

KATANGA MINING LIMITED

June 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is management's assessment of the results of operations and financial condition of Katanga Mining Limited ("Katanga" or the "Company") and should be read in conjunction with the unaudited consolidated financial statements for the Company for the three and the six months ended June 30, 2009 and the notes thereto. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts unless otherwise indicated are in United States dollars. This information has been prepared as of August 7, 2009. Katanga's common shares, warrants and notes trade on the TSX Exchange under the symbols "KAT" "KAT.WT" and "KAT.NT" respectively. 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.

1. Company Overview

Katanga Mining Limited ("Katanga" or the "Company") is incorporated under the laws of Bermuda.

Katanga, through Kamoto Copper Company SARL ("KCC") and DRC Copper and Cobalt Project SARL ("DCP"), is engaged in copper and cobalt mining and related activities. KCC and DCP operate on adjacent properties in the Democratic Republic of Congo ("DRC") and are working to create a major single-site copper and cobalt operation.

KCC and DCP are engaged in the exploration, refurbishment and rehabilitation of the Kamoto/Dima mining complex (the "Kamoto Project") and the copper and cobalt mines of KOV and Tilwezembe, respectively in the DRC.

The Kamoto Project includes exploration and mining properties, the Kamoto concentrator, the Lululu metallurgical plant, the Kamoto underground mine and two oxide open pit resources in the Kolwezi district of the DRC. The Kamoto Project commenced commercial production on June 1, 2008 following the completion of operational commissioning of the initial phase of development.

DCP's assets include mining properties and various oxide open pit resources, the largest of which is the KOV pit. The KOV pit which is the largest resource of DCP is not yet in commercial production.

The Company has prepared a revised production plan with an initial 150,000 tonnes per annum ("tpa") production target. It is proposed that this will be achieved by maintaining capacity at 70,000 tpa until 2010, and rehabilitating the remainder of the KTC Concentrator and Lululu metallurgical facility to 150,000 tpa by 2012. Thereafter, the Company expects to continue the ramp-up to in excess of 300,000 tpa, utilizing new SX/EW modules.

2. Highlights and Outlook

Highlights during and subsequent to the three months ended June 30, 2009

- On July 25, 2009, an amended Joint Venture Agreement (“JVA”) was signed. The major areas of the new JVA are: to release the Dikuluwe and Mashamba West Deposits; merge the DCP and KCC joint ventures; and address requirements of the Government of the Democratic Republic of Congo resulting from the review of mining partnerships with Gécamines. The new JVA is discussed further in item 15 – Contract Review and New Joint Venture Agreement (JVA).
- Total sales for the quarter were US\$62.3 million, comprising US\$47.9 million (10,478 tonnes) for copper cathode, US\$14.0 million (500 tonnes) for cobalt metal, and US\$0.4 million (560 tonnes) for cobalt concentrate sales.
- Underground mining – 255,129 tonnes of ore and 14,972 tonnes of waste were mined. An average copper grade of 4.02% was achieved.
- Open pit mining – 425,372 tonnes of ore and 4,767,594 tonnes of waste were mined. An average copper grade of 1.29% and a cobalt grade of 0.83% were achieved.
- Copper cathode production of 9,516 tonnes and cobalt production of 595 tonnes.
- Net loss for the quarter of US\$57.5 million (US\$0.09 per share). This loss includes non-recurring restructuring expenses of \$15.9 million.
- On June 2, 2009, the Company announced it received notices of exchange from all lenders under the mandatorily convertible facility (the “Facility”) to exchange in full their respective loan participations in the Facility (including accrued and capitalized interest to date) into common shares of the Company. As at that date, the total amount outstanding under the Facility was US\$270.2 million, which included accrued and capitalized interest. In connection with the exchange, the Company issued an additional 971,023,329 common shares.
- On April 28, 2009, the Company entered into a Bridge Loan Agreement and a Transaction Agreement with Glencore. These agreements provided for a non-convertible bridge loan facility of US\$50 million repayable June 30, 2009 and a rights offering via prospectus by Katanga to raise at least US\$250 million. The Rights Offering included a standby commitment by Glencore to subscribe for such number of common shares at the conclusion of the Rights Offering as was necessary to ensure that Katanga raised US\$250 million under the Rights Offering. On May 22, 2009, the Company announced that it had filed a final short form prospectus in connection with its US\$250 million rights offering. Under the offering, shareholders of record on June 3, 2009, were to receive one right for each common share held. For every 1.648281 rights held the holder was entitled to subscribe for one common share at a price of US\$0.35 per common share. On June 10, 2009, the Company announced the completion of the early liquidity closing in connection with the rights offering. As a result of the early liquidity closing, the Company issued an aggregate of 492,379,266 common shares to Glencore and Jangleglade Limited, subsidiaries of Glencore International AG, for aggregate gross proceeds to the Company of US\$172,332,743.

- On July 7, 2009, the Company announced the issuance of 225,657,016 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 the remainder of the aggregate gross proceeds for the rights offering of US\$250,000,119 (including US\$172,332,743 received on the early liquidity closing) amounting to US\$77,667,376.

Outlook

- For 2009, the Company is forecasting production of 45,500 tonnes of copper cathode and 2,900 tonnes of cobalt metal.
- The completion of the refurbishment of the existing facilities to a production capacity of 70,000 tonnes of copper and 4,000 tonnes of cobalt per annum is expected in the third quarter and expenditure on the refurbishment is forecast to be under budget.
- The Company has commenced the process for the planning of the refurbishment of existing facilities up to a production capacity 150,000 tonnes of copper and 10,000 tonnes of contained cobalt per annum.
- Management is continuing to work with the Company's internal audit group and external consultants to take the necessary steps to resolve areas of weakness identified in supply chain management, accounting and reporting, payroll and capital projects

3. Production for the Quarter and Year to date

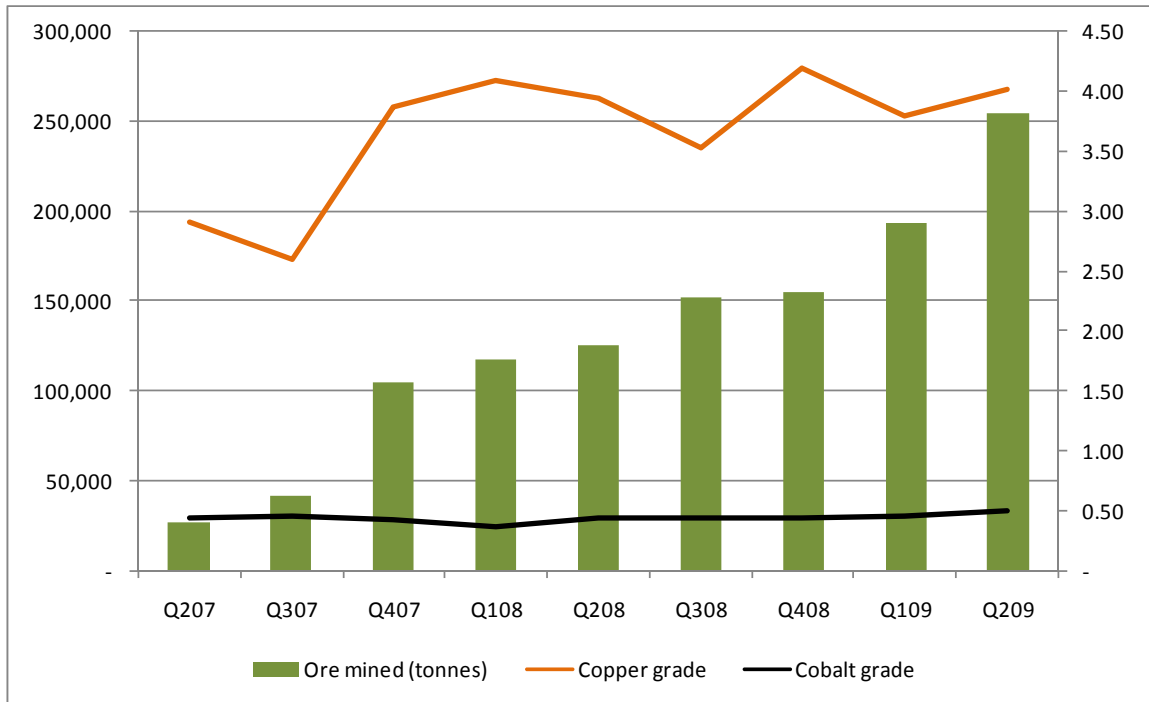
The process of producing copper cathode, cobalt metal and concentrate is achieved through distinct processes which are described and reviewed below. The production statistics for each of these areas is presented in item 22 – Summary of Quarterly Results and below in graphical analysis.

Underground (KTO)

As shown the graph below, during the last nine quarters, tonnes of ore mined from KTO have increased from 27,995 (during the quarter ended June 30, 2007) to 255,129 (during the quarter ended June 30, 2009).

