

KATANGA MINING LIMITED

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**

KATANGA MINING LIMITED

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KATANGA MINING LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(UNAUDITED)

(Expressed in thousands of US dollars, except per share amounts and as otherwise stated)

Three Months Ended March 31, 2009 and 2008

	Note	Three Months Ended March 31, 2009 \$	Three Months Ended March 31, 2008 \$
Sales revenue	15	47,058	90,156
Cost of sales	15	(57,917)	(104,236)
Royalties and transportation costs		(18,827)	(716)
Depreciation and amortization		(8,882)	-
		(38,568)	(14,796)
Other income (expenses)			
General and administrative		(4,373)	(10,738)
Debenture interest		(3,704)	(4,721)
Interest income		157	7,059
Other expenses	16	(6,503)	(9,108)
Loss for the period before income taxes		(52,991)	(32,304)
(Provision for) Recovery of income taxes	19	(227)	14,908
Net loss and comprehensive loss for the period		(53,218)	(17,396)
Basic and diluted loss per common share		\$(0.26)	\$(0.10)
Weighted average number of common shares outstanding		206,320,802	179,123,001

KATANGA MINING LIMITED
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Expressed in thousands of US dollars, except per share amounts and as otherwise stated)

As at March 31, 2009 and 2008

	Note	As at March 31, 2009 \$	As at December 31, 2008 \$
ASSETS			
Current			
Cash, cash equivalents and restricted cash	5	34,787	42,449
Accounts receivable		10,272	-
Inventories	6	61,650	57,180
Prepaid expenses and other current assets		28,555	23,800
		135,264	123,429
Non-current			
Property, plant and equipment	7	1,362,259	1,342,924
Other non-current assets		2,319	4,852
Future income tax assets	19	24,759	59,151
		1,524,601	1,530,356
LIABILITIES			
Current			
Accounts payable and accrued liabilities	8	156,265	176,497
Unearned revenue		11,555	14,041
Non-hedged derivative financial instruments	11	-	48
Restricted stock units	14	61	66
Accrued acquisition costs		1,745	2,232
		169,626	192,884
Non-current			
Convertible debt	10	263,536	163,848
Debenture payable	9	92,710	94,520
Asset retirement obligations	13	4,776	4,674
Future income tax liabilities	19	187,706	222,070
		718,354	677,996
SHAREHOLDERS' EQUITY			
Capital stock	12	20,644	20,644
Warrants	12	5,809	5,809
Contributed surplus	12	2,176,827	2,174,787
Equity component of convertible debt	10	7,781	2,716
Deficit		(1,404,814)	(1,351,596)
		806,247	852,360
		1,524,601	1,530,356

Description of business and going concern uncertainty – Note 1
Commitments – Note 18

KATANGA MINING LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)

(Expressed in thousands of US dollars, except per share amounts and as otherwise stated)

Three Months Ended March 31, 2009 and for the year ended December 31, 2008

	Number of shares	Capital stock	Warrants	Contributed surplus	Equity component of convertible debt \$	Deficit \$
Balance at January 1, 2008	78,887,743	7,901	5,809	150,424	2,716	(52,703)
Options vested during the year	-	-	-	13,731	-	-
Performance awards vested during the year	-	-	-	13,335	-	-
Performance awards exercised during the year	215,362	21	-	(21)	-	-
Shares issued on acquisition of Nikanor PLC	127,217,697	12,722	-	1,997,318	-	-
Loss for the year	-	-	-	-	-	(1,298,893)
Balance at December 31, 2008	206,320,802	20,644	5,809	2,174,787	2,716	(1,351,596)
Options vested during the period	-	-	-	2,013	-	-
Performance awards vested during the period	-	-	-	27	-	-
Equity component of refinanced convertible debt	-	-	-	-	5,065	-
Loss of the period	-	-	-	-	-	(53,218)
Balance at March 31, 2009	206,320,802	20,644	5,809	2,176,827	7,781	(1,404,814)

KATANGA MINING LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(Expressed in thousands of US dollars, except per share amounts and as otherwise stated)

