

KATANGA MINING LIMITED

September 30, 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 its unaudited interim consolidated financial statements for the three and nine months ended September 30, 2006 and the Kinross Forrest Limited ("KFL") audited financial statements for the year ended December 31, 2005. The financials statements have been prepared in accordance with Canadian generally accepted accounting principle. **All dollar amounts unless otherwise indicated are in United States dollars.** The date of this management discussion and analysis is November 13, 2006. Katanga's common shares trade on the TSX 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 Ltd. and a Qualified Person under National Instrument 43-101.

Katanga 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, the Company 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.

On December 22, 2005, Katanga purchased a 23.33 percent ownership interest in Kinross Forrest Limited ("KFL") from Kinross Gold Corporation for CDN\$5.45 million.

Pursuant to an option agreement between the Company and KFL dated July 29, 2005, as amended by agreements dated November 9, 2005 and March 15, 2006 (the "Option Agreement"), on June 27, 2006, the Company acquired the remaining shares, 76.67 %, of KFL which it did not own by issuing 35,001,500 Katanga shares to the shareholders of KFL and the payment of cash of \$800,000. As more fully described in the unaudited interim consolidated financial statements, as a result of this transaction, the former shareholders of KFL acquired control of Katanga and this transaction has been accounted for as a reverse takeover ("RTO"). Under this basis of accounting, KFL has been deemed to be the acquirer and, accordingly, the Company is considered to be a continuation of KFL with the net assets of Katanga as of June 27, 2006 deemed to have been acquired by KFL. During the period the Company changed its fiscal year end from September 30 to December 31 to align with KFL.

1. Overview of Performance

Historical Activities

In prior years, Katanga's primary asset was 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 Northern Peru Copper Corp. The El Molino Project lies contiguous to the El Galino concession. 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 Copper Corp. (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% Net Smelter Return if production commences after 2006. No commercial production is expected before the end of 2006. In May, 2005 Lumina was restructured into four separate companies. The company that now holds the interest in the El Molino Project is Northern Peru Copper Corp.

Kamoto Joint Venture

In February 2004, KFL entered into a joint venture agreement (the "Kamoto Joint Venture Agreement") with La Générale des Carrières et des Mines ("Gécamines"), a state owned company incorporated under the laws of the Democratic Republic of Congo ("DRC"), to rehabilitate the Kamoto Joint Venture assets which include exploration and mining properties, the Kamoto concentrator, the Luilu metallurgical plant, the Kamoto underground mine and various oxide open pit resources in the Kolwezi district of the DRC (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 is owned 75% by KFL and 25% by Gécamines.

The Kamoto Joint Venture Agreement required that a feasibility study be delivered by KFL to Gécamines. On April 17, 2006 a feasibility study was delivered to Gécamines by KFL in accordance with the terms of the Kamoto Joint Venture Agreement.

KFL and Gécamines have incorporated and organized a DRC company, known as Kamoto Copper Company SARL ("KCC"), to hold, redevelop, rehabilitate and operate 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.

Gécamines has granted to KCC exclusive rights to take possession of and use all of the real and personal property constituting the Kamoto Joint Venture Assets. KCC must make lease payments to Gécamines equal to 2% of the net sales proceeds realized during the first three annual periods and 1.5% of the net sales proceeds realized during each annual period thereafter. KFL must contribute the technical expertise and the necessary capital for the expansion of the Kamoto Joint Venture Assets. It is expected that the necessary capital will be provided through interest bearing

advances to KCC. It is anticipated that KFL will receive repayment of the capital and interest thereon on a preferential basis.

On June 27, 2006 an official signing ceremony was held at the Kamoto mine site to commemorate the formation of the Kamoto Joint Venture and transfer of the Kamoto Joint Venture Assets from Gécamines to KCC.

Financings

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 13, 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. As of September 30, 2006, all of the compensation warrants had been exercised except for 15,680 which were exercised in October prior to the expiration date of October 18, 2006.

