

**KATANGA MINING LIMITED**

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2010**

# KATANGA MINING LIMITED

## UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2010

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

# KATANGA MINING LIMITED

## CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(Expressed in thousands of US dollars, except per share amounts)

For the three months ended March 31,	Note	2010 \$	2009 \$
Sales revenues	11	140,748	47,058
Cost of sales		(70,831)	(57,917)
Royalties and transportation costs		(17,310)	(18,827)
Depreciation and amortization		(13,527)	(8,882)
		<b>39,080</b>	<b>(38,568)</b>
<b>Other income (expenses)</b>			
General and administrative		(2,282)	(4,373)
Restructuring expenses net	12	-	(10,064)
Debenture interest		(4,792)	(3,704)
Interest income		36	157
Foreign exchange and other expenses	13	(4,153)	3,561
<b>Income (loss) for the period before income taxes</b>		<b>27,889</b>	<b>(52,991)</b>
Provision for income taxes		(296)	(227)
<b>Net and comprehensive income (loss) for the period</b>		<b>27,593</b>	<b>(53,218)</b>
Basic and diluted income (loss) per common share		<b>\$0.01</b>	<b>\$(0.26)</b>
Weighted average number of common shares outstanding		<b>1,907,380,413</b>	<b>206,320,802</b>

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

KATANGA MINING LIMITED  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

(Expressed in thousands of US dollars)

As at March 31, 2010 and December 31, 2009	Note	2010 \$	2009 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash		126,695	77,243
Restricted cash	3	-	8,455
Accounts receivable		53,278	58,379
Inventories	4	86,755	92,434
Prepaid expenses and other current assets		21,458	28,180
		<b>288,186</b>	<b>264,691</b>
<b>Non-current</b>			
Property, plant and equipment	5	1,499,708	1,481,904
Restricted cash	3	5,000	5,000
Future income tax assets		56	56
		<b>1,792,950</b>	<b>1,751,651</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	6	136,882	122,204
Unearned revenue	11	10,068	14,600
		<b>146,950</b>	<b>136,804</b>
<b>Non-current</b>			
Debentures payable	8	116,876	112,929
Other long-term liabilities	7	55,761	56,291
Asset retirement obligations		5,067	4,964
Restricted stock units	10	51	47
Future income tax liabilities		163,630	163,630
		<b>488,335</b>	<b>474,665</b>
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock	9	190,750	190,750
Warrants	9	5,809	5,809
Contributed surplus	9	2,540,059	2,540,023
Deficit		(1,432,003)	(1,459,596)
		<b>1,304,615</b>	<b>1,276,986</b>
		<b>1,792,950</b>	<b>1,751,651</b>
Guarantees – Note 3			
Commitments – Note 15			

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

# KATANGA MINING LIMITED

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)

(Expressed in thousands of US dollars)

Three months ended March 31, 2010 and for the year ended December 31, 2009

	Number of shares	Capital stock \$	Warrants \$	Contributed surplus \$	Equity component of convertible debt \$	Deficit \$
Balance at January 1, 2009	206,320,802	20,644	5,809	2,174,787	2,716	(1,351,596)
Options vested during the year	-	-	-	5,246	-	-
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	-	-
Net loss for the year	-	-	-	-	-	(108,000)
<b>Balance at December 31, 2009</b>	<b>1,907,380,413</b>	<b>190,750</b>	<b>5,809</b>	<b>2,540,023</b>	<b>-</b>	<b>(1,459,596)</b>
Options vested during the period	-	-	-	36	-	-
Net income for the period	-	-	-	-	-	27,593
<b>Balance at March 31, 2010</b>	<b>1,907,380,413</b>	<b>190,750</b>	<b>5,809</b>	<b>2,540,059</b>	<b>-</b>	<b>(1,432,003)</b>

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

KATANGA MINING LIMITED  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

(Expressed in thousands of US dollars)

