

KATANGA MINING LIMITED

June 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is management's assessment of the results of operations and financial condition of Katanga Mining Limited ("Katanga" or the "Company") and should be read in conjunction with its 2007 audited consolidated financial statements. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts unless otherwise indicated are in United States dollars. This information has been prepared as of August 8, 2008. Katanga's common shares, warrants and notes trade on the TSX Exchange under the symbols "KAT" "KAT.WT" and "KAT.NT" respectively. Its most recent filings are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed through the internet at www.sedar.com.

1. Company Overview

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 Luilu metallurgical plant, the Kamoto underground mine and two oxide open pit resources in the Kolwezi district of the DRC. The Kamoto Project commenced commercial production on June 1, 2008 following the completion of operational commissioning of the initial phase of five phases of development and the achievement of sustainable levels of production of copper and cobalt.

DCP's assets 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. The facility is expected to begin production of both copper and cobalt in 2010.

2. Highlights and Outlook

Highlights for three months ended June 30, 2008

- The first commercial cobalt metal was produced in May 2008 and shipped in June 2008.
- Kamoto Copper Company commenced commercial production as of June 1, 2008 as the first phase of rehabilitation has been completed and the plant has achieved continuous production.
- Copper production in the second quarter totaled 5,314 tonnes, cobalt production totaled 120 tonnes and 13,463 tonnes of concentrate was produced.
- Net sales for the quarter totaled \$48.9 million and the income before other expenses, interest and tax was \$16.3 million.

Outlook

- On August 5, 2008 Katanga announced a new Memorandum of Understanding with Gecamines that will be the basis for amending the KCC Joint Venture Agreement so that it incorporates provisions of the February 2008 agreement as well as merges the DCP and KCC joint ventures, and addresses Government requirements resulting from the review of mining partnerships with Gecamines.
- Production for 2008 is forecast to be 24,700 tonnes of copper cathode, 1,100 tonnes of cobalt metal, and 54,000 tonnes of cobalt concentrate, containing 2,800 tonnes of payable copper and 1,600 tonnes of payable cobalt.
- Kamoto's Phase II rehabilitation is commencing as planned. A further mill and additional 58 flotation cells will be refurbished in the Kamoto Concentrator. In the Luilu Metallurgical Plant, leaching and electro-winning capacity will be approximately doubled and a new roaster will be constructed.
- In parallel with the Kamoto project, Katanga is developing the KOV open pit and building a new leach and SX/EW facility. Construction of the acid plant and the first 80 thousand tonne per year module of the SX/EW facility commenced in June 2008.
- Completion of the feasibility study on the combined project is expected near the end of September 2008.
- A full integration of the Nikanor assets is expected to be completed during 2008. As outlined in the MOU signed with Gecamines on August 5, 2008 Katanga is actively engaged with Gecamines to merge DCP into KCC. A four year phased ramp-up is planned with a forecast production of over 300,000 tonnes of refined copper and over 30,000 tonnes of refined cobalt by 2011.
- Additional funding requirements as part of the feasibility study will be calculated and terms agreed with a group of lenders for a debt facility for drawdown in the first half of 2009.

- Continued expansion of the skills and operational knowledge of the work force is seen as a major priority going forward. The proposed restart in 2009 of the Mutoshi Institute, a former training school for mine workers, will play an important role in meeting future training needs.

3. 2008 Second Quarter Discussion

Operating Results

	Three Months Ended		
	June 30, 2008 \$'000	June 30, 2007 \$'000	June 30, 2006 \$'000
Sales revenue	48,847	-	-
Cost of sales	(32,556)	-	-
	16,291	-	-
Other expenses	(26,208)	(11,403)	-
Debenture interest	(4,567)	(4,085)	-
Interest income	5,838	1,575	-
Income taxes	(1,279)	(79)	-
Net loss	(9,925)	(13,992)	-

The Company reported a net loss for the three months ended June 30, 2008 of \$9.9 million, \$0.05 per share, compared with a net loss for the second quarter of 2007 of \$14.0 million, \$0.18 per share.

- Revenues of \$48.9 million were achieved on copper sales (\$19.5 million), cobalt sales (\$2.6 million) and concentrate sales (\$26.8 million). Copper and cobalt sales were recognized only from June 1, 2008 when the Company commenced commercial production. The concentrate produced prior to the Nikanor acquisition was recorded at fair value. Accordingly, cost of sales in the quarter includes \$3.2 million previously assigned to the fair value of the concentrate ore.
- The other expenses for the second quarter of 2008 totaled \$26.2 million (second quarter of 2007 - \$11.4 million). These included:
 - General administrative expenses of \$28.0 million (second quarter of 2007 - \$3.4 million) representing:-
 - the cost to maintain the corporate office function in London and South Africa;
 - the non direct costs incurred in the quarter in relation to operating both KCC and DCP of \$8.8 million (2007 - \$nil). No such costs were expensed in 2007 as the operations were not yet in commercial production;
 - stock-based compensation of \$4.2 million (2007 - \$1.6 million)
 - and a provision of \$9.6 million for contractual termination entitlements in relation to the resignation of the current President and CEO (which includes \$4.3 million related to share options and restricted stock units).