During the quarter ended June 30, 2009, 255,129 tonnes of ore (quarter ended June 30, 2008 – 125,505) and 14,972 tonnes of waste (2008 – 19,570) were mined from underground. An average copper grade of 4.02% was achieved (2008 – 3.94%) and a cobalt grade of 0.51% (2008 – 0.45%).

During the six months ended June 30, 2009, 448,507 tonnes of ore (six months ended June 30, 2008 – 243,453) and 36,977 tonnes of waste (2008 – 37,240) were mined from underground. An average copper grade of 3.92% was achieved and a cobalt grade of 0.49%.

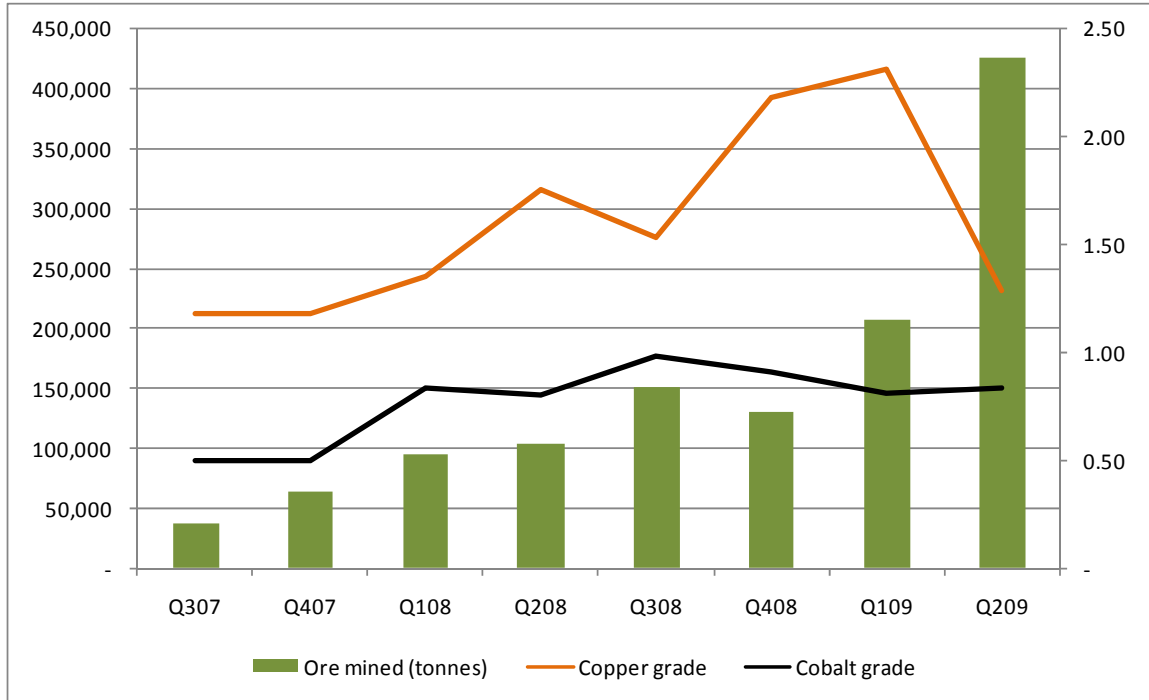


Open Pit (T17)

As shown the graph below, during the last eight quarters, tonnes of ore mined from T17 have increased from 36,986 (during the quarter ended September 30, 2007) to 425,372 (during the quarter ended June 30, 2009).

At T17, 4,767,594 tonnes of waste were removed in the quarter ended June 30, 2009, (quarter ended June 30, 2008 – 1,652,307) and 425,372 tonnes of ore produced (2008 – 103,791) with a copper grade of 1.29% (2008 – 1.75%) and a cobalt grade of 0.83% (2008 – 0.80%).

In the six months ended June 30, 2009, 6,977,462 tonnes of waste were removed (six months ended June 30, 2008 – 2,903,143) and 631,548 tonnes of ore produced (2008 – 198,846) with a copper grade of 1.62% and a cobalt grade of 0.82%.

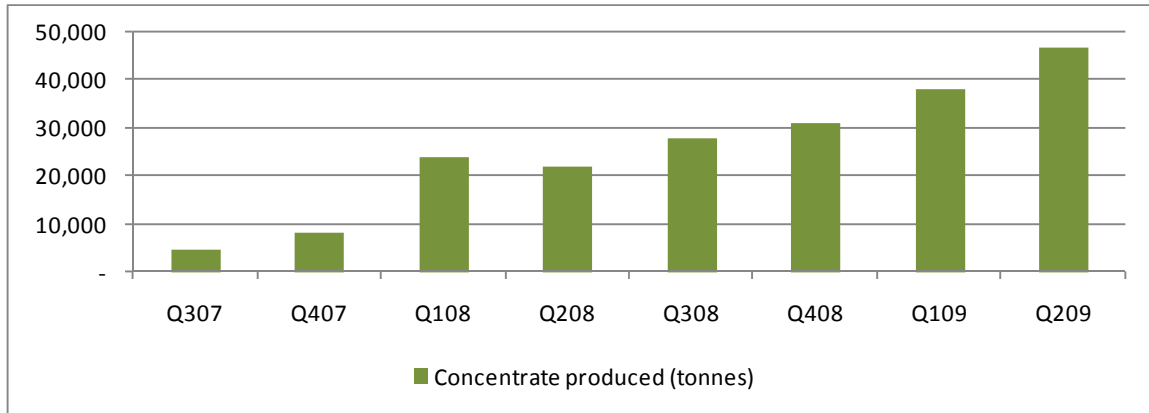


Kamoto Concentrator

As shown the graph below, during the last eight quarters, tonnes of concentrate produced from the Kamoto Concentrator have increased from 4,571 (during the quarter ended September 30, 2007) to 46,447 (during the quarter ended June 30, 2009).

The Kamoto concentrator processes ore from KTO underground and T17 open pit. In the quarter ended June 30, 2009, it processed 476,750 tonnes of ore (quarter ended June 30, 2008 – 218,530) from which 46,447 tonnes of concentrate were produced (2008 – 21,943). In the six months ended June 30, 2009, it processed 864,237 tonnes of ore (six months ended June 30, 2008 – 425,145) from which 84,282 tonnes of concentrate were produced (2008 – 45,729).

The capacity of the concentrator exceeds the current mine production capability and continues to meet planned availability and recovery.

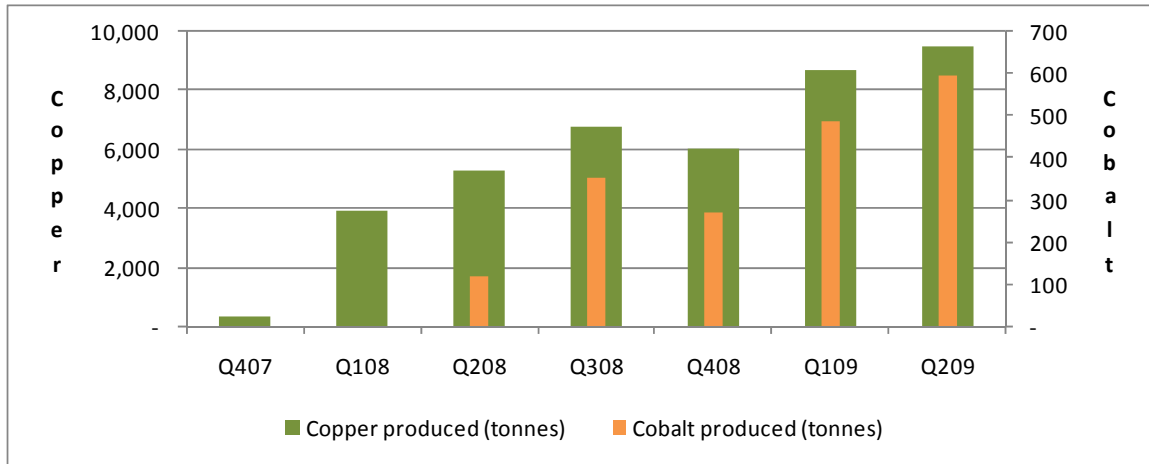


Luilu processing plant

As shown the graph below, during the last seven quarters, tonnes of copper produced have increased from 340 (during the quarter ended December 31, 2007) to 9,516 (during the quarter ended June 30, 2009). During the last five quarters, tonnes of cobalt produced have increased from 120 (during the quarter ended June 30, 2008) to 595 (during the quarter ended June 30, 2009).

In the quarter ended June 30, 2009, 9,516 tonnes of copper cathode (quarter ended June 30, 2008 – 5,314) were produced along with 595 tonnes of cobalt metal (2008 – 120).

In the six months ended June 30, 2009, 18,231 tonnes of copper cathode (six months ended June 30, 2008 – 9,260) were produced along with 1,083 tonnes of cobalt metal (2008 – 120).