For the three months ended March 31,	2010 \$	2009 \$
<b>Cash flows from operating activities</b>		
Net income (loss) for the period	27,593	(53,218)
Adjusted for:		
Depreciation and amortization	13,527	8,882
Stock-based compensation	32	1,168
Debenture interest	(3,663)	(3,538)
Unrealized foreign exchange loss (gain)	3,567	(4,506)
Convertible debt accretion	-	776
Asset retirement obligation accretion	102	102
Gain on disposal of property, plant and equipment	(15)	-
Net derivative gain	-	(48)
Future income taxes	-	227
Changes in non-cash working capital:		
Decrease (Increase) in accounts receivable	5,101	(23,548)
Decrease (Increase) in prepaid expenses and other current assets	4,792	(4,755)
Decrease (Increase) in inventories	8,077	(4,470)
Increase in accounts payable, accrued liabilities and unearned revenue	13,210	11,591
	<b>72,323</b>	<b>(71,337)</b>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(31,195)	(36,574)
Proceeds from disposals of property, plant and equipment	33	-
Restricted cash	8,455	7,625
	<b>(22,707)</b>	<b>(28,949)</b>
<b>Cash flows from financing activities</b>		
Proceeds from convertible debt	-	100,000
	-	<b>100,000</b>
<b>Increase (decrease) in cash</b>	<b>49,616</b>	<b>(286)</b>
Cash, beginning of period	77,243	31,824
Effect of exchange rate changes on cash held in foreign currencies	(164)	249
Cash, end of period	<b>126,695</b>	<b>31,787</b>
<b>Supplementary cash flow information</b>		
Interest paid	8,455	7,242
Income taxes paid	206	690

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

# KATANGA MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Three months ended March 31, 2010 and 2009

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### 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") is engaged in copper and cobalt mining and related activities in the Democratic Republic of Congo ("DRC"). KCC is engaged in the exploration, refurbishment and rehabilitation of the Kamoto/Mashamba East mining complex and the KOV copper and cobalt mine (the "Project"), in the DRC.

The Project includes exploration and mining properties, the Kamoto concentrator, the Luilu metallurgical plant, the Kamoto underground mine, the KOV pit and various oxide open pit resources in the Kolwezi district of the DRC. The KOV pit is not yet in commercial production although pre-stripping and de-watering have commenced.

# KATANGA MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Three months ended March 31, 2010 and 2009

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### 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of presentation**

The unaudited interim consolidated financial statements have been prepared by management of 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 2009 annual audited consolidated financial statements. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the Notes to the Company's 2009 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.

#### **Future changes in accounting policies**

##### ***Business Combinations***

In December 2008, the CICA issued Handbook Section 1582, Business Combinations ("Section 1582"), which replaces Handbook Section 1581, Business Combinations, and Handbook Section 1601, Consolidated Financial Statements and Handbook Section 1602, Non-Controlling Interests ("Section 1602"), which replace Handbook Section 1600, Consolidated Financial Statements. These new sections are effective January 1, 2011 with earlier adoption permitted.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. The Company is currently assessing the impact that these sections may have on its financial position and results of operations. The Company has not early adopted these sections; however, should the Company engage in a future business combination, it would consider early adoption.

##### ***Multiple Deliverable Revenue Arrangements***

In December 2009, the CICA issued EIC 175, "Multiple Deliverable Revenue Arrangements" to provide guidance on revenue recognition on contracts which provide multiple products, services, rights to use assets, or any combination thereof. This is effective for fiscal years beginning on or after January 2011. The application of this EIC would have no effect on the consolidated financial statements.

# KATANGA MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Three months ended March 31, 2010 and 2009

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

#### Future changes in accounting policies (continued)

#### *International Financial Reporting Standards ("IFRS")*

In 2008, the Canadian Accounting Standards Board confirmed that publicly listed companies will be required to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption may be permitted, however it will require exemptive relief on a case by case basis from the Canadian Securities Administrators. Katanga expects its first consolidated financial statements presented in accordance with IFRS to be for the three month period ending March 31, 2011, which includes presentation of its comparative results for fiscal 2010 under IFRS.