Three Months Ended March 31, 2009 and 2008

	Note	Three Months Ended March 31, 2009 \$	Three Months Ended March 31, 2008 \$
Cash flows from operating activities			
Net loss for the period		(53,218)	(17,396)
Adjusted for:			
Depreciation and amortization		8,882	-
Non-cash fair value increase in direct operating costs		-	65,696
Stock-based compensation		1,168	1,166
Debenture interest		(3,538)	(4,045)
Unrealized foreign exchange (gain) loss		(3,730)	4,665
Asset retirement obligation accretion		102	30
Net derivative (gain) loss		(48)	4,373
Future income taxes		227	(15,145)
Changes in non-cash working capital:			
Increase in accounts receivable		(23,548)	(22,546)
Increase in prepaid expenses and other current assets		(4,755)	(14,626)
Increase in inventories		(4,470)	(1,556)
Increase in accounts payable, accrued liabilities and unearned revenue		11,591	10,269
		(71,337)	10,885
Cash flows from investing activities			
Additions to property, plant and equipment		(36,574)	(93,037)
Cash acquired on acquisition of Nikanor PLC, net of acquisition costs		-	455,357
		(36,574)	362,320
Cash flows from financing activities			
Proceeds from convertible debt		100,000	-
		100,000	-
(Decrease) increase in cash and cash equivalents		(7,911)	373,205
Cash and cash equivalents, beginning of period		42,449	100,714
Effect of exchange rate changes on cash held in foreign currencies		249	(10,484)
Cash, cash equivalents and restricted cash, end of period		34,787	463,435
Supplementary cash flow information			
Interest paid		7,242	8,766
Income taxes paid		690	237

KATANGA MINING LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(Expressed in thousands of US dollars, except per share amounts and as otherwise stated)

Three Months Ended March 31, 2009 and 2008

1. DESCRIPTION OF BUSINESS AND GOING CONCERN UNCERTAINTY

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 KOV copper and cobalt mine 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's assets include mining properties, a concentrator and various oxide open pit resources, the largest of which is the KOV pit. The KOV pit is not yet in commercial production.

The consolidated financial statements have been prepared using Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. For the three months ended March 31, 2009, the Company incurred a net loss of \$53.2 million. As at March 31, 2009, the Company reported a deficit of \$1,404.8 million and a working capital deficiency of \$34.4 million.

On January 12, 2009, the Company completed a \$265.3 million loan facility which is \$100.0 million of additional financing (see note 10) which, upon completion of the Rights Offering will become mandatorily convertible into equity.

On April 28, 2009, the Company announced that it had entered into a Bridge Loan Agreement and a Transaction Agreement with Glencore Finance (Bermuda) Limited. These agreements provide for a non-convertible bridge loan facility of US\$50 million repayable June 30, 2009 and a rights offering via prospectus by the Company to raise at least US\$250 million. The Rights Offering includes a standby commitment by Glencore to subscribe for such number of common shares ('Shares') at the conclusion of the Rights Offering as is necessary to ensure that Katanga raises US\$250 million (the 'Standby Commitment') under the Rights Offering (see note 3). In the unlikely event that the Rights Offering is not consummated, the Company's ability to continue as a going concern will be in substantial doubt. There can be no assurances that the Company's activities will be successful or sufficient to allow the Company to as a going concern.

If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments to the carrying values of assets and liabilities, reported expenses and balance sheet classifications may be necessary. These adjustments could be material.

KATANGA MINING LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(Expressed in thousands of US dollars, except per share amounts and as otherwise stated)

Three Months Ended March 31, 2009 and 2008

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian GAAP. The preparation of the financial statements is based upon accounting policies and practices consistent with those used in the preparation of the 2008 annual 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 2008 annual 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 periods are not necessarily indicative of the results to be expected for the full year.

Comparative figures

Certain of the 2008 figures have been reclassified to conform with current period financial statement presentation.

New accounting policies

On January 1, 2009, the Company adopted the following new accounting standards that were issued by the Canadian Institute of Chartered Accountants, ("CICA").

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173 – Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal period ending on or after January 12, 2009. The application of EIC 173 did not have any material impact on the consolidated financial statements.

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 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 adopted the requirements 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. The application of Section 3064 Goodwill and Intangible assets did not have an effect on the consolidated financial statements.

