

KATANGA MINING LIMITED

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2009 AND 2008**

KATANGA MINING LIMITED

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

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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 and Nine Months Ended September 30, 2009 and 2008

	Note	Three months ended		Nine months ended	
		September 30, 2009 \$	September 30, 2008 \$	September 30, 2009 \$	September 30, 2008 \$
Sales revenue	15	76,247	57,649	185,555	196,652
Cost of sales	15	(55,833)	(47,968)	(175,512)	(183,669)
Royalties and transportation costs		(11,090)	(23,045)	(35,882)	(33,188)
Depreciation		(7,273)	(6,844)	(25,968)	(8,881)
		2,051	(20,208)	(51,807)	(29,086)
Other income (expenses)					
General and administrative		(3,179)	(10,339)	(11,465)	(38,002)
Restructuring gain (expenses)	16	756	-	(25,195)	-
Debenture interest		(4,397)	(4,627)	(12,651)	(13,915)
Interest income		882	2,103	1,088	15,000
Other expenses	17	(8,294)	(6,375)	(20,407)	(14,393)
Loss for the period before income taxes		(12,181)	(39,446)	(120,437)	(80,396)
(Provision for) recovery of income taxes	20	(420)	628	(2,837)	14,257
Net loss and comprehensive loss for the period		(12,601)	(38,818)	(123,274)	(66,139)
Basic and diluted loss per common share		\$(0.01)	\$(0.19)	\$(0.14)	\$(0.34)
Weighted average number of common shares outstanding		1,871,765,520	206,299,221	903,233,449	197,257,591

KATANGA MINING LIMITED
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

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

As at September 30, 2009 and December 31, 2008

	Note	As at September 30, 2009 \$	As at December 31, 2008 \$
ASSETS			
Current			
Cash and cash equivalents		152,792	39,449
Restricted cash	5	3,000	-
Accounts receivable		29,578	-
Inventories	6	106,347	57,180
Prepaid expenses and other current assets		19,172	23,800
		310,889	120,429
Non-current			
Property, plant and equipment	7	1,387,661	1,342,924
Restricted cash	5	2,000	3,000
Other non-current assets		954	4,852
Future income tax assets	20	60,116	59,151
		1,761,620	1,530,356
LIABILITIES			
Current			
Accounts payable and accrued liabilities	8	147,816	176,497
Unearned revenue	15	15,026	14,041
Non-hedged derivative financial instruments	11	-	48
Accrued acquisition costs		-	2,232
		162,842	192,818
Non-current			
Convertible debt	10	-	163,848
Debentures payable	9	108,568	94,520
Asset retirement obligations	13	4,989	4,674
Restricted stock units	14	76	66
Future income tax liabilities	20	223,703	222,070
		500,178	677,996
SHAREHOLDERS' EQUITY			
Capital stock	3, 12	190,750	20,644
Warrants	12	5,809	5,809
Contributed surplus	12	2,539,753	2,174,787
Equity component of convertible debt	10	-	2,716
Deficit		(1,474,870)	(1,351,596)
		1,261,442	852,360
		1,761,620	1,530,356
Commitments – Note 19			

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 and Nine Months Ended September 30, 2009 and 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	-	-	-	4,976	-	-
Performance awards vested during the year	-	-	-	61	-	-
Equity component of refinanced convertible debt	-	-	-	-	5,065	-
Shares issued on conversion of convertible debt	971,023,329	97,102	-	173,133	-	-
Reclassification of equity component of convertible debt	-	-	-	7,781	(7,781)	-
Shares issued in rights offering	718,036,282	71,804	-	173,432	-	-
Shares issued on acquisition of Kamoto Operating Limited	12,000,000	1,200	-	5,583	-	-
Loss for the period	-	-	-	-	-	(123,274)
Balance at September 30, 2009	1,907,380,413	190,750	5,809	2,539,753	-	(1,474,870)

