

# KATANGA MINING LIMITED

## **ANNUAL INFORMATION FORM FOR THE YEAR ENDED DECEMBER 31, 2010**

March 31, 2011

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Reference in this annual information form (the "AIF") to the "Corporation" or "Katanga" refers to Katanga Mining Limited and its subsidiaries, unless otherwise expressly stated or the context otherwise requires. Except as otherwise indicated, all financial statements and financial data contained in this AIF have been prepared in accordance with Canadian GAAP. All currency amounts in this AIF are stated in United States dollars unless otherwise indicated. Certain mining terms and metric measurements have been used in the preparation of this AIF. See "Glossary of Terms - Geological/Exploration Terms" for a description of these terms and measurements.

#### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

This AIF contains "forward-looking information" within the meaning of Canadian securities legislation concerning the business, operations and financial performance and condition of Katanga. Statements containing forward-looking information include, but are not limited to, statements with respect to anticipated developments in Katanga's operations in future periods; planned exploration activities; the adequacy of Katanga's financial resources and other events or conditions that may occur in the future; estimated production and synergies; the ability of Katanga to become a significant low cost copper and cobalt company; the ability of Katanga to continue to create value for its shareholders; the ability of Katanga to meet expected financing requirements; the future price of copper and cobalt; the estimation of mineral reserves and resources; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; permitting time lines and permitting, mining or processing issues; currency exchange rate fluctuations; government regulation of mining operations; information concerning the interpretation of drill results; success of exploration activities; environmental risks; unanticipated reclamation expenses; title disputes or claims; and limitations on insurance coverage. Generally, statements containing forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved". Statements containing forward-looking information are based on the opinions and estimates of management as of the date such statements are made, and they are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Katanga to be materially different from those expressed or implied by such statements, including but not limited to risks related to: current global financial conditions; the need for additional financing and its availability on acceptable terms; the speculative nature of the mining industry; accidents, labour disputes, the risk of disease among employees and other risks of the mining industry; variations in ore grade and tones mined; political unrest and insurrection; lack of infrastructure and logistical risks; social and local relations in the DRC; the ability to acquire and abide by necessary licenses, permits and government regulations; unforeseen title matters; environmental risks and hazards in the DRC; competition for mineral acquisition and difficulties with joint venture partners; the significant influence of the principal shareholder; dependence on relations with third parties, key personnel, skilled workers and key business arrangements; future prices of copper and cobalt; possible variations in ore reserves, grade or recovery rate; influence of currency fluctuations and credit risks; various insured and uninsured risks; litigation risks and difficulties with jurisdictional requirements of legal actions; adverse effects on share prices from factors beyond the Corporation's control; potential conflicts of interest of various directors, as well as other factors discussed herein or referred to in the current annual management's discussion and analysis of Katanga filed with certain of the securities regulatory authorities in Canada and available at [www.sedar.com](http://www.sedar.com). Although management of Katanga has attempted to identify important factors that could cause actual results to differ materially from those expected in statements containing forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. Katanga does not undertake to update any forward-looking information that is incorporated herein, except in accordance with applicable securities laws.

## CORPORATE STRUCTURE OF KATANGA MINING LIMITED

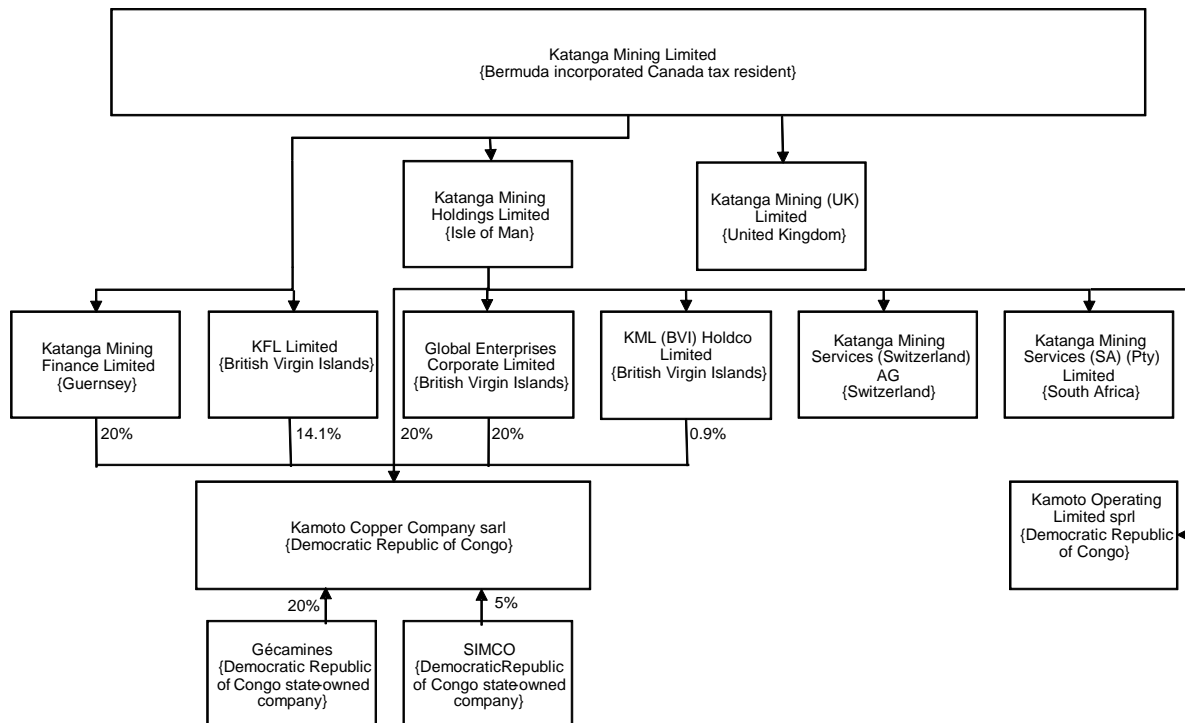
### Name, Address and Incorporation

The Corporation was incorporated under the Laws of Bermuda on October 7, 1996 as New Inca Gold Ltd. On July 8, 2004, the Corporation consolidated its common shares on a ten-for-one basis and changed its name to Balloch Resources Ltd. On November 30, 2005 the Corporation changed its name to Katanga Mining Limited. On November 2, 2007, the authorized share capital of the Corporation was increased to consist of 1,000 common shares with a par value of \$12.00 each and 300,000,000 common shares with a par value of \$0.10 each (collectively the "**Common Shares**"). On January 11, 2008 the bye-laws of the Corporation were amended in connection with the Merger (as hereinafter defined) to, among other things, increase the maximum number of directors to ten and to permit the Corporation to enter into agreements with the holders of Common Shares ("**Shareholders**") relating to the appointment of directors, which have since been terminated by mutual agreement (see "General Developments in the Business of Katanga – 2009 Developments – Termination of Relationship Agreements"). On January 12, 2009 the authorized share capital of the Corporation was further increased to consist of 1,000 Common Shares with a par value of \$12.00 each and 5,000,000,000 Common Shares with a par value of \$0.10 each. On May 5, 2010 the bye-laws of the Corporation were amended to remove from the bye-laws the description of the Corporation's authorized capital and list of the Corporation's directors at the date of the adoption of the bye-laws. Since the Corporation's stated capital and directors are subject to change, including this information in the bye-laws was impractical.

Katanga's registered and head office is located at Canon's Court, 22 Victoria Street, Hamilton, HM EX, Bermuda.

### Inter-corporate Relationships

The following diagram describes the inter-corporate relationships among Katanga and Katanga's material subsidiaries (with the jurisdiction of incorporation in parentheses):



## GENERAL DEVELOPMENT OF THE BUSINESS OF KATANGA

### Joint Ventures

#### *Kamoto Joint Venture*

A joint venture (the "**Kamoto Joint Venture**") was formed to hold, redevelop, rehabilitate and operate certain exploration and mining properties (the "**Kamoto Joint Venture Assets**") pursuant to a joint venture agreement dated February 6, 2004 between KFL Limited ("**KFL**") and La Générale des Carrières et des Mines ("**Gécamines**") (the "**Kamoto Joint Venture Agreement**").

KFL and Gécamines incorporated and organized a company in the Democratic Republic of the Congo ("**DRC**"), known as Kamoto Copper Company sarl ("**KCC**"), to hold the Kamoto Joint Venture Assets. KCC was owned 75% by KFL and 25% by Gécamines.

The Kamoto Joint Venture, through KCC, leased the Kamoto Joint Venture Assets from Gécamines and allowed KCC to exploit, mine and otherwise utilize the Kamoto Joint Venture Assets for its operations. The Kamoto Joint Venture Agreement required that KFL provide all funding to conduct the operations of the Kamoto Joint Venture and contribute the technical expertise and necessary capital for the expansion of the Kamoto Joint Venture Assets.

#### *DCP Joint Venture*

A joint venture (the "**DCP Joint Venture**") was formed in order to extract and transform copper, cobalt and associated mineral substances in an area close to the Kamoto Joint Venture Assets, namely the deposits of KOV, Kananga and Tilwezembe ("**DCP Joint Venture Assets**") pursuant to a joint venture agreement dated September 9, 2004 between Global Enterprises Corporation Limited ("**GEC**") and Gécamines (the "**DCP Joint Venture Agreement**").

GEC and Gécamines incorporated and organized a company in the DRC known as DRC Copper and Cobalt sarl ("**DCP**") to hold the DCP Joint Venture Assets. DCP was owned 75% by GEC and 25% by Gécamines. Katanga acquired a 100% interest in GEC as part of the acquisition of Nikanor PLC ("**Nikanor**") in January of 2008. See "2008 Developments".

The exploitation permits for the DCP Joint Venture Assets were transferred to DCP upon entering into the DCP Joint Venture Agreement, and a lease was granted to DCP in respect of certain related processing installations, including the Kolwezi Concentrator. The DCP Joint Venture Agreement provided that GEC was required to provide the funding to conduct operations of the DCP Joint Venture and contribute the technical expertise and necessary capital to carry out the rehabilitation and expansion of the DCP Joint Venture Assets.

#### *Merger of Kamoto Joint Venture and DCP Joint Venture*

In April of 2007, prior to Katanga's acquisition of Nikanor, a Commission of Enquiry (the "**Commission**") was formed by the DRC government to review approximately 60 mining agreements entered into by para-statal companies of the Congolese government. The KCC Joint Venture Agreement and the DCP Joint Venture Agreement were among the mining agreements to be reviewed. Following the release of the Commission's report in November of 2007, KCC and DCP were notified on February 11, 2008 by the DRC Ministry of Mines of the objections and requirements regarding their partnerships with Gécamines.

In July of 2008, Gécamines and KFL entered into a memorandum of understanding under which certain amendments were agreed to be reflected in an amended joint venture agreement and the parties agreed to the merger of KCC and DCP.

In August of 2008, the DRC Ministry of Mines issued terms of reference for the renegotiation and/or termination of the mining contracts entered into by KCC and DCP.

Following a number of meetings during the course of the last quarter of 2008 and the first quarter of 2009, in July of 2009, Gécamines, KFL and GEC, in the presence of KCC, DCP, La Société Immobilière du Congo ("**SIMCO**"), Katanga Mining Holdings Limited, Katanga Mining Finance Limited and KML (BVI) Holdco Ltd., entered into an agreement (the "**Amended Kamoto JV Agreement**") which resulted in the termination of the KCC Joint Venture Agreement and DCP Joint Venture Agreement. The merger of KCC and DCP was ratified by Presidential Decree on April 27, 2010. For a discussion of the consequences of the Amended Kamoto JV Agreement, see "General Development of the Business of Katanga - 2010 Developments" below.

## **2008 Developments**

### *Merger of Katanga and Nikanor*

On November 6, 2007, Katanga announced that it had reached an agreement with the board of directors of Nikanor on the terms of a recommended merger of the two companies (the "**Merger**"). As a result of the Merger, Katanga became the owner (directly or indirectly) of a number of companies. In particular, Katanga became the indirect owner of GEC, which was the owner of 75% of DCP, a party to the DCP Joint Venture described above.

The Merger was implemented by way of a take-over bid for Nikanor shares on the basis of 0.613 Common Shares of Katanga and \$2.16 in cash (by way of a cash return by Nikanor) for each Nikanor share held. In accordance with the terms of the Merger, Katanga issued and delivered 127,168,221 Common Shares from treasury (i) as consideration for the Nikanor shares tendered to the offer and acquired through the compulsory acquisition procedure, and (ii) for certain convertible securities of Nikanor outstanding prior to the Merger. On January 25, 2008, the cash return was made to Nikanor shareholders of record on January 21, 2008.

Katanga filed a business acquisition report for the purposes of National Instrument 51-102 – *Continuous Disclosure Obligations* in connection with the Merger on SEDAR at [www.sedar.com](http://www.sedar.com).

At the time of the Merger, it was agreed that the off-take agreements between the Corporation and Glencore (the "**Off-take Agreements**"), would be modified such that Glencore would purchase 100% of the copper and cobalt produced during the life of all mines owned by or subsequently acquired by Katanga (save for any existing sales commitments). See "Description of the Business of Katanga – Current Business Initiatives and Principal Products".

### *Concession Release Agreement and DRC Mining Review*

On February 8, 2008, Katanga announced that KFL, Gécamines and KCC had entered into an agreement (the "**Concession Release Agreement**") which provided that, in exchange for certain compensation, security and payment, the portion of the concessions held by KCC representing the Mashamba West and Dikulwe deposits would be released to Gécamines. These deposits which were included in the June 23, 2006 amended technical report of Katanga and were not scheduled to start producing oxide ores until 2020 and 2023, respectively.

The Concession Release Agreement provides for Gécamines to replace these deposits by July 1, 2015 with other deposits having a total tonnage of 3,992,185 tonnes of copper and 205,629 tonnes of cobalt according to international standards. The parties have agreed to fix the equivalent value of the deposits released at \$285 million, payable on July 1, 2015. The parties will calculate the proportion of the reserves replaced by Gécamines on July 1, 2015 and, to the extent there is a shortfall in replacement deposits, the parties shall calculate the amount of the proportion of the shortfall and the financial compensation shall be payable calculated as the shortfall percentage multiplied by \$285 million. Any remaining payments due will be paid from Gécamines' future revenues (being dividends and royalties due from July 1, 2015) received from the Merged JV Company (as hereinafter defined) until full payment has been completed. Any outstanding amounts after July 1, 2015 shall carry interest at the rate of six month LIBOR plus 3%.

The Concession Release Agreement provided for the transfer of exploitation permits in exchange for a payment. This provision has now been amended as provided below.

On February 21, 2008, Katanga announced that KCC and DCP had received written notification from the Minister of Mines of the DRC outlining a number of points that required further discussion as part of the mining review

initiated by the DRC government. These points included: (i) the submission of feasibility studies by KCC and DCP; (ii) Gécamines' role in the management of the Kamoto Joint Venture and the DCP Joint Venture; (iii) the submission of schedules of achievements for social projects; and (iv) the re-examination of royalty payments for lease facilities. In addition, with respect to DCP, the status of the lease of the Kolwezi Concentrator and related payments to Gécamines were to be clarified. As a result of such discussions, certain details of the original Concession Release Agreement have now been modified (see "2009 Developments - Amended Kamoto JV Agreement").

On August 5, 2008, Katanga announced the signing of a memorandum of understanding ("**MoU**") with Gécamines that was the basis for: (i) amending the Kamoto Joint Venture Agreement to incorporate provisions of the Concession Release Agreement; (ii) merging the DCP Joint Venture and Kamoto Joint Venture; and (iii) addressing the requirements of the DRC government resulting from the review of mining partnerships with Gécamines. This resulted in the Amended Kamoto JV Agreement that preserves the relevant terms and provisions of the Kamoto Joint Venture Agreement and the DCP Joint Venture Agreement, save for the matters that have been modified and updated as set out below. See "Risk Factors".