KATANGA MINING LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(Expressed in thousands of US dollars, except per share amounts and as otherwise stated)

Three Months Ended March 31, 2009 and 2008

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mining Exploration Costs

In March 2009, the CICA issued EIC-174, "Mining Exploration Costs." The EIC provides guidance on accounting for capitalization and impairment of exploration costs. This standard was effective for our fiscal year beginning January 1, 2009. The application of this EIC did not have an effect on our financial statements.

To be adopted in fiscal 2010 and beyond

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.

Business Combinations

In October 2008, the CICA issued Handbook Section 1582, Business Combinations, which establishes new standards for accounting for business combinations. This is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Should the Company engage in a future business combination, it would consider early adoption to coincide with the adoption of IFRS.

Non-controlling Interests

Also in October 2008, the CICA issued Handbook Section 1602, Non-controlling Interests, to provide guidance on accounting for non-controlling interests subsequent to a business combination. This is effective for fiscal years beginning on or after January 2011.

3. FINANCING AND CAPITAL DISCLOSURES

New financing

On April 28, 2009, the Company announced that it has entered into a Bridge Loan Agreement and a Transaction Agreement with Glencore Finance (Bermuda) Limited ("Glencore"). These agreements provide for a non-convertible bridge loan facility of US\$50 million (the "Bridge Loan") repayable June 30, 2009 and a rights offering via prospectus by the Company to raise at least US\$250 million (the "Rights Offering" and, together with the Bridge Loan, the "Transactions").

The Bridge Loan will bear an aggregate interest rate of 8% per year, and is repayable in full on June 30, 2009.

KATANGA MINING LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(Expressed in thousands of US dollars, except per share amounts and as otherwise stated)

Three Months Ended March 31, 2009 and 2008

3. FINANCING AND CAPITAL DISCLOSURES (Continued)

The Rights Offering includes a standby commitment by Glencore to subscribe for such number of common shares ('Shares') at the conclusion of the Rights Offering as is necessary to ensure that Katanga raises US\$250 million (the 'Standby Commitment') under the Rights Offering. Glencore has agreed that it will exchange its interest in the Convertible Debt Facility (see note 10) into Shares in accordance with the terms thereof prior to the record date of the Rights Offering. In addition, Glencore has agreed to as soon as practicable after the commencement of the Rights Offering, exercise the basic subscription privilege associated with its Rights in order to provide immediate liquidity to the Company. As consideration for providing the Standby Commitment, the parties have agreed that Glencore will be entitled to a fee at closing of the Rights Offering equal to 4% of the amount by which US\$250 million exceeds the gross proceeds received by the Company from Glencore pursuant to Glencore's basic subscription privilege, payable by the issuance of Shares (the number of Shares to be calculated with a price per Share of US\$0.2971).

4. FINANCIAL RISK MANAGEMENT

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

Credit risk

The Company's credit risk 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 cash balances, fixed interest convertible debt and debenture notes.

The interest rate on the convertible debt is a floating rate that is fixed on an annual basis. As at March 31, 2009, the floating rate has been fixed at 5.04%. The debenture notes have a fixed interest rate of 14.0%.

(b) Foreign currency risk

The Company's functional currency is 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% at March 31, 2009, the unrealized foreign exchange gain or loss would move by approximately \$987.

KATANGA MINING LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(Expressed in thousands of US dollars, except per share amounts and as otherwise stated)

Three Months Ended March 31, 2009 and 2008

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Foreign currency risk (Continued)

The debentures payable are denominated in CDN\$ 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. A plus / minus 1% movement in the exchange rate at March, 31 2008 would affect the consolidated statement of operations and comprehensive loss by approximately \$995.

(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 period. There is currently no intention to hedge future copper and cobalt sales. This policy may change subject to financing arrangements.

As at March 31, 2009, the Company had 7,750 tonnes of copper, 460 tonnes of cobalt and 1,690 tonnes of concentrate sales for which final commodity prices have yet to be determined. These were valued at the end of the period at an average commodity price of \$2,883 per tonne for copper, \$25,005 per tonne for cobalt and \$2,207 per tonne for concentrate. A 1% plus or minus movement in the copper and cobalt price at March 31, 2009 would result in a \$375 change to revenue and trade receivables.