KATANGA MINING LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

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

Three and Nine Months Ended September 30, 2009 and 2008

	Three months ended		Nine months ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
	\$	\$	\$	\$
Cash flows from operating activities				
Net loss for the period	(12,601)	(38,818)	(123,274)	(66,139)
Adjusted for:				
Depreciation and amortization	7,273	6,844	25,968	8,881
Non-cash fair value increase in direct operating costs	-	-	-	68,934
Non-cash restructuring (gain) expenses	(758)	-	12,027	-
Stock-based compensation	398	(3,544)	2,475	4,630
Debenture interest	(3,741)	(3,895)	(2,729)	(3,374)
Unrealized foreign exchange loss	7,759	5,232	12,958	10,712
Convertible debt accretion	-	339	6,197	1,018
Asset retirement obligation accretion	106	29	315	89
Net derivative (gain) loss	-	805	(48)	2,663
Future income taxes	(1,749)	(628)	668	(14,257)
Changes in non-cash working capital:				
(Increase) decrease in accounts receivable	11,544	10,312	(29,578)	(1,479)
(Increase) decrease in prepaid expenses and other current assets	7,806	(11,082)	8,526	(338)
Increase in inventories	(21,939)	(24,127)	(49,167)	(41,587)
Decrease in accounts payable, accrued liabilities and unearned revenue	(42,893)	(999)	(23,980)	(14,402)
	(48,795)	(59,532)	(159,642)	(44,649)
Cash flows from investing activities				
Additions to property, plant and equipment	(20,812)	(106,525)	(69,883)	(289,860)
Restricted cash	(2,000)	-	(2,000)	(22,432)
Cash acquired on acquisition of Nikanor PLC, net of acquisition costs	-	(1,299)	-	428,376
	(22,812)	(107,824)	(71,883)	116,084
Cash flows from financing activities				
Proceeds from convertible debt	-	-	100,000	-
Proceeds from rights offering net of issue costs and repayment of bridge facility	74,658	-	245,226	-
	74,658	-	345,226	-
Increase (decrease) in cash and cash equivalents	3,051	(167,356)	113,701	71,435
Cash and cash equivalents, beginning of period	149,817	330,097	39,449	100,714
Effect of exchange rate changes on cash held in foreign currencies	(76)	(6,916)	(358)	(16,324)
Cash and cash equivalents, end of period	152,792	155,825	152,792	155,825
Supplementary cash flow information				
Interest paid	8,138	8,523	15,380	17,289
Income taxes paid	1,037	-	1,727	237
Non-cash financing activities				
Shares issued on conversion of convertible debenture	-	-	270,235	-

KATANGA MINING LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Three and Nine Months Ended September 30, 2009 and 2008

1. DESCRIPTION OF BUSINESS

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. Pursuant to an amended joint venture agreement signed on July 25, 2009, KCC and DCP will be merged (see note 22 for further explanation of this matter). The merger is conditional on ratification by Presidential decree in the DRC.

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 Luilu 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, and various oxide open pit resources, the largest of which is the KOV pit. The KOV pit is not yet in commercial production.

KATANGA MINING LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Three and Nine Months Ended September 30, 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 generally accepted accounting principles ("Canadian GAAP"). The preparation of the financial statements is based upon accounting policies and practices consistent with those used in the preparation of the 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 comparative 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 periods 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 ended 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 had no 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 and Nine Months Ended September 30, 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 the fiscal year beginning January 1, 2009. The application of this EIC had no effect on the consolidated financial statements.

To be adopted in fiscal 2010 and beyond

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

Convertible debt

On June 2, 2009, the Company announced that it had received notices of exchange from all lenders under the mandatorily convertible facility (the "Facility") to exchange in full their respective loan participations in the Facility (including accrued and capitalized interest to date) into common shares of the Company (see note 10). As at that date the total amount outstanding under the Facility was US\$270.2 million, which included accrued and capitalized interest. In connection with the exchange, the Company issued an additional 971,023,329 common shares.

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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 and Nine Months Ended September 30, 2009 and 2008

3. FINANCING AND CAPITAL DISCLOSURES (Continued)

Following the issuance of these common shares, the Company has no further obligations to the lenders under the Facility.

Rights offering

On June 10, 2009, the Company announced the completion of the early liquidity closing (the "Early Liquidity Closing") in connection the Company's previously announced US\$250 million rights offering (the "Offering"). As a result of the early liquidity closing, the Company issued an aggregate of 492,379,266 common shares to Glencore Finance (Bermuda) Limited (see note 18) and its related party Jangleglade Limited, subsidiaries of Glencore International AG, for aggregate gross proceeds to the Company of US\$172,333.

On July 7, 2009, the Company announced the further issuance of 225,657,016 common shares pursuant to the Offering and the Standby Commitment, increasing its total issued and outstanding common shares to 1,895,380,413, and received the remainder of the aggregate gross proceeds of US\$250,000 for the offering amounting to US\$77,667.

The Company used \$32.5 million of the proceeds to fully repay a non-convertible partly drawn bridge loan facility owing to Glencore.

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 one customer, which is 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 and debenture notes. The debenture notes have a fixed interest rate of 14.0%.

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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 and Nine Months Ended September 30, 2009 and 2008

4. FINANCIAL RISK MANAGEMENT (Continued)

(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 September 30, 2009, the unrealized foreign exchange gain or loss would move by approximately \$142. The debentures payable are denominated in CDN\$ and as such the Company is exposed to unrealized foreign exchange gains or losses which will be realized upon maturity of the debentures on November 20, 2013. A plus or minus 1% movement in the CDN\$ exchange rate at September, 30 2009 would affect the consolidated statement of operations and comprehensive loss by approximately \$1,144.

Commodity 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.

As at September 30, 2009, the Company had 8,755 tonnes of copper and 470 tonnes of cobalt 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 \$5,619 per tonne for copper and \$31,909 per tonne for cobalt (amounts in whole numbers). A 1% plus or minus movement in the copper and cobalt price at September 30, 2009 would result in a \$639 change to revenue and trade receivables.