The key provisions of the MoU provided that:

- DCP and KCC were to be merged into a single joint venture company (the "**Merged JV Company**");
- 75% of the share capital of the Merged JV Company was to be allocated to Katanga's wholly-owned subsidiaries, KFL and GEC or their related entities, and 25% to Gécamines and its subsidiary; consistent with each of the Kamoto Joint Venture Agreement and the DCP Joint Venture Agreement;
- share capital of the Merged JV Company was to be increased from \$1,000,000 to \$100,000,000;
- upon implementation of the Amended Kamoto JV Agreement, 5% of all additional joint venture funding until the project reached 150,000 tonnes of copper output per year was to be non-interest bearing and the remaining 95% was to bear interest at a rate not greater than LIBOR plus 3%;
- the royalty rate for equipment and facilities provided by Gécamines, as well as for ore reserve depletion, was to increase from 1.5% to 2.5% of net revenues;
- the first cash payment to Gécamines for the transfer of mining rights under article 4.3 of the Concession Release Agreement was to be \$5 million and to be made upon implementation of the Amended Kamoto JV Agreement; and
- the board of directors of KCC was to be increased to eight members, three of whom will be appointed by Gécamines, and KCC will assume day-to-day management of the Merged JV Company's operations within 12 months from the date of the MoU.

#### *Rehabilitation Project Update*

On August 12, 2008, Katanga announced an update of Phase 2 of the Kamoto rehabilitation project, stating that the project was expected to be completed by the end of 2008, providing a production capacity of 70,000 tonnes of copper and 3,000 tonnes of cobalt per annum. As part of Phase 2, a third cascade mill was being rehabilitated and 58 flotation cells were being added to the circuit in the Kamoto operating concentrator (the "**Kamoto Concentrator**"). At the Luilu hydrometallurgical plant (the "**Luilu Metallurgical Plan**"), a new roaster was being constructed and leaching and electro-winning capacity was to be doubled. Katanga also announced the continued development of the KOV Open Pit, construction of a new leach facility, a new processing plant and an acid plant (construction commenced on the first 80,000 tonne per year module of this facility in June of 2008).

On October 24, 2008 and November 6, 2008, Katanga announced a review of its capital expenditure commitments with a focus on optimizing its development program considering market conditions. This review targeted the maximization of operating cash flows and reduction of project capital expenditure requirements, while preserving options for development of Katanga's asset base. While the review was in progress, capital expenditure for Phase 2 of the Kamoto rehabilitation project continued. See "Mineral Projects".

On November 21, 2008, Katanga announced that, given the depressed price of cobalt, it had temporarily suspended mining operations at the Tilwezembe Open Pit and ore processing at the Kolwezi Concentrator and, as a result, ceased production of cobalt concentrate.

#### *Changes in Management*

On October 2, 2008, Katanga announced the appointment of Steven Isaacs as interim CEO and Tim Henderson as interim COO. Mr. Isaacs replaced President and CEO Arthur Ditto who announced his retirement in June of 2008. Mr. Henderson joined as COO, a new interim role at Katanga, to oversee the project and operations teams. Both Mr. Isaacs and Mr. Henderson joined on secondment from Glencore while the Board of Directors continued its search for a permanent CEO. Katanga also announced that, as a result of certain contractual entitlements triggered by the retirement of Arthur Ditto, Stephen M. Jones tendered his resignation as Senior Vice President and Chief Financial Officer and Al Schoening tendered his resignation as Senior Vice President Corporate Affairs. On December 15, 2008, Katanga announced the appointment of Nick Brodie as the new Chief Financial Officer who remains in that position as of the date hereof.

#### **2009 Developments**

##### *Amendment and Restatement of Former Loan Facility*

On December 24, 2008, Katanga announced that Glencore Finance (Bermuda) Ltd. ("**Glencore Finance**") had agreed to provide Katanga with a \$265.3 million two-year convertible loan facility (the "**New Facility**") and, on January 12, 2009, the New Facility was drawn down in full. The New Facility was comprised of the following:

- a new finance facility of \$100 million underwritten by Glencore Finance; and
- an amendment and restatement of the former loan facility provided by Glencore Finance to Katanga in November of 2007, which amounted to approximately \$165.3 million (including accrued but unpaid interest).

Effective February 9, 2009, Katanga completed the second closing of the New Facility. Pursuant to the terms of the New Facility, accrued interest from January 12, 2009 to the second closing date was added to the principal of the New Facility. RP Explorer Master Fund, together with certain other entities, participated in the New Facility in the aggregate amount of \$64.5 million. Of this \$64.5 million participation, \$16 million was transferred to Glencore Finance and Glencore Finance issued a call option over such amount to an entity, whose ultimate owner, Katanga was advised, was a trust for the benefit of family members of Dan Gertler. Glencore Finance's participation in the New Facility as of February 9, 2009 was approximately \$217.5 million.

The New Facility was provided pursuant to: (i) an underwriting agreement dated December 31, 2008 and letter agreement dated January 12, 2009 (together, the "**Facility Underwriting Agreement**") between Katanga and Glencore Finance; (ii) an amendment and restatement agreement dated January 12, 2009 relating to the November of 2007 senior secured bridge loan of the Corporation for \$150 million (the "**Amendment and Restatement Agreement**") among Katanga, KCC, KFL, Katanga Mining Holdings Limited, GEC and Glencore Finance; and (iii) an exchange agreement dated January 12, 2009 between Katanga and Glencore Finance (the "**Exchange Agreement**"). The New Facility bore interest at LIBOR plus 3% which was capitalised on an annual basis. The New Facility was convertible, during the two-year term at the option of each lender, into Common Shares either at any time while the New Facility is outstanding at a rate of \$0.2783 per Common Share (as it may be adjusted for dilutive equity issues and other matters) (the "**Exchange Price**"), or at any time within seven days of any equity issuance of more than \$25 million by Katanga at the price per Common Share of the equity issuance converted into United States dollars. In addition, the New Facility was convertible into Common Shares on a mandatory basis upon Katanga raising \$250 million through equity and/or debt financing at the lower of the price equal to the initial Conversion Price (as adjusted) and the price per Common Share of any equity issuance (of more than \$25 million) prior to such conversion, and if more than one such equity issuance occurs, at the weighted average price of such equity issuances, converted in each case into United States dollars. The New Credit Facility was converted in connection with the Rights Offering described below.

Katanga relied upon the financial hardship exemption in the rules of the TSX so that it did not have to obtain Shareholder approval of the New Facility and the issuance of Common Shares upon conversion thereof. The Board of Directors, acting in good faith, and based in part upon the recommendation of the Financial Hardship Committee comprised of Robert Wardell and Terry Robinson, each of whom was an independent director, determined that: (i) Katanga was in serious financial difficulty at the time; (ii) the proposed transaction was designed to improve the financial position of Katanga; and (iii) the financing was reasonable in the circumstances. As required in the circumstances, the TSX conducted a mandatory delisting review of Katanga's Common Shares, Notes (as hereinafter defined) and Warrants (as hereinafter defined). On July 24, 2009, the TSX completed its review and determined that Katanga met the TSX's continued listing requirements.

The financing provided under the New Facility was primarily used for the rehabilitation, redevelopment and operation of the Kamoto Joint Venture Assets and the DCP Joint Venture Assets and for working capital and general corporate purposes.

#### *Bridge Loan and Rights Offering*

On April 28, 2009, Katanga entered into a bridge loan agreement (the "**Bridge Loan Agreement**") and a transaction agreement (the "**Transaction Agreement**") with Glencore Finance providing for a non-convertible \$50 million bridge loan facility (the "**Bridge Loan**") repayable on September 30, 2009 and a rights offering via prospectus by Katanga to raise at least \$250 million in equity financing (the "**Rights Offering**" and together with the Bridge Loan, the "**Transactions**").

#### Bridge Loan

Pursuant to the Bridge Loan Agreement, Glencore Finance agreed, subject to the satisfaction of the conditions precedent under the Bridge Loan Agreement (the "**Conditions Precedent**"), to make available to Katanga and KCC two stand-by secured bridge facilities in an aggregate amount of up to \$50 million. The Conditions Precedent were satisfied and the Bridge Loan was available for draw down immediately upon entering into the Bridge Loan Agreement. The Bridge Loan incurred an aggregate interest rate of 8% per annum, and was to be repaid in full on September 30, 2009, out of the first proceeds of the Rights Offering.

The Bridge Loan was drawn down as needed to fund the cash flow requirements of Katanga from the start of the availability period and was repaid in full on June 10, 2009 out of the proceeds of the Rights Offering.

#### Rights Offering

On May 22, 2009, Katanga announced that it had filed a (final) short form prospectus with the securities regulatory authorities in each of the Provinces and Territories of Canada in connection with the Rights Offering. Katanga also announced that Shareholders would receive one right (the "**Rights**") for each Common Share held and that every 1.648281 Rights held would entitle the holder thereof to subscribe for one Common Share at a price of \$0.35 per Common Share (the "**Subscription Price**").

In connection with the Rights Offering, Glencore Finance also converted its interest in the New Facility into Common Shares in accordance with the terms of the Exchange Agreement prior to the record date of the Rights Offering, and as soon as practicable after the commencement of the Rights Offering, exercised the basic subscription privilege associated with its Rights in order to provide immediate liquidity to Katanga.

The Rights Offering included a standby commitment provided by Glencore Finance to subscribe for such number of Common Shares at the conclusion of the Rights Offering as would be necessary to ensure that Katanga raised \$250 million (the "**Standby Commitment**") under the Rights Offering. As consideration for providing the Standby Commitment, Katanga initially agreed to pay Glencore Finance a fee at closing of the Rights Offering equal to 4% of the amount by which \$250 million exceeded the gross proceeds received by Katanga from Glencore Finance pursuant to Glencore Finance's basic subscription privilege (the "**Standby Fee**"), payable by the issuance of additional Common Shares to Glencore Finance. However, on May 22, 2009, Katanga, Glencore Finance and Jangleglade Limited ("**Jangleglade**") (the "**Standby Purchaser**") agreed, pursuant to a novation agreement to novate all of Glencore Finance's rights and obligations under the Transaction Agreement to the Standby Purchaser,

with Glencore guaranteeing all obligations of the Standby Purchaser under the Transaction Agreement, including the Standby Commitment. The parties further agreed that the Standby Fee payable to the Standby Purchaser would be calculated by reference to a per Common Share price of \$0.8284, which was the five-day volume weighted average price of the Common Shares on the TSX as of May 21, 2009.

As a result of volatility in the trading of the Common Shares prior to the completion of the Rights Offering and in order to remain in compliance with applicable Canadian regulatory requirements concerning the pricing of rights offerings backstopped by related parties, the Board of Directors set the Subscription Price at a larger discount than the one provided for in the Transaction Agreement pursuant to an amendment agreement dated May 22, 2009 between Katanga and Glencore Finance.

On June 10, 2009, Katanga announced the completion of the early liquidity closing contemplated by the Rights Offering (the "**Early Liquidity Closing**"), pursuant to which Glencore Finance and the Standby Purchaser exercised their basic subscription privileges and were issued a total of 492,379,266 Common Shares for aggregate gross proceeds to the Corporation of \$172,332,743. Katanga used approximately \$32.5 million of the proceeds of the Early Liquidity Closing to fully repay the outstanding balance of the Bridge Loan.

On July 7, 2009, Katanga announced the completion of the Rights Offering. In total, Katanga issued 718,036,282 Common Shares pursuant to the Rights Offering and the Standby Commitment, increasing its total issued and outstanding Common Shares to 1,895,380,413, and received aggregate gross proceeds of \$250,000,119.

Pursuant to the Rights Offering, Katanga issued 544,303,460 Common Shares, including the 492,379,266 Common Shares previously issued to Glencore Finance and the Standby Purchaser pursuant to the Early Liquidity Closing, to the holders of Rights that had exercised their basic subscription privilege. An additional 169,982,593 Common Shares were issued to holders of Rights that had exercised their additional subscription privilege, including an additional 168,510,728 Common Shares issued to Glencore Finance and the Standby Purchaser. Katanga also issued 3,750,229 Common Shares to the Standby Purchaser as payment for the Standby Fee.

Glencore Finance and the Standby Purchaser's total percentage holding, taken together, of Common Shares as at completion of the Rights Offering was 77.9%.

On October 13, 2009, Glencore announced that it had, through Jangleglade, sold 98,787,701 Common Shares (representing approximately 5.2% of the issued and outstanding Common Shares) to Breton Global Limited for an aggregate base purchase price of \$34,575,695 (or \$0.35 per Common Share), plus an agreed amount of interest.

#### *Amended Kamoto JV Agreement*

Discussions with Gécamines to establish the definitive terms of the Amended Kamoto JV Agreement with respect to the Merged JV Company continued in 2009, based on the framework established in the MoU. On March 31, 2009, Katanga provided an update on the status of its negotiations with Gécamines, including an overview of the terms of the Amended Kamoto JV Agreement that had been agreed upon as of the date thereof. The negotiations eventually culminated in the signing of the Amended Kamoto JV Agreement on July 25, 2009.

The Amended Kamoto JV Agreement became effective as of July 25, 2009, but the merger of DCP and KCC was conditional upon, among other things, the ratification of the Amended Kamoto JV Agreement by presidential decree, which was obtained on April 27, 2010 (see "General Development of the Business of Katanga- 2010 Developments").

The terms of the Amended Kamoto JV Agreement extend until 2025 and thereafter will be subject to two automatic ten-year renewals. Katanga reserves the right to terminate the Amended Kamoto JV Agreement following a change in the laws of the DRC that would materially impact the profitability of its participation in the Merged JV Company or affect its rights under the Amended Kamoto JV Agreement.

The principal terms of the Amended Kamoto JV Agreement are described below.

### Transfers of Exploitation Permits, Infrastructure and Other Necessary Surfaces

The parties agreed to transfer the concession area deposits necessary for the Merged JV Company to mine and process the mineral reserves then held by KCC and DCP (the "**Concession Area**") to the Merged JV Company. As a result, the following permits were transferred from Gécamines to the Merged JV Company and now form part of the Concession Area:

- exploitation permit ("**EP**") 525, which consists of 13 carrés and contains the Kamoto and Mashamba East deposits;
- part of EP4958, which consists of two carrés and contains the T17 deposit;
- EP4960, which consists of 13 carrés and contains the Kananga deposit;
- an additional carré, as an extension of the Kananga deposit;
- EP4961, which consists of 10 carrés and contains the KOV Open Pit; and
- EP4963, which consists of nine carrés and contains the Tilwezembe deposit.

It was further agreed that all installations and infrastructures currently used by KCC and DCP, within the perimeter of the Concession Area as well as the Necessary Surfaces (as hereinafter defined) will be leased by Gécamines to the Merged JV Company for an annual lease payment of \$1.8 million. All lease payments will be deducted from, and off-set against, the royalties otherwise payable to Gécamines pursuant to the Amended Kamoto JV Agreement. Katanga has agreed that the Kolwezi Concentrator will be returned to Gécamines, which agreed to re-engage former Gécamines employees who previously worked at the Kolwezi Concentrator.

As agreed in the Concession Release Agreement, the perimeter of the Concession Area will contain the surface necessary for the proper operation of the current activities of the Merged JV Company, including space for dumps, storage sites, tailings and new infrastructure (the "**Necessary Surfaces**"). The Necessary Surfaces will be sourced from adjacent exploitation permits (principally EP8841). An *ad hoc* commission, comprised of technical representatives from both Gécamines and the Merged JV Company, has been established to consider and determine the area and source of the Necessary Surfaces. Once the Necessary Surfaces have been determined, they will be leased to the Merged JV Company on an interim basis, pending drilling by an independent contractor (funded by the Merged JV Company) to determine whether the surfaces identified contain any mineral reserves. Provided no reserves are discovered, the relevant surfaces will be converted into multiple exploitation permits (where required) and transferred (or in certain cases leased) to the Merged JV Company. Should any reserves be discovered in the identified surfaces, the reserves will be transferred to the Merged JV Company and constitute replacement reserves under the Concession Release Agreement, and the parties will agree to alternative areas as the source for the Necessary Surfaces. Gécamines may not transfer the areas of the Necessary Surfaces to third parties. In addition Gécamines will grant certain easements as required by the Merged JV Company.

The Merged JV Company will also have an option to increase these surfaces by an additional five carrés within three years of the merger of KCC and DCP. No payment of any additional compensation to Gécamines will be provided in connection with such an extension, as long as it is required by the Merged JV Company for the continued operation of the joint-venture project. If this option is not exercised by the Merged JV Company within such three-year period and Gécamines thereafter wishes to dispose of these five carrés to a third party, the Merged JV Company will have a pre-emptive right to purchase these surfaces on the same terms and conditions as offered by the third party.