- road refurbishment costs of \$0.5 million (2007 - \$nil).
 - Foreign exchange loss of \$0.8 million (second quarter of 2007 – \$8.0 million). The reduction in the loss is due to the stable exchange rate in the second quarter of 2008 between CND\$ and the US\$ compared to the second quarter of 2007 when there was a large unrealized loss recognized on the revaluation of the CND\$ denominated debentures.
 - Net derivative gain of \$2.5 million (2007 - \$nil) due to favourable movements in the US\$ exchange rate against derivative financial instruments held in Euros and Yen.
- The interest expense in both the second quarter of 2008 of \$4.6 million and 2007 of \$4.1 million relates to the public debentures outstanding. The increase in interest is a result of the additional bonds issued on July 1, 2007 for the interest expense capitalized from the issue date, November 20, 2006, through June 30, 2007. Interest on the convertible debt is being capitalized to mineral interests.
- Interest income of \$5.8 million and \$1.6 million for each of the second quarters of 2008 and 2007, respectively, were earned on non-utilized funds. The increase in the interest income earned during the second quarter of 2008 is a result of the cash acquired in the Nikanor acquisition.

Cash Flows

Cash Flows from (used in):	Three Months Ended		
	June 30, 2008 \$'000	June 30, 2007 \$'000	June 30, 2006 \$'000
Operating activities	3,998	(2,947)	-
Financing activities	-	177	131,435
Investing Activities	(115,980)	(62,628)	(395)

- For the three months ended June 30, 2008, cash provided from operating activities was \$4.0 million (2007 cash used - \$3.0 million). The Company generated revenues from copper, cobalt and concentrate sales in 2008 and was not an operating entity in 2007. Another significant variance between the quarters is the commencement of commercial production effective June 1, 2008. As a development stage entity, changes in working capital were represented as investing activities, as they related to project expenditures; following commencement of commercial production, they are now part of operating activities. The cash used to fund operating activities was primarily spent on (and offset by):
 - The net loss for the period of \$9.9 million (2007 - \$14.0 million).
 - Adjusting items including:
 - Stock-based compensation of \$7.0 million (2007 - \$1.1 million)
 - A foreign exchange loss of \$0.8 million (2007 - \$9.7 million)
 - Debenture interest of \$4.6 million (2007 - \$4.1 million)
 - Net derivative gain of \$(2.5) million (2007 - \$nil)

- Depreciation of \$3.5 million (2007 - \$nil) which was historically capitalized before commercial production and shown as investing activities
 - Future income taxes of \$1.5 million (2007 - \$nil)
 - A decrease in trade receivables of \$21.5 million (2007 - \$nil) primarily related to concentrate sales being settled.
 - Increase in inventories of \$(11.6) million, (2007 increase in inventories of \$3.8 million) as a result of an increase in product inventory as production has increased over the quarter.
 - A decrease in accounts payable of \$(14.2) million (2007 - \$nil).
- Investing activities in the three months ended June 30, 2008 totaled \$(116.0) million (2007 - \$(62.6) million) and relates to:
 - Costs incurred on phase II and V of the rehabilitation project of \$91 million (2007 - \$62.6 million all in relation to phase I).
 - Acquisition costs of \$25.6 million were settled.
- There were no financing activities in the three months ended June 30, 2008 and \$0.2 million in 2007 from the issuance of common shares upon the exercise of stock options.

Production

The process of producing copper cathode, cobalt metal and concentrate is achieved through distinct processes which are described and reviewed below. The production statistics for each of these areas is presented in item 16 – Summary of Quarterly Results.

Underground

During the quarter ended June 30, 2008, 125,505 tonnes of ore and 19,570 tonnes of waste were mined from the underground. Since underground production started in the quarter ended June 30, 2007, every quarter has seen an increase in production. An average copper grade of 3.94% was achieved in 2008 (2007 - 2.91%) and a cobalt grade of 0.45% (2007 – 0.44%). Quarterly underground production is expected to continue to increase with the following initiatives currently being undertaken:

- Introduction of consignment stores to improve fleet maintenance
- Improved backfill strategy
- Re-sequencing of development headings
- Improvements to the dewatering of the development faces
- Enhancement of the primary ventilation in the western section of the mine

Open Pit (T17)

At T17, tonnes mined continue to be ahead of forecasts with 1,652,307 tonnes of waste removed in the quarter ended June 30, 2008 and 103,791 tonnes of ore produced with a copper grade of 1.75% and a cobalt grade of 0.80%. The cobalt grade is higher than originally expected whereas the copper grade is lower than forecast.

Kamoto Concentrator

The Kamoto concentrator processes ore from the underground and T17 open pit. In the quarter ended June 30, 2008, it processed 218,530 tonnes of ore from which 21,943 tonnes of concentrate were produced. The capacity of the concentrator exceeds the current mine production capability and continues to meet planned availability and recovery.