On May 2, 2006, the Company closed a financing (the “Katanga Financing”) which included the exercise of the underwriters’ option. The Company 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. Each subscription receipt entitled the holder to acquire one Katanga share without payment of further consideration. The gross proceeds of the offering less the estimated out-of-pocket costs and expenses of the underwriters were held in escrow and were released to the Company on June 27, 2006 upon satisfaction of certain escrow release conditions. The Company paid the agents a commission equal to 5% of the gross proceeds of the offering.

In November 2006, the Company filed with the securities regulatory authorities in Ontario, British Columbia and Alberta a final short form prospectus with respect to a proposed offering of 100,000 units (“Units”). Each Unit will consist of a CDN\$1,000 unsecured subordinated note (“Notes”) and 40 common share purchase warrants (“Warrants”). The Notes will bear interest at the rate of 14% per annum, payable semi-annually in arrears in equal installments on January 1 and July 1 of each year, with interest payable from the closing date to June 30, 2007 capitalized and cash interest payments commencing January 1, 2008. The notes will mature on November 30, 2013. Each Warrant will entitle the holder to purchase one common share of the Company anytime within five years from the closing date at CDN\$8.50 per share. The Units will not trade and will separate into Notes and Warrants immediately upon issue. The offering is scheduled to close on or about November 20, 2006, subject to regulatory approval.

The Company intends to use the net proceeds of the offering to continue the refurbishment and development of the Kamoto Joint Venture Assets and for general corporate purposes including working capital.

2. Selected Annual Information

Selected Annual Information of KFL (a)	2005	2004
Interest income	\$269	\$ 116
Expenses	\$6,961	\$13,171
Net loss for the year	\$6,692	\$13,055
Loss per share	\$ nil	\$ nil
Current assets	\$945,599	\$60,090
Mineral interests and other assets	\$2,643,932	\$ nil
Total assets	\$3,589,531	\$60,090
Current liabilities	\$1,088,584	\$63,145
Long-term liabilities	\$ nil	\$ nil
Total liabilities	\$1,088,584	\$63,145
Cash dividends declared	\$ nil	\$ nil

(a) Prior to 2004 KFL was inactive

Review of Annual Operations

KFL had limited operations in 2004 and the first two quarters of 2005, its only activity being the signing of the Kamoto Joint Venture Agreement with Gécamines and the Option Agreement with Katanga. After signing the Option Agreement, all expenditures were made as part of the feasibility study and were funded by Katanga. Payments of feasibility study costs in 2005 in the amount of \$2,383,932 were recorded as mineral interests and the advances by Katanga for the feasibility study costs in the amount of \$2,510,694 were recorded as contributed surplus.

3. Selected Quarterly Information

Fiscal 2006

	As at and for the Three Months Ended		
	September 2006	June 2006	March 2006
Interest income	\$888,026	\$ nil	\$ nil
Expenses	\$3,537,251	\$ nil	\$ nil
Net loss	\$2,649,225	\$ nil	\$ nil
Loss per share	\$.03	\$ nil	\$ nil
Current assets	\$126,164,641	\$131,565,963	\$424,422
Mineral interests and other assets	\$18,959,585	\$12,200,954	\$4,803,239
Total assets	\$145,124,226	\$143,766,917	\$5,227,661
Current liabilities	\$3,978,148	\$2,093,417	\$895,600
Long-term liabilities	\$ nil	\$ nil	\$ nil
Total liabilities	\$3,978,148	\$2,093,417	\$895,600
Cash dividends	\$ nil	\$ nil	\$ nil