### Replacement Deposits

Gécamines will have the right to undertake exploration activities financed by the Merged JV Company by way of interest free loans, with an agreed budget of \$20 million, to find replacement reserves of 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) will 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.

To the extent that as at July 1, 2015 there is a shortfall in replacement deposits, the parties will calculate the amount of the proportion of the shortfall and the financial compensation will be payable calculated as the shortfall percentage multiplied by \$285 million which was determined by discounting 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 will bear interest at a rate of six month LIBOR plus 3%, such rate being applied to any amounts remaining unpaid as at August 31, 2016. To the extent that any amount is not paid as at July 1, 2015, the Merged JV Company will be entitled to withhold and set off any future revenues from the Merged JV Company to Gécamines (being dividends and royalties) due from such date until full payment is received.

### Share Capital and Financing

Upon the completion of the merger of DCP and KCC, KCC continued as the Merged JV Company. The share capital of KCC was increased to \$100 million and 75% of KCC's equity remained allocated to Katanga's wholly-owned subsidiaries with the remaining 25% being allocated to Gécamines. The 25% equity interest of Gécamines and its subsidiary in the Merged JV Company is non-dilutable. Katanga or one of its wholly-owned subsidiaries was required to advance to Gécamines and its subsidiary the subscription amount of \$24.5 million payable by them in respect of the capital increase. Such advance forms part of the *pas de porte* (as described below), and consequently is not repayable by Gécamines.

Dividends will be distributed proportionate to the equity stakes of the shareholders in the Merged JV Company. Of the available cash flows of the Merged JV Company (after taking account of operating expenses, financing costs (including interest), taxation and allocation to the necessary reserves), 25% will be used to pay dividends and 75% will be used to repay shareholder and other borrowings.

The Amended Kamoto JV Agreement provides that 5% of all future funding requirements of the Merged JV Company will be satisfied by non-interest bearing equity financing from KFL and GEC until the project reaches a production target of 150,000 tonnes of copper output per year. The remaining 95% of future funding requirements will be satisfied through shareholder or project financing and Katanga will be responsible for all interest costs incurred at a rate above LIBOR plus 3% by the Merged JV Company under such funding arrangements, including any non-recurring finance costs. Gécamines has also agreed, subject to certain conditions, that security can be given over its shareholdings in the Merged JV Company in connection with such financing, as well as, subject to certain protections, the mining rights and titles of the Merged JV Company.

### Rental, Royalty and *Pas de Porte*

As stated above, a royalty of 2.5% of net revenues of the project is payable by the Merged JV Company to Gécamines for the use of its equipment and facilities, and the depletion of the deposits. For this purpose, net revenues will be calculated in the same manner as royalties' payable under the Mining Code, namely sales less transportation, quality control, insurance and marketing costs.

A "*pas de porte*" ("entry premium") is payable by KFL/GEC to Gécamines for the access to the Concession Area. The total aggregate amount of such payment will be \$140 million and will be completed as follows:

- \$5 million previously paid by GEC to Gécamines as a loan, being converted into a (non-refundable) *pas de porte*; and
- \$135 million to be paid by KFL, comprised of the following: (i) \$24.5 million to be paid by way of set-off against the amount of the advance to be granted by KFL to Gécamines for payment of the subscription price in the additional share capital of KCC (as described above); (ii) \$5 million to be paid upon the effective registration and transfer of the exploitation permits by Gécamines to KCC pursuant to the transfer deeds that

were signed at the same time as the Amended Kamoto JV Agreement; and (iii) the balance payable in instalments on an agreed schedule until 2016.

The payment of the *pas de porte* described above was contingent upon certain conditions set out in the Amended Kamoto JV Agreement, including the transfer of the exploitation permits from Gécamines to the Merged JV Company as described above. Upon satisfaction of these conditions, the full net present value of the payment was accrued for and capitalized to mineral interests where it will be amortized over the life of the Amended Kamoto JV Agreement.

No further *pas de porte* will be payable in respect of the replacement reserves to compensate for the release of the Dikuluwe and Mashamba West reserves; however, any additional tonnage brought by Gécamines to the Merged JV Company after it has been fully compensated for the released deposits will incur a new *pas de porte* payment of \$35 per tonne of copper.

### Board and Management

The board of directors of the Merged JV Company has been increased to eight members, three of whom have been appointed by Gécamines. In addition, the chief executive officer of the Merged JV Company has been appointed by Katanga, and the deputy chief executive officer has been appointed by Gécamines. A management committee has been constituted, comprising the chief executive officer, deputy chief executive officer, three employees of the Merged JV Company appointed by Katanga and one employee of the Merged JV Company appointed by Gécamines.

### General

Gécamines has a right of pre-emption in the event of a change of control of KFL. The Merged JV Company shares are also subject to transfer restrictions during its first year of commercial operation. In addition, all mining rights and titles held or previously held by KCC, DCP or the Merged JV Company will be returned to Gécamines without consideration upon the winding-up or liquidation of such companies.

### *Acquisition of KOL*

On September 23, 2009, Katanga announced that it had completed the acquisition of Kamoto Operating Limited SPRL ("**KOL**"), a company incorporated pursuant to the laws of the DRC. Katanga acquired KOL by way of a share purchase agreement entered into on August 28, 2009 with Wayland Management SA (a company connected to George Forrest, a Shareholder and former director of Katanga) and Tain Holdings Limited (a company connected to Arthur Ditto, a Shareholder and former Chairman, President, Chief Executive Officer and director of Katanga), which provided for the issue of an aggregate of 12,000,000 Common Shares and a cash payment in the aggregate amount of \$1.6 million as consideration for the entire issued and outstanding share capital of KOL.

KOL was the operator of the Kamoto Joint Venture pursuant to the terms of the Kamoto Joint Venture Agreement and an operating agreement which had been entered into between KOL and KCC on November 2, 2005 (the "**KOL Operating Agreement**"). KOL 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. Pursuant to the terms of the Amended Kamoto JV Agreement, the KOL Operating Agreement was terminated on September 30, 2009. Upon termination of the KOL Operating Agreement, the employees of KOL working on the operations of KCC were re-employed by KCC and KCC assumed the contracts entered into by KOL with third parties for the conduct of its operations.

### *Accelerated Development Plan*

On September 8, 2009, Katanga announced its intention to accelerate the ramp-up of its project to 150,000 tonnes of copper and 8,000 tonnes of cobalt per annum (the "**Accelerated Development Plan**") through the earlier completion of the construction of Phases 3 and 4, as disclosed in the Technical Report dated March 17, 2009 (the "**2009 Technical Report**"). It was expected that the Accelerated Development Plan would be substantially funded by existing cash balances and cash generated by operations.

Following: (i) the completion of the Rights Offering; (ii) the signing of the Amended Kamoto JV Agreement; (iii) the successful cost cutting initiatives that were implemented during 2009; and (iv) the recovery of copper and cobalt prices, Katanga reviewed the timing of Phases 3 and 4 of its project development program as outlined in the 2009 Technical Report. As a result of this review, Katanga determined to adopt the Accelerated Development Plan.

The details of the Accelerated Development Plan are as follows:

- Phases 3 and 4, as described in the 2009 Technical Report, were combined into one new Phase 3, which will take installed copper and cobalt capacity up to 150,000 and 8,000 tonnes per annum, respectively, through the refurbishment of existing facilities and infrastructure at the Kamoto Concentrator and the Luilu Refinery by the end of the second quarter of 2011, compared with an original completion date of the end of the first quarter of 2013 in the 2009 Technical Report.
- The new Phase 3 was scheduled to ramp-up installed copper capacity from the current 70,000 tonnes per annum by 20,000 tonnes per annum increments every six months, with the first increment being completed during the first quarter of 2010.
- The tables below contains a comparison between the projected capital expenditures out to 2013 contained in the Accelerated Development Plan (when it was announced) with those contained in the 2009 Technical Report.

<b>Accelerated Development Plan</b>	<b>2010 \$'m</b>	<b>2011 \$'m</b>	<b>2012 \$'m</b>	<b>2013 \$'m</b>	<b>Total \$'m</b>
Mining capital expenditure					
- Includes Kamoto Underground Mine, KOV Open Pit (capitalized dewatering, pre-strip)	23.4	32.5	15.9	15.9	87.7
Process capital expenditure					
- New Phase 3	238.0	24.0	-	-	262.0
Other cost centers					
- Including tailings, environmental, power and general capital expenditures	76.5	36.4	32.2	33.2	178.3
<b>Total</b>	<b>337.9</b>	<b>92.9</b>	<b>48.1</b>	<b>49.1</b>	<b>528.0</b>
<b>2009 Technical Report</b>					
Mining capital expenditure					
- Includes Kamoto Underground Mine, KOV Open Pit (capitalized dewatering, pre-strip) (1)	116.1	7.9	5.6	2.9	132.5
Process capital expenditure					
- Phase 3 and Phase 4	76.4	108.7	38.0	-	223.1
Other cost centers					
- Including tailings, environmental, power and general capital expenditures (2)	57.7	53.7	76.4	125.2	313.0
<b>Total</b>	<b>250.2</b>	<b>170.3</b>	<b>120.0</b>	<b>128.1</b>	<b>668.6</b>

(1) Dewatering capital expenditures in 2009 are included in 2010 amount.

(2) Musonoi Village relocation capital expenditure included.

- It is expected that capital expenditures relating to the Accelerated Development Plan will be substantially funded by existing cash balances and cash generated from operations.
- The KOV Open Pit plan has been optimized to reduce pre-strip capital, reduce the strip ratio over the first six years of operation and balance ore production from the KOV Open Pit and the Kamoto Underground Mine with the process plant requirements for the Accelerated Development Plan. The Accelerated Development Plan will also allow for further delineation and potential up-upgrades in classification of resources through additional drilling.

- The two modules of Phase 5, as described in the 2009 Technical Report, are now referred to as Phases 4 and 5, with Phase 4 ramping up to 230,000 tonnes of installed copper capacity per annum and Phase 5 ramping up to 310,000 tonnes of installed copper capacity per annum through the construction of new facilities. This work does not form part of the Accelerated Development Plan.
- Katanga will also proceed with a Scoping and Engineering study (the "**Scoping and Engineering Study**") that will re-visit the process engineering completed for the 2009 Technical Report with a view towards reducing capital expenditures and simplifying process design to ease the integration of existing process systems and infrastructure into the development required for new Phases 4 and 5.
- The Scoping and Engineering Study will confirm the phasing of capital expenditures related to the new Phases 4 and 5 after the completion of the Accelerated Development Plan. In order to proceed with the Accelerated Development Plan, Katanga deferred capital expenditures relating to the hydro dam power projects (\$50 million) and the Far West tailings infrastructure (\$88 million), which would only be required for the new Phases 4 and 5. Katanga is also assessing the potential to mine the Kamoto East ore body from underground and has therefore removed the capital expenditure allocated to the relocation of the Musonoi village (\$58 million) for the duration of the Accelerated Development Plan, as provided in the 2009 Technical Report.

A complete copy of the 2009 Technical Report is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### *Termination of Relationship Agreements*

On October 7, 2009, Katanga announced that all relationship agreements separately entered into on January 21, 2008 (collectively, the "**Relationship Agreements**") with certain major shareholders of Nikanor and Katanga (collectively, the "**Major Shareholders**") as part of the terms of the approval of the Merger had been terminated by agreement with immediate effect in light of the significant changes in circumstances since that date. The Relationship Agreements provided the Major Shareholders with certain appointment and nomination rights in respect of the officers and directors of Katanga, subject to the Major Shareholders and their associates holding certain minimum interests in the Corporation.

#### *Changes in Management and Directors*

On June 10, 2009, Katanga announced that Stephen Oke, George Forrest and Malta D. Forrest had each tendered their resignations as directors of Katanga and that Steven Isaacs, Katanga's interim CEO, had been appointed as a director, effective immediately for a term expiring at the next annual general meeting of Shareholders. On November 5, 2009, Katanga announced that Cornelius Erasmus had been appointed as a director of Katanga for a term expiring at the next annual general meeting of Shareholders.

On December 22, 2009, Katanga announced the appointment of John Ross as the CEO of Katanga, effective as of January 4, 2010. Mr. Ross, who had succeeded Tim Henderson as Katanga's COO on April 1, 2009, replaced interim CEO Steven Isaacs who announced his resignation effective as of January 4, 2010. Mr. Isaacs remains a director of Katanga.

#### *2010 Developments*

##### *Changes in Management and Directors*

On May 5, 2010 Katanga's shareholders elected John Ross, Hugh Stoyell, Rafael Berber, Cornelius Erasmus, Steven Isaacs, Aristotelis Mistakidis, Terry Robinson and Robert Wardell as directors of Katanga for a term expiring at the next annual general meeting of shareholders.

##### *Presidential Decree*

On February 12, 2010, the Cabinet of the DRC Government approved the draft decree required to complete the merger of KCC and DCP and authorize the increase in the capital of KCC. On April 27, 2010 the presidential decree approving the anticipated merger of KCC and DCP was issued and the merger was completed. See "General

Development of the Business of Katanga – 2009 Developments" for a complete description of the results of the merger.

#### *New Technical Report*

On March 31, 2010 Katanga issued a new Technical Report (the “**2010 Technical Report**”) to incorporate the revisions made by the Accelerated Development Plan. The 2010 Technical Report confirmed:

- the accelerated increase in production capacity to 150,000 tonnes of copper and 8,000 tonnes of cobalt by the end of June of 2011;
- the associated project capital expenditure, including the proposed increase in production capacity to 310,000 tonnes per annum of copper and 30,000 tonnes of cobalt;
- the ability to fund this development through existing cash balances and cash generated from operations, based on current copper and cobalt prices; and
- the substantial increase in net present value for the project compared to the 2009 Technical Report, a key driver of which was the positive impact of the recovery of copper and cobalt prices on the Corporation’s forward price assumptions.

#### *Significant Milestones in the Accelerated Development Plan*

During 2010 Katanga announced the following significant milestones relevant to its Accelerated Development Plan:

- commercial mining activities at the KOV Open Pit commenced in July of 2010 and the pit is now effectively de-watered;
- following the commissioning of the CM6 mill in the Kamoto Concentrator, the Kamoto Concentrator's annual milling capacity was increased from 3.4 million tonnes of ore to 5.6 million tonnes of ore, which equates to a total capacity of approximately 196,000 tonnes of contained copper in concentrate per year; and
- rehabilitation of the Luilu Metallurgical Plant continued with the installation of new thickeners, drum filters and belt filters which have increased the capacity of the Luilu Metallurgical Plant to 110,000 copper tonnes per annum.

## **DESCRIPTION OF THE BUSINESS OF KATANGA**

### ***Current Business Initiatives and Principal Products***

Katanga is the holding company of a group of companies that produce copper and cobalt metal and that have copper and cobalt assets in the DRC, one of the most mineral rich countries in the world. The assets are held through the Amended Kamoto JV Agreement. Katanga's assets include the Kamoto Underground Mine, the T17 Open Pit, the KOV Open Pit, the Kamoto Concentrator and the Luilu Metallurgical Plant. See "Mineral Projects".

Katanga also has a number of other mines and plants that may be operated at a later stage in Katanga's development. These include the open pit mines at Mashamba East, Kananga and Tilwezembe.

Katanga has entered into Off-take Agreements pursuant to which Glencore will buy 100% of the quantity of copper and cobalt produced by the mines owned. The Off-take Agreements provide for the copper and cobalt to be purchased at mine gate and Glencore take responsibility for the distribution of the product. For 2010 revenue

generated from copper increased by \$172.9 million to \$381.0 million compared to 2009. For 2010 revenue generated from cobalt revenue increased by \$55.8 million to \$126.7 million compared to 2009.

To achieve its goals of mineral exploration, mine development and production, Katanga may require additional future financing to cover necessary capital expenditures and working capital needs. See "Mineral Projects" and "Risk Factors".

### ***Competitive Conditions***

The exploration and mining of copper and cobalt is a competitive business. Katanga competes with numerous other companies and individuals, not only for sales of finished products, but also for personnel, supplies of input materials and equipment and access to funds. Although Katanga has entered into the Off-take Agreements, the profitability of Katanga will depend on its ability to develop its existing and future properties on a cost effective basis.