Open Pit (Tilwezembe)

Due to the decrease in copper and cobalt prices, on November 21, 2008 the Company suspended production of Cobalt concentrate and as a result mining at Tilwezembe was suspended.

Kolwezi Concentrator

The Kolwezi concentrator processed the ore from the Tilwezembe open pit and, as discussed above, the Company made the decision to suspend Cobalt concentrate production in the quarter ended December 31, 2008. The Company has agreed with La Générale des Carrieres et des Mines (“Gécamines”) that the Kolwezi Concentrator will be returned to Gécamines as part of the Joint Venture Agreement.

4. 2009 Second Quarter Financial Discussion

Operating Results

	Three Months Ended		
	June 30,	June 30,	June 30,
	2009	2008	2007
	\$'000	\$'000	\$'000
Sales revenue	62,250	48,847	-
Cost of sales*	(73,949)	(38,474)	-
	(11,699)	10,373	-
Other expenses	(22,958)	(20,290)	(11,401)
Restructuring expenses	(15,887)	-	-
Debenture interest	(4,550)	(4,567)	(4,085)
Interest income	49	5,838	1,575
Income tax recovery/(provision)	(2,190)	(1,279)	(79)
Net loss	(57,455)	(9,925)	(13,991)

*Includes royalties and transportation costs and depreciation

The Company reported a net loss for the three months ended June 30, 2009, of \$57.5 million, \$(0.09) per share, compared with a net loss for the three months ended June 30, 2008, \$9.9 million, \$(0.05) per share.

- Revenues of \$62.3 million were generated from the sale of copper cathode (10,478 tonnes), cobalt metal (500 tonnes) and cobalt concentrate (560 tonnes) for the quarter. The net re-pricing adjustments during the quarter were: copper \$3.1 million increase; cobalt \$0.1 million increase; and, concentrate \$5.0 million decrease. The movement in the marked-to-market provision for the quarter represented an unrealized gain of \$6.8 million.
- The cost of sales for the three months ended June 30, 2009, totaled \$74.0 million (three months ended June 30, 2008, \$38.4 million) and was comprised of:
 - Selling costs of \$6.0 million, including transport costs, government royalties (2% of gross sales revenue less transport costs) and Gécamines lease payments (2% of gross sales revenue less transport costs). Included in cost of sales is \$3.0 million of additional transportation costs identified on concentrate inventory that was impaired in the year ended December 31, 2008.
 - \$47.3 million for costs directly attributable to mining operations (KTO and T-17), and processing operations (Kamoto concentrator and Luilu processing plant).
 - Site infrastructure and support costs of \$10.7 million for site operating and maintenance costs not directly attributable to individual operations.
 - Depreciation of \$9.8 million, with \$3.2 million for amortization of mineral interests and \$6.6 million of depreciation for property plant and equipment.
 - During the three months ended June 30, 2008, copper and cobalt sales were recognized only from June 1, 2008 when the Company commenced commercial production. The concentrate produced prior to the Nikanor acquisition was recorded at fair value. Accordingly, cost of sales in the 2008 quarter included \$3.2 million previously assigned to the fair value of the concentrate ore.
- The other expenses for the three months ended June 30, 2009, totaled \$23.0 million (three months ended June 30, 2008 - \$20.3 million). These included:

- General administrative expenses of \$7.3 million (three months ended June 30, 2008 - \$21.7 million) representing:
 - The cost to maintain the corporate office function in London and South Africa and overheads incurred at site level \$5.8 million (three months ended June 30, 2008 - \$5.7 million);
 - A stock-based compensation charge of \$1.0 million (three months ended June 30, 2008 - \$4.2 million);
 - Professional fees and consultants costs of \$1.8 million credit due to reductions to previously estimated accruals related to project financing costs (three months ended June 30, 2008 - \$0.8 million cost);
 - Provision for DRC non-corporate tax exposures of \$2.3 million (three months ended June 30, 2008 - \$0.9 million);
 - During the three month period ended June 30, 2008:
 - Road refurbishment costs of \$0.5 million were incurred;
 - A provision of \$9.6 million for contractual termination entitlements in relation to the resignation of the President and CEO (which included \$4.3 million related to share options and restricted stock units).
- Foreign exchange loss of \$9.7 million (three months ended June 30, 2008 - \$0.7 million). This includes an \$8.1 million unrealized loss arising on the translation into US\$ of the CDN\$ denominated debentures.
- Net derivative gain of nil (three months ended June 30, 2008 - \$2.5 million) on settlement of derivative contracts.
- Interest expense of \$0.5 million (three months ended June 30, 2008 - nil)
- Convertible debt accretion - \$5.4 million (three months ended June 30, 2008 - \$0.3 million).
- Restructuring expenses for the three months ended June 30, 2009, totaled \$15.9 million (three months ended June 30, 2008 - nil). This amount included:
 - Settlement cost on return of KZC concentrator to Gécamines - \$5.1 million;
 - Gain on settlement of construction services contract for SX/EW plant - \$1.4 million;
 - Loss on settlement of Kamoto Operating Limited operating agreement - \$7.6 million;
 - Termination costs incurred - \$4.5 million.
- Interest income of \$0.1 million (three months ended June 30, 2008 - \$5.8 million) was earned on non-utilized funds. The decrease in the interest income earned during the three months ended June 30, 2009, was as a result of a decrease in average cash invested. During the three months ended June 30, 2008, additional interest was earned on cash assumed on the acquisition of Nikanor PLC.

Cash Flows

Cash Flows from (used in):	Three Months Ended		
	June 30, 2009 \$'000	June 30, 2008 \$'000	June 30, 2007 \$'000
Operating activities	(39,510)	3,998	(2,947)
Financing activities	170,568	-	177
Investing activities	(12,497)	(115,980)	(62,628)

- For the three months ended June 30, 2009, cash outflows from operating activities were \$39.5 million (three months ended June 30, 2008 – inflows \$4.0 million). A significant variance between the quarters is the commencement of commercial production effective June 1, 2008. As a development stage entity, prior to June 1, 2008, changes in working capital were included in investing activities, as they related to project expenditures; following commencement of commercial production, they are now part of operating activities. The cash used to fund operating activities was primarily spent on (and offset by):
 - The net loss for the period of \$57.5 million (three months ended June 30, 2008 – \$9.9 million).
 - Adjusting non-cash items including:
 - Depreciation of \$9.8 million (three months ended June 30, 2008 – \$2.0 million). During the two months ended May 31, 2008, depreciation was capitalized given the development phase of the project and shown as investing activities;
 - In the three months ended June 30, 2008, \$3.2 million related to the write up to fair value of the concentrate inventory acquired as part of the Nikanor acquisition;
 - Non-cash restructuring expenses of \$12.8 million (three months ended June 30, 2008 – nil);
 - Stock-based compensation of \$0.9 million (three months ended June 30, 2008 – \$7.0 million);
 - Debenture interest of \$4.6 million (three months ended June 30, 2008 – \$4.6 million);
 - A foreign exchange loss of \$9.7 million (three months ended June 30, 2008 – \$0.8 million);
 - Convertible debt accretion - \$5.4 million (three months ended June 30, 2008 - \$0.3 million);
 - Accretion of the asset retirement obligation \$0.1 million (three months ended June 30, 2008 – nil);
 - Net derivative gain of nil (three months ended June 30, 2008 – gain of \$2.5 million);
 - Recognition of future tax charges of \$2.2 million (three months ended June 30, 2008 – \$1.3 million).
 - Increase in trade receivables of \$17.6 million (three months ended June 30, 2008 – \$21.5 million decrease) due to the accounts receivable balance as at December 31, 2008 being abnormally low due to the impact of provisional pricing adjustments made in the fourth quarter of 2008.
 - Decrease in prepayments and other receivables of \$5.5 million, (three months ended June 30, 2008 – \$12.5 million).
 - Increase in inventories of \$22.8 million (three months ended June 30, 2008 – \$15.9 million) as a result of higher consumable stores.
 - Increase in accounts payable of \$7.3 million (three months ended June 30, 2008 – \$20.9 million decrease).
- Financing activities in the three months ended June 30, 2009, totaled \$170.6 million (three months ended June 30, 2008 – nil) as a result of the rights issue.
- Investing activities in the three months ended June 30, 2009, totaled \$12.5 million (three months ended June 30, 2008 – \$116.0 million) relates to:
 - Costs incurred on phase II and V of the rehabilitation project of \$12.5 million (three months ended June 30, 2008 – \$91 million).
 - During the three months ended June 30, 2008, acquisition costs of \$25.6 million were settled.

