

KATANGA MINING LIMITED

March 31, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

*The following discussion and analysis is management's assessment of the results and financial condition of Katanga Mining Limited ("Katanga" or the "Company") and should be read in conjunction with the unaudited financial statements for the three and six months ended March 31, 2006 and the audited financial statements for the year ended September 30, 2005. The financials statements have been prepared in accordance with Canadian generally accepted accounting principles and **all dollar amounts are in United States dollars**. The date of this management discussion and analysis is May 24, 2006. Katanga's common shares trade on the TSX Venture Exchange under the symbol "KAT" and its most recent filings are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed through the Internet at www.sedar.com.*

The "Independent Qualified Person" under the guidelines of National Instrument 43-101 of the Canadian Securities Administrators for the Company's mineral properties in the following discussion and analysis is Richard Dye, the Senior Vice President, Technical Services of Katanga Mining and a Qualified Person under National Instrument 43-10.

Katanga Mining Limited ("Katanga" or the "Company") is engaged in the acquisition and development of mineral properties. Katanga was incorporated under the laws of Bermuda on October 7, 1996 under the name New Inca Gold Ltd. On July 8, 2004, Katanga consolidated its common shares on a ten for one basis and changed its name to Balloch Resources Ltd. On November 30, 2005 the Company's name was changed to Katanga Mining Limited. The information below reflects the consolidation of the common shares on a ten for one basis.

1. Overview of Performance

General

The following discussion of performance, financial condition and future prospects should be read in conjunction with the audited consolidated financial statements of Katanga for the year ended September 30, 2005, and the unaudited interim financial statements of Katanga for the three and six months ended March 31, 2006 and the respective notes thereto. These financial statements have been prepared in accordance with Canadian GAAP. All dollar amounts are stated in United States dollars.

Historical Activities

In prior years Katanga's primary asset has been a 10% net profit interest in the El Molino Project located in a historic gold mining area near Cajamarca, Peru in the Yanacocha mining district of northeastern Peru. The concession is owned by Lumina Copper Corp. ("Lumina") of Vancouver, British Columbia. The El Molino Project lies contiguous to Lumina's El Galino concession. While the El Molino Project shows the potential for a mineralized resource open to the north, south and down dip with no metallurgical testing performed to date there are currently no known bodies of commercial mineralization on the property.

Katanga and its Australian partner, AKD Ltd. ("AKD"), each owned a 50% interest in the El Molino Project. In 2004 Katanga and AKD agreed to sell their interest in the El Molino Project to

Lumina. Lumina paid each partner cash consideration of \$150,000 and a net profits interest of up to 10% depending on the timing of production from the concession. The net profits interest converts to a 0.5% NSR royalty if production commences after 2006. No commercial production is expected before the end of 2006.

Kamoto Joint Venture

The Company executed and delivered an option agreement (the "Option Agreement") dated as of July 29, 2005 with Kinross Gold Corporation ("Kinross"), George Forrest International Afrique SPRL ("Forrest") and Tain Holdings Limited ("Tain") pursuant to which the Company was granted an option to acquire a 100% interest in Kinross Forrest Limited ("KFL"), the owner of a 75% interest in the Kamoto Joint Venture in the Democratic Republic of Congo ("DRC"). The other 25% of the Kamoto Joint Venture is owned by La Générale des Carrières et des Mines ("Gécamines"), a state owned company incorporated under the laws of the DRC. The exploration and mining properties at the Kamoto mine site, the Kamoto concentrator, the Luilu metallurgical plant, the Kamoto underground mine and various oxide open pit resources in the Kolwezi district of the DRC are the subject matter of the Kamoto Joint Venture and are referred to as the "Kamoto Joint Venture Assets".

The Option Agreement provided that the Company could exercise its option to acquire all of the shares issued by KFL in exchange for the issuance of a number of Katanga shares which would be determined by a detailed formula. Under the Option Agreement, the Company agreed to fund all costs incurred by KFL associated with completing a feasibility study with respect to the Kamoto Joint Venture Assets. It was estimated that the costs associated with the completion of the feasibility study would be approximately \$7.0 million. As of March 31, 2006, the Company had advanced \$4,341,808 relating to completion of the feasibility study.

The Option Agreement provided that the Company could exercise its option to acquire KFL within six months following the delivery of a feasibility study relating to the Kamoto Joint Venture Assets by: (a) satisfying Kinross, Forrest and Tain that it has, or it has commitments for, the funding for the exploration, development and mining work during the first stage of the Kamoto Joint Venture, estimated to be approximately \$175 million; and (b) issuing Katanga shares *pro rata* to each of Kinross, Forrest and Tain in proportion to their ownership of KFL.

