

KATANGA MINING LIMITED
(A DEVELOPMENT STAGE ENTITY)

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2008 AND 2007

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KATANGA MINING LIMITED
(A DEVELOPMENT STAGE ENTITY)

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

	As at March 31, 2008	As at December 31, 2007
Assets		
Current		
Cash and cash equivalents	\$ 463,435	\$ 100,714
Accounts receivable	40,880	-
Concentrate work in progress and finished goods	41,836	-
Inventory of supplies	22,880	16,260
Foreign currency forward contract (Note 9a)	1,036	-
Prepaid expenses and other current assets	42,064	11,539
	612,131	128,513
Property, plant and equipment (Note 6)	2,428,707	298,262
Mobilization charge	2,520	2,520
Future income tax asset (Note 16)	539	601
Deferred acquisition costs	-	18,926
	\$ 3,043,897	\$ 448,822
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 77,062	\$ 43,450
Current portion of the non-hedge derivative financial instruments (Note 9b)	6,811	-
Restricted stock units (Note 12)	3,198	5,291
Accrued acquisition costs	23,135	18,404
	110,206	67,145
Long-term		
Convertible debt (Note 8)	153,119	149,518
Debentures payable (Note 7)	113,275	118,012
Long-term portion of non-hedge derivative financial instruments (Note 9b)	1,538	-
Asset retirement obligation (Note 11)	2,439	-
Future income tax liability (Note 16)	550,514	-
	931,091	334,675
Shareholders' Equity		
Capital stock (Note 10)	20,621	7,901
Warrants (Note 10)	5,809	5,809
Contributed surplus (Note 10)	2,153,759	150,424
Equity component of convertible debt (Note 8)	2,716	2,716
Deficit	(70,099)	(52,703)
	2,112,806	114,147
	\$ 3,043,897	\$ 448,822

Description of business and nature of operations – Note 1; Acquisition of Nikanor Plc – Note 2; Commitments – Note 15

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

KATANGA MINING LIMITED
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CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS AND DEFICIT

(UNAUDITED)

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Concentrate sales (Note 13)	\$ 90,156	\$ -
Direct operating costs (Note 13)	104,952	-
Contribution from mining activities	(14,796)	-
Other expenses		
General and administrative	6,669	1,746
Exploration and pre-production costs	972	-
Professional fees and consulting	667	396
Stock-based compensation (Note 10)	2,430	914
Foreign exchange loss	4,735	802
Loss for the period before the following:	(30,269)	(3,858)
Debt interest	(4,721)	(3,819)
Net derivative loss	(4,373)	-
Interest income	7,059	2,302
Loss for the period before income taxes	(32,304)	(5,375)
Recovery of (provision for) income taxes (Note 16)	14,908	(60)
Net loss and comprehensive loss for the period	(17,396)	(5,435)
DEFICIT, beginning of period	(52,703)	(4,741)
Transition adjustment	-	(108)
DEFICIT, end of period	\$ (70,099)	\$ (10,284)
Basic and diluted loss per common share	\$ (0.10)	\$ (0.07)
Weighted average number of common shares outstanding	179,123,001	78,038,032

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KATANGA MINING LIMITED
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CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Cash and cash equivalents provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the period	\$ (17,396)	\$ (5,435)
Items not affecting cash:		
Non-cash fair value increase in direct operating costs (Note 13)	65,696	-
Stock-based compensation	1,166	765
Debenture interest	(4,045)	3,819
Unrealized foreign exchange (gain) loss	4,665	732
Asset retirement obligation accretion	30	-
Net derivative loss	4,373	-
Future income taxes	(15,145)	-
Changes in non-cash working capital:		
Increase in accounts receivables (Note 2)	(22,546)	
Increase in inventories (Note 2)	(5,913)	(439)
	10,885	(558)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(93,037)	(30,479)
Cash acquired on acquisition of Nikanor Plc, net of acquisition costs (Note 2)	455,357	-
	362,230	(30,479)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	373,205	(31,037)
CASH AND CASH EQUIVALENTS, beginning of period	100,714	196,986
EFFECT OF EXCHANGE RATE CHANGES ON CASH HELD IN FOREIGN CURRENCIES	(10,484)	92
CASH AND CASH EQUIVALENTS, end of period	\$ 463,435	\$ 166,041
SUPPLEMENTARY CASH FLOW INFORMATION:		
Interest paid	\$ 8,766	\$ -
Income taxes paid	\$ 237	\$ -

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KATANGA MINING LIMITED (A DEVELOPMENT STAGE ENTITY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

Three Months Ended March 31, 2008 and 2007

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Katanga Mining Limited ("Katanga" or the "Company") is incorporated under the laws of Bermuda.

Katanga, through Kamoto Copper Company SARL ("KCC") and DRC Copper and Cobalt Project SARL ("DCP"), is engaged in copper and cobalt mining and related activities. KCC and DCP operate on adjacent properties in the Democratic Republic of Congo ("DRC") and are working to create a major single-site copper and cobalt operation.