### ***Economic Dependence***

Katanga has substantial exposure to the price of copper and cobalt, which prices are subject to fluctuation, volatility and other factors beyond Katanga's control. See "Risk Factors". Notwithstanding the entering into of the Off-take Agreements, Katanga is not, and does not expect to become, dependent on a particular end-user of the copper and cobalt that it produces, as there is a worldwide end-user market for copper and cobalt.

### ***Changes to Contracts***

As described above, Katanga agreed at the time of the Merger that the Off-take Agreements would be modified to include 100% of copper and cobalt produced during the life of all mines owned by or subsequently acquired by Katanga. These modifications were made in 2008.

On February 8, 2008, Katanga announced the signing of the Concession Release Agreement (see "General Developments of the Business of Katanga – 2008 Developments – Concession Release Agreement and DRC Mining Review").

On July 25, 2009 an Amended Kamoto JV Agreement became effective which was later ratified by Presidential Decree on April 27, 2010 (see "General Developments of the Business of Katanga – 2009 Developments – Amended Kamoto JV Agreement").

### ***Employees***

As at December 31, 2010, Katanga had approximately 3,380 employees, of which 3,350 are employed in the DRC.

### ***Foreign Operations***

Substantially all of Katanga's operations are in the DRC. See "Risk Factors" below.

### ***Social or Environmental Policies and Environmental Protection***

In December of 2008, the Corporation's consultants (SRK Consulting) completed a draft environmental and social impact assessment ("ESIA") which is supported by a series of environmental & social management plans. This ESIA was carried out on a project description that envisaged a full build-out to increase the production to in excess of 300,000 tpa of copper production. Arrangements were subsequently made for SRK Consulting to review the draft ESIA based on the revised project development and mine plans and in consideration of DRC legal requirements and to redraft an environmental impact study ("EIS"). Public consultation was completed on April 15, 2010, and SRK Consulting has now finalised the EIS which was submitted to the appropriate DRC authorities for approval in January of 2011.

### *Health and Safety*

Katanga recognizes the critical importance of providing employees a safe and healthy work environment that takes into account inherent risks and potential hazards and provides them with the training necessary to operate safely and effectively in the workplace.

Both Katanga and its operating subsidiaries in the DRC are committed to taking all reasonable steps to: (i) ensure a safe and healthy work environment; (ii) comply with the laws of the DRC; and (iii) act in a manner that is consistent with good international practice and supports our objective of zero accidents and zero incidents. Senior management have endorsed a corporate health & safety policy, which has been communicated throughout the organization. To support a structured approach to health and safety management, KCC will implement an occupational health and safety system that meets the requirements of OHSAS 19008, which is compatible with ISO 14 000 - the benchmark for environmental management - making it possible to have a common management system platform. Katanga's health and safety function on-site includes dedicated expatriate health and safety professionals whose role is to provide functional support and expertise to line management and to ensure consistency of approach across the organization.

There were two fatalities in the year ended December 31, 2009 as a result of separate underground mining accidents on February 27 and March 1, 2009, respectively. On January 31, 2010 an accident occurred at the new roaster that resulted in the death of a contractor. It is the Corporation's policy in such instances to provide assistance and support directly to the families affected and to conduct accident investigations with our internal safety personnel and local government officials to determine if additional measures should be taken by the Corporation to prevent any recurrence. Compliance monitoring and auditing will be performed on a regular basis to evaluate the effectiveness of Katanga's systems and provide data from which improvement programs will be developed. Quarterly reports will be made to the Board to ensure the appropriate level of oversight and governance.

### *Environment*

Katanga aims to develop a culture where all employees are encouraged to feel responsible for sound environmental management. One of the key benefits of the Amended Kamoto JV Agreement in terms of the environment is the extensive use of existing infrastructure, involving relatively limited additional disturbance of land.

The ESIA process includes a comprehensive baseline study of key environmental aspects, including air, noise, water (both surface and ground) and dust. In tandem with this, an ongoing programme to monitor all of these aspects will be used to develop additional strategies to manage future development and mitigate existing environmental conditions at Katanga's mining sites. See also "Mineral Projects" below.

### *Economic Benefit*

Katanga contributes to the local economy in a number of ways. The Merged JV Company makes monthly salary payments to employees and local contractors, pays taxes and import duties to the government of the DRC, buys goods and services from local suppliers and makes payments to Gécamines.

Katanga expects that at full production capacity, taxes and transfers to the government of the DRC from the operations of the Merged JV Company will be of the order of \$400 million per annum. During the initial operational phase, it is estimated that up to 4,000 people were directly employed, with a significant number of additional people indirectly employed in the supply chain.

In addition, Katanga has undertaken a significant number of social projects in the Kolwezi area, focusing on improvements in health, education, infrastructure, economic development and providing alternative employment opportunities to artisanal miners. See also "Risk Factors – Social and Local Relations".

## **RISK FACTORS**

Katanga's principal business is mineral exploitation and, accordingly, an investment in Katanga involves a high degree of risk.

Shareholders should carefully consider all the information in this document, including the following risk factors, as well as the usual risks associated with an investment in a business at an early stage of development. The risk factors discussed below do not necessarily include all the risks associated with Katanga's business, operations and affairs.

### ***Current Global Financial Condition***

Recent global financial conditions have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or have required financial assistance from governmental authorities. Access to public financing has been negatively impacted by both sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact Katanga's ability to obtain equity or debt financing in the future and, if so obtained, on terms favourable to Katanga, which could adversely impact Katanga's operations or the trading price of the Common Shares.

### ***Potential Dilution***

To achieve its goals of mineral exploration, mine development and production, Katanga may require additional future financing to cover necessary capital expenditures and working capital needs. Katanga may undertake additional offerings of Common Shares and of securities convertible into Common Shares in the future. The increase in the number of Common Shares issued and outstanding and the possibility of sales of such shares may have a negative effect on the price of Common Shares. In addition, as a result of such additional Common Shares, the voting power of Katanga's existing shareholders will be diluted.

### ***Speculative Nature of Mining Operations***

Mining operations involve significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate or adequately mitigate. Major expenditures are required to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical and governmental regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, allowable production, importing and exporting of minerals and environmental protection. The precise effect of these factors cannot be accurately predicted, but the combination of these factors may result in Katanga not receiving an adequate return on invested capital. There is no assurance that any particular property will be brought into commercial production or will continue in commercial production once operations commence. Most of the above factors are beyond Katanga's control.

### ***Mining Risks***

Mining operations involve a high degree of risk. Such operations are subject to all the hazards and risks normally encountered in the development and production of copper and cobalt and other base or precious metals, including unusual and unexpected geologic formations, water conditions, surface or underground conditions, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability, mechanical equipment performance problems, the unavailability of materials and equipment, accidents, labour force disruptions, force majeure factors, unanticipated transportation costs and weather conditions. Milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability. Any of these factors can materially and adversely affect, among other things, the development of any one or more of Katanga's properties, production quantities and rates, costs and expenditures and production commencement dates.

### ***Mineral Resources and Ore Reserves***

The mineral resources and ore reserves presented in this AIF are based on information contained in the Technical Report and in other publicly disclosed information. No assurances can be given that the anticipated tonnages and grades will be achieved or that the indicated levels of copper and cobalt recovery will be realized.

There is a degree of uncertainty to the calculation of mineral reserves and mineral resources and corresponding grades being mined or dedicated to future production. Until mineral reserves or mineral resources are actually mined and processed, the quantity of mineral resources and mineral reserves must be considered as estimates only. In addition, the quantity of mineral reserves and mineral resources may vary depending on, among other things, metal prices. Any material change in the quantity of mineral reserves, mineral resources, grade or striping ratio may affect the economic viability of the properties. In addition, there can be no assurance that copper or cobalt recoveries or other metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Fluctuation in copper, cobalt and other base metals prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revision of such estimate. The volume and grade of reserves mined and processed and recovery rates may not be the same as currently anticipated. In particular, no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated levels of copper and cobalt recovery will be realized. Any material reductions in estimates of mineral reserves and mineral resources or estimates of Katanga's ability to extract these mineral reserves, could have a material adverse effect on Katanga's results of operations and financial condition.

### ***Political Stability***

The Merged JV Company may be subject to the effects of political changes, war, civil conflict, changes in government policy, lack of law enforcement, labour unrest and the creation of new laws. These changes (which may include new or modified taxes or other governmental levies as well as other legislation) may impact the profitability and viability of Katanga's properties. The DRC is an impoverished country with physical and institutional infrastructure that is in a debilitated condition. It is in transition from a largely state-controlled economy to one based on free market principles and from a non-democratic political system with a centralized ethnic power base to a political system based on more democratic principles. There can be no assurance that these changes will be effected or that the achievement of these objectives will not have material adverse consequences for Katanga and its operations. The effect of unrest and instability on political, social or economic conditions in the DRC could result in the impairment of the development and mining operations at Katanga's properties. Any such changes are beyond Katanga's control and may adversely affect its business.

### ***Lack of Infrastructure in the DRC***

The exploration properties of Katanga are located in remote areas of the DRC, which lack basic infrastructure, including sources of power, water, housing, food and transport. Lack of availability of such sources may adversely affect mining feasibility. The remoteness of the properties may delay the operations of Katanga and will, in any event, require Katanga to arrange significant financing, locate adequate supplies and obtain necessary approvals from national, provincial and regional governments, none of which can be assured.

### ***Social and Local Relations***

While Katanga expects that its operations will contribute to the economic development of the Katanga Province in the DRC and provide employment in the region while improving infrastructure and social benefits, the operations of Katanga may have a negative impact on the local environment. In addition, the use of external and foreign employees may result in social disruption in the local communities, which could have a material adverse effect on Katanga's business, operating results and financial condition.

### ***Licenses, Permits and Governmental Regulations***

Katanga's leased properties are subject to various laws governing prospecting, mining, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. Although activities on the properties are currently carried out in accordance with all applicable rules and regulations of the DRC, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including, orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws and regulations governing operations or more stringent implementation thereof could have a substantial adverse impact on Katanga and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

### ***Title Matters***

While Katanga has diligently investigated its title to, and rights over and interests in and relating to, its mining assets and mineral properties, this should not be construed as a guarantee of Katanga's title to its mining assets and/or the area covered by such mining rights. Katanga entered into the Amended Kamoto JV Agreement defining the mining rights of the Merged JV Company as discussed above in "Recent Developments – Amended Kamoto JV Agreement". The Amended Kamoto JV Agreement became effective as of July 25, 2009 and the merger of DCP and KCC was completed on April 27, 2010. Further details of the title to the mineral properties are set out in "Property Description and Location" below.

Katanga's properties may be subject to prior unregistered agreements or transfers that have not been recorded or detected through title research and title may be affected by undetected defects. There can be no guarantee that title to some of Katanga's properties will not be challenged or impugned. Additionally, the land upon which Katanga holds mineral exploitation rights may not have been surveyed; therefore, the precise area and location of such interests may be subject to challenge.

### ***Environmental Risks and Hazards***

Katanga's activities are subject to environmental regulations promulgated by the DRC government and other agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties or other enforcement actions, which may have an adverse effect on Katanga's business. There can be no assurance that compliance with these laws and regulations or future laws and regulations will not involve significant expenditure by Katanga which may adversely affect the results of its operations or financial condition.

While the holder of a mining title in the DRC is generally liable to the DRC state for any damage to the environment (on a joint and several basis with the transferor of the mining title where it has been transferred), under the terms of the Amended Kamoto JV Agreement, Gécamines has agreed to provide an indemnity against any liability in respect of any damage to the environment at any of the Corporation's mines or associated processing installations arising from or caused during the period of Gécamines' ownership. However, there can be no guarantee that Katanga will be able to claim successfully under such indemnity or that, even if such indemnity is successfully enforced, Gécamines will be in a position to reimburse Katanga in respect of any such liabilities.

Environmental legislation in the DRC is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation in the DRC, if any, will not adversely affect operations at each of Katanga's properties. Environmental hazards may exist on Katanga's properties which are unknown to Katanga at present. The Amended Kamoto JV Agreement provides that after the end of the term of the joint venture, Gécamines will retain responsibility for environmental liabilities resulting from its operation of the facilities but not for newly created liabilities. However, there can be no guarantee that Katanga will be able to claim successfully against Gécamines under such retainer of responsibility or that, even if such a claim is successfully

enforced, Gécamines will be in a position to reimburse Katanga in respect of any such environmental liabilities resulting from Gécamines' operations.

### ***Foreign Operations***

Substantially all of Katanga's operations are in the DRC and as such, Katanga's operations are exposed to various levels of political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. These risks and uncertainties include, but are not limited to: (i) currency exchange rates; (ii) high rates of inflation; (iii) labour unrest; (iv) renegotiation or nullification of existing concessions, licenses, permits and contracts; (v) changes in taxation policies; (vi) restrictions on foreign exchange; (vii) changing political conditions; (viii) currency controls; and (ix) governmental regulations that require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in the DRC may adversely affect Katanga's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Corporation's operations and profitability.

### ***Operating Risks***

To the extent that the Merged JV Company fails to perform its functions as operators of Katanga's properties efficiently, Katanga's operations may be adversely affected.

Katanga relies on the Kamoto Concentrator and the Lulu Metallurgical Plant, which are leased to Katanga by Gécamines and which require further refurbishment work to bring production capacity up to Katanga's needs. While Katanga has initiated the refurbishment of these assets to ensure productivity and quality (and, under the GEC and Amended Kamoto JV Agreement, Katanga has the right to rehabilitate these facilities), Katanga may experience delays or difficulties in implementing and/or completing such rehabilitation works. This could have a material adverse effect on Katanga's business, operating results and financial position.

### ***Logistics Risks***

The Corporation depends primarily on road and rail links throughout the DRC and neighboring countries to transport raw materials, supplies and products over long distances between its facilities and African ports. In some cases these transport services may potentially constitute a logistical constraint to the Corporation's planned increased production rates, specifically with regards to the import of bulk consumables or the export of product. The Front End Engineering and Early Works Project currently being undertaken by SNC-Lavalin (South Africa) includes a detailed logistics study which will provide guidance on how to mitigate logistical risks at the increased production rates. Logistical risks could have a material adverse effect on the Corporation's business, operating results and financial position.

### ***Power Supply***

The Corporation's operations depend upon the reliable and continuous delivery of sufficient quantities of power to its mines and processing facilities. While the Corporation currently has power supply to certain of its existing facilities, the Corporation's long-term operations, when taken together, would, if all fully operational, have a total power requirement in excess of power currently available in the Katanga Province for those operations, taking account of existing usage and commitments. Failure to secure sufficient power in the future could have a material adverse effect on the Corporation's business, operating results and financial position. In this regard, the Corporation

has recently completed a \$14 million refurbishment of a section of the DC link that distributes power from the Inga hydro-electricity facilities to the Katanga Province. Completion of this refurbishment project in 2010 has guaranteed a minimum 160MW of power to the Corporation which is more than sufficient to support operational requirements in 2011 and 2012. The Corporation is also in an advanced stage of negotiation with SNEL, the state power utility provider, and engineering contractors to conduct further refurbishment of power generating, transmission and distribution systems in the DRC that would allow for 450MW of power to be made available to the Corporation and its partners in this refurbishment project.

### ***Labour and Employment Matters***

Relations with employees may be impacted by changes in the scheme of labour relations, which may be introduced by the relevant governmental authorities. Adverse changes in such legislation may materially adversely affect Katanga's business, result of operations and financial condition. In addition, labour disruption or work stoppages by Katanga's employees or its contractors could materially adversely affect its business and operations.

### ***Health Risks***

HIV/AIDS, malaria and other diseases represent a serious threat to maintaining a skilled workforce in the mining industry throughout Africa. HIV/AIDS, malaria and other diseases are a healthcare challenge faced by Katanga's operations in the DRC. There can be no assurance that Katanga will not lose members of its workforce or workforce man-hours or incur increased medical costs, which may have a material adverse effect on Katanga's operations.

### ***Competition***

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, some of which is with large, better established mining companies with substantial capabilities and greater financial and technical resources, Katanga may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that Katanga will acquire any interest in additional operations that would yield reserves or result in commercial mining operations.