Luilu processing plant

In the current quarter, 5,314 tonnes of copper cathode were produced along with 120 tonnes of cobalt metal. Copper production has consistently increased over the last three quarters as improvements have been made to the plant. Quarterly production of both copper cathode and cobalt metal are expected to continue to increase with the following initiatives currently underway:

- Increases in the filtration capacity at the concentrate reception section of the plant
- Increases in the copper circuit residue filtration capacity
- Rehabilitation of a second roaster
- Enhancement of the cobalt hydroxide precipitation filtration capacity
- Start-up of Bay 1 in the cobalt tank house which will double the number of operating cells to 64

Open Pit (Tilwezembe)

Mining of ore at Tilwezembe only recommenced in late April with the re-start of the Kolwezi concentrator. Total tonnes mined during the quarter were 1,598,767 tonnes of waste and 156,632 tonnes of ore. An updated mineral resource model was received at the end of June. It is being used to improve the grades delivered to the Kolwezi concentrator and to reduce the mining costs

Kolwezi Concentrator

The Kolwezi concentrator processes the ore from the Tilwezembe open pit. In the current quarter, it processed 201,419 tonnes of ore and produced 13,463 tonnes of concentrate with a grade of 11.72% copper and 5.48% cobalt. The amount of ore processed has been well ahead of forecast since recommencement of production in April but metallurgical performance has been below expectation because of the requirement to effect a low mass pull in order to keep the concentrate grades high. To improve the situation, a batch process strategy has been implemented and an audit is underway at both Tilwezembe and the Kolwezi concentrator to reconcile differences reported between mine and mill feed grades.

4. 2008 Half Year Discussion

Operating Results

	Six Months Ended		
	June 30, 2008 \$'000	June 30, 2007 \$'000	June 30, 2006 \$'000
Sales revenue	139,003	-	-
Cost of sales	(137,508)	-	-
	1,495	-	-
Other expenses	(46,054)	(15,261)	-
Debenture interest	(9,288)	(7,904)	-
Interest income	12,897	3,877	-
Income taxes	13,629	(139)	-
Net loss	(27,321)	(19,427)	-

The Company reported a net loss for the six months ended June 30, 2008 of \$27.3 million, \$0.14 per share, compared with a net loss for the six months ended June 30, 2007 of \$19.4 million, \$0.25 per share.

- Sales revenues of \$139.0 million were achieved on copper sales (\$19.5 million), cobalt sales (\$2.6 million) and concentrate sales (\$116.9 million). The concentrate in inventory produced prior to the Nikanor acquisition was initially recorded at fair value. Accordingly, cost of sales includes \$68.9 million previously assigned to the fair value of the concentrate ore.
- The other expenses for the six months ended June 30, 2008 totaled \$46.1 million (2007 - \$15.3 million). These included:
 - General administrative expenses of \$38.7 million (six months ended June 30, 2007 - \$6.5 million) representing
 - the cost to maintain the corporate office function in London and South Africa;
 - the non direct costs incurred during the six months ended June 30, 2008 in relation to operating both KCC and DCP of \$13.7 million (2007 - \$nil). No such costs were expensed in 2007 as the operations were not in commercial production;
 - stock-based compensation of \$6.5 million (2007 - \$2.5 million)
 - and a provision of \$9.6 million for contractual termination entitlements in relation to the resignation of the current President and CEO (which includes \$4.3 million related to share options and restricted stock units).
 - Road refurbishment costs of \$1.5 million (2007 - \$nil)
 - Foreign exchange loss of \$5.5 million (2007 - \$8.8 million) relating to unrealized losses on the translation of Rand and Sterling deposits acquired from Nikanor. This is net of a \$3.7 million unrealized gain arising on the translation into US\$ of the CND\$ denominated debentures (2007 unrealized loss - \$10.4 million). Any unrealized gain or loss on the debentures will be realized on their maturity on November 30, 2013.

- Net derivative loss of \$1.9 million (2007 - \$nil) due to unfavourable movements in the US\$ exchange rate against derivative financial instruments held in Euros and Yen.
- The interest expense in the first six months of 2008 of \$9.3 million and 2007 of \$7.9 million relates to the public debentures outstanding. The increase is a result of the additional bonds issued on July 1, 2007 for the interest expense capitalized from the issue date, November 20, 2006, through June 30, 2007. Interest on the convertible debt is being capitalized to mineral interests.
- Interest income of \$12.9 million and \$3.9 million for each of the first six months of 2008 and 2007, respectively, were earned on non-utilized funds. The increase in the interest income earned during first half of 2008 is a result of the cash acquired in the Nikanor acquisition.

Cash Flows

Cash Flows from (used in):	Six Months Ended		
	June 30, 2008 \$'000	June 30, 2007 \$'000	June 30, 2006 \$'000
Operating activities	14,883	(3,355)	-
Financing activities	-	177	133,267
Investing Activities	246,340	(93,256)	(2,747)