Liquidity risk

It is anticipated that the Company's existing cash balances, which include the proceeds from the issuance of equity in June and July 2009, cash flow from operations and existing credit facilities will be sufficient to fund the operations, and Phase II and III capital and reclamation programs planned for the next twelve months.

Financial Instruments

At September 30, 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 and long-term debt. With respect to all of these financial instruments with the exception of long-term debt, the Company estimates that the fair value of these financial instruments approximates the carrying values at September 30, 2009 and December 31, 2008, respectively. The publicly-traded debentures were trading at a discount to their carrying value, as at September 30, 2009 (\$93,144), and December 31, 2008 (\$51,077).

KATANGA MINING LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Three and Nine Months Ended September 30, 2009 and 2008

5. RESTRICTED CASH

The Company has entered into guarantees as required by certain capital asset procurement contracts. As at September 30, 2009, the Company has restricted cash deposits of \$5,000 (December 31, 2008 - \$3,000) in respect of these guarantees.

6. INVENTORIES

	As at September 30, 2009 \$	As at December 31, 2008 \$
Ore in stockpiles	14,413	6,460
Work in progress	6,340	13,189
Finished product	11,923	4,014
Total product inventory	32,676	23,663
Consumables	73,671	33,517
	106,347	57,180

7. PROPERTY, PLANT AND EQUIPMENT

As at September 30, 2009	Cost \$	Accumulated amortization \$	As at September 30, 2009 \$	As at December 31, 2008 \$
Mineral interests				
Capitalized development expenditures	941,809	-	941,809	903,486
Assets subject to amortization	165,598	4,662	160,936	322,353
Total	1,107,407	4,662	1,102,745	1,225,839
Other property, plant and equipment				
Plant and equipment	233,770	13,965	219,805	63,429
Computer equipment	7,781	2,026	5,755	5,498
Computer software	998	531	467	388
Furniture and fixtures	3,840	1,739	2,101	2,399
Land and buildings	20,356	1,092	19,264	7,829
Vehicles	37,342	11,606	25,736	25,718
Closure and restoration costs	2,743	495	2,248	3,097
Leasehold improvements	11,302	2,170	9,132	877
Assets in transit	408	-	408	7,850
Total	318,540	33,624	284,916	117,085
Total property, plant and equipment	1,425,947	38,286	1,387,661	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 and Nine Months Ended September 30, 2009 and 2008

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at September 30, 2009 \$	As at December 31, 2008 \$
Trade payables and accruals	102,527	121,071
Change of control accrual (1)	237	10,374
Other accruals (2)	45,052	45,052
Total accounts payable and accrued liabilities	147,816	176,497

(1) During the year ended December 31, 2008, pursuant to employment and change of control agreements five Company executives became entitled to termination payments upon their resignation. These obligations were substantially settled during the nine months ended September 30, 2009, with the balance expected to be settled by February 2011.

(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 at 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. The balance outstanding at September 30, 2009 represents the estimated amount remaining to be settled.

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"). Initially each Warrant entitled the holder to purchase one common share of the Company anytime within five years from the closing date at CDN\$8.50 per share. As a result of the rights offering and the adjustment to the exchange basis of the warrants pursuant to the terms of the warrant indenture the number of common shares issuable on the exercise of the warrants has increased from 1 common share to 1.28 common shares per warrant. 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 nine months ended September 30, 2009, \$15,380 of interest was paid on the debentures (nine months ended September 30, 2008 - \$17,289).

KATANGA MINING LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Three and Nine Months Ended September 30, 2009 and 2008

9. DEBENTURES PAYABLE (Continued)

The debentures payable balance is comprised of the following:

	As at September 30, 2009 \$	As at December 31, 2008 \$
Debenture payable, beginning of period	94,520	118,012
Changes during the period:		
Accretion	1,152	1,541
Foreign exchange translation loss (gain) (1)	12,896	(25,033)
Debentures payable, end of period	108,568	94,520

(1) The foreign exchange translation loss (gain) is unrealized and represents the revaluation of the CDN dollar denominated debentures to US dollars. These foreign exchange losses (gains) are included in other expenses, (see note 17). 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 completed a two year mandatorily convertible loan facility in the principal amount of \$265.3 million, (the "Facility"). The Facility was 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 amounted to \$165.3 million.

The Facility incurred interest at LIBOR plus 3% payable upon maturity. During the two-year term, the Facility was convertible at the option of each lender into common shares of the Company either at any time while the loan was outstanding at US\$0.2783 per common share, being the 5 day volume weighted average price per common share immediately prior to the announcement of the Facility 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.