### ***Difficulty with Joint Venture Partners***

Katanga's subsidiaries have partnered with Gécamines to incorporate and organize the Amended Kamoto JV Agreement. Katanga is subject to the risk associated with the conduct of joint ventures. These risks include disagreement with a joint venture partner on how to develop, operate and finance a project, and compliance by the joint venture partners with the operating requirements in the joint venture agreements, and possible litigation between the joint venture partners regarding joint venture matters. These matters may result in material legal liability or may have an adverse effect on Katanga's cash flow, earnings, results of operations and financial condition.

### ***Principal Shareholders***

Glencore and its subsidiaries own approximately 74.4% of the issued and outstanding shares of Katanga. In addition, two of Katanga's directors, Mr. Mistakidis and Mr. Erasmus, are employed by Glencore. Since Glencore effectively has a controlling interest in Katanga and has a relationship with two of Katanga's directors, Glencore is in a position to exert significant influence on the corporate actions that Katanga takes, particularly when shareholder approval is required. Glencore's controlling interest could have the effect of delaying or preventing a change of control of Katanga or entrenching the Board of Directors or Katanga's management, which could conflict with the interests of the other shareholders and, consequently, could adversely affect the market price of Katanga's securities.

### ***Dependence on Relations with Third Parties***

Katanga is heavily dependent on its ability to secure reliable supplies of raw materials and provision of certain services from third-party suppliers in order to carry out its operations. While Katanga has certain arrangements currently in place for some of these materials and services, there can be no guarantee that these arrangements will be sufficient for Katanga's future needs or that such supplies or provision of services will not be interrupted or cease

altogether. Some of the materials or services required for Katanga's operations are currently only available on commercially reasonable terms from one or a limited number of suppliers or providers. These operations may be interrupted or otherwise adversely affected by: (i) lack of supply or delays in the supply, of these materials or services by third party suppliers; (ii) any change to the terms on which these materials or services are made available by third party suppliers; and (iii) the failure of third-party suppliers to provide materials or services that meet Katanga's quality requirements. If Katanga is forced to change a supplier of such materials or services, there is no guarantee that this would not result in Katanga experiencing additional costs, interruptions to supply continuity or some other adverse effect on its business. There is also no guarantee that Katanga will be able to find adequate replacement materials or services on a timely basis or at all.

#### ***Reliance on Key Personnel and Skilled Workers***

Recruiting and retaining qualified personnel is critical to Katanga's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. Although Katanga believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

#### ***Potential Dependence on Key Contracts and Business Arrangements***

A large portion of Katanga's revenue may be derived from sales of its finished or part-finished products pursuant to a relatively small number of key contracts or business arrangements. In particular, Katanga has entered into exclusive off-take arrangements with Glencore which is described under "Interest of Management and Insiders in Material Transactions". Failure or material delay by the counterparties to these contracts or arrangements to perform their obligations thereunder, or breach of these contracts or arrangements by such counterparties, could have a material adverse effect on Katanga's business, operating results and financial position.

#### ***Volatility of Metal Prices***

The mining industry is competitive and there is no assurance that, even if commercial quantities of a mineral resource are discovered, a profitable market will exist for their sale. The development and success of the Kamoto projects will be primarily dependent on the future price of metals and there can be no assurance that metal prices will be such that Katanga's properties can be mined at a profit. Metal prices are subject to significant fluctuation and are affected by a number of factors, which are beyond Katanga's control. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, international political and economic conditions, speculative activities and increased production due to improved mining and production methods. The price of copper and cobalt and other base metals has fluctuated widely in recent years, and future serious price declines could cause continued development of and commercial production from Katanga's properties to be impracticable and uneconomical. Depending on the price of copper and cobalt and other metals, projected cash flow from existing and planned mining operations may not be sufficient and Katanga could be forced to discontinue development. Continued and future production from Katanga's properties is dependent on copper and cobalt prices that are adequate to make Katanga's properties economic. Project financing covenants may require forward sale (price hedging) of some copper production.

Furthermore, reserve calculations and life-of-mine plans using significantly lower copper and cobalt metal prices could result in material write-downs of Katanga's investment in mining properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting Katanga's reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of Katanga's assets. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if Katanga's projects are ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

### ***Risk of Non-Compliance with Applicable Quality Standards***

The marketability and the price achieved for the copper and cobalt products produced by Katanga is dependent on the quality of these products. In particular, in order to market certain of its copper products as LME Grade A copper, Katanga will require certification from the LME that the relevant copper products are "A" grade products. There can be no assurance that Katanga will obtain such certification in time to commence marketing its copper products as expected or at all. Such failure or delay could result in lower margins for Katanga or its products.

### ***Currency Risk***

Katanga's operations incur expenditures in United States dollars and in the local currencies in the DRC, South Africa, Switzerland, U.K. and Canada. Revenue from operations is principally in United States dollars. The funds raised from issuing equity and debt are in United States dollars or Canadian dollars. Future funds to be raised from project financing are expected to be in United States dollars. As a result of the use of these different currencies, Katanga is subject to foreign currency fluctuations, which may materially affect its financial position and operating results.

### ***Credit Risk***

Katanga takes measures to ensure that its customers and suppliers can fulfill their contractual obligations. These transactions expose Katanga to the risk of default or credit risk by the counterparties to these contracts. Due to the recent global economic situation the risk of default by these parties has increased. Default by one or more significant customer or critical supplier could be material to Katanga's financial condition, liquidity and results of operations. Although Katanga seeks to manage credit risks, there can be no assurance that Katanga will be successful in eliminating the potential material adverse impacts of such risks.

### ***Additional Requirements for Capital***

Copper and cobalt mining and processing is capital intensive, complex and expensive. Katanga plans to restore and develop commercial exploitation operations at its existing mines. In addition, while Katanga has provided for contingencies in its budget for the implementation of the Kamoto projects, the global mining industry is subject to potential cost escalations as a result of the level of demand for copper, cobalt and other base metals, commodity prices and other factors. There can be no guarantee that industry cost escalations and other factors will not result in additional costs being incurred or that budgeted expenditures will be adequate, and this may increase the amount of additional funding required by Katanga. No assurances can be given that Katanga will be able to raise the additional financing that it may require for its anticipated future operations on terms acceptable to Katanga or at all. If Katanga is unable to obtain such funding, or is unable to obtain such funding on satisfactory terms, Katanga's implementation of its projects may be materially adversely affected.

### ***Insurance and Uninsured Risks***

Katanga's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, civil unrest and political instability, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to Katanga's properties or the properties of others, delays in development or mining, monetary losses and possible legal liability.

Katanga does not intend to obtain political risk insurance which will guarantee investments and loans by Katanga to companies in the DRC against the risks of transfer restrictions, expropriation, breach of contract, war and civil disturbance. Katanga will maintain insurance to protect against certain other risks in such amounts as it considers reasonable. However, its insurance will not cover all the potential risks associated with its operations. Katanga may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Katanga or to other companies in the mining industry on acceptable terms. Katanga might

also become subject to liability for pollution or other hazards which may not be insured against or which Katanga may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Katanga to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

### ***Holding Company***

Katanga is a holding company that conducts substantially all of its operations, and holds all of its operating assets, through subsidiaries, and judgments obtained against one or more of the subsidiaries in Ontario may need to be enforced outside of Ontario and may be subject to additional defences or lengthy delays in enforcement as a result.

### ***Difficulties for Investors in Foreign Jurisdictions in Bringing Actions and Enforcing Judgments***

Katanga is organized under the Laws of Bermuda and its head and registered office is in Bermuda. The majority of Katanga's directors and officers, and all of the experts named in this annual information form, reside outside of North America, and all or a substantial portion of their assets, and a substantial portion of Katanga's assets, are located outside of North America. As a result, it may be difficult for investors in Canada to bring an action against directors, officers or experts who are not resident in Canada. It may also be difficult for an investor to enforce a judgment obtained in a Canadian court or a court of another jurisdiction of residence predicated upon the civil liability provisions of federal or provincial securities laws or other laws of Canada or the equivalent laws of other jurisdictions outside Canada against those persons or Katanga.

### ***Litigation Risks***

Katanga may from time to time be involved in various legal proceedings. While Katanga believes it is unlikely that the final outcome of any such proceedings will have a material adverse effect on Katanga's financial position or results of operations, defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal matter will not have a material adverse effect on Katanga's future cash flow, results of operations or financial condition.

### ***Common Share Price may be Adversely Affected by Factors Beyond Katanga's Control***

Securities of small and mid-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in local markets and globally and market perceptions of the attractiveness of particular industries. Katanga's share price is also likely to be significantly affected by short-term changes in copper or cobalt prices or in Katanga's financial condition or results of operations as reflected in Katanga's quarterly earnings reports. Other factors unrelated to performance that may have an effect on the price of the Common Shares include the following: (i) the extent of analytical coverage available to investors concerning Katanga's business may be limited if investment banks with research capabilities discontinue their coverage of Katanga's securities; (ii) a lessening in trading volume or general market interest in Katanga's securities may affect an investor's ability to trade significant numbers of securities of Katanga; and (iii) the size of Katanga's public float may limit the ability of some institutions to invest in Katanga's securities. As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect Katanga's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. Katanga may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

### ***Conflict of Interest***

A number of directors of Katanga also serve as directors and/or officers of other companies involved in the exploration and development of natural resource properties. As a result, conflicts may arise between the obligations of these individuals to Katanga and to such other companies.

## MINERAL PROJECTS

For a description of the material properties of the Corporation, together with mineral resource and mineral reserve estimates and a description of the mine plan, reference is made to the: (i) Technical Report which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and is hereby incorporated by reference; and (ii) the executive summary contained in the Technical Report, a copy of which is included in this circular as Schedule "B".

## DIVIDENDS

Katanga has paid no dividends on its Common Shares since incorporation and Katanga does not anticipate paying dividends on its Common Shares in the foreseeable future. Payment of any future dividends will be at the discretion of the Board after taking into account many factors, including Katanga's operating results, financial condition and current and anticipated cash needs.

## DESCRIPTION OF SHARE CAPITAL

### Common Shares

The authorized share capital of Katanga consists of 1,000 common shares with a par value \$12.00 each and 5,000,000,000 common shares with a par value of \$0.10 each. As at the date hereof, there were 1,907,380,413 Common Shares issued and outstanding.

Each Common Share carries one vote at all meetings of Shareholders, participates rateably in any dividend declared by the directors and carries the right to receive a proportionate share of the assets of Katanga available for distribution to holders of Common Shares in the event of a liquidation, dissolution or winding-up of Katanga. The holders of Common Shares have no pre-emptive or conversion rights.

### Notes and Warrants

On November 20, 2006, the Corporation completed an offering of units ("**Units**") in the aggregate amount of CDN\$115,000,000 which included the exercise by the underwriters of their option to purchase an additional CDN\$15,000,000 of Units. Each Unit consisted of a CDN\$1,000 unsecured subordinated note ("**Notes**") and 40 common share purchase warrants ("**Warrants**"). The Notes will mature on November 30, 2013, with an annual interest rate of 14%. Interest payable on the Notes from November 20, 2006 to June 30, 2007 was capitalized and will be paid on maturity. Semi-annual cash interest payments on the Notes commenced January 1, 2008. Each Warrant entitles the holder to purchase one Common Share at anytime on or before November 20, 2011 at a price of CDN\$8.50 per Common Share. The Notes and Warrants commenced trading on the TSX on November 20, 2006 under the symbols KAT.NT and KAT.WT, respectively (see also "Market for Securities of Katanga" and "Material Contracts").

The following Notes are outstanding as of the date hereof. The Notes are subject to the provisions of the Note Indenture (as hereinafter defined). See "Material Contracts".

Principal Amount of Notes	Maturity Date
CDN\$124,835,950	November 30, 2013

The following Warrants are outstanding as of the date hereof. The Warrants are exchangeable for an equal number of Common Shares prior to the Expiry Date upon payment of the exercise price per Common Share in accordance with the terms of the Warrant Indenture. See "Material Contracts".

Number of Warrants	Exercise Price	Expiry Date
3,966,400	CDN\$8.50	November 20, 2011

## MARKET FOR SECURITIES OF KATANGA

The Common Shares, Notes and Warrants are listed and posted for trading on the TSX under the symbols KAT, KAT.NT and KAT.WT, respectively. The following table sets out the historical high and low prices for trades and the monthly volume of trading of the Common Shares, Notes and Warrants, respectively, as reported by the TSX for the applicable periods indicated. The Common Shares began trading on the TSX on June 28, 2006 and the Notes and Warrants began trading on the TSX on November 20, 2006.

### Trading Price and Volume on the TSX

		Common Shares			Notes			Warrants		
		High (CDN\$)	Low (CDN\$)	Volume	High (CDN\$)	Low (CDN\$)	Volume	High (CDN\$)	Low (CDN\$)	Volume
<b>2010</b>	January	0.98	0.67	18,926,352	95.00	93.00	1,767,600	0.130	0.060	874,799
	February	0.78	0.61	8,524,424	94.95	90.00	2,277,800	0.090	0.065	135,500
	March	0.79	0.70	8,193,173	96.95	93.05	3,462,664	0.100	0.065	89,400
	April	1.66	0.76	41,013,928	102.00	96.50	7,033,442	0.160	0.080	760,200
	May	1.27	0.85	13,051,406	101.52	97.01	2,526,806	0.095	0.040	76,600
	June	0.99	0.65	6,656,852	100.00	99.25	130,955	0.075	0.050	56,150
	July	1.08	0.58	21,949,798	99.25	99.25	0	0.070	0.060	10,200
	August	1.17	0.90	22,660,356	102.00	100.01	4,340,600	0.070	0.050	16,672
	September	1.44	1.05	32,128,620	102.25	102.00	507,906	0.065	0.030	371,345
	October	1.49	1.33	17,585,036	103.99	102.20	15,281,000	0.060	0.035	178,400
	November	1.53	1.15	12,515,806	104.00	102.25	15,602,000	0.040	0.020	996,590
	December	1.45	1.20	7,327,747	104.00	102.00	2,665,000	0.030	0.015	391,033
<b>2011</b>	January	1.55	1.35	5,713,658	104.00	103.00	98,000	0.045	0.020	91,900
	February	2.10	1.43	12,900,615	104.50	103.00	384,000	0.045	0.025	175,500

## DIRECTORS AND OFFICERS

### Name, Occupation and Security Holdings

The following table sets forth the directors and senior executive officers of the Corporation as of the date hereof, their present principal occupation, the month and year each became a director or senior executive officer or both of the Corporation and their beneficial holdings of Common Shares. Each director holds office until the close of the first annual meeting of shareholders of the Corporation following each director's election unless their office is earlier vacated in accordance with the Corporation's bye-laws.