- For the six months ended June 30, 2008 cash provided from operating activities was \$14.9 million (2007 cash used - \$3.4 million). The variance between periods is primarily a result of there being no commercial operations in 2007. In 2008 there were concentrate sales throughout the first six months and copper cathode and cobalt metal sales with the commencement of commercial production June 1, 2008. The cash generated from operating activities was primarily a result of :
 - The net loss for the period of \$27.3 million (2007 - \$19.4 million).
 - A non-cash cost of \$68.9 million related to the write up to fair value of the concentrate inventory acquired as part of the Nikanor acquisition.
 - A foreign exchange loss of \$5.5 million (2007 - \$10.4 million).
 - An increase in trade receivables of \$(1.1) million (2007 - \$nil) in relation to copper, cobalt and concentrate sales.
 - An increase in inventories of \$(17.5) million, (2007 - \$4.3 million) as a result of \$5.4 million increase in consumable stores (2007 - \$4.3 million) required to sustain the higher levels of production and a \$12.1 million increase in product inventory resulting from the higher production levels.
 - A decrease in accounts payable of \$(14.2) million (2007 - \$nil).
- Investing activities for the six months ended June 30, 2008 totaled \$246.3 million (2007 - \$(93.3) million) and relates to:-
 - Costs incurred on the completion of Phase I and the continuing costs of phases II and V of the rehabilitation project of \$183.3 million (2007 - \$93.3 million all in relation to phase I).

- Net cash acquired on the acquisition of Nikanor, net of acquisition costs, of \$429.7 million made up of:
 - Cash acquired \$911.2 million
 - Distribution to Nikanor shareholders \$(446.1) million
 - Acquisition costs \$(35.4) million
- There were no financing activities in the six months ended June 30, 2008 and \$0.2 million in 2007 from the issuance of common shares upon the exercise of stock options.

Production

The process of producing copper cathode, cobalt metal and concentrate is achieved through distinct processes which are described and reviewed below. The production statistics for each of these areas is presented in item 16 – Summary of Quarterly Results.

Underground

During the six months ended June 30, 2008, 243,453 tonnes of ore and 37,240 tonnes of waste were mined from the underground. Since production started underground in the quarter ended June 30, 2007, every quarter has seen an increase in production.

Open Pit (T17)

At T17, tonnes mined continue to be ahead of original forecasts with 2,903,143 tonnes of waste removed for the six months and 198,846 tonnes of ore produced. The cobalt grade is higher than originally expected whereas the copper grade is lower than forecast.

Kamoto Concentrator

The Kamoto concentrator processes ore from the underground and T17 open pit. In the six months ended June 30, 2008 it processed 425,145 tonnes of ore from which 45,729 tonnes of concentrate was produced. The capacity of the concentrator exceeds the current mine production capability and continues to meet planned availability and recovery.

Luilu processing plant

In the first half of 2008, 9,260 tonnes of copper cathode was produced and 120 tonnes of cobalt metal. Copper production has consistently increased over the last three quarters as improvements have been made to the plant. Cobalt production commenced in May once the initial construction of the cobalt circuit was complete.

Open Pit (Tilwezembe)

Tonnes mined during the first six months of 2008 were 3,596,928 tonnes of waste and 207,350 tonnes of ore. While the concentrator was shut down at the end of January through to April 2008, pre-stripping continued to be carried out hence the higher than expected strip ratio.

Kolwezi Concentrator

The Kolwezi concentrator processes the ore from the Tilwezembe open pit. In the six months ended June 30, 2008 it processed 236,382 tonnes of ore and produced 16,366 tonnes of concentrate. This was less than initially forecast as the concentrator was closed between January 23, 2008 and April 9, 2008 for safety and performance related improvements.

5. Balance Sheet Discussion

	June 30,2008	December 31, 2007
	\$000	\$000
Assets		
Cash and cash equivalents	352,529	100,714
Other current assets	123,528	27,799
Property, plant and equipment	2,582,718	298,262
Other non-current assets	17,079	22,047
	3,075,854	448,822
Liabilities		
Current liabilities	130,003	67,145
Convertible debt	156,721	149,518
Debentures payable	115,119	118,012
Other long-term liabilities	563,011	-
	964,854	334,675
Shareholders' equity	2,111,000	114,147

Cash and Cash Equivalents / Liquidity

The cash balance increased to \$352.5 million from \$100.7 million primarily as a result of the net cash acquired upon the acquisition of Nikanor offset by \$183.3 million spent on capital expenditures as part of the rehabilitation project.

Other Current Assets

Other current assets increased to \$123.5 million from \$27.8 million primarily because of:

- an increase in trade receivables of \$30.1 million as a result of concentrate sales;
- an increase in inventory of consumables and product of \$56.9 million as commercial production has commenced.

Property, Plant and Equipment

Property, plant and equipment increased to \$2,582.7 million from \$298.3 million primarily due to the acquisition of Nikanor. The fair value of the KOV open pit was considered to be equal to the overall purchase price of \$2,010 million, less the fair value of the other net assets acquired, which included \$230.1 million of property plant and equipment. This gave rise to a fair value for the KOV deposit of \$1,833.4 million, along with a related liability for future income taxes of \$570.7 million. The additional increase relates mainly to expenditures incurred on the completion of phase I and the continuing costs of phase II and V of the rehabilitation project.

Other Non-current Assets

Other non-current assets reduced by \$5.0 million. Deferred costs relating to the Nikanor acquisition at December 31, 2007 of \$18.9 million have been included in the costs of acquiring Nikanor in the current period. This has been offset by an increase in the future tax asset of \$14.2 million in relation to losses available to be carried forward to reduce future taxes.