Liquidity risk

On April 28, 2009, the Company announced that it has entered into a Bridge Loan Agreement and a Transaction Agreement with Glencore Finance (Bermuda) Limited. These agreements provide for a non-convertible bridge loan facility of US\$50 million repayable June 30, 2009 and Rights Offering via prospectus by the Company to raise at least US\$250 million (see note 3).

Financial Instruments

At March 31, 2009, and December 31, 2008, the Company's financial instruments consisted of cash and cash equivalents, other current assets, accounts payable and accrued liabilities, non-hedged derivative financial instruments, short-term and long-term debt. With respect to all of these financial instruments with the exception for long-term debt the Company estimates that the fair value of these financial instruments approximates the carrying values at March 31, 2009, and December 31, 2008, respectively. As at March 31, 2009, and December 31, 2008, the publically traded debentures are trading at a significant discount to their carrying value.

5. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The Company has entered into guarantees as required by certain capital asset procurement contracts. As at March 31, 2009, the Company has a restricted cash deposit of \$3,000 (December 31, 2008 - \$ 3,000) which is held with a chartered bank in respect of these guarantees and included with cash on the consolidated balance sheet and cash flow statements.

KATANGA MINING LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(Expressed in thousands of US dollars, except per share amounts and as otherwise stated)

Three Months Ended March 31, 2009 and 2008

6. INVENTORIES

	As at March 31, 2009 \$	As at December 31, 2008 \$
Ore in stockpiles	6,045	6,460
Work in progress	6,216	13,189
Finished product	11,925	4,014
Total product inventory	24,186	23,663
Consumables	37,464	33,517
	61,650	57,180

7. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization and impairment write downs	As at March 31, 2009 \$	As at December 31, 2008 \$
Mineral interests				
Capitalized development expenditures	2,366,693	1,498,349	868,344	903,486
Assets subject to amortization	394,903	14,796	380,107	322,353
Total	2,761,596	1,513,145	1,248,451	1,225,839
Other property, plant and equipment				
Plant and equipment	66,791	8,920	57,871	59,221
Computer equipment	7,065	1,414	5,651	5,498
Computer software	626	263	363	388
Furniture and fixtures	3,546	1,372	2,174	2,399
Land and buildings	8,150	204	7,946	7,829
Tools	5,128	1,009	4,119	4,208
Vehicles	33,793	8,668	25,125	25,718
Closure and restoration costs	5,116	2,116	3,000	3,097
Leasehold improvements	1,108	259	849	877
Assets in transit	6,710	-	6,710	7,850
Total	138,033	24,225	113,808	117,085
Total property, plant and equipment	2,899,629	1,537,370	1,362,259	1,342,924

KATANGA MINING LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(Expressed in thousands of US dollars, except per share amounts and as otherwise stated)

Three Months Ended March 31, 2009 and 2008

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at March 31, 2009 \$	As at December 31, 2008 \$
Trade payables and accruals	102,013	120,724
Change of control accrual (1)	9,200	10,374
Other accruals (2)	45,052	45,052
Total accounts payable and accrued liabilities	156,265	176,497

- (1) During the year ended December 31, 2008, five Company Executives pursuant to employment and change of control agreements are entitled to termination payments upon their resignation. These costs will be settled in the next three to six months.
- (2) During the year ended December 31, 2008, the Company indicated its intention to defer expansion plans relating to the development of a SX/EW plant. As a December 31, 2008, the Company recorded an accrual for further amounts based on legal obligations incurred relating to work carried out on terminated contracts before and after December 31, 2008.

9. 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 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.

During the three months ended March 31, 2009, \$7,242 of interest was paid on the debentures (three months ended March 31, 2008 - \$8,766).

KATANGA MINING LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(Expressed in thousands of US dollars, except per share amounts and as otherwise stated)

Three Months Ended March 31, 2009 and 2008

9. DEBENTURES PAYABLE (Continued)

The debentures payable balance is comprised of the following:

	As at March 31, 2009 \$	As at December 31, 2008 \$
Debenture payable, beginning of period	94,520	118,012
Changes during the period:		
Accretion	380	1,541
Foreign exchange translation gain (1)	(2,190)	(25,033)
Debentures payable, end of period	92,710	94,520

(1) The foreign exchange translation gain is unrealized and represents the revaluation of the CDN dollar denominated debentures to US dollars. These foreign exchange gains are included in other expenses and income, (see note 16). 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 is expected to be realized upon maturity of the debentures on November 20, 2013.