In order to prepare for the changeover to IFRS, the Company has developed an IFRS conversion plan and is currently undertaking activities according to plan. The IFRS changeover is expected to impact the presentation and/or valuations of balances and transactions in the Company's quarterly and annual consolidated financial statements and related notes effective January 1, 2011, however continued progress on the IFRS conversion plan is necessary before the Company is able to describe or quantify those effects.

### 3. RESTRICTED CASH

	As at March 31, 2010 \$	As at December 31, 2009 \$
Guarantees <sup>(1)</sup>	5,000	5,000
Debenture interest <sup>(2)</sup>	-	8,455
	<b>5,000</b>	<b>13,455</b>

<sup>(1)</sup> The Company has entered into guarantees as required by certain capital asset procurement contracts. These guarantees mature on April 30, 2011 (\$3,000) and July 30, 2011 (\$2,000).

<sup>(2)</sup> Semi-annual debenture interest held in trust before payment to debenture-holders after December 31, 2009.

### 4. INVENTORIES

	As at March 31, 2010 \$	As at December 31, 2009 \$
Ore in stockpiles	21,798	24,260
Work in progress	2,515	6,359
Finished product	10,953	20,785
<b>Total product inventory</b>	<b>35,266</b>	<b>51,404</b>
Consumables	51,489	41,030
	<b>86,755</b>	<b>92,434</b>

# KATANGA MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Three months ended March 31, 2010 and 2009

### 5. PROPERTY, PLANT AND EQUIPMENT

	Cost \$	Accumulated amortization and depreciation \$	Carrying amount \$
<b>As at March 31, 2010</b>			
<b>Mineral interests</b>			
Capitalized development expenditures <sup>1</sup>	984,957	-	984,957
Assets subject to amortization	123,389	9,780	113,609
<b>Total</b>	<b>1,108,346</b>	<b>9,780</b>	<b>1,098,566</b>
<b>Other property, plant and equipment</b>			
Plant and equipment	361,160	38,314	322,846
Computer equipment and software	6,456	3,420	3,036
Furniture and fixtures	2,821	1,627	1,194
Land and buildings	24,136	1,843	22,293
Vehicles	37,564	14,781	22,783
Closure and restoration costs	2,039	173	1,866
Leasehold improvements	13,472	2,738	10,734
Assets under construction	16,390	-	16,390
<b>Total</b>	<b>464,038</b>	<b>62,896</b>	<b>401,142</b>
<b>Total property, plant and equipment</b>	<b>1,572,384</b>	<b>72,676</b>	<b>1,499,708</b>
<b>As at December 31, 2009</b>			
<b>Mineral interests</b>			
Capitalized development expenditures <sup>1</sup>	956,930	-	956,930
Assets subject to amortization	120,811	8,917	111,894
<b>Total</b>	<b>1,077,741</b>	<b>8,917</b>	<b>1,068,824</b>
<b>Other property, plant and equipment</b>			
Plant and equipment	361,158	29,310	331,848
Computer equipment and software	6,880	3,350	3,530
Furniture and fixtures	2,613	1,471	1,142
Land and buildings	24,136	1,425	22,711
Vehicles	37,565	13,000	24,565
Closure and restoration costs	2,039	81	1,958
Leasehold improvements	10,194	1,395	8,799
Assets under construction	18,527	-	18,527
<b>Total</b>	<b>463,112</b>	<b>50,032</b>	<b>413,080</b>
<b>Total property, plant and equipment</b>	<b>1,540,853</b>	<b>58,949</b>	<b>1,481,904</b>

<sup>1</sup> Includes the fair value (net of impairment write-downs) ascribed to the KOV pit on acquisition of Nikanor PLC.