Current Liabilities

Current liabilities have increased by \$62.9 million to \$130.0 million. This is a result of an increase in accounts payable and accrued liabilities of \$71.9 million as attributable to increased project and operational activity. In addition, there is a current derivative liability increase of \$5.3 million which is related to two DCP contracts which are denominated in currencies other than U.S. dollars or the functional currency of the home country of the contracting party. The accounting requirements are to mark these contracts to market for any change in the remaining U.S. dollar value of the contract. This is offset by a decrease in the accrued acquisition costs of \$14.3 million which have now been paid.

Convertible Debt

Convertible debt has increased by \$7.2 million to \$156.7 million as a result of capitalized interest of \$6.5 million, plus accretion of the debt of \$0.7 million.

Debentures Payable

The decrease in debentures payable of \$2.9 million is primarily the result of a reduction in the liability (as a result of an unrealized foreign exchange gain) of \$3.7 million on the revaluation of the CDN dollar denominated debentures into US dollars. This was offset by accretion of the debt of \$0.8 million.

The Company's outstanding debentures are due November 20, 2013. Interest on the debentures is payable semi-annually in arrears with equal installments on January 1 and July 1 of each year, with interest payable from the closing date to June 30, 2007 capitalized and payable on maturity and cash interest payments commencing January 1, 2008.

Other long-term liabilities

Other long-term liabilities include \$550.0 million related to the future income taxes recorded for the future income tax liability on the fair value assigned to the KOV open pit at the expected tax rate of 30%. Also included in other long-term liabilities at June 30, 2008 is \$2.1 million relating to an asset retirement obligation recorded on the acquisition of Nikanor.

Off-Balance Sheet Arrangements

As at June 30, 2008, the Company had no off-balance sheet arrangements.

6. Contractual Obligations and Commitments

The Company is obligated under the terms of an operating lease for minimum annual property office rental payments of \$1.0 million for a period of five years, commencing September 19, 2006, with an option to renew for a further five years.

The Company now estimates its capital expenditures for the redevelopment of the Kamoto Project to be \$515 million (inclusive of costs already incurred) over the next thirty months ending December 31, 2010. As a result of the acquisition of Nikanor, 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.

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 \$152 million of which \$93 million has been committed and \$54 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. The costs for phase V are being reviewed as part of the revised feasibility study currently being prepared.

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 an off-take agreement whereby, commencing January 1, 2009, all copper and cobalt produced will be sold to Glencore based on market terms.

7. Changes in Accounting Policies

Adopted in fiscal 2008

Capital Disclosures and Financial Instruments – Disclosures and Presentation

The Canadian Institute of Chartered Accountants (“CICA”) issued three new accounting standards: Handbook Section 1535, "Capital Disclosures", Handbook Section 3862, "Financial Instruments – Disclosures", and Handbook Section 3863, "Financial Instruments – Presentation". These standards are effective for interim and annual consolidated financial statements for the Company's reporting period beginning on October 1, 2007.

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 interim consolidated financial statements.

The new 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 interim financial statements.

To be adopted in fiscal 2009 and beyond

Convergence with International Financial Reporting Standards

The CICA plans to transition Canadian GAAP for public companies to International Financial Reporting Standards ("IFRS"). The effective changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined.

CICA 3064 Goodwill and Intangible Assets

The CICA has issued Handbook Section 3064 Goodwill and Intangible assets which may affect the financial disclosures and results of operations of the Company. This Section applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008 and the Company will adopt the requirements commencing in the quarter ending March 31, 2009. Section 3064 establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC-27 Revenues and expenses during the pre-operating period. As a result of the withdrawal of EIC-27, the Company will no longer be able to defer costs incurred and revenues received prior to commercial production at new mine operations.

8. Critical Accounting Estimates

Critical accounting estimates used in the preparation of the financial statements include Katanga's estimate of recoverable value on its investment in the redevelopment of the Kamoto Joint Venture Assets, fair value estimates for the assets and liabilities used to account for the acquisition of Nikanor, fair value estimates for stock options and warrants, the fair value of the Glencore convertible debt, the residual value of the equity portion of the Glencore convertible debt, and estimated lives of depreciable assets. These estimates involve considerable judgment and are, or could be, affected by significant factors that are beyond Katanga's control.

Katanga's recorded value of its mineral interests associated with the redevelopment of the Kamoto Joint Venture Assets is based on historical costs. The cost of acquisition of Nikanor was allocated to the net assets acquired based on fair values. The carrying values of these assets are expected to be recovered in the future. Katanga's recoverability evaluation is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. Katanga is in an industry that is exposed to a number of risks and uncertainties, including political risk, exploration risk, development risk, commodity price risk, operating risk, ownership risk, funding

risk, currency risk and environmental risk. Bearing these risks in mind, Katanga has assumed reasonable world commodity prices will be achievable, as will costs used in studies for projected construction and mining operations. All of these assumptions are potentially subject to significant change, which are out of Katanga's control, however such changes are not determinable. Accordingly, there is always the potential for a material adjustment to the value assigned to these assets.

The fair value of the stock options and warrants is calculated using an option pricing model that takes into account the exercise price, the expected life of the option/warrant, expected volatility of the underlying shares, expected dividend yield and the risk free interest rate for the term of the option.