5. 2009 Year to date Financial Discussion

Operating Results

	Six Months Ended		
	June 30, 2009 \$'000	June 30, 2008 \$'000	June 30, 2007 \$'000
Sales revenue	109,308	139,003	-
Cost of sales*	(159,575)	(147,881)	-
	(50,267)	(8,878)	-
Other expenses	(23,770)	(35,681)	(15,261)
Debenture interest	(8,254)	(9,288)	(7,904)
Restructuring expenses	(25,951)	-	-
Interest income	206	12,897	3,877
Income tax recovery/(provision)	(2,417)	13,629	(139)
Net loss	(110,673)	(27,321)	(19,427)

*Includes royalties and transportation costs and depreciation

The Company reported a net loss for the six months ended June 30, 2009, of \$110.7 million, \$(0.27) per share, compared with a net loss for the six months ended June 30, 2008, \$27.3 million, \$(0.14) per share.

- Revenues of \$109.3 million were generated from the sale of copper cathode (18,228 tonnes), cobalt metal (960 tonnes) and cobalt concentrate (17,552 tonnes) for the half year. The net re-pricing adjustments were: copper \$8.5 million increase; cobalt \$0.5 million decrease; and, concentrate \$5.9 million decrease. The movement in the marked-to-market provision for the half year represented an unrealized gain of \$7.3 million.
- The cost of sales for the six months ended June 30, 2009, totaled \$159.6 million (six months ended June 30, 2008, \$147.9 million) and was comprised of:
 - Selling costs of \$24.8 million, including transport costs, government royalties (2% of gross sales revenue less transport costs) and Gécamines lease payments (2% of gross sales revenue less transport costs). Included in cost of sales is \$9.9 million of additional transportation costs identified on concentrate inventory that was impaired in the year ended December 31, 2008.
 - \$89.0 million for costs directly attributable to mining operations (KTO and T-17), and processing operations (Kamoto concentrator and Luilu processing plant).
 - Site infrastructure and support costs of \$26.9 million for site operating and maintenance costs not directly attributable to individual operations.
 - Depreciation of \$18.7 million, with \$7.2 million for amortization of mineral interests and \$11.5 million of depreciation for property plant and equipment.
 - During the six months ended June 30, 2008, copper and cobalt sales were recognized only from June 1, 2008 when the Company commenced commercial production. The concentrate produced prior to the Nikanor acquisition was recorded at fair value. Accordingly, cost of sales in the 2008 half year included \$68.9 million previously assigned to the fair value of the concentrate ore.

- The other expenses for the six months ended June 30, 2009, totaled \$23.8 million (six months ended June 30, 2008 - \$35.7 million). These included:
 - General administrative expenses of \$11.7 million (six months ended June 30, 2008 - \$27.7 million) representing:
 - The cost to maintain the corporate office function in London and South Africa \$8.4 million (six months ended June 30, 2008 - \$12.9 million);
 - A stock-based compensation charge of \$2.2 million (six months ended June 30, 2008 - \$10.9 million);
 - Professional fees and consultants costs of \$1.2 million credit due to reductions to previously estimated accruals related to project financing costs (six months ended June 30, 2008 - \$1.5 million cost);
 - Provision for DRC non-corporate tax exposures of \$2.3 million (six months ended June 30, 2008 - \$0.9 million);
 - During the six month period ended June 30, 2008:
 - Road refurbishment costs of \$1.5 million were incurred;
 - A provision of \$9.6 million for contractual termination entitlements in relation to the resignation of the President and CEO (which included \$4.3 million related to share options and restricted stock units).
 - Foreign exchange loss of \$5.2 million (six months ended June 30, 2008 - \$5.5 million). This includes a \$5.9 million unrealized loss arising on the translation into US\$ of the CDN\$ denominated debentures (six months ended June 30, 2008 - \$3.7 million gain).
 - Net derivative gain of \$0.1 million (six months ended June 30, 2008 - \$1.9 million loss) on settlement of derivative contracts.
 - Interest expense of \$0.8 million.
 - Convertible debt accretion - \$6.2 million (six months ended June 30, 2008 - \$0.7 million).
- Restructuring expenses for the six months ended June 30, 2009, totaled \$26.0 million (six months ended June 30, 2008 – nil). This amount included:
 - Settlement cost on return of KZC concentrator to Gécamines - \$5.1 million;
 - Loss on settlement of construction services contract for SX/EW plant - \$8.7 million;
 - Loss on settlement of Kamoto Operating Limited operating agreement - \$7.6 million;
 - Termination costs incurred - \$4.5 million.
- Interest income of \$0.2 million (six months ended June 30, 2008 - \$12.9 million) was earned on non-utilized funds. The decrease in the interest income earned during the six months ended June 30, 2009, was as a result of a decrease in average cash invested. During the six months ended June 30, 2008, additional interest was earned on cash assumed on the acquisition of Nikanor PLC.

Cash Flows

Cash Flows from (used in):	Six Months Ended		
	June 30,	June 30,	June 30,
	2009	2008	2007
	\$'000	\$'000	\$'000
Operating activities	(110,847)	14,883	(3,355)
Financing activities	270,568	-	177
Investing activities	(49,071)	246,340	(93,256)

- For the six months ended June 30, 2009, cash outflows from operating activities were \$110.8 million (six months ended June, 2008 – inflows \$14.9 million). A significant variance between the half years is the commencement of commercial production effective June 1, 2008. As a development stage entity, prior to June 1, 2008, changes in working capital were included in investing activities, as they related to project expenditures; following commencement of commercial production, they are now part of operating activities. The cash used to fund operating activities was primarily spent on (and offset by):
 - The net loss for the period of \$110.7 million (six months ended June 30, 2008 – \$27.3 million).
 - Adjusting non-cash items including:
 - Depreciation of \$18.7 million (six months ended June 30, 2008 – \$2.0 million). During the 5 months prior to June 1, 2008, depreciation was capitalized given the development phase of the project and shown as investing activities;
 - In the six months ended June 30, 2008, \$68.9 million related to the write up to fair value of the concentrate inventory acquired as part of the Nikanor acquisition;
 - Non-cash restructuring expenses of \$12.8 million (three months ended June 30, 2008 – nil);
 - Stock-based compensation of \$2.1 million (six months ended June 30, 2008 – \$8.2 million);
 - Debenture interest of \$1.0 million (six months ended June 30, 2008 – \$0.5 million). Interest of \$7.2 million in relation to the debenture was paid on January 1, 2009;
 - A foreign exchange loss of \$5.2 million (six months ended June 30, 2008 – \$5.5 million);
 - Convertible debt accretion - \$6.2 million (six months ended June 30, 2008 - \$0.7 million);
 - Accretion of the asset retirement obligation \$0.2 million (six months ended June 30, 2008 – \$0.1 million);
 - Net derivative gain of \$0.1 million (six months ended June 30, 2008 – loss of \$1.9 million);
 - Recognition of future tax charges of \$2.4 million (six months ended June 30, 2008 – \$13.6 million recovery).
 - Increase in trade receivables of \$41.1 million (six months ended June 30, 2008 – \$1.0 million) due to the accounts receivable balance as at December 31, 2008 being abnormally low due to the impact of provisional pricing adjustments made in the fourth quarter of 2008.
 - Decrease in prepayments and other receivables of \$0.7 million, (six months ended June 30, 2008 – \$7.7 million)

- Increase in inventories of \$27.2 million (six months ended June 30, 2008 – \$17.5 million) as a result of higher consumable stores.
 - Increase in accounts payable of \$18.9 million (six months ended June 30, 2008 – decrease of \$21.1 million).
- Financing activities in the six months ended June 30, 2009, totaled \$270.6 million (six months ended June 30, 2008 – nil) as a result of the refinancing of the Glencore convertible facility – \$100.0 million and the rights issue of \$170.6 million.
- Investing activities in the six months ended June 30, 2009, totaled \$49.1 million (six months ended June 30, 2008 – increase of \$246.3 million).

6. Balance Sheet Discussion

	June 30, 2009 \$'000	December 31, 2008 \$'000
Assets		
Cash, cash equivalents and restricted cash	152,817	42,449
Accounts receivable	27,846	-
Other current assets	108,985	80,980
Property, plant and equipment	1,372,533	1,342,924
Other non-current assets	64,906	64,003
	1,727,087	1,530,356
Liabilities		
Current liabilities	204,860	192,884
Convertible debt	-	163,848
Debentures payable	101,183	94,520
Other long-term liabilities	231,245	226,744
	537,288	677,996
Shareholders' equity	1,189,799	852,360

Cash and Cash Equivalents / Liquidity

The cash balance increased to \$152.8 million from \$42.5 million. The increase has occurred as a result of financing activities (\$100.0 million inflow from the refinancing of the convertible debt and \$170.6 million inflow from the rights issue) offset by operating cash outflows of \$110.8; investing activities outflows of \$49.1 million; and realized foreign exchange losses of \$0.3 million.

Accounts receivable

Copper, cobalt and cobalt concentrate sales are made under various sales agreements. Sales are made at a provisional price in the month of shipment with final pricing based on average prices at a specified period. For the comparative period ended December 31, 2008, the open provisional invoices were re-priced and resulted in net payable balance of \$13.3 million and included within accounts payable and accrued liabilities.