Fiscal 2005

	As at and for the Three Months Ended			
	December 2005	September 2005	June 2005	March 2005
Interest income	\$ nil	\$36	\$ 58	\$175
Expenses	\$ nil	\$15	\$1,632	\$5,314
Net earnings (loss)	\$ nil	\$21	\$(1,574)	\$(5,139)
Earnings per share	\$ nil	\$ nil	\$ nil	\$ nil
Current assets	\$945,599	\$81,183	\$20,745	\$8,264
Mineral interests and other assets	\$2,643,932	\$329,739	\$51,959	\$51,959
Total assets	\$3,589,531	\$410,922	\$72,704	\$60,223
Current liabilities	\$1,088,584	\$81,273	\$82,472	\$68,417
Long-term liabilities	\$ nil	\$ nil	\$ nil	\$ nil
Total liabilities	\$1,088,584	\$81,273	\$82,472	\$68,417
Cash dividends	\$ nil	\$ nil	\$ nil	\$ nil

Fiscal 2004

	As at and for the
	Three Months Ended
	December 2004
Interest income	\$116
Expenses	\$13,171
Net loss	\$13,055
Earnings per share	\$ nil
Total assets	\$60,090
Current liabilities	\$63,145
Long-term liabilities	\$ nil
Total liabilities	\$63,145
Cash dividends	\$ nil

The Company has not paid any dividends.

Review of Quarterly Operations

Quarterly expenses prior to the current quarter ended September 30, 2006 were limited, reflecting the low level of activity in KFL until the Option Agreement was signed and the feasibility study started in the third quarter of 2005. Payments of feasibility study costs totaled \$2,383,932 in 2005 and \$3,149,285 in 2006.

Following the official signing ceremony on June 27, 2006, Phase I redevelopment activities as defined in the feasibility study began. Initial activities included major clean-up work across the site, further engineering assessments and mobilization of over 1,500 employees. The redevelopment project is on track and a corresponding cost of \$8,715,136 had been capitalized in mineral interests for the three months ended September 30, 2006. Costs were also incurred during the three months ended September 30, 2006 to enhance the corporate infrastructure, including the relocation of the corporate office, and the hiring of corporate employees. These amounts were expensed as incurred.

4. Results of Operations

Through the date of the RTO, June 27, 2006, all expenditures by KFL continued to be made as part of the feasibility study and were funded by Katanga, thus the Company had no material operating results for the three and six months ended June 30, 2006.

In the third quarter ended September 30, 2006 implementation of Phase I of the feasibility study began. Expenses for the period were \$3,537,251, net of a foreign exchange gain of \$669,759. Expenses were comprised of corporate activities and reflect further additions to the corporate office staff and relocation of the corporate office. The two areas of expense were general and administrative costs (\$978,493) and consulting/professional fees (\$3,228,517). Of this total, \$2,008,928 is stock based compensation expense relating to the issuance of both stock options and restricted stock units. These expenses were offset by interest income of \$888,026 earned in the period on cash balances from the Katanga Financing. As a result, the net loss for the three months ended September 30, 2006 was \$2,649,225. Expenses in comparable periods in 2005 were minimal, due to the Company's limited operations prior to entering into the Option Agreement.

5. Liquidity and Capital Resources

Katanga's working capital at September 30, 2006 was \$122,186,493 (December 31, 2005 – working deficiency of \$142,985). The increase in working capital is attributable to the successful completion of the Katanga Financing of CDN\$152,250,000.

Prior to December 31, 2005, KFL's working capital was limited. The deficiency at December 31, 2005 is primarily the difference between the cash advanced by Katanga and the cash paid on the feasibility study costs. As KFL had little operating activity and the costs of the feasibility study were being funded by Katanga, KFL had limited working capital requirements.

Katanga's historical working capital requirements consisted primarily of funding the feasibility study for the Kamoto Joint Venture Assets. The cost of this feasibility study was met from cash on hand. The feasibility study estimates expenditures for capital costs for Phase I of the rehabilitation of the Kamoto Joint Venture Assets of approximately \$175 million and approximately \$427 million for the entire redevelopment of the Kamoto Joint Venture Assets. Expenditures relating to Phase 1 have begun and are expected to be completed in calendar 2007. The Company anticipates raising debt financing of \$100 million from its Unit offering filed with securities regulators on November 13, 2006, in order to complete the funding for Phase 1. Additional financing will be required for the remaining three phases of the redevelopment of the Kamoto Joint Venture Assets. The Company anticipates raising the additional financing requirements for the remaining three phases during 2007.