On June 2, 2009, the Company received notices of exchange from all lenders under the facility to exchange in full their respective loan participations in the Facility (including accrued and capitalized interest to such date) into common shares of the Company. As at that date, the total amount outstanding under the Facility was US\$270.2 million, which included accrued and capitalized interest. In connection with the exchange, the Company issued an additional 971,023,329 common shares.

Following the issuance of these common shares the Company has no further obligations to the lenders under the Facility.

KATANGA MINING LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Three and Nine Months Ended September 30, 2009 and 2008

10. CONVERTIBLE DEBT (Continued)

The convertible debt was comprised of the following:

	As at September 30, 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	5,256	12,973
Accretion (2)	6,197	1,357
Converted into common shares	(270,236)	-
Convertible debt, end of period	-	163,848

- (1) The equity component of the additional drawdown on the refinanced facility was 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 was being accreted to its face value over the term of the loan with a corresponding accretion expense. Given the early conversion of the facility into common shares of the Company on June 2, 2009, accelerated accretion expense (that would have otherwise been recognised on a straight line basis to January 11, 2011) of \$4,906 was recognised by the Company.

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 liabilities associated with the derivatives is as follows:

	As at September 30, 2009 \$	As at December 31, 2008 \$
Current		
Foreign currency forward contract	-	48
	-	48

KATANGA MINING LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Three and Nine Months Ended September 30, 2009 and 2008

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 nine months ended September 30, 2009:

Expiry date	Exercise price (1)	Outstanding December 31, 2008	Issued during the period	Exercised/ expired during the period	Outstanding September 30, 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. As a result of the rights offering and the adjustment to the exchange basis of the warrants pursuant to the terms of the warrant indenture the number of issuable common shares on the exercise of the warrants has increased from 1 common share to 1.28 common shares per warrant. The resultant change in fair value as a result of the modification was not considered significant.

(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	(918,333)	10.87
Outstanding at September 30, 2009	4,597,353	12.17

(1) Denominated in Canadian dollars.

During the nine months ended September 30, 2009, there were no options granted pursuant to the Company's stock option plan. During the nine months ended September 30, 2008, 1,965,000 stock options were granted pursuant to the Company's stock option plan with an average exercise price of \$13.67. The value assigned to these options was calculated using the Black-Scholes valuation model.

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12. CAPITAL STOCK AND CONTRIBUTED SURPLUS (Continued)

(c) STOCK OPTIONS (Continued)

During the year ended December 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.

The following table summarizes the stock options outstanding at September 30, 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	783,333	-
\$6.15	July 6, 2011	200,000	-
\$6.00	July 9, 2011	185,000	-
\$7.30	December 17, 2011	366,667	33,333
\$12.81	April 1, 2012	16,667	8,333
\$15.97	May 6, 2012	16,667	8,333
\$16.29	May 9, 2012	100,000	-
\$18.09	July 1, 2012	33,333	16,667
\$14.61	December 5, 2012	1,066,666	33,334
\$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	26,667	53,333
\$13.25	April 30, 2013	16,667	33,333
\$11.47	May 14, 2013	16,667	-
\$10.50	August 14, 2013	50,000	100,000
		4,310,687	286,666

(1) Denominated in Canadian dollars.

(2) The aggregate fair value of these unvested options not yet charged to operations is CDN\$1,087.

The weighted average exercise price of exercisable options is CDN\$11.17 and outstanding unvested options is CDN\$12.17.

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12. CAPITAL STOCK AND CONTRIBUTED SURPLUS (Continued)

(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 was 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 estimated to be \$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 was included as part of the acquisition costs. These awards are now fully vested as the associated employees have left the Company.

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 September 30, 2009 \$	As at December 31, 2008 \$
Asset retirement obligations, beginning of period	4,674	-
Arising from acquisition of Nikanor	-	2,410
Accretion	315	122
Revision to estimate	-	2,142
Asset retirement obligations, end of period	4,989	4,674

The AROs which arose on the acquisition of Nikanor were 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.

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14. RESTRICTED STOCK UNITS (“RSUs”)

Included on the Company's September 30, 2009 consolidated balance sheet is a payable of \$76 related to 80,864 outstanding RSUs, (December 31, 2008 - \$66 related to 324,634 RSUs). The following table reflects the continuity of RSUs during the period:

	September 30, 2009	December 31, 2008
	Number of RSUs	Number of RSUs
Restricted stock units, beginning of period	324,634	740,434
Granted	-	131,300
Vested	(197,103)	(468,766)
Cancelled	(46,667)	(78,334)
Restricted stock units, end of period	80,864	324,634

15. SALES AND COST OF SALES

	Three months ended		Nine months ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
	\$	\$	\$	\$
Copper	58,404	22,542	134,036	41,966
Cobalt	20,139	17,920	45,080	20,489
Cobalt concentrate	(2,296)	17,187	6,439	134,197
	76,247	57,649	185,555	196,652

Copper and cobalt 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 with adjustments being recorded in sales in the statement of operations and accounts receivable on the balance sheet. The mark-to-market gain for the nine months ended September 30, 2009 was \$7,400 (September 30, 2008, loss of \$13,325) with a corresponding increase or decrease in accounts receivable. Cobalt sales are not marked-to-market due to the absence of a futures market.