KCC and DCP are engaged in the exploration, refurbishment and rehabilitation of the Kamoto/Dima mining complex (the "Kamoto Project") and the copper and cobalt mines of KOV and Tilwezembe, respectively in the DRC.

The Kamoto Project includes exploration and mining properties, the Kamoto concentrator, the Lulu metallurgical plant, the Kamoto underground mine and two oxide open pit resources in the Kolwezi district of the DRC.

DCP has assets at its disposal that include mining properties, a concentrator and various oxide open pit resources, the largest of which is the KOV pit. DCP is in commercial production with the sale of cobalt concentrate which is produced from ore from the Tilwezembe open pit oxide resource. The KOV pit which is the largest resource of DCP is not yet in commercial production. DCP has begun the development of an SX-EW refinery in order to process the KOV ore which is expected to begin production of both copper and cobalt in 2010.

2. ACQUISITION OF NIKANOR PLC

On January 11, 2008, the Company acquired 94.10% of the outstanding common shares of Nikanor PLC ("Nikanor"). On February 29, 2008, the Company acquired the balance of the outstanding common shares of Nikanor through a statutory compulsory acquisition procedure.

The acquisition was achieved by:

- a) The payment of \$2.16 per share, (\$446,148) in cash to each Nikanor shareholder. This amount was paid from Nikanor's cash resources prior to the distribution.
- b) The issue by the Company of 0.613 new common shares for each Nikanor share outstanding. This resulted in the issuance of 127,168,221 common shares of the Company with an aggregate fair value of \$2,009,258. The value ascribed to each Katanga share was determined using the average quoted market value of the Katanga shares two days before and two days after the announcement of the transaction (\$15.80).

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2. ACQUISITION OF NIKANOR PLC (CONTINUED)

For purposes of the allocation of the purchase consideration to the Nikanor assets and liabilities acquired, the fair value of all assets and liabilities other than property, plant and equipment, finished goods inventory and the future income tax liability was considered to be equal to their respective book values.

The fair value of the assets purchased from Nikanor, plus acquisition costs (including values assigned to rollover options and performance shares) and their associated future income tax liability is estimated to be:

Asset/Liability	Fair Value
Cash and cash equivalents (after the distribution in a) above)	\$ 406,660
Cash investments greater than six months	58,354
Inventories (after fair value increase from Nikanor's book value of \$85,059)	124,500
Accounts receivable	18,342
Prepaid expenses and other current assets	15,899
Property plant and equipment:	
KOV	1,807,646
Other	230,082
Future income tax asset	905
Future income tax liability	(567,812)
Accounts payable and accrued liabilities	(43,881)
Asset retirement obligation	(2,410)
Net derivative instruments	(2,940)
Total	\$ 2,045,345

These are preliminary estimates of fair value and will likely differ from the final allocation and the differences may be material. The Company will finalize the fair value allocation within 12 months of the closing of the transaction.

For the purposes of the cash flow statement the fair value of the assets and liabilities acquired from Nikanor have been included when calculating changes in non-cash working capital and additions to property, plant and equipment.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Three Months Ended March 31, 2008 and 2007

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 2007 audited 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 2007 audited consolidated financial statements, 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. The results of operations and cash flows for the current period are not necessarily indicative of the results to be expected for the full year.

New Accounting Policies

Financial instruments and capital disclosures

The Canadian Institute of Chartered Accountants ("CICA") has issued the following accounting standards effective for fiscal years beginning on or after January 1, 2008: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863).

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in Note 4 to these unaudited interim consolidated financial statements.

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in Note 5 to these unaudited interim financial consolidated statements.

Inventories

Effective January 1, 2008, the CICA has issued accounting standard Section 3031, Inventories. This standard provides guidance on the method of determining the cost of the Company's materials and supplies. The new accounting standard specifies that inventories are to be valued at the lower of cost and net realizable value. The standard requires the reversal of previously recorded write downs to realizable value when there is clear evidence that net realizable value has increased. The adoption of Section 3031, Inventories did not impact the Company's financial statements.

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

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3. BASIS OF PRESENTATION AND NEW ACCOUNTING POLICIES (CONTINUED)

Future accounting changes

In February 2008, the CICA issued accounting standard Section 3064 "Goodwill and intangible assets", replacing accounting standard Section 3062 "Goodwill and other intangible assets" and accounting standard Section 3450 "Research and development costs". The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standard for its fiscal year beginning January 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-orientated enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section.

4. CAPITAL DISCLOSURES

The Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds to support continued production and rehabilitation.

The Company manages its capital structure and makes adjustments to it, based on the level of funds available to the Company to manage its operations. In order to maintain or adjust the capital structure, the Company expects that it will be able to obtain long-term debt, equipment-based financing and/or project-based financing sufficient to maintain and expand its operations. There are no assurances that these initiatives will be successful. In order to achieve these objectives, the Company invests its unexpended cash in highly liquid, highly rated financial instruments.

The Company is currently in compliance with all capital requirements including requirements relating to its long-term debt.