10. CONVERTIBLE DEBT

On January 12, 2009, the Company announced completion of a two year mandatorily convertible loan facility of \$265.3 million, ("the Facility"). The Facility is split in two parts:

- a new finance facility of \$100 million underwritten by Glencore International AG ("Glencore"); and
- an amendment and restatement of the existing \$150 million loan facility provided by Glencore, which, with accrued interest amounts to \$165.3 million.

The Facility bears interest at LIBOR plus 3% payable upon maturity. During the two-year term, the Facility is convertible at the option of each lender into common shares of the Company either at any time while the loan is outstanding at US\$0.2783 per common share (as it may be adjusted for dilutive equity issues and other matters) (the "Conversion Price"), being the 5 day volume weighted average price per common share immediately prior to this announcement converted into US dollars using the noon rate published by the Bank of Canada for December 23, 2009, or at any time within seven days of any equity issuance of more than US\$25.0 million by the Company at the price per share of the equity issuance converted into US dollars.

In addition, the Facility is convertible into Company common shares on a mandatory basis when US\$250 million has been raised by the Company through equity and/or debt financing at the lower of the price equal to the initial conversion price (as adjusted) and the price per share of any equity issuance (of more than US\$25 million) prior to such conversion and if more than one such equity issuance, at the weighted average price of such equity issuances, converted in each case into US dollars. An aggregate of up to approximately 953 million common shares are issuable upon conversion of the loan at the Conversion Price.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(Expressed in thousands of US dollars, except per share amounts and as otherwise stated)

Three Months Ended March 31, 2009 and 2008

10. CONVERTIBLE DEBT (Continued)

The two year mandatorily convertible loan facility is a refinancing of the existing \$150 million facility finalized on November 5, 2007 that was due to mature November 5, 2009.

The convertible debt is comprised of the following:

	As at March 31, 2009 \$	As at December 31, 2008 \$
Convertible debt, beginning of period	163,848	149,518
Additional drawdown	100,000	-
Equity component of additional drawdown (1)	(5,065)	
Interest capitalized	3,978	12,973
Accretion (2)	775	1,357
Convertible debt, end of period	263,536	163,848

- (1) The equity component of the additional drawdown on the refinanced facility has been valued by determining the carrying amount of the financial liability. This was done 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 5.5%). 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 additional drawdown, the estimated fair value of \$5,065 attributed to the equity component was credited to 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, 2009, total accretion of \$2,358 has been capitalized to mineral interests.

Impact of new financing

On April 28, 2009, the Company announced that it has entered into a Bridge Loan Agreement and a Transaction Agreement with Glencore Finance (Bermuda) Limited. These agreements provide for a non-convertible bridge loan facility of US\$50 million repayable June 30, 2009 and a rights offering via prospectus by Katanga to raise at least US\$250 million.

Upon completion of the Rights offering the convertible debt will mandatorily be converted into equity.

KATANGA MINING LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(Expressed in thousands of US dollars, except per share amounts and as otherwise stated)

Three Months Ended March 31, 2009 and 2008

11. 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 acquired foreign exchange derivatives at fair value as a consequence of the acquisition of Nikanor PLC:

A summary of the assets and liabilities associated with the derivatives is as follows:

	As at March 31, 2009 \$	As at December 31, 2008 \$
Current		
Foreign currency forward contract	-	(48)
	-	(48)

12. CAPITAL STOCK AND CONTRIBUTED SURPLUS

(a) AUTHORIZED

1,000 common shares, par value \$12.00 each
5,000,000,000 common shares, par value \$0.10 each

On January 12, 2009, the authorized share capital of the Company was increased from 300,000,000 to 5,000,000,000 common shares with a par value of \$0.10.