At a shareholders' meeting of Katanga held on November 22, 2005, among other things, shareholders ratified and approved the entering into of the Option Agreement.

On September 2, 2005, Katanga entered into an agreement with Kinross (the "KFL Purchase Agreement") to purchase a 23.33 ownership interest in KFL. On December 22, 2005, pursuant to this agreement, Katanga purchased a 23.33% ownership interest in KFL from Kinross in consideration for CDN\$5.45 million.

On March 15, 2006, Katanga entered into an agreement with Kinross, Forrest, Tain and Robert M. Buchan (the "Option Amendment Agreement"). The Option Amendment Agreement removed as a condition that Katanga had to obtain a sufficient equity funding commitment to fund the exploration, development, and mining work of the Kamoto Joint Venture during the "first stage" of the Kamoto Joint Venture before the Company could exercise the option to acquire the shares of KFL not owned by Katanga (the "Remaining KFL Shares"). The Option Amendment

Agreement provides for Katanga to issue 35,001,500 Katanga Shares to Kinross, Forrest, Tain and Robert M. Buchan upon exercise of the option by the Company to acquire the Remaining KFL Shares (deleting the formula previously set forth in the Option Agreement). Pursuant to the Option Amendment Agreement, the Company has agreed to exercise the option to acquire the Remaining KFL Shares on or before June 1, 2006, (but in any event on or before the date which is six months following the Company's delivery to KFL (for delivery to Gécamines) of the feasibility study, which delivery date to KFL in draft was prior to April 4, 2006 and a final copy was delivered on April 17, 2006), provided that the following conditions are satisfied:

- (a) The Company must have received all requisite regulatory approvals to the execution and delivery of the Option Amendment Agreement, the exercise of the option to acquire the Remaining KFL Shares, including the approval of the TSX Venture Exchange ("TSXV").
- (b) The Company must have received requisite shareholder approval to the execution and delivery of the Option Amendment Agreement and the exercise of the option to acquire the Remaining KFL Shares.
- (c) The net present value of KFL's interest in the Kamoto Joint Venture, as of the last day of the month immediately prior to the month in which the option to acquire the Remaining KFL Shares is exercised, based on the Feasibility Study, for the 20 year period using a discount rate to net cash flow of KFL's interest in the Kamoto Joint Venture of 10% per annum and based on a price of \$1.10 per pound of copper and a price of \$10.00 per pound of cobalt, is not less than \$570 million. Katanga intends to waive the satisfaction of this condition based upon the \$612 million net present value attributed to the Kamoto Joint Venture by the feasibility study.

The Option Amendment Agreement also provides that, on or before closing, the Company must pay and satisfy in full all amounts due and owing to Forrest and to Kinross by the Company as and by way of shareholder advances which were advanced and, which remain due and owing as at July 31, 2004. As at the date of this Circular, it is estimated (pending final accounting review) that the amount owing to Forrest is approximately \$800,000 and that no amount is owing to Kinross.

The Kamoto Joint Venture was formed in order to hold, redevelop, rehabilitate and operate the Kamoto Joint Venture Assets. The Kamoto Joint Venture received the approval of the Conseil des Ministres du Gouvernement de Transition of the DRC (the Congolese Government) on July 15, 2005 and was publicly ratified by presidential decree No. 05070 issued on August 4, 2005. The Kamoto Joint Venture requires that a feasibility study relating to the Kamoto Joint Venture Assets be delivered by KFL to Gécamines within eight months after the Kamoto Joint Venture has received all required DRC Government approvals. Under the Kamoto Joint Venture Agreement, the feasibility study will be deemed to be positive if it projects a discounted rate of return on total capital invested to achieve a minimum of 150,000 tonnes of sulfide ore processed each month of not less than 20%. The feasibility study was delivered by KFL to Gécamines in draft prior to April 4, 2006 and the final version was delivered on April 17, 2006 and was acknowledged received by Gécamines as of such date. The feasibility study satisfied the requirements set forth in the Kamoto Joint Venture Agreement. The Kamoto Joint Venture Agreement provides that KFL must contribute the technical expertise and the necessary capital for the expansion of the Kamoto Joint Venture Assets.

KFL and Gécamines have incorporated and organized a DRC company, known as KCC, to hold the Kamoto Joint Venture Assets. KCC was formed and the first shareholders' meeting was held on October 17, 2005. KCC is owned 75% by KFL and 25% by Gécamines. KCC has a six person board, four members of which are nominees of KFL. Under the Kamoto Joint Venture, KFL must provide all funding to conduct operations.