Name, Province or State & Country of Residence and Position with Katanga	Principal Occupation	Director/ Officer Since <sup>(8)</sup>	No. of Common Shares beneficially owned, controlled or directed, directly or indirectly
Hugh Stoyell <sup>(2)(3)(4)(5)</sup> Johannesburg, Republic of South Africa Director (Chairman)	Non-executive Director of Sentula Mining Limited, a company providing mining related services, from September of 2005 to present.	January of 2008	42,122
Rafael Berber <sup>(2)</sup> London, United Kingdom Director	Managing partner, RP Capital Group, an alternative investment firm, from April 2004 to present and Director of various RP Group entities.	January of 2008	7,524 <sup>(7)</sup> 56,345,737 <sup>(6)</sup>
Cornelius Erasmus <sup>(1)(5)</sup> Zug, Switzerland Director	Various positions with Glencore International AG since July of 1997, including directorships of Mopani Copper Mines PLC and Philippine Associated Smelting and Refining Corporation.	November of 2009	Nil
Steven Isaacs <sup>(3)(4)</sup> Zug, Switzerland Director	Interim Chief Executive Officer of the Corporation from October of 2008 to December of 2009. Director of Glencore Finance AG, a finance company, from September of 2003 to June of 2009. Director of Mopani Copper Mines Plc from 2003 to October of 2008. Alternate Director of Minara Limited, a nickel mining company, from 2003 to December of 2008	October of 2008	810,000
Aristotelis Mistakidis <sup>(4)(5)</sup> Walchwil, Switzerland Director	Various positions with Glencore International AG since July 1993, including directorships of Glencore International AG and the following mining related entities: Glencore AG, Mopani Copper Mines PLC, Recyclex SA and Portovesme S.R.L.	January of 2008	Nil
Terry Robinson <sup>(1)(2)(3)</sup> Beaconsfield, Bucks, United Kingdom Director (Deputy Chairman)	Non-executive director of Evraz Group SA, a metals and mining company (steel, vanadium, coal and iron ore), since April 2005; Senior Non-executive director, Highland Gold PLC, a gold producing company, since July of 2008; Non-executive director of Nikanor (now merged with the Corporation) from July of 2006 to January of 2008; managing director of Interactive Records Management Ltd., a records management company, from September of 2004 to January of 2007.	January of 2008	7,524
Robert Wardell <sup>(1)(3)</sup> Toronto, Ontario Director	Director of the Corporation and of Allied Nevada Gold Corp., Elgin Mining Inc. (formerly Phoenix Coal Inc.) <sup>(9)</sup> , Nuinsco Resources Limited, and Centric Health Corporation. Vice-President, Finance and Chief Financial Officer of Victory Nickel Inc. from February 1, 2007 to December of 2008. Consultant from June of 2006 to February of 2007 and Senior Partner of Deloitte & Touche LLP, an accounting firm from 1986 to May of 2006.	July of 2006	Nil
John Ross Kolwezi, DRC, Director and Chief Executive Officer	Chief Executive Officer of the Corporation since January of 2010. Chief Operating Officer of the Corporation from April of 2009 to December of 2009. Metallurgical Manager for Glencore International AG from February of 2002 until October of 2007.	May of 2010	Nil

Name, Province or State & Country of Residence and Position with Katanga	Principal Occupation	Director/ Officer Since <sup>(8)</sup>	No. of Common Shares beneficially owned, controlled or directed, directly or indirectly
Nick Brodie <sup>(10)</sup> , Zug, Switzerland, Chief Financial Officer	Chief Financial Officer of the Corporation since December of 2008. Director, Finance of the Corporation from November of 2006 until December of 2008. Chief Financial Officer of Cinergy Global Resources Inc. from November of 2004 until November of 2006. Head of Finance at Cinergy Global Trading Ltd. from November of 2001 until October of 2004.	December of 2008	12,949

Notes:

- (1) Member of the Audit Committee. Mr. Wardell is the Chairman of the Audit Committee.
- (2) Member of the Compensation Committee. Mr. Berber is the Chairman of the Compensation Committee.
- (3) Member of the Corporate Governance Committee. Mr. Robinson is the Chairman of the Corporate Governance Committee.
- (4) Member of the HSS&E Committee. Mr. Mistakidis is the Chairman of the HSS&E Committee.
- (5) Member of the Technical Oversight Committee. Mr. Mistakidis is the Chairman of the Technical Oversight Committee.
- (6) Held by entities in respect of which Mr. Berber serves as a director.
- (7) Held by Mr. Berber personally.
- (8) The term of office of each director expires at each annual meeting of the shareholders of the Corporation. Officers of the Corporation are appointed by the Board.
- (9) Robert Wardell serves as a member of the compensation committee of Allied Nevada Gold Corp.

As a group, the directors beneficially own, control or direct, directly or indirectly, 57,212,907 Common Shares representing approximately 3.0% of the issued and outstanding Common Shares as of the date hereof.

**Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

No director or executive officer:

- (a) is, as at the date of this AIF, or was, within ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:
  - (i) while that person was acting in such capacity, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or
  - (ii) after such person ceased to act in such capacity, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that related to an event that occurred while such person was acting in such capacity; or
  - (iii) while that person was acting in such capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder;

other than as described below:

- (i) On December 16, 2004 the Court of Appeals of Douai issued a cease trade and liquidation order against, amongst others, Metaleurop SA of which Mr. Mistakidis was a director. On November 24, 2005, the Commercial Court of Paris adopted the continuation plan presented by Metaleurop SA and the court-ordered reorganization ended and trading resumed on February 3, 2006. Metaleurop SA now operates under the name Recyclex SA; and
- (ii) Mr. Robinson is a chartered accountant, and has been involved in restructuring companies since January of 1992. As part of this work, he was appointed as a director of a number of companies which were then liquidated by courts, creditors or otherwise. Mr. Robinson was a director of Union International plc and a subsidiary, W.D.L. (UK) Limited. Union International plc was compulsorily liquidated on January 31, 1996 and W.D.L. (UK) Limited entered into a creditors' voluntary liquidation on July 6, 2002. Mr. Robinson was a director of Albert Fisher Group plc and a number of its subsidiaries until his resignation on April 23, 2002. On June 18, 2002, AFG (WW) Ltd. and Hunter Saphir Ltd. were ordered into receivership. Fisher Foods Limited entered into a creditors' voluntary liquidation on August 14, 2002. SPI plc and Albert Fisher Group plc entered into administrative receivership on August 22, 2002.

Other than as described below, no director of the Corporation has:

- (i) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body, that would likely be considered important to a reasonable investor in making an investment decision.

Mr. Stoyell is currently a member of the board of directors of Sentula Mining Ltd. (formerly Scharring Mining Ltd.) ("**Sentula**"). Shortly after Mr. Stoyell joined Sentula's board of directors, the South African Financial Services Board ("**FSB**") and the Johannesburg Stock Exchange ("**JSE**") began investigating allegations of insider trading by some Sentula's former directors. The FSB fined Sentula for events of insider trading that had taken place prior to Mr. Stoyell joining the board.

On September 11, 2008, the board of directors of Sentula requested that the JSE suspend the trading of its shares following the detection of material financial irregularities, alleged to have occurred while the former chief executive officer and the former chief financial officer were executive officers of the company for the financial year ended March 31, 2008. The suspension was requested as Sentula could not release its audited annual financial statements within the requisite period allowed by the JSE until the financial irregularities had been fully investigated and accounted for. The suspension was lifted once the audited accounts were published and the irregularities were brought to the attention of the JSE, the FSB and Sentula's shareholders. Trading under a cautionary announcement recommenced on December 17, 2008 and was subsequently lifted on March 5, 2009.

### **Conflicts of Interest**

To the best of the Corporation's knowledge, and other than as disclosed herein and below, there are no known existing or potential conflicts of interest between the Corporation and its subsidiaries and any directors or executive officers of the Corporation and its subsidiaries, except that:

- (a) certain of the directors and officers serve as directors, officers, promoters and members of management of other public companies and therefore it is possible that a conflict may arise between their duties as a director or officers of the Corporation and their duties as a director, officer, promoter or member of management of such other companies.
- (b) one of the directors of the Corporation, Aristotelis Mistakidis, is the appointee representative of, and one of the directors, Hugh Stoyell was appointed Chairman by, Glencore Finance pursuant to the Relationship Agreements and one of the directors of the Corporation, Rafael Berber, was the appointee of Cosaf Limited, each of which were lenders or affiliates of lenders under the New Facility. On October 7, 2009 the Corporation announced its termination of the Relationship Agreements (see "General Development of

the Business of Katanga – 2009 Developments – Termination of Relationship Agreements" and "General Developments of the Business of Katanga – 2009 Developments – Amendment and Restatement of Former Loan Facility" and "Interest of Management and Insiders in Material Transactions").

The directors and officers of the Corporation are aware of the existence of laws governing accountability of directors and executive officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Corporation will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers.

The terms of the agreements with related-parties are entered into on the basis of being competitive with those of other third parties. The competitive analysis includes review of the charges and fees, the technical capacity, the financial capacity, and the experience level and timeliness of performance by potential service providers (see "Interest of Management and Insiders in Material Transactions").

### **LEGAL PROCEEDINGS AND REGULATORY PROCEEDINGS**

From time to time, Katanga is involved in various claims and litigation arising in the normal course of business. While the outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in Katanga's favour, there are currently no material proceedings or pending legal proceedings to which the Corporation is or is likely to become a party to.

There have been no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority, or imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision, and the Corporation has not entered into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority.

### **INTEREST OF MANAGEMENT AND INSIDERS IN MATERIAL TRANSACTIONS**

No insider, director, executive officer or any associate or affiliate of such persons had any material interest, direct or indirect, in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which has materially affected or will materially affect the Corporation, other than as disclosed herein, in the Corporation's audited financial statements and related management's discussion & analysis for the year ended December 31, 2010 and the management information circular (the "**2011 Circular**") for the annual and special meeting of Shareholders of the Corporation scheduled to be held in Toronto on May 4, 2011:

- (a) Gécamines, a state owned and operated mining enterprise of the DRC, has a 25% minority interest the Merged JV Company. The Merged JV Company is required to make royalty payments, access to reserves payments and lease payments to Gécamines and also purchases goods and services from Gécamines in the normal course of business.
- (b) Glencore is the majority shareholder and is represented on the Board of Directors of the Corporation. Glencore entered into the Off-take Agreements whereby, commencing on January 1, 2009, all concentrate and all copper and cobalt metal produced by the Corporation are sold to Glencore on market terms. In 2009, Glencore also provided funding to the Corporation in the form of convertible debt and a non-convertible bridge loan facility.
- (c) Xstrata Queensland Ltd ("**Xstrata**") is identified as a related party on the basis that Glencore holds a significant interest in Xstrata. At December 31, 2009, this interest represented 34.38% of Xstrata's issued share capital. During 2008 and 2009, Xstrata has provided mining equipment and services to the Corporation.
- (d) Mopani Copper Mine Plc ("**Mopani**") is a copper and cobalt producer located in Zambia. Mopani is a subsidiary of Glencore, which owns approximately 74% of Mopani's common shares. During 2008 and 2009, Mopani supplied sulphuric acid and other consumables to the Corporation. On August 4, 2010, Katanga's Board of Directors approved, subject to certain conditions, entering into three agreements with Mopani providing for the purchase by Mopani of oxide concentrate from, and sale by Mopani of starter sheets and lead to, Katanga in the ordinary course of business and on arm's length commercial terms.

- (e) Mutanda ya Mukonkota Mining SPRL ("**Mutanda**") is a copper and cobalt producer located in the DRC. Mutanda is a 40% owned investment of Glencore. Mutanda and KCC provide goods and services to each other in the ordinary course of business.

See also "Directors and Officers – Conflicts of Interest" and "Additional Information".

### AUDITORS, REGISTRAR AND TRANSFER AGENT

Deloitte & Touche LLP, Chartered Accountants, were the auditors of the Corporation for the financial year ended December 31, 2010.

The registrar and transfer agent of the Common Shares is Equity Financial Trust Company ("**Equity**") located at 200 University Avenue, Suite 400, Toronto, Ontario.

### MATERIAL CONTRACTS

The only contracts entered into by the Corporation, other than in the ordinary course of business, within the financial year ended December 31, 2010 or before such time that are still in effect, are as follows:

- (a) Amended Kamoto JV Agreement. See "General Development of the Business of Katanga – 2009 Developments – Amended Kamoto JV Agreement".
- (b) The Concession Release Agreement. See "General Development of the Business of Katanga – 2008 Developments - Concession Release Agreement and DRC Mining Review" and "General Development of the Business of Katanga – 2009 Developments – Amended Kamoto JV Agreement".
- (c) The Off-take Agreements. See "General Development of the Business of Katanga – 2008 Developments – Merger of Katanga and Nikanor".
- (d) The Trust Indenture. On November 20, 2006, Katanga entered into a trust indenture (the "**Trust Indenture**") with Equity Financial Trust Company for the issuance of the Notes in an aggregate principal amount of up to CDN\$115,000,000, bearing interest at 14% per annum payable semi-annually in arrears and maturing on November 30, 2013. Interest payable from November 20, 2006 to June 30, 2007 on the Notes was capitalized on June 30, 2007 and paid to Note holders of record on July 19, 2007. The following is a summary of the material terms of the Trust Indenture and is qualified in its entirety by reference to the provisions of the Trust Indenture, a copy of which is filed under Katanga's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Rank

The Notes are direct unsecured subordinated debt obligations of Katanga ranking: (i) junior to senior indebtedness; and (ii) equally with each other and, except to the extent prescribed by law, with all other present and future unsubordinated and unsecured indebtedness of Katanga.

#### Redemption

Katanga may redeem the Notes, in whole or in part, at any time after the third anniversary of the closing date of November 20, 2006 (the "**Closing Date**"), for cash at the following percentage of the principal amount of the Notes (including capitalized interest) plus accrued and unpaid interest:

#### Applicable Time Period Percentage

After the third anniversary of the Closing Date of November 20, 2006  
until on or before the fourth anniversary of the Closing Date ..... 102%  
After the fourth anniversary of the Closing Date until on or before the fifth anniversary

of the Closing Date .....	101%
And thereafter .....	100%

Katanga may redeem the Notes within the first three years following the Closing Date in whole but not in part, for cash at a redemption price equal to 102% of the principal amount of the Notes (including capitalized interest) if a Change of Control (as defined in the Trust Indenture) occurs.

Change of Control

Katanga will be required, at the request of a holder of Notes, to purchase all or part of the holder's Notes for cash at a price equal to the specified percentage set out above of the principal amount of the Notes (including capitalized interest) plus accrued and unpaid interest if: (i) a Change of Control occurs; (ii) Katanga (if entitled to do so) does not elect to redeem the Notes; and (iii) the acquiror's debt rating, either before or after the Change of Control, is less than Katanga's debt rating (as determined based on debt ratings from recognized rating agencies or, if no such ratings exist, by an independent investment bank retained by the Katanga Board).

If a Project Change of Control (as defined in the Trust Indenture) occurs, Katanga shall, at the request of a holder of the Notes, purchase all or a portion of the holder's Notes for cash at a price equal to the specified percentage of the principal amount of the Notes set out above (including capitalized interest) plus accrued and unpaid interest.

Covenants

Katanga has agreed to comply with certain covenants, as set forth in the Trust Indenture, so long as Notes are outstanding.

- (e) The Warrant Indenture. On November 20, 2006, Katanga issued the Warrants pursuant to a warrant indenture (the "**Warrant Indenture**") entered into between Katanga and Equity Transfer & Trust Company (now Equity Financial Trust Company), as warrant agent thereunder (the "**Warrant Agent**"). The following is a summary of the material terms of the Warrant Indenture and is qualified in its entirety by reference to the provisions of the Warrant Indenture, a copy of which is filed under Katanga's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Each Warrant entitles the holder thereof to purchase one Katanga Share at a price of CDN\$8.50 any time prior to 5:00 p.m. (Toronto time) on the day that is five years following the Closing Date, after which time the Warrants will expire and become null and void.

The Warrant Indenture provides for adjustment in the number of Katanga Shares issuable upon the exercise of the Warrants and/or the exercise price per common share upon the occurrence of certain events, as set forth in the Warrant Indenture.

**INTERESTS OF EXPERTS**

Willem van der Schyff of Golder Associates is the author of the Technical Report referred to here under the heading "Mineral Projects" and he does not have any interest in any securities or other property of the Corporation or its associates or affiliates, nor does he expect to receive or acquire any such interests.

The beneficial interest, direct or indirect, in any securities or property of the Corporation or its subsidiaries held by any professional person herein, including without limitation, Deloitte & Touche LLP, Chartered Accountants, the author of the Technical Report and Bennett Jones LLP, counsel to the Corporation, represents less than one percent of the issued and outstanding Common Shares.

## AUDIT COMMITTEE AND RELATED DISCLOSURE

### Overview

The Audit Committee of the Board of Directors is principally responsible for:

- recommending to the Board of Directors the external auditor to be nominated for election by the Corporation's shareholders at each annual meeting and negotiating the compensation of such external auditor;
- overseeing the work of the external auditor;
- reviewing the Corporation's annual and interim financial statements, management's discussion & analysis and press releases regarding earnings before they are reviewed and approved by the Board of Directors and publicly disseminated by the Corporation; and
- reviewing the Corporation's financial reporting procedures to ensure adequate procedures are in place for the Corporation's public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph.

### The Audit Committee Charter

The Board of Directors has adopted a Charter for the Audit Committee which sets out the Committee's mandate, organization, powers and responsibilities. The complete Charter is attached as Schedule "A" to this AIF.

As of the date hereof, Mr. Wardell, Mr. Robinson and Mr. Erasmus serve as the members of the Audit Committee. The following table sets out information concerning the independence and financial literacy of the Audit Committee members.