Other Current Assets

Other current assets increased to \$109.0 million from \$81.0 million primarily due to increased consumable stores inventory.

Property, Plant and Equipment

Property, plant and equipment increased to \$1,372.5 million from \$1,342.9 million primarily due to additions of \$49.1 million offset in part by depreciation and amortization of \$18.7 million.

Other Non-current Assets

Other non-current assets increased to \$64.9 million from \$64.0 million. This is primarily due to the reduction in non-current prepayments - \$3.1 million offset by an increase in future tax assets of \$4.0 million.

Current Liabilities

Current liabilities have increased to \$204.9 million from \$192.9 million. This is due to the increase in operating activity partly offset by trade receivables being reflected in a receivable position as at June 30, 2009, as opposed to the \$13.3 million liability recognized at December 31, 2008 as a result of provisional pricing adjustments. Current liabilities include \$77.6 million for obligations incurred relating to work carried out on terminated contracts before and after December 31, 2008, as explained more fully in Note 8 to the Company's unaudited interim consolidated financial statements for the three and six months ended June 30, 2009.

Convertible Debt

On January 12, 2009, the Company completed a two year mandatorily convertible loan facility of \$265.3 million, ("the Facility"). The Facility was split in two parts:

- a new finance facility of \$100 million underwritten by Glencore International AG ("Glencore"); and
- an amendment and restatement of the existing \$150 million loan facility provided by Glencore, which, with accrued interest amounts to \$165.3 million.

The Facility incurred interest at LIBOR plus 3% payable upon maturity. During the two-year term, the Facility was convertible at the option of each lender into common shares of the Company either at any time while the loan is outstanding at US\$0.2783 per common share (the "Conversion Price"), being the 5 day volume weighted average price per common share immediately prior to this announcement converted into US dollars using the noon rate published by the Bank of Canada for December 23, 2009, or at any time within seven days of any equity issuance of more than US\$25.0 million by the Company at the price per share of the equity issuance converted into US dollars.

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

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

Debentures Payable

The increase in debentures payable to \$101.2 million from \$94.5 million has occurred as a result of an unrealized foreign exchange loss of \$5.9 million on the revaluation of the CDN dollar denominated debentures into US dollars, and the accretion of the debt of \$0.8 million.

The Company's outstanding debentures are due November 20, 2013. Interest on the debentures is payable semi-annually in arrears with equal installments on January 1 and July 1 of each year, with interest payable from the closing date to June 30, 2007 capitalized and payable on maturity and cash interest payments commencing January 1, 2008.

Other long-term liabilities

Other long-term liabilities include \$226.4 million (December 31, 2008 - \$222.1 million) related to the future income taxes recorded for the future income tax liability on the fair value assigned to the KOV open pit at the expected tax rate of 30%. Also included in other long-term liabilities at June 30, 2009, is \$4.9 million relating to asset retirement obligations (December 31, 2008 - \$4.7 million).

Off-Balance Sheet Arrangements

As at June 30, 2009, the Company had no off-balance sheet arrangements.

7. Contractual Obligations and Commitments

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

	Total	Less than 1	1-3 years	4-5 years	After 5
		year			years
Payments due by period (\$ million)	\$	\$	\$	\$	\$
Property operating lease	2.5	1.0	1.5	-	-
Capital expenditure commitments	17.2	17.2	-	-	-
Debentures payable (1)	169.4	13.9	24.5	131.0	-

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

The Company is obligated under the terms of an operating lease for minimum annual property office rental payments of \$1.0 million for a period of five years, commencing September 19, 2006, with an option to renew for a further five years.

8. Capital Resources

The Company's objective when managing capital resources is to maintain the confidence of shareholders and investors in the implementation of its business plans by: (i) maintaining sufficient levels of liquidity to fund and support its exploration, development stage and operating properties and other corporate activities, and (ii) maintaining a strong balance sheet, to ensure ready access to debt and equity markets, and to facilitate the development of major projects. Management monitors its financial position on an ongoing basis. The Company manages its capital resource structure and makes adjustments to it based on prevailing market conditions and according to its business plan. Most of the Company's capital resources come from the issuance of equity, including the rights offering (as defined below), as well as listed debentures. Capital resources are monitored on a daily basis and are the responsibility of the CFO and Finance and Treasury Director.

In the opinion of management, the working capital as at June 30, 2009, together with the proceeds from the closing of the rights offering received in July, 2009, and the anticipated future cash flows from operations in accordance with the revised production plan, is sufficient to support the Company's commitments until the end of 2010. The Company's total planned capital expenditures for 2009 will focus on the completion of Phase 2 of the Project, and are forecast to be \$17.2 million. The Company expects to fund these expenditures with cash flows from operations and a portion of the proceeds of the rights offering.

For periods beyond 2009, the Company's cash flows from operations are expected to increase as a result of the increase in commercial production following completion of Phase 2 of the Project.

During the year ended December 31, 2008, the Company invested a total of \$438.6 million in capital expenditures. These expenditures were funded through the issuance of convertible debt in 2007, as well as cash acquired on the acquisition of Nikanor PLC.

9. Changes in Accounting Policies

New accounting policies

On January 1, 2009, the Company adopted the following new accounting standards that were issued by the Canadian Institute of Chartered Accountants, ("CICA").

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173 – "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The application of EIC 173 did not have any material impact on the consolidated financial statements.

CICA 3064 Goodwill and Intangible Assets

The CICA has issued Handbook Section 3064 "Goodwill and Intangible assets" which may affect the financial disclosures and results of the Company. This Section applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008 and the Company adopted the requirements in the quarter ended March 31, 2009. Section 3064 establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC-27 Revenues and expenses during the pre-operating period. The application of Section 3064 Goodwill and Intangible assets had no effect on the consolidated financial statements.

Mining Exploration Costs

In March 2009, the CICA issued EIC-174, "Mining Exploration Costs." The EIC provides guidance on accounting for capitalization and impairment of exploration costs. This standard was effective for the fiscal year beginning January 1, 2009. The application of this EIC had no effect on the consolidated financial statements.

To be adopted in fiscal 2010 and beyond

International Financial Reporting Standards

The CICA plans to transition Canadian GAAP for public companies to International Financial Reporting Standards ("IFRS"). The effective changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined.

Business Combinations

In October 2008, the CICA issued Handbook Section 1582, Business Combinations, which establishes new standards for accounting for business combinations. This is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Should the Company engage in a future business combination, it would consider early adoption to coincide with the adoption of IFRS.

Non-controlling Interests

Also in October 2008, the CICA issued Handbook Section 1602, Non-controlling Interests, to provide guidance on accounting for non-controlling interests subsequent to a business combination. This is effective for fiscal years beginning on or after January 2011.

10. 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, fair value estimates for the assets and liabilities used to account for the acquisition of Nikanor, fair value estimates for stock options and warrants, the fair value of the Glencore convertible debt, the residual value of the equity portion of the Glencore convertible debt, and estimated lives of depreciable assets. These estimates involve considerable judgment and are, or could be, affected by significant factors that are beyond 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. The cost of acquisition of Nikanor was allocated to the net assets acquired based on fair values. The carrying values of these assets 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, which are 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.

The fair value of the stock options and warrants is calculated using an option pricing model that takes into account the exercise price, the expected life of the option/warrant, expected volatility of the underlying shares, expected dividend yield and the risk free interest rate for the term of the option.

11. Outstanding Share Data**(a) AUTHORIZED**

- 1,000 common shares, par value \$12.00 each
- 5,000,000,000 common shares, par value \$0.10 each

On January 12, 2009, the authorized share capital of the Company was increased from 300,000,000 to 5,000,000,000 common shares with a par value of \$0.10.

(b) Issued:

	Number of Shares
Balance – December 31, 2006	78,037,476
Exercise of options	216,667
Exercise of warrants	<u>633,600</u>
Balance – December 31, 2007	78,887,743
Performance shares issued to former Nikanor employees	215,362
Shares issued to acquire Nikanor	<u>127,217,697</u>
Balance – December 31, 2008	206,320,802
Shares issued on conversion of convertible debt	971,023,329
Shares issued in rights offering	<u>492,379,266</u>
Balance – June 30, 2008	1,669,723,397
Shares issued on completion of rights offering and standby commitment	<u>225,657,016</u>
Balance – August 7, 2009	<u>1,895,380,413</u>

The Company has a Stock Option Plan which is consistent with the policies of the Toronto Stock Exchange (the "TSX").

During the six months ended June 30, 2009, there were no options granted pursuant to the Company's stock option plan and 530,000 options were cancelled during the period.

As a result of the rights offering and the adjustment to the exchange basis in the warrant indenture, the number of common shares issuable on the exercise of the warrants has increased from 1 common share to 1.28 common shares per warrant. The resultant change in fair value as a result of the modification was not considered significant.