9. Outstanding Share Data

Summary of Outstanding Securities

(a) Authorized: 1,000 common shares, par value \$12.00 each, and 300,000,000 common shares, par value \$0.10 each.

(b) Issued:

	Number of Shares
Opening – December 31, 2005	20,163,475
Exercise of warrants	1,747,500
Issued for cash	21,000,000
Exercise of options	125,000
Common share adjustment	1
Shares issued to acquire KFL	<u>35,001,500</u>
Balance – December 31, 2006	78,037,476
Exercise of options	216,667
Exercise of warrants	<u>633,600</u>
Balance – December 31, 2007	78,887,743
Performance shares issued to former Nikanor employees	191,023
Shares issued to acquire Nikanor	<u>127,217,697</u>
Balance – June 30, and August 8, 2008	<u><u>206,296,463</u></u>

The Company has a Stock Option Plan which is consistent with the policies of the Toronto Stock Exchange (the "TSX").

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 with regards to the option plan operated by Nikanor. Under Nikanor's option plan the Company granted 928,234 options with an exercise price of \$16.10.

Also pursuant to 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 options to former Nikanor employees, with an exercise price of \$ nil.

10. Other Information

Material Transactions

There were no material transactions during the period, other than as described herein.

Use of Financial Instruments

The principal financial instrument affecting Katanga's financial condition and results of operation is currently its cash and cash equivalents, convertible debt and the debentures payable.

The Company has not entered into any specialized financial agreements to minimize its investment risk or commodity risk. With regards to currency risk, the Company has acquired three foreign exchange derivatives at fair value from Nikanor:

a) Chinese Renminbi derivative

The Company has 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 number of non-deliverable forwards to sell \$34.4 million in exchange for 245 million renminbi on various dates in line with the contract payment dates.

The non-deliverable forwards have been fair valued and recorded as a foreign currency forward contract on the consolidated balance sheet. During the six months ended June 30, 2008, a gain of \$212,000, (three months ended June 30, 2008, loss of \$529,000) was recognized as a result of the change in the value of the US dollar relative to the Renminbi.

b) Embedded derivatives in capital contracts

The Company has entered into two capital contracts to purchase equipment which are determined to be embedded foreign currency derivatives. As the economic risks and characteristics of the host contract are not closely related to the embedded derivatives, (being the forward US\$ to other foreign currencies), these contracts are fair valued on the consolidated balance sheet. The change in the fair value of these derivatives for the period resulted in a loss of \$2.1 million for the six months ended June 30, 2008, (three months ended June 30, 2008, a gain of \$3.0 million). The loss is principally a result of the dollar weakening against the EURO and YEN.

Related Party Transactions

Related parties and related party transactions 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. Fees to the end of May, 2008 have been capitalized to mineral interests. From the commencement of commercial production on June 1, 2008, fees have been expensed to the consolidated statement of operations and comprehensive loss and deficit.

The Company has the option to acquire KOL (“KOL Call Option”). The purchase price payable if the KOL Call Option was to be 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. The Company has opted not to acquire KOL pursuant to the KOL Call Option. However the Company is negotiating with the shareholders of KOL to acquire it. The agreed consideration will be subject to a review by an independent investment bank and the issuance of a fairness opinion to the Company.

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, civils work 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, 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 has 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 is 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 has also provided funding to the Company in the form of convertible debt.

Transactions

All transactions are in the normal course of business. The following table provides that total amount of the transactions entered into with these related parties:

\$ 000	Six months ended June 30, 2008	Six months ended June 30, 2007
Purchases from related parties		
KOL	5,644	2,896
EGMF	14,055	3,212
Malta Forrest	90	-
Bateman	9,118	-
DEM	6,408	-
Gécamines	2,560	-
Sales to related parties		
DEM	655	-
Glencore	92,600	-
	As at June 30, 2008	As at December 31, 2007
Amounts owed to related parties		
KOL	4,698	2,448
EGMF	2,847	3,410
Bateman	4,861	-
DEM	1,534	-
Glencore (convertible debt)	156,721	149,518
Amounts owed by related parties		
Glencore	6,334	-

11. Health, Safety, Community and Environment

The Company recognizes the critical importance of providing employees with a safe and healthy work environment. The Company is actively implementing policies, standards, training, audit protocols and health, safety and environmental (“HSE”) reporting system across its operation. This includes emergency response preparedness and training as well as job task analysis and relevant training.

An extensive Environmental & Social Impact Assessment (“ESIA”) is underway and final report together with Environmental & Social Management plans will be published in late 2008, following further public consultation and stakeholder engagement. Environmental baseline data collection includes air, noise, surface water and groundwater measurements.

The Company actively supports community consultation and liaison through regular dialogue with surrounding communities. Feedback from this communication is continually integrated into the Company's social and community development plans.

12. Contract Review and Mashamba West and Dikuluwe Deposits

Contract Review

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

The Company continues active discussions with both the DRC Government and Gécamines to merge the existing KCC and DCP joint venture agreements into one combined joint venture agreement. This combined joint venture agreement is expected to address the letters received by each of KCC and DCP from the Minister of Mines for the DRC and to incorporate all of the matters agreed to in the February 8, 2008 agreement and August 2008 Memorandum of Understanding, as further discussed below.