Name of Member	Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>
Robert Wardell <sup>(3)</sup>	Yes	Yes
Terry Robinson	Yes	Yes
Cornelius Erasmus	Yes <sup>(4)</sup>	Yes

Notes:

- (1) To be considered to be independent, a member of the Committee must not have any direct or indirect "material relationship" with the Corporation. A material relationship is a relationship which could, in the view of the Board of Directors, reasonably interfere with the exercise of a member's independent judgement.
- (2) To be considered financially literate, a member of the Committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.
- (3) Chairman of the Audit Committee.
- (4) Mr. Erasmus would be "independent" of the Corporation but for the fact that he is related to Corporation through the Corporation's parent corporation, Glencore. Accordingly, Mr. Erasmus is deemed to be "independent" for the purposes of his participation on the Audit Committee pursuant to relevant securities rules.

### Education and Experience

**Robert Wardell** is a member of the Institute of Chartered Accountants of Ontario. From 1986 to 2006 he was an audit partner with Deloitte & Touche LLP. He is a former member of the Canadian Institute of Chartered Accountants Emerging Issues Committee. In addition, Mr. Wardell has served as an expert witness on various accounting and financial reporting related matters.

**Terry Robinson** is a Chartered Accountant and has been involved in corporate restructuring of companies since 1982.

**Cornelius Erasmus** holds an Honours degree in Finance and Accounting from Stellenbosch University and is a member of the South African Institute of Chartered Accountants. He has been an executive with Glencore, a leading

privately held, diversified natural resources company, since 1997. He also serves as a director of Mopani Copper Mines PLC and Philippine Associated Smelting and Refining Corporation

### **Pre-Approval Policies and Procedures**

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in section III.B "Powers and Responsibilities – Performance & Completion by Auditor of its Work" of the Audit Committee Charter, attached hereto as Schedule "A".

### **External Auditor Service Fees (By Category)**

The following table discloses the fees billed to the Corporation by its external auditor during the last two financial years.

<b>Financial Year Ended</b>	<b>Audit Fees<sup>(1)</sup></b>	<b>Audit Related Fees<sup>(2)</sup></b>	<b>Tax Fees</b>	<b>All Other Fees<sup>(3)</sup></b>
December 31, 2009	\$523,189	\$Nil	\$46,621	\$116,534
December 31, 2010	\$725,959	\$Nil	\$115,524	\$3,304

Notes:

- (1) The aggregate fees billed for audit services.
- (2) No fees were billed for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not disclosed in the 'Audit Fees' column.
- (3) No fees were billed for professional services other than those listed in the other three columns.

### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information, including directors' and executive officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans is contained in the management information circular of the Corporation dated March 31, 2010 which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and will be available in the 2011 Circular on SEDAR at [www.sedar.com](http://www.sedar.com) once finalized and mailed to shareholders of the Corporation in April of 2011. Additional financial information is provided in the Corporation's audited consolidated financial statements and management's discussion and analysis for the financial year ended December 31, 2010.

## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this AIF. Words importing the singular number, where the context requires, include the plural and vice versa and words importing any gender include all genders.

"**2009 Technical Report**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Accelerated Development Plan";

"**2010 Technical Report**" has the meaning given to it in "General Development of the Business of Katanga – 2010 Developments – New Technical Report";

"**2011 Circular**" has the meaning given to it in "Interest of Management and Insiders in Material Transactions";

"**Accelerated Development Plan**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Development – Accelerated Development Plan";

"**AIF**" means this annual information form;

"**Amended Kamoto JV Agreement**" has the meaning given to it in "General Development of the Business of Katanga – Joint Ventures – Merger of Kamoto Joint Venture and DCP Joint Venture";

"**Amendment and Restatement Agreement**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Amendment and Restatement of Former Loan Facility";

"**Board of Directors**" or "**Board**" means the board of directors of Katanga;

"**Bridge Loan**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Bridge Loan and Rights Offering";

"**Bridge Loan Agreement**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Bridge Loan and Rights Offering";

"**CEO**" means the Chief Executive Officer of Katanga;

"**Closing Date**" has the meaning given to it in "Material Contracts";

"**Commission**" has the meaning given to it in "General Development of the Business of Katanga – Joint Ventures – Merger of Kamoto Joint Venture and DCP Joint Venture";

"**Common Shares**" has the meaning given to it in "Corporate Structure of Katanga Mining Limited – Name, Address and Incorporation";

"**Concession Area**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Development – Amended Kamoto JV Agreement";

"**Concession Release Agreement**" has the meaning given to it in "General Development of the Business of Katanga – 2008 Developments – Concession Release Agreement and DRC Mining Review";

"**Conditions Precedent**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Bridge Loan and Rights Offering";

"**contract d'amodiation**" has the meaning given to it in "Property Description and Location – Description of mineral tenure – KCC Rights";

"**Conversion Price**" means \$16.38 per share;

"**COO**" means the Chief Operating Officer of Katanga;

"**Corporation**" means Katanga Mining Limited, a corporation incorporated pursuant to the laws of Bermuda and its subsidiaries, unless otherwise expressly stated or the context requires otherwise;

"**DCP**" has the meaning given to it in "General Development of the Business of Katanga – Joint Ventures – DCP Joint Venture";

"**DCP Exploitation Permits**" has the meaning given to it in "Property Description and Location – Description of mineral tenure – DCP Rights";

"**DCP Joint Venture**" has the meaning given to it in "General Development of the Business of Katanga – Joint Ventures – DCP Joint Venture";

"**DCP Joint Venture Agreement**" has the meaning given to it in "General Development of the Business of Katanga – Joint Ventures – DCP Joint Venture";

"**DCP Joint Venture Assets**" has the meaning given to it in "General Development of the Business of Katanga – Joint Ventures – DCP Joint Venture";

"**DIMA**" means Dikuluwe-Mashamba;

"**DRC**" has the meaning given to it in "General Development of the Business of Katanga – Kamoto Joint Venture – Joint Ventures";

"**Early Liquidity Closing**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Bridge Loans and Completion of Rights Offering";

"**EIS**" has the meaning given to it in "Description of the Business of Katanga – Social or Environmental Policies and Environmental Protection";

"**EP**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Amended Kamoto JV Agreement";

"**Equity**" has the meaning given to it in "Auditors, Registrar and Transfer Agent";

"**ESIA**" has the meaning given to it in "Description of the Business of Katanga – Social or Environmental Policies and Environmental Protection";

"**Exchange Agreement**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Amendment and Restatement of Former Loan Facility";

"**Exchange Price**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Amendment and Restatement of Former Loan Facility";

"**Facility Underwriting Agreement**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Amendment and Restatement of Former Loan Facility";

"**FSB**" has the meaning given to it in "Directors and Officers – Cease Trade Orders, Bankruptcies, Penalties or Sanctions";

"**GAAP**" means generally accepted accounting principles;

"**GEC**" has the meaning given to it in "General Development of the Business of Katanga – Joint Ventures";

"**Gécamines**" means La Générale des Carrières et des Mines, a state owned company incorporated under the laws of the DRC;

"**Glencore**" means Glencore International AG;

"**Glencore Finance**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Amendment and Restatement of Former Loan Facility";

"**Jangleglade**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Bridge Loan and Rights Offering";

"**JSE**" has the meaning given to it in "Directors and Officers – Cease Trade Orders, Bankruptcies, Penalties or Sanctions;"

"**Kamoto Concentrator**" has the meaning given to it in "General Development of the Business of Katanga – 2008 Developments – Rehabilitation Project Update";

"**Kamoto Joint Venture**" has the meaning given to it in "General Development of the Business of Katanga – Joint Ventures – Kamoto Joint Venture";

"**Kamoto Joint Venture Agreement**" has the meaning given to it in "General Development of the Business of Katanga – Joint Ventures – Kamoto Joint Venture";

"**Kamoto Joint Venture Assets**" has the meaning given to it in "General Development of the Business of Katanga – Joint Ventures – Kamoto Joint Venture";

"**Kamoto Underground Mine**" means an operating underground mine;

"**Kananga Mine**" means a dormant open pit mine;

"**Katanga**" means Katanga Mining Limited, a corporation incorporated pursuant to the laws of Bermuda and its subsidiaries, unless otherwise expressly stated or the context requires otherwise;

"**KCC**" has the meaning given to it in "General Development of the Business of Katanga – Joint Ventures – Kamoto Joint Ventures";

"**KCC Lease Agreement**" has the meaning given to it in "Property Description and Location – Description of mineral tenure – KCC rights";

"**KFL**" has the meaning given to it in "General Development of the Business of Katanga – Joint Ventures – Kamoto Joint Ventures";

"**KOL**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Acquisition of KOL";

"**KOL Operating Agreement**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Acquisition of KOL";

"**Kolwezi Concentrator**" means the treatment and processing plant for the concentration of copper and cobalt ore;

"**KOV Open Pit**" means the open pit mine situated near Kolwezi in the Katanga province of DRC, consisting of the Kamoto East, Oliveira, Virgule and FNSR ore bodies;

"**LME**" means London Metal exchange;

"**LME Grade A**" means copper cathode that is certified as "Grade A" by the LME;

"**Luilu Metallurgical Plan**" has the meaning given to it in "General Development of the Business of Katanga – 2008 Developments – Rehabilitation Project Update";

"**Major Shareholders**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Termination of Relationship Agreements";

"**Mashamba East Mine**" means a development project;

"**MoU**" has the meaning given to it in "General Development of the Business of Katanga – 2008 Developments – Concession Release Agreement and DRC Mining Review";

"**Merger**" means the acquisition by Katanga of Nikanor as described in "2008 Developments – Merger of Katanga and Nikanor";

"**Merged JV Company**" has the meaning given to it in "General Development of the Business of Katanga – 2008 Developments – Concession Release Agreement and DRC Mining Review";

"**Mining Code**" means Law No. 007/2002 adopted on July 11, 2002 and the Decree No. 038/2003 adopted on March 26, 2003 as a supplement to the Mining Code;

"**Mopani**" has the meaning given to it in "Interest of Management and Insiders in Material Transactions";

"**Mutanda**" has the meaning given to it in "Interest of Management and Insiders in Material Transactions";

"**Necessary Surfaces**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Amended Kamoto JV Agreement";

"**New Facility**" means the approximately \$265.3 million loan facility of the Corporation described under "General Developments of the Business of Katanga – 2009 Developments – Amendment and Restatement of Former Loan Facility";

"**Nikanor**" means Nikanor PLC, a company incorporated under the laws of the Isle of Man;

"**Notes**" has the meaning given to it in "Description of Share Capital – Notes and Warrants";

"**Off-take Agreements**" has the meaning given to it in "General Development of the Business of Katanga – 2008 Developments – Merger of Katanga and Nikanor";

"**Relationship Agreements**" has the meaning given to it in "General Developments of the Business of Katanga – 2009 Developments – Termination of Relationship Agreements";

"**Rights**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Bridge Loan and Rights Offering";

"**Rights Offering**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Bridge Loan and Rights Offering";

"**Scoping and Engineering Study**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Accelerated Development Plan";

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

"**Sentula**" has the meaning given to it in "Directors and Officers – Cease Trade Order, Bankruptcies, Penalties or Sanctions";

"**Shareholders**" has the meaning given to it in "Corporate Structure of Katanga Mining Limited – Name, Address and Incorporation";

"**SIMCO**" has the meaning given to it in "General Development of the Business of Katanga – Merger of Kamoto Joint Venture and DCP Joint Venture";

"**SRK**" or "**SRK Consulting**" means SRK Consulting (South Africa) (Pty) Ltd.;

"**Standby Commitment**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Bridge Loan and Rights Offering";

"**Standby Fee**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Bridge Loan and Rights Offering";

"**Standby Purchaser**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Bridge Loan and Completion of Rights Offering";

"**Subscription Price**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Completion of Rights Offering";

"**T17 Open Pit**" means an operating open pit mine;

"**Technical Report**" means the technical report dated March 31, 2011 titled "An Independent Technical Report on the Material Assets of Katanga Mining Limited, Katanga Province, Democratic Republic of Congo", which is available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

"**Tilwezembe Open Pit**" means a recently closed open pit mine;

"**Transactions**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Bridge Loan and Rights Offering";

"**Transaction Agreement**" has the meaning given to it in "General Development of the Business of Katanga – 2009 Developments – Bridge Loan and Rights Offering";

"**Trust Indenture**" has the meaning given to it in "Material Contracts";

"**TSX**" means the Toronto Stock Exchange;

"**Units**" has the meaning given to it in "Description of Share Capital – Notes and Warrants";

"**Warrants**" has the meaning given to it in "Description of Share Capital – Notes and Warrants";

"**Warrant Agent**" has the meaning given to it in "Material Contracts";

"**Warrant Indenture**" has the meaning given to it in "Material Contracts"; and

"**Xstrata**" has the meaning given to it in "Interest of Management and Insiders in Material Transactions".

## **Geological/Exploration Terms**

### *Terminology*

In Canada, the Metric System or SI System is the primary system of measure and length is generally expressed in kilometres, metres and centimetres, volume is expressed as cubic metres, mass expressed as metric tonnes, and cobalt and copper grades are generally expressed as a percent. The precious and platinum-group metals grades are generally expressed as ounce per ton but may also be in parts per billion or parts per million. Many of the geologic

publications and more recent work assessment files now use the SI system but older work assessment files almost exclusively refer to the Imperial System. Metals and minerals acronyms in this report conform to mineral industry accepted usage and the reader is directed to an online source at [www.maden.hacettepe.edu.tr/dmmrt/index.html](http://www.maden.hacettepe.edu.tr/dmmrt/index.html).

"bornite"	Copper iron sulphide (Cu <sub>5</sub> FeS <sub>4</sub> ). An important copper ore mineral
"breccia"	Coarse clastic sedimentary rock, the constituent clasts of which are angular
"carré"	unit of measurement 920 x 920 metres
"carrollite"	copper cobalt sulphide (Cu (Co, Ni) <sub>2</sub> S <sub>4</sub> ). An important copper ore mineral
"chalcopyrite"	copper sulphide (Cu Fe S <sub>2</sub> ). A major ore of copper
"clast"	Article of broken down rock
"concentrate"	a product in which valuable minerals have been enriched (concentrated) through mineral processing
"FNSR"	is a fragment of KOV
"g/t"	Grams per tonne (1000 kilogram)
"grade"	the element or metal content per unit of material
"mineral"	a naturally occurring inorganic substance typically with a crystalline structure
"ore"	a mineral or rock that can be worked economically
"outcrop"	rock unit exposure at surface
"reserve"	that part of a Resource which can be mined at a profit under reasonably expected economic conditions as defined by the JORC Code
"resource"	mineralised body for which there is sufficient sampling information and geological understanding to outline a deposit of potential economic merit
"sub-outcrop"	rock unit exposure below the surface
"sulphide"	a mineral in which the element sulphur is in combination with one or more metallic elements
"tailings"	the waste products resulting from the processing of ore material

## Measurement

Conversion of metric units into imperial equivalents is as follows:

<u>Metric Units</u>	<u>Multiply by</u>	<u>Imperial Units</u>
hectares	2.471	= acres
metres	3.281	= feet
kilometres	0.621	= miles (5,280 feet)

<u>Metric Units</u>	<u>Multiply by</u>	<u>Imperial Units</u>
grams	0.032	= ounces (troy)
tonnes	1.102	= tons (short) (2,000 lbs)
g/t	0.029	= ounces (troy)/ton

The following table sets out the exchange rates, based on the noon buying rates of foreign currencies as certified by the Bank of Canada, for the conversion of one United States dollars (US) into Canadian dollars (CDN) in effect at the end of the following period and the average exchange rate (based on the average of the exchange rate on the last day of the month in such period) and the range of high and low exchange rates for such period.

<b>US/CDN</b>	<b>Year ended December 31, 2010</b>
End of Period	1.0466
Average for Period	1.14198
High Period	1.3000
Low for Period	1.0292

## SCHEDULE A

### CHARTER FOR THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF KATANGA MINING LIMITED

#### I. MANDATE

The Audit Committee (the "**Committee**") of the Board of Directors (the "**Board**") of Katanga Mining Limited (the "**Company**") shall assist the Board in fulfilling its financial oversight responsibilities. The Committee's primary duties and responsibilities under this mandate are to serve as an independent and objective party to monitor:

1. The quality and integrity of the Company's financial statements and other financial information;
2. The compliance of such statements and information with legal and regulatory requirements;
3. The qualifications and independence of the Company's independent external auditor (the "**Auditor**"); and
4. The performance of the Company's internal accounting procedures and Auditor.