On October 19, 2005 Katanga completed a private placement of 14 million subscription receipts of the Company, at a price of CDN\$1.25 per subscription receipt for gross proceeds of CDN\$17.5 million. Each subscription receipt entitled the holder to receive one Katanga share without payment of any additional consideration. The gross proceeds of the offering were held in escrow and were released to the Company on December 12, 2005 upon satisfaction of certain escrow release conditions. The Company paid the agents a commission equal to 6.0% of the gross proceeds of the offering. In addition, the Company issued to the agents compensation warrants to purchase in aggregate 560,000 Katanga shares. The compensation warrants are exercisable for 12 months following the closing of the offering at an exercise price of CDN\$1.45 per share.

Prior to September 30, 2005 the Company made interest-free demand loans totalling \$344,501 (CDN\$400,000) to KFL. On approval of the Option Agreement by Katanga's shareholders on November 22, 2005, these balances were considered part of the funding of the costs incurred by KFL associated with completing the feasibility study.

Selected Annual Information			
	2005	2004	2003
Sales or revenue	\$12,438	\$ nil	\$ nil
Expenses	62,190	59,121	69,403
Net loss for the year	\$49,752	\$59,121	\$69,403
Loss per share	\$0.01	\$0.06	\$0.07
Total assets	\$800,275	\$8,892	\$390,580
Current liabilities	\$103,466	\$160,651	\$187,009
Long term liabilities	\$ nil	\$ nil	\$296,209
Total liabilities	\$103,466	\$160,651	\$483,218
Cash dividends declared	\$ nil	\$ nil	\$ nil

Review of Annual Operations

In the third quarter of fiscal 2004, Katanga and AKD sold their interest in the El Molino Project to Lumina. As a result, total assets and all liabilities decreased significantly as the cash from this transaction was used to repay liabilities. Katanga's operating results for the three and nine months ended June 30, 2004 included a gain of \$67,500 on the sale of the El Molino Project.

Expenditures on mineral properties during fiscal 2005 were \$ nil (2004 - \$9,892). Other expenses were limited to \$124,678 in 2005 (2004 - \$117,020) after excluding a \$62,488 foreign exchange gain (2004 - \$9,601 foreign exchange loss) and the gain on the sale of Katanga mineral property in 2004 (\$67,500).

During 2005 and 2004 Katanga did not capitalize or defer any exploration or development costs and had no material costs other than those described above.

2. Selected Quarterly Information

Fiscal 2006	Three Months Ended	
	December 2005	March 2006
Sales or revenue	\$58,285	\$63,259
Expenses	\$(239,639)	\$(982,542)
Net earnings (loss)	\$(181,354)	\$(919,283)
(Loss) per share	\$(0.02)	\$(0.05)
Total assets	\$14,694,051	\$14,495,428
Current liabilities	\$40,965	\$112,573
Long term liabilities	\$ nil	\$ nil
Total liabilities	\$40,965	\$112,573
Cash dividends	\$ nil	\$ nil

Fiscal 2005	Three Months Ended			
	December 2004	March 2005	June 2005	September 2005
Sales or revenue	\$ nil	\$ nil	\$ nil	\$12,438
Expenses	\$(13,303)	\$11,138	\$8,696	\$55,659
Net earnings (loss)	\$13,303	\$(11,138)	\$(8,696)	\$(43,221)
(Loss) per share	\$ nil	\$ nil	\$ nil	\$(0.01)
Total assets	\$799,657	\$781,645	\$761,376	\$800,275
Current liabilities	\$44,760	\$37,886	\$26,313	\$103,466
Long term liabilities	\$ nil	\$ nil	\$ nil	\$ nil
Total liabilities	\$44,760	\$37,886	\$26,313	\$103,466
Cash dividends	\$ nil	\$ nil	\$ nil	\$ nil

Fiscal 2004	Three Months Ended			
	December 2003	March 2004	June 2004	September 2004
Sales or revenue	\$ nil	\$ nil	\$ nil	\$ nil
Expenses	\$40,676	\$44,870	\$(57,744)	\$31,319
Net earnings (loss)	\$(40,676)	\$(44,870)	\$57,744	\$(31,319)
(Loss) per share	\$(0.04)	\$(0.04)	\$0.05	\$(0.03)
Total assets	\$393,769	\$390,308	\$25,938	\$8,892
Current liabilities	\$217,581	\$263,265	\$146,378	\$160,651
Long term liabilities	\$309,502	\$305,227	\$ nil	\$ nil
Total liabilities	\$527,083	\$568,492	\$146,378	\$160,651
Cash dividends	\$ nil	\$ nil	\$ nil	\$ nil

The Company has not paid any dividends.