5. FINANCIAL RISK MANAGEMENT

The Company's risk exposures and the impact on the Company's consolidated financial instruments are summarized below:

Credit risk

The Company's credit risk in the current period is primarily attributable to copper and concentrate sales. The Company has a concentration of credit risk with primarily one customer for concentrate sales which is closely monitored by management.

The majority of the Company's cash and cash equivalents are on deposit with banks or money markets with a Standard and Poors rating of A or greater in line with the Company's treasury policy. The Company does not own any asset-backed commercial paper.

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5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

(a) Interest rate risk

The Company has significant cash balances, variable interest convertible debt and fixed rate debenture notes.

Unexpended cash is invested pursuant to the Company's treasury policy in short-term deposits with banks and in money markets. The Company regularly monitors the investments it makes and is satisfied with the credit ratings of its banks and the money market instruments.

The interest rate on the convertible debt is currently fixed. If the debt is rolled over into a second year in November 2008, the interest rate is dependent upon the LIBOR rate at that time. A plus or minus 1% change in the LIBOR rate would result in a change of \$1,500 in interest over the remainder of the life of the debt.

(b) Foreign currency risk

The Company's functional currency is primarily the US dollar. Sales and the majority of major purchases are transacted in US dollars. The Company maintains the majority of its cash and cash equivalents in US dollars but it does hold balances in South African ZAR, GBP and Euros (for future expenditures which will be denominated in these currencies). It also maintains small balances in the local currency of the DRC, Congolese Francs. If the US dollar moved by plus or minus 1%, the unrealized foreign exchange gain or loss would move by \$1,823.

The debentures payable are denominated in CND\$ and as such the Company is exposed to unrealized foreign exchange gains or losses which will be realized upon maturity of the debentures on November 30, 2013. A plus or minus 1% movement in the exchange rate would affect the consolidated statement of operations by \$1,232.

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5. FINANCIAL RISK MANAGEMENT (CONTINUED)

During 2007, Nikanor entered into a capital contract which is denominated in Chinese renminbi. As it was not possible to hold sufficient quantities of renminbi to hedge the exposure, the Company entered into a non-deliverable forward such that the Company can purchase a specified quantity of renminbi at a specified exchange rate at a specified date in the future. This has been fair valued through the consolidated statement of operations and on the consolidated balance sheet as the Company is not hedge accounting for the non-deliverable forward. A plus or minus 1% movement in the exchange rate will not change the US\$ value of the contract because of the non-deliverable forward.

The Company has entered into capital contracts to purchase equipment which meet the definition of an embedded foreign currency derivative. The economic risks and characteristics of the host contract are not closely related to the embedded derivative, (being the forward US\$ to other foreign currencies). The Company has two such contracts, denominated in EURO and Japanese YEN. The effect on the results of operations for the period has been included in net derivative loss in the consolidated statement of operations. A 1% plus or minus movement in the US\$ rate would result in a \$521 change to the net derivative loss or gain.

(c) Commodity price risk

The Company does not hedge any of its sales. All cobalt concentrate sales yet to be settled relate to concentrate inventories which were fair valued as part of the Nikanor acquisition and therefore there would be no affect on the net sales amount from a change in the market value of the cobalt concentrate.. With respect to Copper sales, as the Company has not yet reached commercial production, sales to date have been offset against mineral interests and therefore any fluctuation in the copper price will not affect sales.

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6. PROPERTY, PLANT AND EQUIPMENT

Mineral Interests

	March 31, 2008	December 31, 2007
Feasibility study costs	\$ 6,243	\$ 6,243
Development costs	2,385,349	272,021
Property acquisition costs	4,711	4,711
	\$ 2,396,303	\$ 282,975

Other Property, Plant and Equipment

	Cost	Accumulated Amortization	March 31, 2008	December 31, 2007
Plant and equipment	\$ 7,477	\$ 456	\$ 7,021	\$ -
Computer equipment	2,985	504	2,481	2,012
Computer software	93	83	10	20
Furniture and fixtures	2,215	348	1,867	914
Land and buildings	4,885	23	4,862	2,123
Tools	3,022	435	2,587	2,178
Vehicles	12,503	2,296	10,207	4,909
Closure and restoration costs	1,205	489	716	-
Leasehold improvements	1,114	148	966	994
Assets in transit	1,687	-	1,687	2,137
	\$ 37,186	\$ 4,782	\$ 32,404	\$ 15,287
Total property, plant and equipment			\$2,428,707	\$ 298,262

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KATANGA MINING LIMITED
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

Three Months Ended March 31, 2008 and 2007

7. 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 which trade separately. 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 added to the principal and cash interest payments commencing January 1, 2008. The Company may redeem the Notes, in whole or in part, at any time after November 20, 2009.

The Company is using the net proceeds of the offering to continue the refurbishment and development of the Kamoto Joint Venture Assets in the DRC and for general corporate purposes including working capital. The Notes mature on November 20, 2013.