As at September 30, 2009, the Company recognized an unearned revenue balance of \$15,026 on copper and cobalt (December 31, 2008 - \$14,041) due to advance payments received on future sales. Sales revenue is not recognized until title and ownership has transferred.

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 nine months ended September 30, 2008 includes \$68,934 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 nine months ended September 30, 2008 consolidated statement of operations.

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16. RESTRUCTURING EXPENSES

The following represent non-recurring amounts incurred as part of the restructuring of the Company's operations required to comply with the new joint venture agreement (see note 22) and to implement a new mine plan which defers the expansion of the SX/EW plant.

	Three months ended		Nine months ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
	\$	\$	\$	\$
Loss on return of assets to Gécamines (1)	-	-	(5,141)	-
Loss on settlement of construction services contract for SX/EW plant	-	-	(8,688)	-
Termination of Kamoto Operating Limited operating agreement gain (loss) (2)	859	-	(6,784)	-
Employee termination costs (3)	(103)	-	(4,582)	-
	756	-	(25,195)	-

- (1) As part of the merger of the KCC and DCP Joint Ventures, the KZC concentrator at Kolwezi was returned to Gécamines.
- (2) On September 23, 2009, the Company completed the acquisition of Kamoto Operating Limited ("KOL"). The Company acquired KOL from companies controlled by former directors of the Company by issuing an aggregate of 12,000,000 common shares and by making a cash payment in the aggregate amount of \$1,600. KOL was the operator of the assets of KCC in the DRC pursuant to the terms of an operating agreement between KOL and KCC dated November 2, 2005 (the KOL Operating Agreement). As part of the new joint venture agreement with Gécamines (see note 22), the KOL Operating Agreement terminated on September 30, 2009. The amount of the loss on the termination was equal to the consideration value paid to acquire KOL, namely \$1,600 and 12,000,000 common shares of the Company. The estimated loss on termination was accrued for at June 30, 2009. The gain recorded in the three months ended September 30, 2009 results from the difference between the estimated value of the consideration accrued at June 30, 2009 and the actual consideration paid. The difference arose due to movements in the Company's share price and the Canadian / US dollar exchange rate from June 30, 2009 to September 23, 2009.
- (3) Employee termination costs represent costs incurred to terminate employees as a result of the deferral of the SX/EW plant expansion and the closure of the UK office.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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17. OTHER EXPENSES

	Three months ended		Nine months ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
	\$	\$	\$	\$
Foreign exchange loss	(8,025)	(5,231)	(13,224)	(10,712)
Net derivative (loss) gain	-	(805)	48	(2,663)
Interest expense	(269)	-	(1,034)	-
Convertible debt accretion	-	(339)	(6,197)	(1,108)
	(8,294)	(6,375)	(20,407)	(14,393)

18. RELATED PARTY TRANSACTIONS

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

Related Parties

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 was completed 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 the majority 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. During the nine months ended September 30, 2009, Glencore has also provided funding to the Company in the form of convertible debt (see notes 3 and 10).

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 2008 and the nine months ended September 30, 2009, Xstrata has provided mining equipment and services to the Company.

Mopani Copper Mine Plc ("Mopani") is a copper and cobalt producer located in Zambia. Mopani is a 73% owned subsidiary of Glencore. During 2008 and the nine months ended September 30, 2009, Mopani supplied acid and other consumables to the Company.

Mutanda ya Mukonkota Mining SPRL ("Mutanda") is a copper and cobalt producer located in the DRC. Mutanda is a 40% owned investment of Glencore. During the nine months ended September 30, 2009, Mutanda supplied vehicles and furniture to the Company.

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18. RELATED PARTY TRANSACTIONS (Continued)

Kamoto Operating Limited ("KOL"), a company incorporated pursuant to the laws of the DRC, was 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. KOL was acquired by the Company on September 23, 2009, and the Operating Agreement terminated on September 30, 2009 (see note 16). Current shareholders and former directors of the Company were the owners of KOL. The Operating Agreement established the terms and conditions pursuant to which KOL as operator provided 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 provided to KOL. Fees to the end of May, 2008 were capitalized to mineral interests. From the commencement of commercial production on June 1, 2008 to the date of termination of the Operating Agreement (September 30, 2009), fees had been expensed to the consolidated statement of operations and comprehensive loss and deficit.

Enterprise Generale Malta Forrest SPRL ("EGMF"), a company owned by George Forrest and which has Malta Forrest as a Director, both of whom had a beneficial interest in the Company, was involved in contracts for 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. These contracts were entered into while EGMF was a related party.

Malta Forrest, who was a Director and had a beneficial interest in the Company, provided consultation on corporate affairs in the DRC.