3. Results of Operations

Advances to KFL to fund the costs of the feasibility study on the Kamoto Joint Venture Assets during the three months ended March 31, 2006 were \$2,175,615 and during the six months ended March 31, 2006 were \$4,341,808. The total cost of the feasibility study is estimated at \$7 million.

Interest income in the three months ended March 31, 2006 was \$63,259 and in the six months ended March 31, 2006 was \$121,544. Interest was earned on cash balances from the December 2005 private placement financing. Expenses, excluding stock-based compensation, were \$503,267 in the three months ended March 31, 2006 and \$742,906 in the six months ended March 31, 2006. The expenses were higher in the three months ended March 31, 2006 than in the three months ended December 31, 2005 due primarily to additional consulting fees as head office staff was added during the second quarter of 2006. Stock based compensation of \$479,275 related to the issue of 205,000 stock options in the second quarter of 2006. As a result, the loss for the three months ended March 31, 2006 was \$919,283 and for the six months ended March 31, 2006 was \$1,100,637.

Expenses in related periods in 2005 were minimal, due to the Company's limited operations prior to entering into the Option Agreement.

4. Liquidity and Capital Resources

Katanga's working capital at March 31, 2006 was \$5,329,815 (September 30, 2005 – \$696,809). The increase in working capital is attributable to the successful completion of the CDN\$17.5 million private placement on October 19, 2005.

Prior to September 30, 2005, Katanga's working capital was limited. The only significant activity, other than the sale of its interest in the El Molino Project was a private placement financing completed on October 6, 2004 under which the Company raised gross proceeds of \$898,320 (CDN\$1,125,000) by issuing 4.5 million units at a price of \$0.20 (CDN\$0.25) per unit. Each unit consisted of one Katanga Share and one-half of one share purchase warrant. Each full share purchase warrant entitles the holder to acquire one additional Katanga Share at a price of CDN\$0.33 per share in the first year and CDN\$0.35 per share in the second year. A finder's fee of 200,000 Katanga Shares was paid on the financing.

Katanga's working capital requirements consist primarily of funding the feasibility study for the Kamoto Joint Venture Assets. The costs of this feasibility study, estimated at \$7 million, will be met from cash on hand. The feasibility study estimates the expenditures for capital costs for Phase I of approximately \$175 million and approximately \$427 million for the entire redevelopment of the Kamoto Joint Venture Assets.

On May 2, 2006, the Company closed a financing (the "Financing") and the underwriters' option was exercised. Katanga received aggregate gross proceeds of CDN\$152,250,000. A total of 21,000,000 subscription receipts were issued at a price of CDN\$7.25 per subscription receipt. A commission of 5% will be paid to the underwriters on closing of the Financing. Each subscription receipt will entitle the holder to acquire one Katanga Share without payment of any further consideration.

The gross proceeds of the Financing less the estimated out-of-pocket costs and expenses of the underwriters will be held in escrow and will be released to the Company upon satisfaction of certain conditions (the “Escrow Release Conditions”), including:

- (a) shareholder and regulatory approval and exercise of the option whereby the Company acquires 100% of KFL; and
- (b) the Company obtaining a receipt for a final prospectus to qualify the Katanga Shares of the Company issuable upon exercise of the subscription receipts.

The subscription receipts will be automatically exercised following satisfaction of the Escrow Release Conditions. If the Escrow Release Conditions are not satisfied by June 30, 2006, the Escrowed Proceeds will be returned to the holders of the subscription receipts and the outstanding subscription receipts will be cancelled. The subscription receipts as well as the Katanga Shares issuable upon the exercise of the subscription receipts are subject to a hold period which expires September 3, 2006.

A syndicate led by GMP Securities L.P. and including RBC Dominion Securities Inc., Haywood Securities Inc., Sprott Securities Inc., Dundee Securities Corporation and Paradigm Capital Inc. acted as underwriters in connection with the Financing.

While it is anticipated that the Company will complete the Financing, the Company also anticipates raising project debt financing of over \$100 million by year end in order to complete Phase 1 of the redevelopment of the Kamoto Joint Venture Assets.

5. Critical Accounting Estimates

Critical accounting estimates used in the preparation of the financial statements include Katanga’s estimate of recoverable value on its investment in KFL and advances to KFL. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of Katanga’s control.