The resulting 4,600,000 Warrants were fair valued using the Black-Scholes valuation model at CDN\$7,728,000 (\$6,736,405) using 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 Warrant issued was CDN\$1.68.

The debentures payable balance is comprised of the following:

	Three Months Ended March 31, 2008	Year Ended December 31, 2007
Debentures payable, beginning of period	\$ 118,012	\$ 93,497
Changes during the period:		
Interest capitalized	381	8,331
Transition adjustment – deferred financing costs	-	(4,023)
Transition adjustment – interest	-	108
Foreign exchange translation (gain) loss (1)	(5,118)	20,099
Debentures payable, end of period	\$ 113,275	\$ 118,012

- (1) The foreign exchange translation gain or loss is unrealized and represents the revaluation of the CDN dollar denominated debentures to US dollars. The foreign exchange translation amount will change in accordance with the relevant movement of the CDN dollar to the US dollar. The foreign exchange translation gain or loss will be realized upon maturity of the debentures on November 20, 2013.

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(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

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8. CONVERTIBLE DEBT

The convertible debt is comprised of the following:

	Three Months Ended March 31, 2008	Year Ended December 31, 2007
Convertible debt, beginning of the period	\$ 149,518	\$ -
Glencore International AG debt facility – principal amount	-	150,000
Equity component of convertible debt (1)	-	(2,716)
Capitalized interest	3,262	2,008
Accretion (2)	339	226
Convertible debt, end of period	\$ 153,119	\$ 149,518

(1) The equity component of the convertible debt has been valued by determining the carrying amount of the financial liability by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability that does not have the associated equity component (LIBOR plus 5%). The carrying amount of the equity instrument was then determined by deducting the carrying amount of the financial liability from the amount of the compound instrument as a whole. On issuance of the debt, the estimated fair value of \$2,716 attributed to the equity component was classified in shareholders' equity on the consolidated balance sheet.

(2) The convertible debt is being accreted to its face value over the term of the loan with a corresponding interest charge. From the date of issuance to March 31, 2008 all of this interest, totaling \$565, has been capitalized to mineral interests.

On November 5, 2007, the Company's subsidiary KCC finalized a debt facility with Glencore International AG ("Glencore"). The key terms of the debt facility are a 2 year term, interest rate of LIBOR plus 4% (fixed in the first year at 8.6%), first year's interest added to the loan principal at the end of the first year, full amount repayable at the end of the 2 year term, mandatory prepayment on change of control, subordination agreement making the loan senior ranking to other indebtedness and the loan is guaranteed by the Company.

The Company signed a conversion agreement with Glencore in relation to the debt. The agreement gives Glencore the right to convert the full loan, at any time in the first and second year, as long as the loan is outstanding, into 9,157,509, common shares of the Company. The loan is repayable at any time and if it is repaid, in part or in full, by the Company in the first year, Glencore has the option to purchase common shares of the Company at the price of \$16.38 each equal to the amount of the principal repaid at any time on or before November 4, 2008. In the second year, if the loan is repaid early, in part or in full, Glencore has the same right but must exercise it within 21 days.

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9. DERIVATIVE FINANCIAL INSTRUMENTS

The fair values of all derivatives are separately recorded on the consolidated balance sheet. Derivatives embedded in other financial instruments or non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to their host contract and the host contract is not carried at fair value. No derivatives or embedded derivatives were designated as a hedge.

The Company has acquired three foreign exchange derivatives at fair value as a consequence of the acquisition of Nikanor:

a) Chinese renminbi derivative

The Company has entered into a contract which is denominated in Chinese renminbi. As it was not possible to hold sufficient quantities of renminbi to hedge the exposure, the Company entered into a non-deliverable forward to sell \$34,398 in exchange for 245 million renminbi on various dates in line with the contract payment dates.

This contract has been fair valued and recorded as a foreign currency forward contract on the consolidated balance sheet. The change in the fair value of the contract for the period is included in the consolidated statement of operations under net derivative loss. During the three months ended March 31, 2008, a gain of \$741 was recognized as a result of the US dollar weakening against the renminbi.

b) Embedded derivatives in contracts

The Company has entered into a number of contracts to purchase equipment which the Company has determined meet the definition of an embedded foreign currency derivative as the economic risks and characteristics of the host contract are not closely related to the embedded derivative, (being the forward US\$ to other foreign currencies). The Company has two such contracts, denominated in EURO and Japanese YEN. The change in the fair value of these derivatives for the period resulted in a loss of \$5,114 which has been recorded as a charge in the consolidated statement of operations under net derivative loss. The loss is principally a result of the dollar weakening against the EURO and YEN.