Bateman Engineering N.V ("Bateman"), a company in the BSG Resources group who through Oakey Investment Holdings, was a related party, and was engaged in the engineering and procurement contracts for KOV and the Kamoto Project. These contracts were entered into while Bateman was a related party.

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18. RELATED PARTY TRANSACTIONS (Continued)

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 September 30, 2009 \$	Three months ended September 30, 2008 \$	Nine months ended September 30, 2009 \$	Nine months ended September 30, 2008 \$
Purchases from related parties				
DEM	-	27,262	-	33,670
Gécamines	4,199	1,696	6,248	4,256
Xstrata	2,917	-	7,861	-
Mopani	2,846	-	3,131	-
Mutanda	82	-	82	-
Purchases from former related parties				
EGMF	16,900	9,042	45,729	23,097
Bateman	-	8,957	4,617	18,075
Malta Forrest	-	-	-	90
Sales to related parties				
DEM	-	-	-	655
Glencore	76,247	14,228	178,155	106,828
Sales to former related parties				
EGMF	7,714	-	13,009	-
<hr/>				
			As at September 30, 2009 \$	As at December 31, 2008 \$
Amounts owed to related parties				
DEM			-	3,690
Gécamines			6,383	13
Mopani			1,867	-
Mutanda			-	-
Glencore			74	-
Glencore (convertible debt)			-	162,885
Xstrata			8,560	14,608
<hr/>				
Amounts owed by related parties				
Gécamines			5,429	-
Glencore			21,387	7,454

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19. COMMITMENTS

The following table summarizes the Company's contractual and other obligations as at September 30, 2009.

Payments due by period	Total	Less than	1-3 years	4-5 years	After 5
	\$	1 year	\$	\$	years
		\$			\$
Property operating lease	2,125	960	1,165	-	-
Capital expenditure commitments (1)	13,307	13,307	-	-	-
Debentures payable (2)	176,671	16,098	32,241	128,332	-
Pas de porte (3)	110,500	15,000	20,000	30,000	45,500
Gécamines lease (4)	28,800	1,800	5,400	3,600	18,000

(1) The capital expenditure commitments relate to Phase II and Phase III of the Kamoto Project. Phase II is substantially complete with final completion expected to be on budget in 2009. Phase III has commenced, with a budgeted cost of US\$262 million, and is expected to increase production to 150,000 tonnes of copper per annum by 2011. It is expected that Phase II and III will be substantially funded by existing cash balances and cash generated by operations.

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

(3) Pursuant to the terms of the New Joint Venture Agreement (see note 22), a "*pas de porte*" ("entry premium") obligation shall be payable to Gécamines for the access to the project. The total amount shall be \$140,000, payable in installments on an agreed schedule until 2016. Of the \$140,000, \$5,000 has already been paid and \$24,500 has been deducted representing Gécamines' outstanding share capital contribution to KCC. Payment of the entry premium is dependent upon certain conditions that are set out in the new joint venture agreement. In particular there is a requirement that the exploitation permit transfer be completed. Upon completion of these conditions, the full net present value of the payment will be accrued for and capitalized to mineral interest where it will be amortized over the life of the new joint venture agreement.

(4) Pursuant to the terms of the New Joint Venture Agreement (see note 22), all installations and infrastructures within the perimeter of the KCC/DCP concession area shall be rented for an annual lease payment to Gécamines of \$1,800.

Glencore and the Company have signed an off-take agreement whereby, commencing January 1, 2009, all copper and cobalt produced is sold to Glencore based on market terms.

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20. INCOME TAXES

The following table reconciles the expected income tax (provision) recovery at the statutory income tax rate to the amounts recognized in the statements of operations:

	Three months ended		Nine months ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
	\$	\$	\$	\$
Loss before income taxes reflected in the consolidated statements of operations	(12,181)	(39,446)	(120,437)	(80,396)
Expected income tax recovery at Canadian statutory rates	3,533	11,637	34,927	23,717
Effect of difference in foreign tax rates	707	4,093	18,940	15,788
Effect of change in temporary differences not recognized	34,459	3,415	113,739	1,765
Permanent differences	813	534	(3,817)	1,149
Current period losses not recognized	(39,932)	(19,069)	(164,702)	(28,180)
Adjustment in respect of prior years	-	18	(1,924)	18
(Provision for) recovery of income taxes:	(420)	628	(2,837)	14,257

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20. INCOME TAXES (Continued)

The following table reflects the future income tax asset and liability amounts at September 30, 2009 and December 31, 2008:

	As at September 30, 2009 \$	As at December 31, 2008 \$
Future income tax assets		
Property, plant and equipment	18	18
Exploration and development	-	73,466
Non-capital losses carried forward	232,863	93,122
Other	18,368	53,220
	251,249	219,826
Less: valuation allowance	(191,133)	(160,675)
Total future income tax assets	60,116	59,151
Future income tax liabilities		
Property, plant and equipment	(41,790)	(21,640)
Exploration and development	(181,913)	(200,430)
Total future tax liabilities	(223,703)	(222,070)
Future income tax liabilities - net	(163,587)	(162,919)

The future income tax asset of \$60,116 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 \$191,133 as at September 30, 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 \$58,552 expired on the exchange of the convertible facility on 2 June 2009 (see note 3). In addition, gross non-capital losses carried forward of \$52,319 in DCP will expire on the merger with KCC. As at September 30, 2009, the Company had gross non-capital losses available for future use expiring 2013 and thereafter of \$777,833 (December 31, 2008 - \$317,468).