12. Use of Financial Instruments

The fair values of all derivatives are separately recorded on the consolidated balance sheet. Derivatives embedded in other financial instruments or non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to their host contract and the host contract is not carried at fair value. No derivatives or embedded derivatives were designated as a hedge.

The Company acquired foreign exchange derivatives at fair value as a consequence of the acquisition of Nikanor PLC:

A summary of the assets and liabilities associated with the derivatives is as follows:

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

13. Related Party Transactions

Related Parties

Kamoto Operating Limited ("KOL"), a company incorporated pursuant to the laws of the DRC, has been appointed to act as the operator of the Kamoto project pursuant to the Kamoto Joint Venture Agreement and an operating agreement ("Operating Agreement") between KOL and the Company's subsidiary, KCC, executed on November 2, 2005. Current shareholders and former directors of the Company are 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. Fees to the end of May, 2008 have been capitalized to mineral interests. From the commencement of commercial production on June 1, 2008, fees have been expensed to the consolidated statement of operations and comprehensive loss and deficit. Negotiations continue between KOL and Katanga for the acquisition of KOL and subsequent termination of the Operating Agreement, and settlement of these negotiations is expected to be concluded in the third quarter of 2009.

Enterprise Generale Malta Forrest SPRL ("EGMF"), a company owned by George Forrest and which has Malta Forrest as a Director, both of whom have a beneficial interest in the Company, was involved in the sourcing and provision of goods and services (including construction and other resources), mining of one of the open pit ore bodies, civil work and the construction of a tailings dam.

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

Bateman Engineering N.V ("Bateman"), a company in the BSG Resources group who through Oakey Investment Holdings, is a shareholder in the Company, and is engaged in the engineering and procurement of KOV and the Kamoto Project.

DEM Mining SPRL (“DEM”), Dan Gertler holds an interest in the shares in DEM and has a beneficial interest in the Company. DEM were contracted to drill, mine and transport ore from the Tilwezembe mine to the crusher at the KZC plant. This contract was completed in December 2008.

La Générale des Carrières et des Mines (“Gécamines”), a state owned and operated mining enterprise of the DRC, has a 25% minority interest in DCP and KCC. Both DCP and KCC are required to make royalty payments to Gécamines. In addition, DCP purchases goods and services from Gécamines in the normal course of business.

Glencore International AG (“Glencore”) is the majority shareholder and is represented on the Board of the Company. Glencore entered into a 100% off-take agreement for concentrate sales with the Company and commencing January 1, 2009, pursuant to additional off-take agreements all copper and cobalt metal produced will also be sold to Glencore on market terms. During the six months ended June 30, 2009, Glencore has also provided funding to the Company in the form of convertible debt.

RP Capital (“RP Capital”) is a major equity shareholder and under a relationship agreement with the Company holds one board seat. RP Capital has a beneficial interest in the Company with the funding they provided the Company in the form of the convertible debt of January 12, 2009. Cosaf, Ruwenzori and RP Explorer Funds are all part of the RP Capital Group.

Xstrata Queensland Ltd (“Xstrata “) is identified as a related party on the basis Glencore holds a significant interest in the company at December 31, 2008, this interest represented 34.45% of the issued share capital. During 2008 and the six month ended June 30, 2009, Xstrata has provided mining equipment and services to the Company.

Transactions

All transactions are in the normal course of business. The following table provides the total amount of the transactions entered into with these related parties:

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
	\$	\$
Purchases from related parties		
Bateman	4,617	9,118
DEM	-	6,408
EGMF	28,829	14,055
Gécamines	2,049	2,560
KOL	-	5,644
Malta Forrest	-	90
Xstrata	4,944	-
Sales to related parties		
DEM	-	655
EGMF	3,807	-
Glencore	104,013	92,600
	As at June 30, 2009	As at December 31, 2008
	\$	\$
Amounts owed to related parties		
DEM	-	3,690
Bateman	-	8,257
Gécamines	-	13
Glencore (convertible debt)	-	162,885
KOL	1,667	5,116
Xstrata	8,560	14,608
Amounts owed by related parties		
Gécamines	5,232	-
Glencore	11,025	7,454

14. Health, Safety, Community and Environment

In terms of the health and safety policy, there is explicit recognition of the importance of a safe and healthy work environment, created as a result of joint responsibility between the Company and its employees. The Company is actively developing and implementing procedures, practices, training, and audit protocols to ensure implementation across its operation. This includes emergency response preparedness and relevant training.

There were two fatalities in the six months ended June, 30 2009, as a result of separate underground mining accidents on February 27 and March 01, 2009, respectively. The Company provided assistance and support to both families. Extensive accident investigations, involving both our internal safety personnel and local government officials, were undertaken to understand every aspect of these isolated incidents and to identify and implement measures to prevent any reoccurrence.

In December 2008, the Company's consultants (SRK) completed a draft Environmental & 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 Phase V and the production of 300,000 tpa copper. An amendment is planned in which the new project will be assessed for its environmental impacts. Once this review and amendment is conducted the ESIA will be submitted for approval. In the meanwhile, community development and ongoing communications are maintained, albeit at a somewhat lower level than originally anticipated.

15. Contract Review and New Joint Venture Agreement (JVA)

On February 11, 2008, KCC received letters from the Minister of Mines for the DRC notifying both DCP and KCC of the DRC Government's position as a consequence of the review by the DRC Government of the mining rights which DCP and KCC hold. The letter from the Minister included a statement of terms upon which the Government proposed discussions be based upon to balance the partnership between the DRC and DCP and KCC. The discussions between Gécamines and DCP and KCC have now been concluded with the signing of a new joint venture agreement (refer below).

The mining concession on which the Company is currently operating and developing is located in the DRC. As a result the Company is subject to certain risks, including possible political or economic instability in the DRC, which may result in the impairment, loss of the mineral concession or renegotiation of the joint venture contract with Gécamines. Any changes in laws or regulations or shifts in political attitudes are beyond the control of the Company and may adversely affect its business. No assurance can be given as to the outcome of any future discussions or negotiations between DCP, KCC and the DRC Government or that either DCP's or KCC's security of tenure and ability to secure additional financing in the future may not be adversely affected so as to have a material adverse effect on its business, operating results and financial position.

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

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

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

Transfers of Exploitation Permits, Infrastructure and Other Necessary Surfaces

The parties have now agreed the perimeters of the transfers of the KCC/DCP concession area deposits. This includes the following permits which will be transferred from Gécamines and DCP to the Merged JV Company:

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

It has also been agreed with Gécamines that all installations and infrastructures currently used by KCC and DCP as well as the Necessary Surfaces (as defined below) shall be rented by Gécamines to the Merged JV Company for an annual lease payment of US\$1.8 million, with rental being covered by the royalties. Katanga has agreed that the KZC concentrator at Kolwezi will be returned to Gécamines who will re-employ following the transfer the former Gecamines employees.

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

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

Replacement Deposits

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

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

Share Capital and Financing

The share capital of KCC shall be increased to US\$100 million. It has been agreed that the 25% equity interest of Gécamines and its subsidiary shall be non-dilutable. Katanga Mining Limited or one of its wholly-owned subsidiaries shall advance to Gécamines and its subsidiary the subscription amount of US\$24.5 million payable by them in respect of the capital increase. Such advance shall be deducted from the *pas-de-porte* payment described below, and consequently shall not be repayable by Gécamines.

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

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

The Company's obligations in this respect will terminate upon the Project achieving a production rate of 150,000tCu/year.

Rental, Royalty and Pas de Porte

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

A "*pas de porte*" ("entry premium") payment shall be payable by KFL/GEC to Gécamines for the access to the project. The total amount shall be USD 140 million, of which US\$ 5 million has already been paid, US\$ 5 million will be paid upon effective transfer of the exploitation permits from Gécamines to KCC which should take place shortly after the signature of the JVA and the balance payable in installments on an agreed schedule until 2016, subject to the merger of DCP and KCC becoming effective.

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

Board and Management

The board of directors of the Merged JV Company has been increased to eight members, three of whom are appointed by Gécamines. In addition, the CEO is appointed by KFL/GEC, and the deputy CEO is appointed by Gécamines. A management committee has been constituted, comprising the CEO, deputy CEO, three employees of the merged joint venture company appointed by KFL / GEC, and one employee of the merged joint venture company appointed by Gécamines.

The Kamoto Operating Limited (KOL) Operating Agreement will be terminated on or before September 30, 2009, with the employees of KOL working on the operations of KCC being re-employed by KCC and KCC continuing the contracts entered into by KOL with third parties on behalf of KCC for the conduct of its operations.