A summary of the assets and liabilities associated with the derivatives referred to in a) and b) above is as follows:

	As at March 31, 2008	Fair value at date of acquisition of Nikanor
Current		
Foreign currency instrument	\$ 1,036	\$ 295
Embedded foreign currency derivatives	(6,811)	-
Non-Current		
Embedded foreign currency derivatives	(1,538)	(3,235)
	\$ (7,313)	\$ (2,940)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Three Months Ended March 31, 2008 and 2007

10. CAPITAL STOCK AND CONTRIBUTED SURPLUS

(a) AUTHORIZED

1,000 common shares, par value \$12.00 each
300,000,000 common shares, par value \$0.10 each

(b) COMMON SHARES ISSUED

	NUMBER OF SHARES	CAPITAL STOCK	CONTRIBUTED SURPLUS	TOTAL
Balance at December 31, 2007	78,887,743	\$ 7,901	\$ 150,424	\$ 158,325
Options vested during the period	-	-	4,024	4,024
Performance awards vested during the period (1)	-	-	2,773	2,773
Performance awards exercised during the period (1)	33,189	3	(3)	-
Shares issued on acquisition of Nikanor (2)	127,168,221	12,717	1,996,541	2,009,258
Balance at March 31, 2008	206,089,153	\$ 20,621	\$ 2,153,759	\$ 2,174,380

(1) See note 10 (e) below.

(2) See note 2

(c) WARRANTS

The following table reflects the continuity of warrants during the three months ended March 31, 2008:

Expiry date	Exercise Price (1)	Outstanding December 31, 2007	Issued During the Period	Exercised/ Expired During the Period	Outstanding March 31, 2008
November 20, 2011 (1)	CDN\$8.50	3,966	-	-	3,966

(1) The fair market value originally assigned to outstanding warrants was CDN\$7,728 (\$6,736). CDN\$1,064 (\$927) was transferred from warrants to capital stock and contributed surplus with respect to warrants exercised during the year ended December 31, 2007.

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10. CAPITAL STOCK AND CONTRIBUTED SURPLUS (Continued)

(d) STOCK OPTIONS

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

	Number of Stock Options	Weighted Average Exercise Price per Share (1)
Outstanding at December 31, 2007	3,148,333	\$ 10.06
Granted during the period	1,025,000	14.77
Options issued to former Nikanor option holders	928,234	16.10
Outstanding at March 31, 2008	5,101,567	\$ 12.11

(1) Denominated in Canadian dollars.

During the three months ended March 31, 2008, 1,025,000 options were granted pursuant to the Company's stock option plan with an exercise price of \$14.77. The value assigned to these options was calculated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, expected volatility 63%, risk-free rate of return 3.88% and expected maturity of 5 years. The weighted average grant date fair value of each option was \$8.17 (2007 - \$4.73). The total fair value assigned to these options was \$8,374. These options vest at a rate of 33.33% in each of 2009, 2010 and 2011, respectively.

Pursuant to the rollover offer made available to holders of Nikanor options and awards under the terms of the Nikanor acquisition, the Company also issued options as part of the Nikanor acquisition to former Nikanor option holders who participated in the option plan operated by Nikanor. Under Nikanor's option plan, the Company granted 928,234 options with an exercise price of \$16.10. The value assigned to these options was calculated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, expected volatility 63%, risk-free rate of return 3.75% and expected maturity of 10 years. The weighted average grant date fair value of each option was \$11.20. The total fair value assigned to these options was \$10,377. These options vest at a rate of 25% in years 2, 3, 4 and 5 after their grant date.

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10. CAPITAL STOCK AND CONTRIBUTED SURPLUS (Continued)

The following table summarizes the stock options outstanding at March 31, 2008:

Exercise Price per Share (1)	Expiry Date	Exercisable Options	Outstanding Options (2)
\$4.10	January 17, 2011	30,000	-
\$7.40	April 19, 2011	216,666	566,667
\$6.15	July 6, 2011	100,000	200,000
\$6.00	July 9, 2011	61,667	123,333
\$7.30	December 17, 2011	191,667	383,333
\$7.20	December 31, 2011	16,667	33,333
\$6.61	January 7, 2012	16,667	33,333
\$6.66	January 29, 2012	8,333	16,667
\$12.81	April 1, 2012	-	175,000
\$15.97	May 6, 2012	-	25,000
\$16.29	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
\$16.28	October 12, 2012	-	50,000
\$14.61	December 5, 2012	-	575,000
\$14.77	January 24, 2013	-	1,025,000
\$16.10	July 16, 2016	50,449	651,927
\$16.10	September 24, 2016	-	122,937
\$16.10	January 8, 2017	57,012	14,751
\$16.10	March 28, 2017	-	31,158
		749,128	4,352,439

(1) Denominated in Canadian dollars.

(2) The aggregate fair value of these unvested options not yet charged to operations is CDN\$ 25,680. The weighted average exercise price of exercisable options is CDN\$ 8.18 and outstanding options is CDN\$ 12.77

(e) **NIKANOR PERFORMANCE AWARDS**

In the offer made for the acquisition of Nikanor, it was agreed that the shares to be awarded as part of Nikanor's performance award plan (which is now cancelled) would be granted by the Company. As a result, the Company granted 241,176 common shares to former Nikanor employees. The fair value of each option was \$15.80, the value of the Company's shares at the date of acquisition. The total fair value assigned to these options was \$3,811 and this has been included as part of the acquisition costs (see Note 2). These awards vest at a rate of 50% in years 3 and 4 after their grant date and the fair value will be accounted for in contributed surplus over the vesting period. If an employee should leave Katanga as part of the merger process then the performance awards become exercisable on their leaving date and the full fair value assigned to their award will be recognized in contributed surplus immediately.