(b) WARRANTS

The following table reflects the continuity of warrants during the three months ended March 31, 2009:

Expiry date	Exercise price (1)	Outstanding December 31, 2008	Issued during the period	Exercised/ Expired during the period	Outstanding 31, March 2009
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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12. CAPITAL STOCK AND CONTRIBUTED SURPLUS (Continued)

(c) STOCK OPTIONS

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

	Number of stock options	Weighted Exercise Price per Share (1)
Balance outstanding at December 31, 2007	3,148,333	10.06
Granted during the year	1,965,000	13.67
Options issued to former Nikanor option holders	928,234	16.10
Cancelled during the year	(525,881)	14.17
Outstanding at December 31, 2008	5,515,686	11.95
Cancelled during the period	(530,000)	12.04
Outstanding at March 31, 2009	4,985,686	11.95

(1) Denominated in Canadian dollars.

During the three months ended March 31, 2009, there were no options granted pursuant to the Company's stock option plan. During the three month period ended March 31, 2008, 1,025,000 options were granted with an average exercise price of \$14.77.

During the three month period ended March 31, 2008, 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 of Nikanor. Under Nikanor's option plan, the Company granted 928,234 options with an exercise price of \$16.10.

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12. CAPITAL STOCK AND CONTRIBUTED SURPLUS (Continued)

(c) STOCK OPTIONS (Continued)

The following table summarizes the stock options outstanding at March 31, 2009:

Exercise Price per Share (1)	Expiry Date	Exercisable Options	Outstanding unvested Options (2)
\$4.10	January 17, 2011	30,000	-
\$7.40	April 18, 2011	675,000	108,333
\$6.15	July 6, 2011	233,334	66,666
\$6.00	July 9, 2011	123,333	61,667
\$7.30	December 17, 2011	433,334	66,666
\$12.81	April 1, 2012	8,333	16,667
\$15.97	May 6, 2012	8,333	16,667
\$16.29	May 9, 2012	100,000	-
\$17.50	June 3, 2012	8,333	16,667
\$18.09	July 1, 2012	16,667	33,333
\$14.61	December 5, 2012	633,330	466,670
\$14.77	January 24, 2013	500,000	-
\$16.10	July 16, 2016	702,376	-
\$16.10	September 24, 2016	97,056	-
\$16.10	January 8, 2017	71,763	-
\$16.10	March 28, 2017	31,158	-
\$13.59	April 28, 2013	-	110,000
\$13.25	April 30, 2013	-	50,000
\$11.47	May 14, 2013	-	50,000
\$10.50	August 14, 2013	-	250,000
		3,672,350	1,313,336

(1) Denominated in Canadian dollars.

(2) The aggregate fair value of these unvested options not yet charged to operations is CDN\$5,974.

The weighted average exercise price of exercisable options is CDN\$14.95 and outstanding unvested options is CDN\$14.86.

(d) 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 share awarded was \$15.80, the market value of the Company's shares at the date of acquisition. The total fair value assigned to these awards was \$3,811 and this has been included as part of the acquisition costs. 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 the Company as part of the merger process then the performance awards become exercisable on their leaving date and the full value assigned to their award will be recognized in contributed surplus immediately. If the future leaving date has been agreed with an employee, the vesting period has been changed to reflect the new leaving date.

During the three months period ended March 31, 2009 there were nil awards exercised or cancelled. During the Comparative period ended March 31, 2008 33,189 of these awards were exercised as part of the arrangements applicable to former Nikanor employees.

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13. ASSET RETIREMENT OBLIGATIONS (“AROs”)

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 following table details the items that affect the ARO:

	As at March 31, 2009 \$	As at December 31, 2008 \$
Asset retirement obligation, beginning of period	4,674	-
Arising from acquisition of Nikanor	-	2,410
Accretion capitalized	102	122
Revision to estimate	-	2,142
Asset retirement obligation, end of period	4,776	4,674

The AROs 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 reflected the credit adjusted risk free rate of interest applicable at the time of acquisition. The majority of the AROs relate to maintenance and monitoring of the site, earthworks, rehabilitation and reclamation of mining areas. The AROs were acquired at a fair value of \$2,410.

As at December 31, 2008, the Company reassessed its AROs resulting in the recognition of an additional liability of \$2,142. The amount of \$2,142 represents the present value of the revised obligations discounted at a rate of 14% that reflects the credit adjusted risk free rates applicable to the Company. It is anticipated that these costs will be incurred over a period of 5-30 years.