16. Completion of Rights Offering

On April 28, 2009, the Company entered into a Bridge Loan Agreement and a Transaction Agreement with Glencore Finance (Bermuda) Limited ("Glencore"). These agreements provided for a non-convertible bridge loan facility of US\$50 million (the "Bridge Loan") repayable June 30, 2009 and a rights offering via prospectus by Katanga to raise at least US\$250 million (the "Rights Offering" and, together with the Bridge Loan, the "Transactions"). The Rights Offering included a standby commitment by Glencore to subscribe for such number of common shares ("Shares") at the conclusion of the Rights Offering as is necessary to ensure that Katanga raised US\$250 million (the "Standby Commitment") under the Rights Offering.

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

Pursuant to the Offering, Katanga was to issue 544,303,460 Common Shares (inclusive of 492,379,266 Shares already issued pursuant to the Early Liquidity Closing, as defined below) to those holders of rights that had exercised their basic subscription privilege. In addition, 169,982,593 Shares were issued to holders of rights who have exercised their additional subscription privilege. The Company was also to issue 3,750,229 Common Shares to Jangleglade Limited (the "Standby Purchaser"), a subsidiary of Glencore International AG, as the fee payable to the Standby Purchaser for providing its Standby Commitment in respect of the Rights Offering, calculated by reference to a per Share price of US\$0.8284, the five day volume weighted average price of the Common Shares on the TSX as of May 21, 2009.

Under the "Early Liquidity Closing" contemplated by the Offering, Glencore Finance (Bermuda) Limited ("Glencore") and the Standby Purchaser exercised their basic subscription privilege on June 10, 2009 and were issued a total of 492,379,266 Shares for aggregate gross proceeds to the Company of US\$172,332,743. The Company has used the part of the proceeds to repay the Bridge Loan. Glencore and the Standby Purchaser have also exercised their additional subscription privilege in full and acquired an additional 168,510,728 Shares for an additional amount of US\$77,667,376. Glencore and the Standby Purchaser's total percentage holding, taken together, of Shares as at completion of the Offering is 77.9%.

Bridge Loan

Concurrently with the execution of the Transaction Agreement, the Company executed the Bridge Loan Agreement with respect to the Bridge Loan, pursuant to which its subsidiaries Katanga

Mining Finance Limited and Kamoto Copper Company SARL were able to draw (subject to the conditions thereof) two stand-by secured bridge facilities in an aggregate amount of up to US\$50 million from Glencore. Conditions precedent were satisfied and the Bridge Loan was available for drawdown immediately.

The Bridge Loan was drawn as needed to fund (together with other cash available to the Company and its subsidiaries (the "Group")) the cash flow requirements of the Group from the start of the availability period until June 30, 2009.

The Bridge Loan incurred an aggregate interest rate of 8% per year, and was repaid in full on June 10, 2009, out of the first proceeds of the Rights Offering.

Background to the Transactions

Since November 2008, Katanga made diligent and concerted efforts to obtain funding commitments from new, unrelated investors in order to ensure its continued solvency and allow it to execute its development program, including an active process conducted by its financial advisor. Approaches were made to a total of twelve potential investors. In order to address interim funding pending the consideration of a transaction with one or more of these investors, Katanga approached Glencore to provide interim financing. Over the course of the negotiations and, in the absence of the receipt of any acceptable offers from the third parties to provide the required US\$250 million to the Company, negotiations expanded to include the provision of a US\$250 million equity investment by Glencore.

On March 18, 2009, Katanga established a special committee (the "Special Committee") comprised of independent directors (i.e. directors who were not appointed pursuant to relationship agreements with major shareholders (being Terry Robinson and Robert Wardell)) to consider offers to provide financing to the Company, and, specifically, the equity proposal received from Glencore. Negotiations with Glencore were conducted by independent members of senior management, its financial advisor and its legal advisors, Norton Rose LLP and Cassels Brock & Blackwell LLP, overseen by the Special Committee, and the Special Committee reported back only to unconflicted directors. The Special Committee, independent members of management, legal advisors and financial advisor actively negotiated with Glencore in respect of the terms of the Transactions.

The Special Committee and the Board of Katanga considered a number of factors in approving the Transactions, including the following:

- (a) the fact that the Company was currently in severe financial distress and has an immediate need for committed funding in the amount of approximately US\$50 million in order to pay current obligations and fund ongoing operations and this was addressed by the Bridge Loan;
- (b) the fact that the Company requires a total of US\$250 million in financing in order to ensure its continued solvency and successful completion of Phase 2 of the Kamoto/Dima mining project (the "Project") and ramp-up of production which is expected will be addressed by the Rights Offering;
- (c) that, in order to continue trading, the Board of Katanga had to be convinced that both the interim and long-term funding through to the completion of Phase 2 of the Project are certain and will be available when required. Glencore's commitment to provide the Bridge Loan and to complete the early exercise of its Rights in connection with the Rights Offering provides that certainty;

(d) that a broad market canvass conducted by Katanga's financial advisor over a period of six months has failed to identify any other potential investors that are prepared to make a firm proposal to provide financing on terms that are as certain as those provided by Glencore;

(e) that shareholders will be entitled to preserve their pro rata interest in the Company through the exercise of Rights;

(f) that shareholders who wish to increase their shareholding in the Company will be able to do so via their exercise of the additional subscription privilege, assuming that all of the Rights are not exercised; and

(g) that the provision of the Standby Commitment by Glencore ensures the Company will raise at least US\$250 million which will, in turn, cause the Facility to be mandatorily exchanged into Shares, thereby reducing the amount of debt on the Company's balance sheet.

17. Technical report

The Company filed a Technical Report, March 17, 2009, that covers the mineral reserves and operations of Katanga's two operating subsidiaries in the DRC, Kamoto Copper Company SARL and DRC Copper and Cobalt Project SARL which are to be merged. This report covers the merged company's 23 years of production from proven and probable mineral reserves as defined by National Instrument 43-101 of the Canadian Securities Regulators ("NI 43-101").

18. Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure Controls

Disclosure control and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. For the fiscal year ended December 31, 2008, an evaluation was commissioned by the Company under the supervision for the CEO and CFO and with the participation of management of the effectiveness of the Company's disclosure controls and procedures as defined under the rules adopted by the Canadian securities regulatory authorities.

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, for the Company.

Our CEO and CFO have certified that, as at June 30, 2009, the Company's DC&P has been designed effectively to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted recorded, processed, summarized and reported within the time periods specified in securities legislation. They also certified that the Company's ICFR has been designed effectively to provide reasonable assurance regarding the reliability of financial rep financial statements for external purposes.

It should be noted that while the Company's CEO and CFO believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls will prevent all errors and fraud. A control system,

no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external reporting purposes in line with generally accepted accounting principles in Canada. Management is responsible for establishing and maintaining adequate internal controls over financial reporting appropriate to the nature and size of the Company. However, any system of internal control over financial reporting has inherent limitations and can provide reasonable assurance with respect to financial statement preparation and presentation.

The Company uses the COSO control framework. For the fiscal year ended December 31, 2008, an evaluation was commissioned by the Company under the supervision of the CEO and CFO and with the participation of management of the effectiveness of the Company's internal control over financial reporting. Based on this evaluation, the CEO and CFO have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at December 31, 2008. Management is continually monitoring and revising its control procedures and processes. Due to the size of its finance staff, there is not complete segregation of duties in the Company. However, for more complex areas of accounting and accounting estimates, the CFO and Controller review each other's work.

Internal Control over Financial Reporting

Item 4(c) of Form 52-109F1 Certification of Annual Filings requires the Company's CEO and CFO to certify that they have designed the Company's internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP. While the Company's certifying officers have concluded that they are able to make those certifications as required by applicable Canadian securities laws, management of the Company wishes to provide additional disclosure in this management's discussion and analysis in view of certain weaknesses that were identified by internal audit, with the participation of the Company's CEO, CFO and the Audit Committee.

Internal audit findings

The internal audit findings of the Company still indicate areas that require improvement:

- Supply chain management
- Accounting and reporting
- Payroll
- Capital projects

Through the process of evaluating its internal controls systems, the Company and internal audit identified areas that require improvement regarding the internal control systems. To a large extent the weaknesses can be attributed with remote operations. Management is working with internal audit to take the necessary steps to resolve areas of weakness identified.

19. Risk Factors

The Company's risk exposures and their impact on the Company's consolidated financial position are summarized below:

Credit risk

The Company's credit risk is primarily attributable to short-term deposits and trade receivables from copper, cobalt and concentrate sales. The Company has a concentration of credit risk with all sales primarily to one customer, which are closely monitored by management.

The majority of the Company's cash and cash equivalents are on deposit with banks or money market participants with a Standard and Poors rating of A or greater in line with the Company's treasury policy. The Company does not own any asset-backed commercial paper.

Market risk

(a) Interest rate risk

The Company has cash balances and debenture notes. The debenture notes have a fixed interest rate of 14.0%.