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10. CAPITAL STOCK AND CONTRIBUTED SURPLUS (Continued)

If the future leaving date has been agreed with an employee, the vesting period has been changed to reflect the new leaving date.

In the three months ended March 31, 2008, 33,189 of these awards have been exercised as part of the arrangements applicable to former Nikanor employees. A further 140,134 shares will become exercisable in April 2008 and their vesting period has been changed accordingly.

11. ASSET RETIREMENT OBLIGATION (“ARO”)

AROs arise from the acquisition, development, construction and normal operation of mining property, plant and equipment due to government controls and regulations that protect the environment on the closure and reclamation of mining properties.

The ARO which arose on the acquisition of Nikanor was recorded at fair value. Fair value was calculated by discounting the expected cash flows using a discount factor of 5% that reflects the credit adjusted risk free rate of interest. The majority of the ARO relates to maintenance and monitoring of the site, earthworks, rehabilitation and reclamation of mining areas. It is anticipated that these costs will be incurred over a period of 7-30 years.

The ARO was acquired at a fair value of \$2,409 and \$30 was accreted to operating costs in the consolidated statement of operations in the current period, resulting in a balance of \$2,439 at March 31, 2008.

12. RESTRICTED STOCK UNITS

During the three months ended March 31, 2008, no Restricted Stock Units (“RSUs”) were granted to the Company’s directors, senior officers, employees, consultants and consultant companies (three months ended March 31 2007 –20,000 RSUs). Included on the Company’s March 31, 2008 consolidated balance sheet is a payable of \$3,198 related to the issuance of 564,168 RSU’s (December 31, 2007 - \$5,291 related to the issuance of 740,434 RSUs).

13. SALES AND DIRECT OPERATING COSTS

Sales during the three months ended March 31, 2008 are comprised entirely of the sale of cobalt concentrate acquired on January 11, 2008 pursuant to the acquisition of Nikanor. In accounting for the acquisition of Nikanor, this concentrate was recorded at its fair value being its estimated selling price. Accordingly, direct operating costs include \$65,696 representing the fair value increment assigned to the acquired concentrate ore sold in the period. As a consequence of this accounting, no profit margin was recognized on the sales recorded in the period. Future sales of concentrate produced subsequent to the acquisition of Nikanor will reflect profit margins with no fair value increment assigned to direct operating costs.

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14 RELATED PARTY TRANSACTIONS

Related parties and related party transactions not otherwise disclosed in these consolidated financial statements include:

Related Parties

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. These fees have been capitalized to mineral interests.

The Company has the option to acquire KOL (“KOL Call Option”). The purchase price payable if the KOL Call Option is exercised will be determined by an independent investment bank agreed to between the parties as the fair market value to the KOL shareholders, as at the date of the valuation, based on an agreed cash flow model. The consideration will be paid in cash or shares of the Company at the option of the KOL shareholders.

Enterprise Generale Malta Forrest SPRL (“EGMF”), a company owned by George Forrest and which has Malta Forrest as a Director, both of whom have a beneficial interest in the Company, was involved in the sourcing and provision of goods and services (including construction and other resources), mining of one of the open pit ore bodies and the construction of a tailings dam.

Malta Forrest, who is a Director and has a beneficial interest in the Company, provides consultation on corporate affairs in the DRC.

Bateman Engineering N.V (“Bateman”), a company in the BSG Resources group who through Oakey Investment Holdings is a major shareholder in the Company. Bateman is engaged in the rehabilitation of KOV and the Kamoto Project.

DEM Mining (“DEM”), Dan Gertler holds an interest in the shares in DEM and has a beneficial interest in the Company. DEM have been contracted to drill, mine and transport ore from the Tilwezembe mine to the crusher at the KZC plant. BSG Resources also holds an interest in DEM.

La Générale des Carrières et des Mines (“Gécamines”), a state owned and operated mining enterprise of the DRC has a 25% minority interest in DCP and KCC. Both DCP and KCC are required to make royalty payments to Gécamines. In addition, DCP purchases goods and services from Gécamines in the normal course of business.

Glencore, is a major shareholder and represented on the Board of the Company. Glencore entered into a 100% off-take agreement for concentrate sales with the Company and, commencing January 1, 2009, pursuant to additional off-take agreements all copper and cobalt metal produced will also be sold to Glencore on market terms.. Glencore also has provided funding to the Company in the form of convertible debt (Note 8).