# KATANGA MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Three months ended March 31, 2010 and 2009

### 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at March 31, 2010 \$	As at December 31, 2009 \$
Trade payables and accruals	95,952	81,274
Other accruals <sup>(1)</sup>	40,930	40,930
<b>Total accounts payable and accrued liabilities</b>	<b>136,882</b>	<b>122,204</b>

<sup>(1)</sup> 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. The Company recorded an accrual based on legal obligations incurred relating to work carried out on terminated contracts at the time of termination. The balance outstanding at March 31, 2010 and December 31, 2009 represented the remaining estimated amounts to be settled.

### 7. OTHER LONG-TERM LIABILITIES

Pursuant to the terms of the new Joint Venture Agreement a “*pas de porte*” (“entry premium”) obligation shall be payable to La Générale des Carrières et des Mines (“Gécamines”) for access to the Project. The total amount of \$140,000 is payable in installments on an agreed upon schedule until 2016. Of the \$140,000, \$20,000 has already been paid and \$24,500 has been deducted from the payable representing Gécamines’ outstanding share capital contribution to KCC. The net present value of the outstanding payments has been recognized in these consolidated financial statements and capitalized to mineral interests. This amount will be amortized over the life of the mines using the units of production method. The expected cash flows are discounted at the Company’s cost of capital of 14% per annum.

# KATANGA MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Three months ended March 31, 2010 and 2009

### 8. DEBENTURES PAYABLE

On November 20, 2006, the Company closed a debenture offering of 115,000 units ("Units") for an aggregate of Canadian \$115,000,000. Each Unit consists of a Canadian \$1,000 unsecured subordinated note ("Notes") and 40 common share purchase warrants ("Warrants"). Each Warrant entitles the holder to purchase 1.28 common shares of the Company anytime within five years from the closing date at Canadian \$8.50 per warrant. 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. 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.

During the three months ended March 31, 2010, \$8,455 of interest was paid in relation to the interest due for the six months ended December 31, 2009 on the debentures (three months ended March 31, 2009 - \$7,242 for interest due for the six months ended December 31, 2008).

The debentures payable balance is comprised of the following for the three months ended March 31, 2010 and the year ended December 31, 2009:

	As at March 31, 2010 \$	As at December 31, 2009 \$
Debenture payable, beginning of period	112,929	94,520
Changes during the period:		
Accretion	380	1,540
Foreign exchange translation loss <sup>(1)</sup>	3,567	16,869
<b>Debentures payable, end of period</b>	<b>116,876</b>	<b>112,929</b>

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

For the three months ended March 31, 2009 accretion was \$380 and there was a foreign exchange translation gain of \$2,190.

# KATANGA MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Three months ended March 31, 2010 and 2009

### 9. 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, 2010:

Expiry date	Exercise price <sup>(1)</sup>	Outstanding December 31, 2009	Issued during the period	Exercised/ expired during the period	Outstanding March 31, 2010
November 20, 2011	8.50	3,966,400	-	-	3,966,400

<sup>(1)</sup> Denominated in Canadian dollars.

#### (c) STOCK OPTIONS

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

	Number of stock options	Weighted Exercise Price per Share <sup>(1)</sup>
Outstanding at January 1, 2009	5,515,686	11.95
Forfeited during the year	(1,065,000)	10.92
Outstanding at December 31, 2009	4,450,686	12.20
Movement during the period	-	-
Outstanding at March 31, 2010	<b>4,450,686</b>	<b>12.20</b>

<sup>(1)</sup> Denominated in Canadian dollars.

During the three months ended March 31, 2010 and 2009, there were no options granted pursuant to the Company's stock option plan and none were exercised.