14. RESTRICTED STOCK UNITS (“RSUs”)

Included on the Company's March 31, 2009 consolidated balance sheet is a payable of \$61 related to 274,634 outstanding RSUs, (December 31, 2008 - \$66 related to 324,634 RSUs). In three months ended March 31, 2009, 50,000 RSU's were cancelled to the Company's directors, senior officers, employees and consultants (three months ended March 31, 2008 – nil).

15. SALES AND COST OF SALES

	Three Months Ended March 31, 2009 \$	Three Months Ended March 31, 2008 \$
Copper	27,782	-
Cobalt	10,913	-
Cobalt concentrate	8,363	90,156
	47,058	90,156

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15. SALES AND COST OF SALES (Continued)

Cobalt concentrate sales relate to the DCP operation, acquired on January 11, 2008 pursuant to the acquisition of Nikanor. In accounting for the acquisition of Nikanor, the concentrate acquired was recorded at its fair value being its estimated selling price. Accordingly, cost of sales in the comparative period March 31, 2008 includes \$65,696 representing the fair value increment assigned to the acquired concentrate all of which has been sold in the year ended December 31, 2008. As a consequence of this accounting, the difference between the estimated fair value and actual realized sales price has been included in the comparative period ended March 31, 2008 consolidated statement of operations.

Copper, cobalt and cobalt concentrate sales are made under various sales agreements. Sales are made at a provisional price in the month of shipment with final pricing based on average copper and cobalt prices at a specified period as stated in the relevant sales agreement. At each reporting date, open provisionally priced sales which retain an exposure to future changes in commodity prices are marked-to-market based on London Metal Exchange ('LME') forward prices for copper and spot London Metals Bulletin ('LMB') prices for cobalt (due to the absence of a futures market), with adjustments being recorded in sales in the statement of operations and accounts receivable on the balance sheet. The marked-to-market gain for three months ending March 31, 2009 was \$490 (March 31, 2008, nil) with a corresponding increase in accounts receivable.

16. OTHER EXPENSES

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
	\$	\$
Foreign exchange (gain) loss	(3,731)	4,735
Net derivative (gain) loss	(48)	4,373
Interest expense	218	-
Settlement of construction services contract	10,064	-
	6,503	9,108

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17. 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 a director 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. Negotiations remain in place between KOL and Katanga for the acquisition of KOL and subsequent termination of the Operating Agreement, and update will likely be made in the second quarter of 2009. The statements represent the most likely outcome of those negotiations.

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, civil 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, and is engaged in the engineering and procurement of KOV and the Kamoto Project.

DEM Mining SPRL ("DEM"), Dan Gertler holds an interest in the shares in DEM and has a beneficial interest in the Company. DEM were contracted to drill, mine and transport ore from the Tilwezembe mine to the crusher at the KZC plant. This contract finished in December 2008.

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 International AG ("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 (note 4 and note 10).

RP Capital ("RP Capital") is a major equity shareholder and under a relationship agreement with the Company holds one board seat. RP Capital has a beneficial interest in the Company with the funding they provided the Company in the form of the convertible debt of January 12, 2009. Cosaf, Ruwenzori and RP Explorer Funds are all part of the RP Capital Group.

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17. RELATED PARTY TRANSACTIONS (Continued)

Xstrata Queensland Ltd ("Xstrata") is identified as a related party on the basis Glencore holds a significant interest in the company at December 31, 2008, this interest represented 34.45% of the issued share capital. During the year, Xstrata has provided mining equipment and services to the Company.

Transactions

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

	Three Months Ended March 31, 2009 \$	Three Months Ended March 31, 2008 \$
Purchases from related parties		
Bateman	-	3,156
DEM	181	9,361
EGMF	8,774	6,112
Gécamines	2,541	1,670
KOL	-	2,262
Malta Forrest	-	90
Sales to related parties		
Glencore	6,617	69,459
	As at March 31, 2009 \$	As at December 31, 2008 \$
Amounts owed to related parties		
EGMF	4,244	-
DEM	1,206	3,690
Bateman	3,931	8,257
Gécamines	11	13
Glencore (convertible debt)	202,464	162,885
RP Capital	64,798	-
KOL	3,704	5,116
Xstrata	-	14,608
Amounts owed by related parties		
Glencore	7,311	7,454

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18. COMMITMENTS

The following table summarizes the Company's contractual and other obligations as at March 31, 2009.