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

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14. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions

The following table provides that total amount of the transactions entered into with these related parties:

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Purchases from related parties		
KOL	\$ 2,262	\$ 856
EGMF	6,112	466
Malta Forrest	90	-
Bateman	3,156	-
DEM	9,361	-
Gécamines	1,670	-
Sales to related parties		
Glencore	69,459	-
	As at March 31, 2008	As at December 31, 2007
Amounts owed to related parties		
KOL	\$ 2,372	\$ 2,448
EGMF	2,205	3,410
Bateman	1,800	-
DEM	3,833	-
Glencore (convertible debt)	153,119	149,518
Amounts owed by related parties		
Glencore	32,174	-

15. COMMITMENTS

The Company is obligated under the terms of an operating lease for minimum annual property rental payments of \$1,040 for a period of five years, commencing September 19, 2006, with an option to renew for a further five years.

The Company previously estimated its capital expenditures for the redevelopment of the Kamoto Project to be \$499 million (inclusive of costs already incurred) over the next thirty-three months ending December 31, 2010. As a result of the acquisition of Nikanor (see Note 2), a revised feasibility report is being prepared that takes into account the requirements of the combined companies and it is expected that this will significantly impact the amount and timing of the capital expenditures referred to above. In the interim, phase V has been identified for the development of the KOV pit and the new DCP refinery and it is being conducted concurrently with the Kamoto Project.

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15. COMMITMENTS (CONTINUED)

As discussed, the combined project is currently being developed in five phases with each phase designed to increase the level of production capacity. The initial phase, which brought the assets into initial production in December 2007, cost \$175 million (exclusive of interest and other costs being capitalized prior to commencement of commercial production). Phases II, III and IV relate to the original phases of the Kamoto Project. Phase II has commenced and is currently estimated to cost \$135 million of which \$73 million has been committed and \$23 million has been spent. Phases III and IV are estimated to cost in the order of \$124 million and \$64 million (excluding capitalized interest and other costs), respectively. Each of these last three phases is expected to last one year beginning in January 2008. Phase V is being reviewed as part of the review of the feasibility study.

The Company has entered into a marketing agreement with LN Metals International Ltd. that entitles it to a marketing fee for all of the copper and cobalt production in 2008. Glencore and the Company have signed off-take agreements whereby, commencing January 1, 2009, all copper and cobalt produced will be sold to Glencore based on market terms.

16. 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 months ended March 31, 2008 and 2007:

	2008	2007
Loss before income taxes reflected in the statements of operations	\$ (32,304)	\$ (5,375)
Expected income tax recovery at Canadian statutory rates	9,530	1,834
Effect of differences in foreign tax rates	2,909	10
Effect of change in temporary differences not recognized	2,790	234
Permanent differences	1,499	(291)
Adjustment in respect of prior years	239	-
Current year losses not recognized	(2,059)	(1,847)
Recovery of (provision for) income taxes:	\$ 14,908	\$ (60)

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16. INCOME TAXES (CONTINUED)

The following tables reflect the future income tax asset and liability amounts:

	March 31, 2008	December 31, 2007 (1)
Future income tax asset		
Non-capital losses carried forward	\$ 1,554	\$ 4,127
Property, plant and equipment	5,039	
Exploration and development	11,559	7,233
Other temporary differences	5,321	1,874
	<u>23,473</u>	<u>13,234</u>
Less: Valuation allowance	(22,934)	(12,633)
Net future income tax asset	<u>\$ 539</u>	<u>\$ 601</u>
Future income tax liability		
Exploration and development	\$ (542,295)	\$ -
Other	(8,219)	-
Total future income tax liability	<u>\$ (550,514)</u>	<u>\$ -</u>
Net future income tax asset (liability)	<u>\$ (549,975)</u>	<u>\$ 601</u>

(1) The December 31, 2007 amounts have been reclassified to conform to the March 31, 2008 presentation..

The net future income tax asset of \$539 at March 31, 2008 (December 31, 2007 - \$601) represents United Kingdom tax relief on RSU costs that arises when the RSUs vest.

The Company has recorded a valuation allowance in respect of non-capital losses and other tax assets in the amount of \$22,934 as at March 31, 2008 (December 31, 2007 - \$12,633) as it is not considered to be more likely than not that the benefit associated with these losses and other tax assets will be realized prior to their expiry.

The Company has recorded a future income tax liability of \$567,812 in respect of the acquisition of Nikanor (Note 2), including the \$542,295 for exploration and development shown above.