6. 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 the redevelopment of the Kamoto Joint Venture Assets. 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 mineral interests associated with the redevelopment of the Kamoto Joint Venture Assets is 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 risk, funding risk, currency risk and environmental risk. Bearing these risks in mind, Katanga has assumed reasonable world commodity prices will be achievable, as will costs used in studies for projected 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.

7. 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	512,500
Issued for cash	35,000,000
Exercise of broker warrants	1,631,820
Exercise of options	125,000
Common share adjustment	1
Shares issued to acquire KFL	35,001,500
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Balance – September 30, 2006	78,021,796
Expiry of warrants without exercise	-
Exercise of broker warrants	15,680
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Balance – November 13, 2006	78,037,476
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 19, 2011	850,000
Outstanding options exercisable at CDN\$6.15 per share and expiring July 6, 2011	400,000
Outstanding options exercisable at CDN\$6.00 per share and expiring July 9, 2011	185,000
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Fully diluted shares outstanding – November 13, 2006	<u>79,552,476</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.

On January 18, 2006 the Company 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 Company 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. On July 10, 2006, the Company granted 185,000 options all of which were granted to an officer. On July 7, 2006, the Company granted an aggregate of 400,000 options, all of which were granted to directors.

8. Other Information

Material Transactions

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

Contractual Commitments

The Company is obligated under the terms of an operating lease for minimum annual rental payments of \$955,000 for a period of five years, commencing September 19, 2006 with an option to renew for a further five years.

Related Party Transactions

Katanga entered into the Option Agreement and the Option Amendment Agreement and has exercised the Option Amendment Agreement (upon approval of the shareholders of Katanga) and had other transactions with KFL during the first six months of 2006, as described herein, prior to acquiring all the shares of KFL. The majority of the previous shareholders of KFL are also shareholders of Katanga. In December 2005, these shareholders also became officers and/or directors of Katanga.

Kamoto Operating Limited ("KOL"), a company incorporated pursuant to the laws of the DRC, has been appointed to act as the operator of the project pursuant to the Kamoto Joint Venture Agreement and an operating agreement ("Operating Agreement") which was executed by KOL and KCC on November 2, 2005. Current shareholders and directors of the Corporation are the owners of KOL. The Operating Agreement establishes the terms and conditions pursuant to which KOL as operator will provide services to KCC in the planning and conduct of exploration, development, mining, processing and related operations with respect to the Kamoto Joint Venture Assets, including a management fee to be provided to KOL. During the three and nine months

ended September 30, 2006 management fees totaling \$240,917 (three and nine months ended September 30, 2005 - \$nil) were incurred and accrued to KOL.

KOL, on behalf of KCC, engaged an entity owned by one of its directors for the sourcing and provision of goods and services including airplanes, construction and resources. The total paid to the company for these services was \$1,037,864. The terms were competitive to the terms available from other qualified contractors. In addition a financing fee of \$47,045 was paid to this company on advances provided.

KOL, on behalf of KCC, entered into an agreement for the mining of one of its open pit ore bodies with an entity owned by one its directors. The mining is expected to commence in April 2007 and continue through 2011. No expenditures were incurred during the three months ended September 30, 2006; however, a prepayment in the form of a mobilization fee of \$2,520,000 was paid in October 2006. The terms of the agreement are competitive to terms available from other qualified contractors.

A portion of the commission and compensation warrants related to the CDN\$17.5 million private placement completed in December 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 nine months ended September 30, 2006.

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 nine months 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, 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 copper, 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 copper and cobalt; 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.