constitute an integral part of these financial statements*

**KATANGA MINING LIMITED**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED)

(EXPRESSED IN UNITED STATES DOLLARS)

Three and Nine Months Ended September 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
<b>Total Assets</b>	<b>\$ 7,535,913</b>	<b>\$ 197,679,128</b>	<b>\$ 44,864,739</b>	<b>\$ 250,079,780</b>

**Three months ended September 30, 2006**

Net loss	\$ (916,830)	\$ (1,732,395)	\$ -	\$ (2,649,225)
Interest income	888,026	-	-	888,026
Debenture interest	-	-	-	-
Provision for income taxes	-	-	-	-

**Nine months ended September 30, 2006**

Net loss	\$ (916,830)	\$ (1,732,395)	\$ -	\$ (1,732,395)
Interest income	888,026	-	-	888,026
Debenture interest	-	-	-	-
Provision for income taxes	-	-	-	-

**13. SUBSEQUENT EVENTS**

**a) Increase in authorized share capital**

On November 2, 2007, shareholders approved an increase in the authorized share capital of the Company to 1,000 common shares with a par value of \$12.00 and 300,000,000 common shares with a par value of \$0.10.

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Three and Nine Months Ended September 30, 2007 and 2006

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**13. SUBSEQUENT EVENTS (Continued)**

**b) Convertible loan facility**

On November 2, 2007, the Company's subsidiary Kamoto Copper Company SARL finalized a convertible loan facility with Glencore International AG ("Glencore"). The key terms of the loan facility are as follows:

- US\$ 150 million facility
- 2 year term
- Interest rate of Libor plus 4%
- First year's interest added to the loan principal
- Mandatory prepayment on change of control
- Subordination agreement making the loan senior ranking to other indebtedness
- Right to convert into 9,157,509 shares of the Company as long as the loan is outstanding
- The loan may be prepaid at any time
- If the loan is prepaid during the first year, Glencore will have the option to purchase common shares of the Company at the exchange price (\$16.38) up to the date of the first anniversary of the loan
- The loan is guaranteed by the Company

**c) Merger**

The Boards of Katanga Mining Limited and Nikanor PLC ("Nikanor") announced on November 6, 2007 that they have agreed the terms of a recommended Merger of Katanga and Nikanor to be implemented by way of an offer by Katanga for the entire issued and to be issued share capital of Nikanor and a Cash Return (as described below).

The Merger will create a company with the potential to become Africa's largest copper producer and the world's largest cobalt producer by 2011. The Merger will be effected by:

- a) The issue by the Company of 0.613 new common shares for each Nikanor share outstanding (the "Offer"); and
- b) The payment of \$2.16 in cash to each Nikanor shareholder contemporaneously with the closing of the Offer (the "Cash Return"). The Cash Return will be paid from Nikanor's existing cash resources.

A total of up to 128.1 million Katanga shares will be issued upon completion of the Offer. Immediately following completion of the Offer, Nikanor's current shareholders will own 60 percent and Katanga shareholders will own 40 percent of the Merged Company calculated on a fully diluted basis, excluding the convertible loan from Glencore.

Katanga has received irrevocable undertakings to support the Merger and accept the Offer from Glencore, RP Capital Entities with interests in Nikanor shares, Oakey Invest Holdings Inc. and Pitchley Properties Limited representing 78.4 per cent of Nikanor shares to support the Offer, subject to certain exceptions in relation to financing arrangements.

The Katanga Board and the Nikanor Board have unanimously approved the Merger and are recommending it to their shareholders.

The Company is evaluating the appropriate method of accounting for this transaction.

*The accompanying notes constitute an integral part of these financial statements*