The mining concession on which the Company is currently operating and developing is 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 KCC and the DRC Government or that 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 ("February 2008 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 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.

August 2008 Memorandum of Understanding (MOU)

On August 5, 2008, Katanga announced a new Memorandum of Understanding with Gécamines that will be the basis for amending the KCC Joint Venture Agreement so that it incorporates provisions of the February 2008 Agreement as well as merges the DCP and KCC joint ventures, and addresses Government requirements resulting from the review of mining partnerships with Gécamines.

The MOU is consistent with each of the existing joint venture agreements in that 75% of the share capital of the merged JV is allocated to Katanga's wholly owned subsidiaries KFL Limited and GEC and 25% to Gécamines.

Additionally, the MOU provides the following:

1. The share capital of the merged JV will be increased from \$1.0 million to \$100.0 million
2. Upon implementation of the merged JV, 5% of all additional joint venture funding until the project reaches 150,000 tonnes of copper output per year will be non-interest bearing and the remaining 95% will bear interest at a rate not greater than LIBOR plus 3%.
3. The royalty rate for equipment and facilities provided by Gécamines as well as for ore reserve depletion will increase from 1.5% to 2.5% of net revenues.

4. The first cash payment to Gécamines for transfer of exploitation permits and mining rights pursuant to the February 2008 Agreement is \$5 million and will be made on implementation of the merged JV.
5. The Board of KCC will be increased to eight members, three of whom will be appointed by Gécamines, and KCC will assume day-to-day management of the merged JV's operations within 12 months from the date of this MOU. This will result in the elimination of the current operating agreement with KOL.

13. Disclosure Controls

The Company's certifying officers have designed a system of disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to them with respect to financial and operational activities. The certifying officers have evaluated the effectiveness of the disclosure controls and procedures as of June 30, 2008 and have concluded that these disclosure controls and procedures are effective at the reasonable assurance level. The management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

14. Risk Factors

Katanga is in a significant rehabilitation and growth stage and is subject to the risks and challenges similar to other companies in a comparable stage of development. The risks include, but are not limited to, limited operating history, speculative nature of mineral exploration and development activities, operating hazards and risks, mining risks and insurance, foreign operations, environmental and other regulatory requirements, competition, stage of development, fluctuations in commodity prices, currency risk, conflicts of interest, reliance on key individuals and enforcement of civil liabilities.

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

Credit risk

The Company's credit risk in the current periods is primarily attributable to short-term deposits and trade receivables from copper, cobalt and concentrate sales. The Company has a concentration of credit risk with all sales primarily to two customers, which are closely monitored by management.

The majority of the Company's cash and cash equivalents are on deposit with banks or money market participants 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.

Market risk

- (a) Interest rate risk

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

(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.

The debentures payable are denominated in CND\$ and as such the Company is exposed to unrealized foreign exchange gains or losses which will be realised upon maturity of the debentures on November 30, 2013.

The Company holds non-deliverable forward contracts to purchase a specified quantity of Chinese renminbi to hedge a capital contract. These forward contracts have been fair valued on the consolidated balance sheet with fair value changes included in operations.

The Company has entered into two capital contracts denominated in EURO and Japanese YEN to purchase equipment which meet the definition of an embedded foreign currency derivative.

(c) Commodity price risk

The Company sells copper, cobalt and cobalt concentrate at prevailing market prices. Under certain revenue contracts, final pricing adjustments are made after delivery to customers. The Company is therefore exposed to changes in commodity prices of copper and cobalt both in respect of future sales and previous sales which remain open to final pricing.

The Company has not used any commodity price derivatives in this or the prior periods. There is currently no intention to hedge future copper and cobalt sales. This policy may change subject to financing arrangements.

Liquidity risk

The Company has sufficient cash resources to provide liquidity to meet medium term requirements. The Company will require significant additional funding to complete the planned expansion of operations. Securing adequate financing on a timely basis represents a liquidity risk to the Company.

Other risks

There are other risks specific to Katanga, including the provision of power to the project; improvement in the rail and roads is not guaranteed and may impact the delivery of materials into the site and the ability to timely sell the metal production; Katanga's operations and activities are

subject to environmental risks; Katanga is subject to international operations and regulatory risks, specifically the political stability of the Democratic Republic of Congo; and HIV/AIDS and other infectious diseases may have a negative effect on the work force and increase medical costs.

The Company's risk factors are discussed in detail in the Company's AIF which are available on SEDAR at www.sedar.com and should be reviewed in conjunction with this document.