#### II. STRUCTURE AND OPERATIONS

##### A. Composition

The Committee shall be comprised of three or more members.

##### B. Qualifications

Each member of the Committee must be a member of the Board.

A majority of the members of the Committee shall not be officers or employees of the Company or of an affiliate of the Company.

Each member of the Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement.

##### C. Appointment and Removal

In accordance with the By-laws of the Company, the members of the Committee shall be appointed by the Board and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. Any member of the Committee may be removed, with or without cause, by a majority vote of the Board.

##### D. Chair

Unless the Board shall select a Chair, the members of the Committee shall designate a Chair by the majority vote of all of the members of the Committee. The Chair shall call, set the agendas for and chair all meetings of the Committee.

##### E. Sub-Committees

The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that a

decision of such subcommittee to grant a pre-approval shall be presented to the full Committee at its next scheduled meeting.

F. Meetings

The Committee shall meet at least four times in each fiscal year, or more frequently as circumstances dictate. The Auditor shall be given reasonable notice of, and be entitled to attend and speak at, each meeting of the Committee concerning the Company's annual financial statements and, if the Committee feels it is necessary or appropriate, at every other meeting. On request by the Auditor, the Chair shall call a meeting of the Committee to consider any matter that the Auditor believes should be brought to the attention of the Committee, the Board or the shareholders of the Company.

At each meeting, a quorum shall consist of a majority of members that are not officers or employees of the Company or of an affiliate of the Company.

As part of its goal to foster open communication, the Committee may periodically meet separately with each of management and the Auditor to discuss any matters that the Committee or any of these groups believes would be appropriate to discuss privately. In addition, the Committee should meet with the Auditor and management annually to review the Company's financial statements in a manner consistent with Section III of this Charter.

The Committee may invite to its meetings any director, any manager of the Company, and any other person whom it deems appropriate to consult in order to carry out its responsibilities. The Committee may also exclude from its meetings any person it deems appropriate to exclude in order to carry out its responsibilities.

**III. DUTIES**

A. Introduction

The following functions shall be the common recurring duties of the Committee in carrying out its purposes outlined in Section I of this Charter. These duties should serve as a guide with the understanding that the Committee may fulfill additional duties and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of the Committee outlined in Section I of this Charter.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern which the Committee in its sole discretion deems appropriate for study or investigation by the Committee.

The Committee shall be given full access to the Company's internal accounting staff, managers, other staff and Auditor as necessary to carry out these duties. While acting within the scope of its stated purpose, the Committee shall have all the authority of, but shall remain subject to, the Board.

B. Powers and Responsibilities

The Committee will have the following responsibilities and, in order to perform and discharge these responsibilities, will be vested with the powers and authorities set forth below, namely, the Committee shall:

*Independence of Auditor*

1. Review and discuss with the Auditor any disclosed relationships or services that may impact the objectivity and independence of the Auditor and, if necessary, obtain a formal written statement from the Auditor setting forth all relationships between the Auditor and the Company, consistent with Independence Standards Board Standard 1.
2. Take, or recommend that the Board take, appropriate action to oversee the independence of the Auditor.

3. Require the Auditor to report directly to the Committee.
4. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the Auditor and former independent external auditor of the Company.

*Performance & Completion by Auditor of its Work*

5. Be directly responsible for the oversight of the work by the Auditor (including resolution of disagreements between management and the Auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.
6. Review annually the performance of the Auditor and recommend the appointment by the Board of a new, or re-election by the Company's shareholders of the existing, Auditor.
7. Pre-approve all auditing services and permitted non-audit services, including the fees and terms thereof, to be performed for the Company by the Auditor unless such non-audit services:
  - (a) which are not pre-approved, are reasonably expected not to constitute, in the aggregate, more than 5% of the total amount of revenues paid by the Company to the Auditor during the fiscal year in which the non-audit services are provided;
  - (b) were not recognized by the Company at the time of the engagement to be non-audit services; and
  - (c) are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee.

*Internal Financial Controls & Operations of the Company*

8. Establish procedures for:
  - (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
  - (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

*Preparation of Financial Statements*

9. Discuss with management and the Auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.
10. Discuss with management and the Auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.
11. Discuss with management and the Auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
12. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

13. Discuss with the Auditor the matters required to be discussed relating to the conduct of any audit, in particular:
  - (a) The adoption of, or changes to, the Company's significant auditing and accounting principles and practices as suggested by the Auditor, internal auditor or management.
  - (b) The management inquiry letter provided by the Auditor and the Company's response to that letter.
  - (c) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

*Public Disclosure by the Company*

15. Review the Company's annual and quarterly financial statements, management discussion and analysis (MD&A) and earnings press releases before the Board approves and the Company publicly discloses this information.
16. Review the Company's financial reporting procedures and internal controls to be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph, and periodically assessing the adequacy of those procedures.
17. Review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process of the Company's financial statements about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

*Manner of Carrying Out its Mandate*

18. Consult with the Auditor, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.
19. Request any officer or employee of the Company or the Company's outside counsel or Auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.
20. Meet with management, any internal auditor and the Auditor in separate executive sessions at least quarterly.
21. Have the authority, to the extent it deems necessary or appropriate, to retain special independent legal, accounting or other consultants to advise the Committee advisors.
22. Make regular reports to the Board.
23. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
24. Annually review the Committee's own performance.
25. Provide an open avenue of communication among the Auditor, the Company's financial and senior management and the Board.

26. Not delegate these responsibilities other than to one or more independent members of the Committee the authority to pre-approve, which the Committee must ratify at its next meeting, non-audit services to be provided by the Auditor.

F. Limitation of Audit Committee's Role

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the Auditor.

## SCHEDULE B

The following is the executive summary contained in the Technical Report incorporated by reference in the AIF to which this Schedule B is attached. Unless otherwise defined herein, all capitalized terms used herein shall have the meaning ascribed thereto in the Technical Report. The following is a summary only and is qualified in its entirety by the more detailed disclosure contained in the Technical Report which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Summary

#### *Introduction*

Golder Associates Africa (Pty) Ltd ("**GAA**") was commissioned by Katanga Mining Limited ("**KML**") to compile this Independent Technical Report ("**ITR**") which complies with the Canadian Securities Administrators' National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("**NI 43-101**"), in respect of the Material Assets (as defined below) owned and operated by KML.

#### *Property Description and Location*

This ITR covers the following operations, projects and infrastructure of KML and its subsidiaries located in the Kolwezi District in the Katanga Province of the Democratic Republic of Congo ("**DRC**"), which are collectively referred to herein as the "**Material Assets**":

- "**Mining Assets**", namely:
  - Kamoto Underground Mine ("**KTO**");
  - T-17 Open Pit and underground extension;
  - KOV Open Pit and underground extension (Kamoto East Underground Mine) ("**KTE**");
  - Mashamba East Open Pit;
  - Tilwezembe Open Pit;
  - Kananga Mine; and
  - Extension of Kananga Mine.
- "**Processing Assets**", namely:
  - the Kamoto Concentrator ("**KTC**"); and
  - the Luilu Metallurgical Plant ("**Luilu Refinery**").
- Infrastructure necessary for the production of saleable metals.

#### *Ownership*

Kamoto Copper Company SARL ("**KCC**") owns the Material Assets, including the mining and exploitation rights related to the Mining Assets. KML holds a 75% stake in KCC. La Generale des Carrieres et des Mines ("**GCM**") and La Société Immobilière du Congo ("**SIMCO**"), state-owned mining companies in the DRC, own the other 25% of KCC.

#### *Geology and Mineralization*

##### **Geology**

The mineralized zones are at the western end of the Katangan Copperbelt, one of the great metallogenic provinces of the world, containing some of the world's richest copper and cobalt deposits.

These deposits are hosted mainly by metasedimentary rocks of the late proterozoic Katangan system, a seven km thick succession of sediments with minor Volcanics, Volcanoclastics and intrusive rocks. Geochronological data indicates an age of deposition of the Katangan sediments of about 880 million years and deformation during the Katangan orogeny

at less than 650 million years. This deformation resulted in the NS-SE trending Lufilian Arc, which extends from Namibia on the west coast of Africa through to Zambia, lying to the south of the DRC. Within the DRC, the zone of deformation extends for more than 300 km from Kolwezi in the north-west to Lubumbashi in the south-east.

Stratigraphically, the rich copper and cobalt deposits found in Zambia and the DRC are localized in the Roan Supergroup (the "**Roan**"). The Roan occurs at the base of the Katanga succession, unconformably overlying the basement rock of Kibaran age (mid-proterozoic). The Roan is separated from the overlying rocks of the Kundelungu and Nguba Supergroups by a conglomerate, the Grand Conglomerate. The Nguba (previously known as the Lower Kundelungu) is composed of sandstones and shales with a basal conglomerate, while the Kundelungu consists essentially of sediments and is separated from the Nguba by a conglomerate, the (French) 'petit conglomerat'.

Within the Lufilian Arc are large-scale E-W to NW-SE trending folds with wavelengths extending for kilometres. The folds are faulted along the crests of the anticlines through which rocks of the Roan have been diapirically injected into the fault zones, squeezed up fault planes and over-thrust to lie above rocks of the younger Kundelungu. The over-thrust Roan lithologies occur as segments or "fragments" on surface. The fragments are intact units that preserve the original geological succession within each. A fragment could be hundreds of metres and aligned across the fault plane.

In the Katangan Copperbelt, mining for copper and cobalt occurs in these outcropping to sub-outcropping fragments.

### **Mineralisation**

Primary mineralisation, in the form of sulphides, within the Lower Roan is associated with the D Strat and RSF for the OBI and the SDB and SDS for the OBS and is thought to be syn-sedimentary in origin. Typical primary copper sulphide minerals are bornite, chalcopyrite, chalcocite and occasional native copper while cobalt is in the form of carrolite. The mineralization occurs as disseminations or in association with hydrothermal carbonate alteration and silicification.

Supergene mineralization is generally associated with the levels of oxidation in the sub-surface sometimes deeper than 100m below the surface. The most common secondary supergene minerals for copper and cobalt are malachite and heterogenite. Malachite is the main mineral mined within the confines of the current KOV Open Pit.

The RSC, a lithological unit stratigraphically intermediate between the upper and lower ore body host rocks, contains relatively less copper mineralization. The RSC contains appreciable copper mineralization near the contacts with the overlying SDB formation and the underlying RSF formations. The middle portion of the RSC, considered to be "sterile" by GCM, normally contains relatively less copper mineralization and is sometimes not sampled. The mineral potential of the RSC is less well known than that of other formations.

The RSC has been observed to be well mineralized in supergene cobalt hydroxide, heterogenite, which occurs as vug infillings, especially near the surface.

The mineralization at Tilwezembe Open Pit is atypical, being hosted by the Mwashya or R4 formation. The mineralization generally occurs as infilling of fissures and open fractures associated with the brecciation. The typical mineralization consists mainly of copper minerals (chalcopyrite, malachite and pseudomalachite), cobalt minerals (heterogenite, carrolite and spherocobaltite) and manganese ("**Mn**") minerals (psilomelane and manganite).

### ***Status of Material Assets***

Table 1 and Table 2 below provide certain details on the status of the Material Assets.

**Table 1: Mining Assets**

Property	Type	Status	Licence		Comments
			Expiry Date	Area	
KTO and Mashamba East Open Pit	UG OP	Operating Development	April 3, 2024	11,04 km <sup>2</sup>	KTO Operational Mashamba East in development, dewatering to commence in 2013
T-17 Open Pit	OP	Operating	April 3, 2024	1,698 km <sup>2</sup>	Mine Operational
KOV Open Pit	OP	Operating	April 3, 2024	8,49 km <sup>2</sup>	Mine Operational
Tilwezembe Open Pit	OP	Dormant	April 3, 2024	7,64 km <sup>2</sup>	Operations ceased in November 2008 due to lower copper/cobalt prices
Kananga Mine	OP	Dormant	April 3, 2024	11,04 km <sup>2</sup>	Operations ceased due to pending relocation of rail line
Extension of Kananga	OP	Dormant	May 7, 2022	0,849 km <sup>2</sup>	Operations ceased due to pending relocation of rail line

- 1) UG – Underground Mine
- 2) OP – Open Pit

**Table 2: Mineral Processing Assets**

Property	Status
KTC	Operating
Luilu Refinery	Operating

**Mineral Resources and Mineral Reserves**

At December 31, 2010, KCC has measured and indicated mineral resources of 287.4Mt with a grade of 4.02% Cu and 0.46% Co, which is described in Table 3.

**Table 3: KCC Consolidated Mineral Resources as at December 31, 2010**

Resource Classification	Mt	%TCu	%TCo
Measured	30.7	4.54	0.54
Indicated	256.7	3.95	0.45
Measured and Indicated	287.4	4.02	0.46
Inferred	180.2	2.32	0.32

- 1) Mineral resources have been reported in accordance with the classification criteria of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 Edition (the “**JORC Code**”). If the classification criteria adopted in NI 43-101 were to be used in this ITR instead of the JORC Code, the mineral resource estimates would be substantially similar.
- 2) Mineral resources are inclusive of mineral reserves.
- 3) Mineral resources are not mineral reserves and do not have demonstrated economic viability.

At December 31, 2010, KCC has proved mineral reserves and probable mineral reserves of 97.0Mt with a grade of 4.2% Cu and 0.47% Co, which is described in Table 4.

**Table 4: KCC Consolidated Mineral Reserves as at December 31, 2010**

Reserve Classification	Mt	%TCu	%TCo
Proved	14.6	3.47	0.51
Probable	82.4	4.33	0.46
Proved and Probable	97.0	4.20	0.47

- 1) Mineral reserves have been reported in accordance with the JORC Code. If the classification criteria adopted in NI 43-101 were to be used in this ITR instead of the JORC Code, the mineral reserve estimates would be substantially similar.

### *Development and Operations*

The primary developments within the Material Assets during 2010 have been the following:

- exploration drilling continued in KTO, T-17 Open Pit and KOV Open Pit;
  - production from KOV Open Pit started in July of 2010;
  - milling capacity at KTC was increased to 5.6 million tonnes of ore per year; and
  - Luilu Refinery production capacity was increased to 130,000 tonnes of copper per annum due to the plant upgrade programme. Phase 3 will be completed by the end of the second quarter of 2011 and the New Phase 4 (inclusive of Phase 5) has commenced with Front End Engineering and Early Works due to be completed in the second quarter of 2011.
-

**Table 5: Plant and Processing Developments**

Old Phase	Completion	Increase in Cu Capacity '000 tonnes per annum	Increase in Co Capacity '000 tonnes per annum	New Phase	Completion	Increase in Cu Capacity '000 tonnes per annum	Increase in Co Capacity '000 tonnes per annum
Refurbishment of existing facilities							
1	2007	35	2	1	2007	35	2
2	2009	35	2	2	2009	35	2
3	2011	80	4	3	2011	80	4
Subtotal		150	8			150	8
New SX plant and Luilu Copper Electro-Refinery Plant Conversion							
				4	2013	200	22

**Note:** The capacity of the Luilu Refinery, after the completion of the New Phase 4, will exceed the milling capacity of KTC. As a result, upon completion of the New Phase 4, the capacity at the Luilu Refinery will be utilised first to produce LME Grade A copper and then the capacity at the Luilu Refinery will be used to a maximum of 110ktpa.

***Interpretations and Conclusions***

The results of interpretations of developments of Material Assets are reported elsewhere in this report and have been relied upon to compile the mineral resource estimates included in section 19 of the Technical Report.

***Recommendations***

The Qualified Person recommends the following actions be taken in respect of the Material Assets:

- further exploration of the operations which have underground mine potential such as the T-17 underground and KTE should be continued;
- the Front End Engineering and Early Works Report for the New Phase 4 should be completed; and
- new deposition sites should be investigated since the existing tailings and waste facilities will require expansion in the future.

***Economic Analysis***

The net present value ("NPV") of KML's investment in KCC is \$6,008 million. The valuation was done at a discount rate of 10%, as of January 1, 2011. This is a significant increase to the NPV of the amount of \$4,045 million reported in the 2010 Technical Report. This increase is a result of a reduction in the processing capital expenditure for the New Phase 4, increase in copper and cobalt prices, reduction in mining costs for the new mine plan offset by an increase in processing costs and additional capital expenditure required for T-17 underground and KTE.