(b) Foreign currency risk

The Company's functional currency is the US dollar. Sales and the majority of major purchases are transacted in US dollars. The Company maintains the majority of its cash and cash equivalents in US dollars but it does hold balances in South African ZAR, GBP and Euros (for future expenditures which will be denominated in these currencies). It also maintains small balances in the local currency of the DRC, Congolese Francs. If the US dollar moved by plus or minus 1% at June 30, 2009, the unrealized foreign exchange gain or loss would move by approximately \$0.1 million.

The debentures payable are denominated in CDN\$ and as such the Company is exposed to unrealized foreign exchange gains or losses which will be realised upon maturity of the debentures on November 30, 2013. A plus / minus 1% movement in the exchange rate at June, 30, 2009, would affect the consolidated statement of operations and comprehensive loss by approximately \$1.1 million.

(c) Commodity price risk

The Company sells copper, cobalt and cobalt concentrate at prevailing market prices. Under certain revenue contracts, final pricing adjustments are made after delivery to customers. The Company is therefore exposed to changes in commodity prices of copper and cobalt both in respect of future sales and previous sales which remain open to final pricing.

The Company has not used any commodity price derivatives in this or the prior period. There is currently no intention to hedge future copper and cobalt sales. This policy may change subject to financing arrangements.

As at June 30, 2009, the Company had 2,366 tonnes of copper, 230 tonnes of cobalt for which final commodity prices have yet to be determined. These were valued at the end of the period at an average commodity price of \$4,651 per tonne for copper, \$27,544 per tonne for cobalt. A 1% plus or minus movement in the copper and cobalt price at June 30, 2009, would result in approximately \$0.4 million change to revenue and trade receivables.

Liquidity risk

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

20. Financial Instruments

At June 30, 2009 and December 31, 2008, the Company's financial instruments consisted of cash and cash equivalents, prepaid expenses and other current assets, accounts payable and accrued liabilities, non-hedged derivative financial instruments, short-term and long-term debt. The Company estimates that the fair value of these financial instruments approximates the carrying values at June 30, 2009 and December 31, 2008, respectively. As at June 30, 2009 and December 31, 2008, the publically traded debentures are trading at a significant discount to their carrying value.

21. Forward Looking Statements

Management's discussion and analysis 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 and cobalt, 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 and the successful completion of the Rights Offering. 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, labor 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.

22. Summary of Quarterly Results

The following table sets out a summary of the quarterly results for the Company for the last ten quarters:

	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2
Statement of Operations									
(USD millions except where indicated)									
Total revenues	-	-	-	90.2	48.8	57.6	13.3	47.0	62.3
Cost of sales*	-	-	-	(105.0)	(38.8)	(73.1)	(86.3)	(85.6)	(73.9)
Total revenues less cost of sales	-	-	-	(14.9)	10.0	(15.4)	(73.0)	(38.6)	(11.7)
General administrative and other expenses	(11.4)	(10.9)	(7.8)	(19.8)	(20.0)	(21.5)	(4.9)	(0.8)	(23.2)
Restructuring expenses	-	-	-	-	-	-	-	(10.1)	(15.9)
Impairment of mineral properties and inventories	-	-	-	-	-	-	(1,544.4)	-	-
Debt interest	(4.1)	(6.2)	(5.0)	(4.7)	(4.6)	(4.6)	(4.5)	(3.7)	(4.6)
Interest income	1.5	0.7	0.1	7.1	5.8	2.1	1.2	0.2	0.0
Income / (loss) before income taxes	(14.0)	(16.4)	(12.7)	(32.3)	(8.6)	(39.4)	(1,625.6)	(53.0)	(55.3)
Loss per common share	0.18	0.21	0.15	0.10	0.05	0.19	5.98	0.26	0.09
Realized copper price (per lb)**	-	-	-	3.58	3.71	2.38	0.06	1.63	2.07
Realized cobalt price (per lb)**	-	-	-	-	32.00	28.03	8.40	10.76	12.73
Realized concentrate price (per tonne)**	-	-	-	4,306	4,301	2,510	24	492	664
Total copper sold (tonnes)***	-	-	-	1,996	3,892	4,197	8,472	7,750	10,478
Total copper produced (tonnes)	-	-	340	3,946	5,314	6,812	6,090	8,715	9,516
Total cobalt sold (tonnes)	-	-	-	-	30	290	310	460	500
Total cobalt produced (tonnes)	-	-	-	-	120	356	273	487	595
Total concentrate sold (tonnes)	-	-	-	19,630	7,897	6,847	12,784	16,992	560
Total concentrate produced (tonnes)	-	-	-	2,903	13,463	14,588	5,704	-	-
Balance Sheet									
Cash and cash equivalents	100.6	37.9	100.7	463.4	352.5	178.3	42.5	34.8	152.8
Other current assets	110.8	54.3	128.5	612.1	476.0	325.4	123.4	100.5	136.8
Mineral interests and other assets	143.9	223.2	320.3	2,431.8	2,599.8	2,704.0	1,364.5	1,389.3	1,437.4
Total assets	254.7	277.5	448.8	3,043.9	3,075.8	3,029.4	1,530.4	1,524.6	1,727.1
Current liabilities	16.5	39.8	67.2	110.2	130.0	103.3	192.9	169.6	204.9
Long-term debt	108.0	116.4	267.5	266.4	271.8	272.6	94.5	356.3	101.2
Other long-term liabilities	-	-	-	554.5	563.0	578.3	389.6	192.5	231.2
Total liabilities	124.5	156.2	334.7	931.1	964.8	954.2	677.0	718.4	537.3
Shareholders' equity	130.2	121.3	114.1	2,112.8	2,111.0	2,075.2	852.4	806.2	1,189.8
Cash Flow									
Operating activities	(2.9)	(6.7)	(13.8)	10.9	4.0	(59.5)	(0.5)	(71.3)	(39.5)
Investing activities	(62.6)	(62.3)	(72.8)	362.2	(116.0)	(107.8)	(148.7)	(36.6)	(12.5)
Financing activities	0.2	6.1	150.0	-	-	-	-	100.0	170.6

*Includes royalties and transportation costs and depreciation

**Includes impact of provisionally priced sales which retain exposure to future changes in commodity prices being marked-to-market based on the LME forward rate for copper and LMB spot price for cobalt at the balance sheet date and repricing of those provisional sales in future periods

***Sales to June 1, 2008 (3,619 tonnes) were capitalized to mineral interest as they were prior to commencement of commercial production.

The following production information sets out the quarterly results for the Company since initial mining began in the quarter ended June 30, 2007.

	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2
Cobalt and Copper									
Production Statistics*									
<i>Underground Mining</i>									
Waste mined (tonnes)	3,469	4,029	5,972	17,670	19,570	14,478	27,740	22,005	14,972
Ore mined (tonnes)	27,995	42,147	105,367	117,948	125,505	152,520	155,360	193,378	255,129
Copper grade	2.91	2.60	3.86	4.08	3.94	3.53	4.19	3.79	4.02
Cobalt grade	0.44	0.46	0.43	0.37	0.45	0.45	0.44	0.46	0.51
<i>Open Pit Mining</i>									
Waste mined (tonnes)	512,574	1,400,998	1,610,830	1,250,836	1,652,307	1,320,606	1,181,999	2,209,868	4,767,594
Ore mined (tonnes)	-	36,986	63,705	95,055	103,791	151,044	129,653	206,176	425,372
Copper grade	-	1.18	1.18	1.35	1.75	1.53	2.18	2.31	1.29
Cobalt grade	-	0.50	0.50	0.83	0.80	0.98	0.91	0.81	0.83
<i>Concentrator</i>									
Ore processed (tonnes)	-	71,247	84,726	206,615	218,530	269,997	305,445	387,487	476,750
Concentrate produced (tonnes)	-	4,571	8,247	23,786	21,943	27,690	30,814	37,835	46,447
<i>Metallurgical Plant</i>									
Copper produced (tonnes)	-	-	340	3,946	5,314	6,812	6,050	8,715	9,516
Cobalt produced (tonnes)	-	-	-	-	120	356	273	488	595
Concentrate									
Production Statistics**									
<i>Open Pit Mining</i>									
Waste mined (tonnes)				1,998,161	1,598,767	1,333,922	438,413	-	-
Ore mined (tonnes)				50,718	156,632	269,897	132,545	-	-
Copper grade				1.30	1.36	1.39	1.44	-	-
Cobalt grade				1.39	1.32	1.01	1.23	-	-
<i>Concentrator</i>									
Ore processed (tonnes)				34,963	201,419	230,231	89,140	-	-
Concentrate produced (tonnes)				2,903	13,463	14,588	5,704	-	-
Copper grade in concentrate				11.51	11.72	12.68	12.75	-	-
Cobalt grade in concentrate				7.03	5.48	3.78	4.95	-	-

*Commercial production did not commence until June 1, 2008.

**Concentrate production operations were acquired from Nikanor Plc and only the production results relating to operations from the acquisition date are shown.