Katanga’s recorded value of its investment in and advances to KFL are based on historical costs that are expected to be recovered in the future. Katanga’s recoverability evaluation is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. Katanga is in an industry that is exposed to a number of risks and uncertainties, including political risk, exploration risk, development risk, commodity price risk, operating risk, ownership, funding risk, currency risk and environmental risk. Bearing these risks in mind, Katanga has assumed recent world commodity prices will be achievable, as will costs used in studies for potential construction and mining operations. All of these assumptions are potentially subject to significant change, out of Katanga’s control, however such changes are not determinable. Accordingly, there is always the potential for a material adjustment to the value assigned to these assets.

6. Outstanding Share Data

Summary of Outstanding Securities

On July 8, 2004, Katanga consolidated its common shares on a ten for one basis. The information below reflects the consolidation of the common shares on a ten for one basis.

(a) Authorized: 1,000 common shares, par value \$12.00 each, and 100,000,000 common shares, par value \$0.10 each.

(b) Issued:

	Number of Shares
Balance – September 30, 2003 and September 30, 2004	1,050,975
Issued for cash	4,500,000
Finder's fee	200,000
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Balance – September 30, 2005	5,750,975
Exercise of warrants	412,500
Issued for cash	14,000,000
Exercise of warrants	100,000
Exercise of broker warrants	544,320
Exercise of options	125,000
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Balance – May 24, 2006	20,932,795
Outstanding warrants exercisable at CDN\$0.35 per share and expiring October 6, 2006	1,737,500
Outstanding broker warrants exercisable at CDN\$1.45 per share and expiring October 19, 2006	15,680,000
Outstanding options exercisable at CDN\$4.10 per share and expiring January 17, 2011	80,000
Outstanding options exercisable at CDN\$7.40 per share and expiring April 18, 2011	850,000
Katanga shares issuable on exercise on option to purchase the Remaining KFL Shares	35,001,500
Katanga shares issuable as per terms of the Financing	21,000,000
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Fully diluted shares outstanding – May 24, 2006	<u>79,317,475</u>

Stock Options

The Company has a stock option plan under which stock options may be granted to the Company's directors, senior officers, employees, consultants and consultant companies. The stock option plan: (a) provides that the number of common shares reserved for issuance, within a one year period, to any one optionee, shall not exceed 5% of the outstanding common shares; (b) provides the maximum number of common shares reserved for issuance pursuant to options granted to insiders may not exceed 10%; (c) generally provides for a maximum vesting period of 18 months; (d) contains other provisions to ensure the stock option plan is compliant with stock exchange regulations. The maximum number of options to purchase common shares is 2,093,279.

On January 18, 2006 the Corporation granted an aggregate of 205,000 options, of which all were granted to directors and officers. The options are exercisable at CDN\$4.10 and will expire on

January 17, 2011. On April 19, 2006, the Corporation granted an aggregate of 850,000 options of which all were granted to officers. The options are exercisable at CDN\$7.40 and will expire on April 18, 2011. Subsequent to March 31, 2006, \$125,000 of the options issued on January 18, 2006 were exercised.

7. Other Information

Material Transactions

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

Contractual Commitments

Katanga has no contractual commitments, other than as described herein.

Related Party Transactions

Katanga entered into the Option Agreement and the Option Amendment Agreement and has had other transactions with KFL during the six months ended March 31, 2006 as described herein. The majority of the shareholders of KFL are also shareholders of Katanga. In December 2005, these shareholders also became officers and/or directors of Katanga.

A portion of the commission and compensation warrants related to the CDN\$17.5 private placement completed in the three months ended December 31, 2005 were paid to a limited market dealer subsidiary of a company, two directors of whom are also directors of Katanga.

Other than these transactions, Katanga has not had any transactions with related parties during the six months ended December 31, 2005.

Disclosure Controls

The Company continues to enhance its disclosure controls and procedures. The Chief Executive Officer and Chief Financial Officer have concluded that, during the first half of fiscal 2006, the process was sufficiently effective to ensure material information was accumulated and communicated to senior management in a timely manner in order for senior management to make decisions regarding the Company's disclosure record as required by securities legislation.

Risk Factors

Katanga is in the development stage and is subject to the risks and challenges similar to other companies in a comparable stage of development. As in prior periods, the risks include, but are not limited to, limited operating history, speculative nature of mineral exploration and development activities, operating hazards and risks, mining risks and insurance, no proven reserves, foreign operations, environmental and other regulatory requirements, competition, stage of development, fluctuations in commodity prices, currency risk, conflicts of interest, reliance on key individuals and enforcement of civil liabilities.

Forward Looking Statements

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

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