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21. 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 DRC	Total
As at September 30, 2009			
Cash, cash equivalents and restricted cash	148,377	9,415	157,792
Other assets	33,393	1,570,435	1,603,828
Total assets	181,770	1,579,850	1,761,620
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 September 30, 2009			
Sales revenue	-	76,247	76,247
Net income (loss)	(17,747)	5,146	(12,601)
Interest income	547	335	882
Debenture interest	(4,397)	-	(4,397)
Provision for income taxes	(362)	(58)	(420)
Nine months ended September 30, 2009			
Sales revenue	-	185,555	185,555
Net loss	(38,953)	(84,321)	(123,274)
Interest income	753	335	1,088
Debenture interest	(12,651)	-	(12,651)
Provision for income taxes	(740)	(2,097)	(2,837)
Three months ended September 30, 2008			
Sales revenue	-	57,649	57,649
Net loss	(6,788)	(32,030)	(38,818)
Interest income	1,900	203	2,103
Debenture interest	(4,627)	-	(4,627)
Recovery of income taxes	-	628	628
Nine months ended September 30, 2008			
Sales revenue	-	196,652	196,652
Net loss	(4,404)	(61,735)	(66,139)
Interest income	13,649	1,351	15,000
Debenture interest	(13,915)	-	(13,915)
Recovery of income taxes	73	14,184	14,257

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

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22. JOINT VENTURE AGREEMENT (“JVA”)

On July 25, 2009, an amended JVA was signed. The major areas of the new JVA are: to release the Dikuluwe and Mashamba West Deposits; merge the DCP and KCC joint ventures; and address requirements of the Government of the Democratic Republic of Congo resulting from the review of mining partnerships with Gécamines. KCC will be the continuing joint venture company (“Merged JV Company”) and 75% of the share capital in the Merged JV Company will continue to be allocated to Katanga’s wholly owned subsidiaries and 25% to Gécamines. Gécamines’ interest is non-dilutable. The merger of the DCP and KCC joint ventures is conditional on Presidential approval.

Gécamines and the Merged JV Company also defined an exploration programme through to 2014 that will enable Gécamines to seek replacement reserves of copper and cobalt tonnages for Katanga. The agreed budget of US\$20 million will be financed by the Merged JV Company through interest free loans to Gécamines. Repayment of these loans will be set off against the dividends and royalties otherwise due to Gécamines from the Merged JV Company.

The term of the JVA extends until 2025, subject thereafter to two automatic renewal terms of ten years each time and the Company’s right to terminate the JVA if there is a change of law in the DRC which materially impacts the economic profitability of the project for the Company or affects its rights under the JVA.

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22. JOINT VENTURE AGREEMENT (“JVA”) (Continued)

Transfers of Exploitation Permits, Infrastructure and Other Necessary Surfaces

The parties agreed the perimeters of the transfers of the KCC/DCP concession area deposits. This included the following permits which transferred from Gécamines/DCP to the Merged JV Company:

- Kamoto Underground and Mashamba East deposits - 13 carrés (1 carré = 84.955 hectares);
- T17 deposit - 2 carrés;
- Kananga deposit - 13 carrés;
- the extension of the Kananga deposit - 1 carré;
- KOV deposit - 10 carrés;
- Tilwezembe deposit - 9 carrés; and
- potentially, one or several further Exploitation Permits that are part of the future development plan.

It was also agreed with Gécamines that all installations and infrastructures within the perimeter of the KCC/DCP concession area be rented by Gécamines to the Merged JV Company for an annual lease payment of US\$1.8 million, with rental being covered by the royalties. Katanga agreed that the KZC concentrator at Kolwezi was to be returned to Gécamines who will re-employ following the transfer the former Gécamines employees.

The DCP exploitation permits were transferred to the Merged JV Company as part of the merger process.

As set out in the agreement between Gécamines, KFL Limited and KCC dated February 8, 2008, relating to the release of the Dikuluwe and Mashamba West deposits (“Concession Release Agreement”), the perimeter of the merged the KCC/DCP concession area will contain the surface necessary for the proper operation of the current activities of the merged joint venture company, including space for dumps, storage sites, tailings and new infrastructure (the “Necessary Surfaces”). The Necessary Surfaces which have been determined in the JVA, shall be rented to the Merged JV Company once drillings have confirmed that the Necessary Surfaces contain no mineral reserves. If reserves are discovered, the relevant surfaces shall be transferred (or in certain cases leased) to the Merged JV Company.