# KATANGA MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Three months ended March 31, 2010 and 2009

### 9. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)

#### (c) STOCK OPTIONS (continued)

The following table summarizes the stock options outstanding at March 31, 2010:

Exercise Price per Share <sup>(1)</sup>	Expiry Date	Exercisable Options	Outstanding unvested Options <sup>(2)</sup>
\$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	383,334	16,666
\$12.81	April 1, 2012	25,000	-
\$15.97	May 6, 2012	25,000	-
\$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	16,667	33,333
\$13.25	April 30, 2013	16,667	33,333
\$10.50	August 14, 2013	16,667	33,333
		<b>4,284,020</b>	<b>166,666</b>

<sup>(1)</sup> Denominated in Canadian dollars.

<sup>(2)</sup> The aggregate fair value of these unvested options not yet charged to operations is Canadian \$2,155.

The weighted average exercise price of the exercisable options is Canadian \$12.17 and the outstanding unvested options Canadian \$12.93.

#### (d) DILUTED EARNINGS PER SHARE

Total stock options of 4,450,686 (2009 – 4,985,686) and warrants of 3,966,400 (2009 – 3,966,400) were excluded from the computation of diluted earnings per share because the exercise prices exceeded the average market value of the common shares for the three months ended March 31, 2010, of Canadian \$0.75 (2009 – Canadian \$0.40)

# KATANGA MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Three months ended March 31, 2010 and 2009

### 10. RESTRICTED STOCK UNITS (“RSUs”)

The following table reflects the continuity of RSUs during the three months ended March 31, 2010 and the year ended December 31, 2009:

	March 31, 2010 Number of RSUs	December 31, 2009 Number of RSUs
Restricted stock units, beginning of the period	70,531	324,634
Vested	(3,333)	(205,436)
Forfeited	-	(48,667)
<b>Restricted stock units, end of the period</b>	<b>67,198</b>	<b>70,531</b>

### 11. SALES

	Three months ended March 31, 2010 \$	Three months ended March 31, 2009 \$
Copper	94,353	27,782
Cobalt	37,605	10,913
Copper concentrate	8,790	-
Cobalt concentrate	-	8,363
	<b>140,748</b>	<b>47,058</b>

Copper, cobalt and 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 copper 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 offset by the contractual discount to the LME price, with adjustments being recorded in sales in the statement of income (loss) and accounts receivable on the balance sheet. The mark-to-market gain for three months ending March 31, 2010 was \$2,670 (March 31, 2009, \$490) with a corresponding increase in accounts receivable.

As at March 31, 2010, the Company recognized an unearned revenue balance of \$10,068 on copper and cobalt sales (December 31, 2009 - \$14,600) due to advance payments received as a result of contractual obligations to invoice upon shipment of goods from the mine site. Sales revenue is not recognized in the statement of comprehensive income until title and ownership has transferred.

# KATANGA MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Three months ended March 31, 2010 and 2009

### 12. RESTRUCTURING EXPENSES

The following represent amounts incurred as part of the restructuring of the Company's operations, which the Company was required to do to comply with the new joint venture agreement, to implement a new mine plan and reduce the Company's non-core overheads.

	Three months ended March 31, 2010 \$	Three months ended March 31, 2009 \$
Net loss on termination and settlement of construction services contracts for SX/EW plant	-	10,064
	-	<b>10,064</b>

The net loss on settlement in the three months ended March 31, 2009 represents the losses net of gains incurred on contracts settled in the first quarter of 2009 relative to their respective recorded accruals.

### 13. FOREIGN EXCHANGE AND OTHER EXPENSES

	Three months ended March 31, 2010 \$	Three months ended March 31, 2009 \$
Foreign exchange loss (gain)	3,731	(4,507)
Net derivative gain	-	(48)
Interest expense	422	218
Convertible debt accretion	-	776
	<b>4,153</b>	<b>(3,561)</b>

# KATANGA MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Three months ended March 31, 2010 and 2009

### 14. RELATED PARTY TRANSACTIONS

All related party transactions, other than the financing transactions with the Company's parent company, Glencore International AG ("Glencore"), were in the normal course of business and recorded at exchange amounts. The following table provides the total amount of the transactions entered into with these related parties:

	Three months ended March 31, 2010 \$	Three months ended March 31, 2009 \$
<b>Purchases from related parties</b>		
La Générale des Carrières et des Mines	3,305	2,541
Mopani Copper Mine Plc	4,175	-
<b>Purchases from former related parties</b>		
Enterprise Generale Malta Forrest SPRL	-	8,774
DEM Mining SPRL	-	181
<b>Sales to related parties</b>		
Mutanda ya Mukonkota Mining SPRL	120	-
Glencore International AG <sup>(1)</sup>	131,956	6,617
Mopani Copper Mine Plc	8,790	-
	<b>As at March 31, 2010 \$</b>	<b>As at December 31, 2009 \$</b>
<b>Amounts owed to related parties</b>		
La Générale des Carrières et des Mines	6,946	-
Glencore International AG	3,811	178
Mopani Copper Mine Plc	2,736	-
Xstrata Queensland Ltd	1,915	1,915
<b>Amounts owed by related parties</b>		
La Générale des Carrières et des Mines	6,642	806
Mopani Copper Mine Plc	1,240	5,190
Mutanda ya Mukonkota Mining SPRL	96	24
Glencore International AG	48,421	44,774

<sup>(1)</sup> 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.

# KATANGA MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Three months ended March 31, 2010 and 2009

### 15. COMMITMENTS

The following table summarizes the Company's contractual and other obligations as at March 31, 2010.

<b>Payments due by period</b>	<b>Total</b>	<b>Less than</b>	<b>1-3 years</b>	<b>4-5 years</b>	<b>After 5</b>
	<b>\$</b>	<b>1 year</b>	<b>\$</b>	<b>\$</b>	<b>years</b>
		<b>\$</b>			<b>\$</b>
Capital expenditure commitments <sup>(1)</sup>	45,203	45,203	-	-	-
Debentures payable <sup>(2)</sup>	185,022	17,194	45,336	122,492	-
Other long-term liabilities <sup>(3)</sup>	95,500	10,000	25,000	30,000	30,500
Gécamines lease <sup>(4)</sup>	27,000	1,800	5,400	3,600	16,200

(1) The capital expenditure commitments relate to Phase III of the Kamoto Project. Phase III commenced in 2009 and is expected to increase production to 150,000 tonnes of copper per annum by 2011. It is expected that Phase III will be funded by existing cash balances and cash generated by operations.

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

(3) A "*pas de porte*" ("entry premium") obligation is payable to Gécamines for access to the project. The total amount of \$140,000 is payable in installments on an agreed upon schedule until 2016. Of the \$140,000, \$20,000 has already been paid and \$24,500 has been deducted from these payables representing Gécamines' outstanding share capital contribution to KCC (see note 7).

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

Guarantees are disclosed in Note 3.

# KATANGA MINING LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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

Three months ended March 31, 2010 and 2009

### 16. SEGMENTED INFORMATION

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

	Corporate \$	Operations in DRC \$	Total \$
<b>As at March 31, 2010</b>			
Total assets	78,680	1,714,270	1,792,950
<b>As at December 31, 2009</b>			
Total assets	95,909	1,655,742	1,751,651
<b>Three Months Ended March 31, 2010</b>			
Sales revenue	-	140,748	140,748
Net (loss) income	(10,739)	38,332	27,593
Depreciation and amortization	(75)	(13,452)	(13,527)
Interest income	36	-	36
Debenture interest	(4,792)	-	(4,792)
(Provision for) recovery of income taxes	-	(296)	(296)
Additions to property, plant and equipment	(281)	(30,914)	(31,195)
<b>Three Months Ended March 31, 2009</b>			
Sales revenue	-	47,058	47,058
Net loss	(7,566)	(45,652)	(53,218)
Depreciation and amortization	(180)	(8,702)	(8,882)
Interest income	157	-	157
Debenture interest	(3,704)	-	(3,704)
Provision for income taxes	-	(227)	(227)
Additions to property, plant and equipment	(33)	(36,541)	(36,574)