Non-capital losses carried forward of \$17,875 expired upon the acquisition of Nikanor. The Company has non-capital losses available for future use, expiring as follows:

2008	\$	-
2009		-
2010		-
2013 and thereafter		<u>6,217</u>
	<u>\$</u>	<u>6,217</u>

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17. SEGMENTED INFORMATION

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

As at March 31, 2008

	Canada	United Kingdom	Democratic Republic of Congo	Total
Cash and cash equivalents	\$ 396	\$ 458,515	\$ 4,524	\$ 463,435
Other assets	244	13,788	2,566,430	2,580,462
Total Assets	\$ 640	\$ 472,303	\$ 2,570,954	\$ 3,043,897

For the three months ended March 31, 2008

Net income (loss)	\$(24,018)	\$ 12,490	\$ (5,868)	\$ (17,396)
Interest income	62	6,879	118	7,059
Debenture interest	(4,721)	-	-	(4,721)
Recovery of income taxes	-	11	14,897	14,908

As at December 31, 2007

	Canada	United Kingdom	Democratic Republic of Congo	Total
Cash and cash equivalents	\$ 9,905	\$ 89,681	\$ 1,128	\$ 100,714
Other assets	19,755	5,477	322,876	348,108
Total Assets	\$ 29,660	\$ 95,158	\$ 324,004	\$ 448,822

For the three months ended March 31, 2007

Net income (loss)	\$ (5,637)	\$ 202	\$ -	\$ (5,435)
Interest income	2,302	-	-	2,302
Debenture interest	(3,819)	-	-	(3,819)
Provision for income taxes	-	(60)	-	(60)

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18. FINANCIAL INSTRUMENTS

At March 31, 2008 and December 31, 2007, the Company's financial instruments consisted of cash and cash equivalents, prepaid expenses and other sundry assets, accounts payable and accrued liabilities, foreign currency forward contract, non-hedge derivative financial instruments and long-term debt. The Company estimates that the fair value of these financial instruments approximates the carrying values at March 31, 2008 and December 31, 2007, respectively.

19. CONTRACT REVIEW AND MASHAMBA WEST AND DIKULUWE DEPOSITS

Contract Review

On February 11, 2008, KCC received letters from the Minister of Mines for the DRC notifying both DCP and KCC of the DRC Government's position as a consequence of the review by the DRC Government of the mining rights which DCP and KCC hold. The letter from the Minister included a statement of terms upon which the Government proposes discussions be based upon to balance the partnerships between the DRC and DCP and KCC. DCP and KCC have formally responded to the Minister of Mines.

The mining concessions on which the Company is currently operating and developing are located in the DRC. As a result, the Company is subject to certain risks, including possible political or economic instability in the DRC, which may result in the impairment, loss of the mineral concession or renegotiation of the joint venture contract with Gécamines. Any changes in laws or regulations or shifts in political attitudes are beyond the control of the Company and may adversely affect its business. In relation to the DRC Commission appointed by the DRC Government to review mining agreements, the Company expects there to be no material adverse affect. However no assurance can be given as to the outcome of any future discussions or negotiations between DCP, KCC and the DRC Government or that either DCP's or KCC's security of tenure and ability to secure additional financing in the future may not be adversely affected so as to have a material adverse effect on its business, operating results and financial position.

Mashamba West and Dikuluwe Deposits

On February 8, 2008, the Company announced that Gécamines and KCC have signed an agreement that sets out compensation, security and payment in exchange for the release to Gécamines of the portion of the KCC concession that represents the Mashamba West and Dikuluwe deposits. These deposits were not scheduled to start producing oxide ores until 2020 and 2023, respectively.

The agreement provides for Gécamines to replace these deposits by July 1, 2015 with other deposits having a total tonnage of 3,992,185 tonnes of copper and 205,629 tonnes of cobalt according to Canadian Securities Administration rules (National Instrument 43-101), or pay over time, beginning July 1, 2012, a total of \$825 million from Gécamines' entitlement to royalties and dividends from KCC. The parties have agreed to fix the equivalent value of the deposits released by reference to a feasibility study prepared in 2006. The agreement set this amount at \$825 million, subject to a joint review by the parties. At July 1, 2012, the parties will calculate the proportion of the reserves replaced by Gécamines at that date. Dividends and royalties payable to Gécamines by KCC from this date will be paid into an escrow account to secure future payments by Gécamines. As at July 1, 2015, the parties shall recalculate the amount of reserves transferred to KCC. In the event Gécamines has not completely replaced the deposits, the balance of the amount due shall be paid in cash. Any cash thus remaining due shall be paid

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19. CONTRACT REVIEW AND MASHAMBA WEST AND DIKULUWE DEPOSITS (CONTINUED)

to KCC using the funds in the escrow account, and any remaining payments due will be met from Gécamines' future revenues from KCC, until full payment has been made.

To assist Gécamines in finding replacement deposits, KCC and Gécamines shall conduct jointly managed exploration to be funded initially by KCC and reimbursed by Gécamines out of its revenues from KCC.

In addition to the agreement reached with Gécamines above, the parties agreed to complete a definitive agreement addressing transfer of the exploitation permits and mining rights over an agreed area, to encompass the approximate current concession area, from Gécamines to KCC. In exchange for this transfer, which will result in KCC holding the assets directly, KCC will pay to Gécamines as compensation \$35 per tonne of remaining copper reserves identified in the feasibility study. This amount, which is approximately \$135 million, will be paid over time on a basis to be agreed in the definitive agreement and will be based on the cash flows available to KCC. The agreement will also address various other matters relating to the joint venture, including the management of the exploration program. Active discussions continue with Gécamines to finalize the definitive agreement.