The Merged JV Company will have an option, within three years following the merger of KCC and DCP, to increase, without payment of any additional compensation, the necessary surfaces by 5 carrés if such extension is required for the project. If the option has not been exercised by the Merged JV Company within the three year period, then should Gécamines thereafter wish to dispose of such carrés to a third party, the Merged JV Company has a pre-emptive right on the same terms and conditions as offered by that third party.

KATANGA MINING LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Three and Nine Months Ended September 30, 2009 and 2008

22. JOINT VENTURE AGREEMENT (“JVA”) (Continued)

Replacement Deposits

Gécamines shall have the right to undertake exploration activities to find replacement reserves of some 3,992,185 tonnes of copper and 205,629 tonnes of cobalt. Such exploration activities can take place within and outside the exploitation permits being transferred to the Merged JV Company. Any deposits found within the perimeters of the exploitation permits transferred or to be transferred to the Merged JV Company (other than the deposits, or extension of the deposits at Kamoto, Mashamba East, Tilwezembe, Kananga, T17 and KOV) shall be considered as replacement reserves, as well as any other deposits discovered in other perimeters belonging to Gécamines the exploitation of which may be transferred to the Merged JV Company.

As at July 1, 2015, to the extent that there is a shortfall in replacement deposits, the parties shall calculate the proportion of the shortfall and the financial compensation payable shall be calculated as the shortfall percentage multiplied by \$285,000. This amount (\$ 285,000) was arrived at by discounting back to July 1, 2015 the net cash flows attributable to the mining of the reserves, excluding resources, returned to Gécamines. Any amounts not paid at that time shall bear interest at the rate of 6 month LIBOR, such rate increased by 3 per cent being applicable to any amounts remaining unpaid as at August 31, 2016. Any future payments of dividends and royalties due after July 1, 2015 from the Merged JV Company to Gécamines can be withheld and set off against any outstanding amounts.

Share Capital and Financing

The share capital of KCC was increased to US\$100 million. It was agreed that the 25% equity interest of Gécamines and its subsidiary shall be non-dilutable. Katanga Mining Limited or one of its wholly-owned subsidiaries shall advance to Gécamines and its subsidiary the subscription amount of \$24,500 payable by them in respect of the capital increase. Such advance shall be deducted from the pas-de-porte payment described below, and consequently shall not be repayable by Gécamines.

Dividends shall be distributed proportionate to the equity stakes of the shareholders in the merged joint venture company. Of the available cash flows of the Merged JV Company, 25% shall be used to pay dividends and 75% shall be used to repay shareholder and other borrowings.

Following the establishment of the Merged JV Company, 5% of the future funding requirements of the Merged JV Company shall be met by non-interest bearing equity financing from KFL and Global Enterprises Corporate Limited (“GEC”). In respect of the remaining 95% of future funding requirements granted to KCC after the Effective Date, the Company will pay for all interest costs above a rate of LIBOR plus 3% that the Merged JV Company has to pay under such future funding arrangements as well as the other non-recurring finance costs.

The Company’s obligations in this respect will terminate upon the project achieving a production rate of 150,000 tonnes of copper per year.

KATANGA MINING LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Three and Nine Months Ended September 30, 2009 and 2008

22. JOINT VENTURE AGREEMENT (“JVA”) (Continued)

Rental, Royalty and Pas de Porte

A royalty shall be payable to Gécamines by the Merged JV Company for the use of the equipment and facilities as well as the depletion of the deposits. This rate is set at 2.5% of net revenues calculated in the same manner as royalties payable under the DRC Mining Code, namely sales less transportation, quality control, insurance and marketing costs.

A “*pas de porte*” (“entry premium”) obligation shall be payable by KFL/GEC to Gécamines for the access to the project. The total amount shall be \$140,000, of which \$5,000 was paid; \$24,500 has been deducted representing Gécamines’ outstanding share capital contribution to KCC; \$5,000 will be paid upon effective transfer of the exploitation permits from Gécamines to KCC which is expected to take place in the fourth quarter of 2009 and the balance payable in installments on an agreed schedule until 2016, subject to the merger of DCP and KCC becoming effective. Payment of the entry premium is dependent upon certain conditions that are set out in the new joint venture agreement. In particular there is a requirement that the exploitation permit transfer be completed. Upon completion of these conditions, the full net present value of the payment will be accrued for and capitalized to mineral interest where it will be amortized over the life of the new joint venture agreement.

No further *pas de porte* will be payable in respect of the replacement reserves to compensate for the release of Dikuluwe and Mashamba West; however, any additional tonnage brought by Gécamines to the merged joint venture company after the released deposits have been fully compensated will incur a new *pas de porte* payment of US\$35 per tonne of copper (in whole units).