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Payments due by period					
Property operating lease	\$ 2,604	\$ 868	\$ 1,736	\$ -	\$ -
Capital expenditure commitments	17,293	17,293	-	-	-
Debentures payable (1)	159,772	12,884	25,838	121,050	-
Long-term debt (1)	292,798	-	292,798	-	-

(1) The total payable includes all interest costs to the date of repayment

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.

19. 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:

	Three Months Ended March 31, 2009 \$	Three Months Ended March 31, 2008 \$
Loss before income taxes reflected in the consolidated statements of operations	(52,991)	(32,304)
Expected income tax recovery at Canadian statutory rates	15,368	9,530
Effect of difference in foreign tax rates	6,280	2,909
Effect of change in temporary differences not recognized	11,713	2,790
Permanent differences	856	1,499
Tax benefit of losses not recognized	(34,444)	(2,059)
Adjustment in respect of prior years	-	239
(Provision for) Recovery of income taxes:	(227)	14,908

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19. INCOME TAXES (Continued)

The following tables reflect the future income tax asset and liability amounts at March 31, 2009 and December 31, 2008:

	As at March 31, 2009 \$	As at December 31, 2008 \$
Future income tax assets		
Property, plant and equipment	18	18
Exploration and development	37,412	73,466
Non-capital losses carried forward	112,744	93,122
Other	27,685	53,220
	177,859	219,826
Less: valuation allowance	(153,100)	(160,675)
Total future income tax assets	24,759	59,151
Future income tax liabilities		
Exploration and development	(24,076)	(21,640)
Property, plant and equipment	(163,630)	(200,430)
Total future tax liabilities	(187,706)	(222,070)
Future income tax liabilities	(162,947)	(162,919)

The future income tax asset of \$24,759 primarily represents losses carried forward, to the extent these offset future tax liabilities arising in the same company.

The Company has recorded a valuation allowance in respect of non-capital losses and other tax assets in the amount of \$153,100 as at March 31, 2009 (December 31, 2008 - \$160,675) 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.

Gross non-capital losses carried forward of \$52,319 expired on the acquisition of Nikanor PLC. As at March 31, 2009, the Company had gross non-capital losses available for future use expiring in 2013 and thereafter of \$384,147 (December 31, 2008 - \$317,468).

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20. SEGMENTED INFORMATION

The Company is engaged in mining, exploration and development and has assets and operations in Canada, the United Kingdom, South Africa and the DRC. For management purposes, results are reported at the corporate level (Canada, the United Kingdom and South Africa) and at the operational level in the DRC as described below:

	Corporate	Operations in Democratic Republic of Congo	Total
As at March 31, 2009			
Cash, cash equivalents and restricted cash	21,523	13,264	34,787
Other assets	30,419	1,459,395	1,489,814
Total assets	51,942	1,472,659	1,524,601
As at December 31, 2008			
Cash, cash equivalents and restricted cash	39,077	3,372	42,449
Other assets	16,070	1,471,837	1,487,907
Total assets	55,147	1,475,209	1,530,356
Three Months Ended March 31, 2009			
Revenue	-	47,058	47,058
Net income (loss)	(7,566)	(45,652)	(53,218)
Interest income	157	-	157
Debenture interest	(3,704)	-	(3,704)
(Provision for) Recovery of income taxes	-	(227)	(227)
Three Months Ended March 31, 2008			
Revenue	-	90,156	90,156
Net income (loss)	(11,528)	(5,868)	(17,396)
Interest income	6,941	118	7,059
Debenture interest	(4,721)	-	(4,721)
Recovery of income taxes	11	14,897	14,908

Certain comparative figures have been reclassified to conform to the current year presentation.

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21. 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 partnership between the DRC and DCP and KCC. The Minister of Mines has notified the company that this review is now complete but subject to the finalization of the new Joint Venture Agreement between KCC, DCP and Gécamines.

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 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.