15. Forward Looking Statements

This annual report may contain forward-looking statements, including predictions, projections and forecasts. Forward-looking statements include, but are not limited to, statements with respect to exploration results, the future price of copper and cobalt, the estimation of mineral reserves and resources, the realization of mineral reserve and resource estimates, the timing and amount of estimated future production, costs of production, anticipated budgets and exploration expenditures, capital expenditures, costs and timing of the development of new deposits, the success of exploration activities generally, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of exploration and mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and the timing and possible outcome of any pending litigation. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or describes a "goal", or variation of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, future events, conditions, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, prediction, projection, forecast, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, the actual results of current exploration activities; actual results and interpretation of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of copper and cobalt; possible variations in ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of exploration, development or construction activities, as well as those factors disclosed in the company's publicly filed documents. Although Katanga has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

16. Summary of Quarterly Results

The following table sets out a summary of the quarterly results for the Company for the last eight quarters:

	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2
Statement of Operations and Deficit								
(millions except where indicated)								
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90.2	\$ 48.9
Cost of sales	-	-	-	-	-	-	105.0	32.6
Total revenues less cost of sales	-	-	-	-	-	-	(14.8)	16.3
General administrative and other expenses	3.6	2.5	3.9	11.4	10.9	7.8	19.9	26.2
Debt interest	-	1.6	3.8	4.1	6.2	5.0	4.7	4.6
Interest income	(0.9)	(2.0)	(2.3)	(1.5)	(0.7)	(0.1)	(7.1)	(5.8)
Net Loss	2.7	2.1	5.4	14.0	16.4	12.0	17.4	9.9
Loss per common share	\$ 0.03	\$ 0.02	\$ 0.07	\$ 0.18	\$ 0.21	\$ 0.15	\$ 0.10	\$ 0.05
Realized copper price (per lb)	-	-	-	-	-	-	\$ 3.58	\$ 3.71
Realized cobalt price (per lb)	-	-	-	-	-	-	-	\$ 32.00
Realized concentrate price (per tonne)	-	-	-	-	-	-	\$ 4,306	\$ 4,301
Total copper sold (tonnes)	-	-	-	-	-	-	1,996	3,892
Total copper produced (tonnes)	-	-	-	-	-	340	3,946	5,314
Total cobalt sold (tonnes)	-	-	-	-	-	-	-	30
Total cobalt produced (tonnes)	-	-	-	-	-	-	-	120
Total concentrate sold (tonnes)	-	-	-	-	-	-	19,630	7,897
Total concentrate produced (tonnes)	-	-	-	-	-	-	2,903	13,463
Balance Sheet								
Cash and cash equivalents	\$ 122.7	\$ 197.0	\$ 166.0	\$ 100.6	\$ 37.9	\$ 100.7	\$ 463.4	\$ 352.5
Current assets	126.2	201.7	170.7	110.8	54.3	128.5	612.1	476.0
Mineral interests and other assets	19.0	48.4	78.3	143.9	223.2	320.3	2,431.8	2,599.8
Total assets	145.2	250.1	249.0	254.7	277.5	448.8	3,043.9	3,075.8
Current liabilities	4.0	9.7	12.1	16.5	39.8	67.2	110.2	130.0
Long-term debt	-	93.5	94.2	108.0	116.4	267.5	266.4	271.8
Other long-term liabilities	-	-	-	-	-	-	554.5	563.0
Total liabilities	4.0	103.2	106.3	124.5	156.2	334.7	931.1	964.8
Shareholders' equity	141.2	146.9	142.7	130.2	121.3	114.1	2,112.8	2,111.0
Cash Flow								
Operating activities	(0.9)	(0.2)	(0.6)	(2.9)	(6.7)	(13.8)	10.9	4.0
Financing activities	0.4	96.4	-	0.2	6.1	150.0	-	-
Investing activities	(8.2)	(22.2)	(30.5)	(62.6)	(62.3)	(72.8)	362.2	(116.0)

The following production information sets out the quarterly results for the company since initial mining began in the quarter ended June 30, 2007.

	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2
Cobalt and Copper Production Statistics¹					
<i>Underground Mining</i>					
Waste mined (tonnes)	3,469	4,029	5,972	17,670	19,570
Ore mined (tonnes)	27,995	42,147	105,367	117,948	125,505
Copper grade	2.91	2.60	3.86	4.08	3.94
Cobalt grade	0.44	0.46	0.43	0.37	0.45
<i>Open Pit Mining</i>					
Waste mined (tonnes)	512,574	1,400,998	1,610,830	1,250,836	1,652,307
Ore mined (tonnes)	-	36,986	63,705	95,055	103,791
Copper grade	-	1.18	1.18	1.35	1.75
Cobalt grade	-	0.50	0.50	0.83	0.80
<i>Concentrator</i>					
Ore processed (tonnes)	-	71,247	84,726	206,615	218,530
Concentrate produced (tonnes)	-	4,571	8,247	23,786	21,943
<i>Metallurgical Plant</i>					
Copper produced (tonnes)	-	-	340	3,946	5,314
Cobalt produced (tonnes)	-	-	-	-	120

Concentrate Production Statistics²

<i>Open Pit Mining</i>					
Waste mined (tonnes)				1,998,161	1,598,767
Ore mined (tonnes)				50,718	156,632
Copper grade				1.30	1.36
Cobalt grade				1.39	1.32
<i>Concentrator</i>					
Ore processed (tonnes)				34,963	201,419
Concentrate produced (tonnes)				2,903	13,463
Copper grade in concentrate				11.51	11.72
Cobalt grade in concentrate				7.03	5.48

1. Commercial production did not commence until June 1, 2008.
2. Concentrate production was acquired from Nikanor Plc and only the production results relating to operations from the acquisition date are shown.