

KATANGA MINING LIMITED

**Management's Discussion and Analysis
December 31, 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 its 2009 audited consolidated financial statements 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 February 5, 2010. Katanga's common shares, warrants and notes trade on the Toronto Stock Exchange ("TSX") under the symbols "KAT" "KAT.WT" and "KAT.NT" respectively. Katanga's most recent filings, including Katanga's annual information form, 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. Pursuant to an amended joint venture agreement signed on July 25, 2009, KCC and DCP will be merged (see item 15 for further explanation of this matter). The merger is conditional on ratification by Presidential decree in the DRC.

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

The Kamoto Project includes exploration and mining properties, the Kamoto concentrator, the Luilu metallurgical plant, the Kamoto underground mine and two oxide open pit resources in the Kolwezi district of the DRC.

DCP's assets include mining properties and various oxide open pit resources, the largest of which is the KOV pit. The KOV pit is not yet in commercial production although pre-stripping and de-watering activities have commenced.

The Company has prepared an Accelerated Development Plan with an initial 150,000 tonnes per annum ("tpa") production target by the second quarter of 2011. Thereafter, the Company aims to continue the ramp-up to in excess of 300,000 tpa, utilizing new SX/EW modules.

2. Highlights and Outlook

Highlights during the year ended December 31, 2009

- On January 12, 2009, the Company's shareholders approved an increase in the authorized share capital of the Company, which now consists of 1,000 common shares with a par value of US\$12.00 and 5,000,000,000 common shares with a par value of US\$0.10
- On January, 12 2009, the Company announced a new convertible loan facility of \$265.3 million which included an amendment and restatement of the \$150 million convertible debt completed on November 5, 2007. 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 July 7, 2009, the Company completed a rights offering via prospectus ("The Rights Offering") for gross proceeds of \$250,000,119 (see item 17 – Completion of Rights Offering). In exchange for the gross proceeds, the Company issued an aggregate of 718,036,282 common shares. The issuance of the common shares increased the Company's total issued and outstanding common shares to 1,895,380,413.
- On July 25, 2009, an amended Joint Venture Agreement ("JVA") was signed with La Générale des Carrières et des Mines ("Gécamines"). The major areas of the new JVA are: the release of the Dikuluwe and Mashamba West Deposits; the merger of the DCP and KCC joint venture; and to address the requirements of the Government of the Democratic Republic of Congo resulting from the review of mining partnerships with Gécamines.
- On September 8, 2009, the Company announced its intention to accelerate the ramp-up of its project to 150,000 tonnes of copper and 8,000 tonnes of cobalt per annum (the "Accelerated Development Plan") through the earlier completion of the construction of Phases III and IV, as disclosed in the Company's technical report (the "Technical Report") dated March 31, 2009. It is expected that the Accelerated Development Plan will be funded by existing cash balances and cash generated by operations. The Accelerated Development Plan is discussed further in item 19 "Accelerated Development Plan".
- On September 23, 2009, the Company completed the acquisition of Kamoto Operating Limited ("KOL"). The Company acquired KOL from companies controlled by former directors of the Company by issuing an aggregate of 12,000,000 common shares and by making a cash payment in the aggregate amount of \$1.6 million. KOL was the operator of the assets of KCC in the DRC pursuant to the terms of an operating agreement which terminated on September 30, 2009. The termination of the KOL operating agreement was a requirement of the new JVA.
- On October 1, 2009, the Company commenced commercial production from Phase II of the rehabilitation program. At that point, the Company had exceeded 70% of the planned increase in capacity (to 70,000 tonnes per annum of Copper Cathode) and had shown that the increase was sustainable.

- Pre-stripping of the KOV pit commenced in November 2009. Commercial production from this pit is expected to commence in the third quarter of 2010 in line with the new Accelerated Development Plan.
- On December 22, 2009, the Company announced the appointment of Mr. John Ross as the Chief Executive Officer and a director of Katanga. Mr. Ross, who was the Company's Chief Operating Officer, replaced Mr. Steven Isaacs who resigned as Interim Chief Executive Officer effective January 4, 2010. Mr. Isaacs remains as a non-executive director of the Company. Previously on November 5, 2009, the Company announced that its Board of Directors had appointed Mr. Cornelius Erasmus as a new director of the Company. Mr. Erasmus has been an executive with Glencore International AG, since 1997. He also serves as a director of Mopani Copper Mines PLC and Philippine Associated Smelting and Refining Corporation.
- Total sales for the year ended December 31, 2009, were \$285.5 million, comprising \$208.2 million (38,126 tonnes) for copper cathode, \$70.9 million for cobalt metal (2,260 tonnes) and \$6.4 million for cobalt concentrate (16,952 tonnes).
- For the fourth quarter of 2009, the Company had a gross profit of \$16.8 and net income of \$15.3 million (net income of \$4.2 million before restructuring items and income taxes).
- The Company incurred a net loss of \$108.0 million for the year ended December 31, 2009.
- Copper production in 2009 totaled 41,964 tonnes, cobalt production 2,534 tonnes and finished copper concentrate 4,120 tonnes with a contained metal content of 1,714 tonnes of copper.

Outlook

- For 2010, the Company is forecasting production of 82,000 tonnes of copper cathode and 5,500 tonnes of cobalt metal.
- The Company expects to continue the Accelerated Development Plan to a production capacity of 150,000 tonnes of copper and 8,000 tonnes of contained cobalt per annum by the second quarter of 2011. The Company expects that the Accelerated Development Plan will be funded from existing cash balances and cash generated from operations (based on current copper and cobalt prices and current operating cost assumptions). An amendment to the Technical Report of March 17, 2009 will be issued by March 31, 2010 to incorporate the new Accelerated Development Plan.
- During 2010, the Company will also undertake a Scoping and Engineering study that will review the process engineering completed for the planned new SX/EW plant with a view towards reducing capital expenditures and simplifying process design to facilitate the integration with the current site infrastructure.

3. Production for the Fourth Quarter and 2009

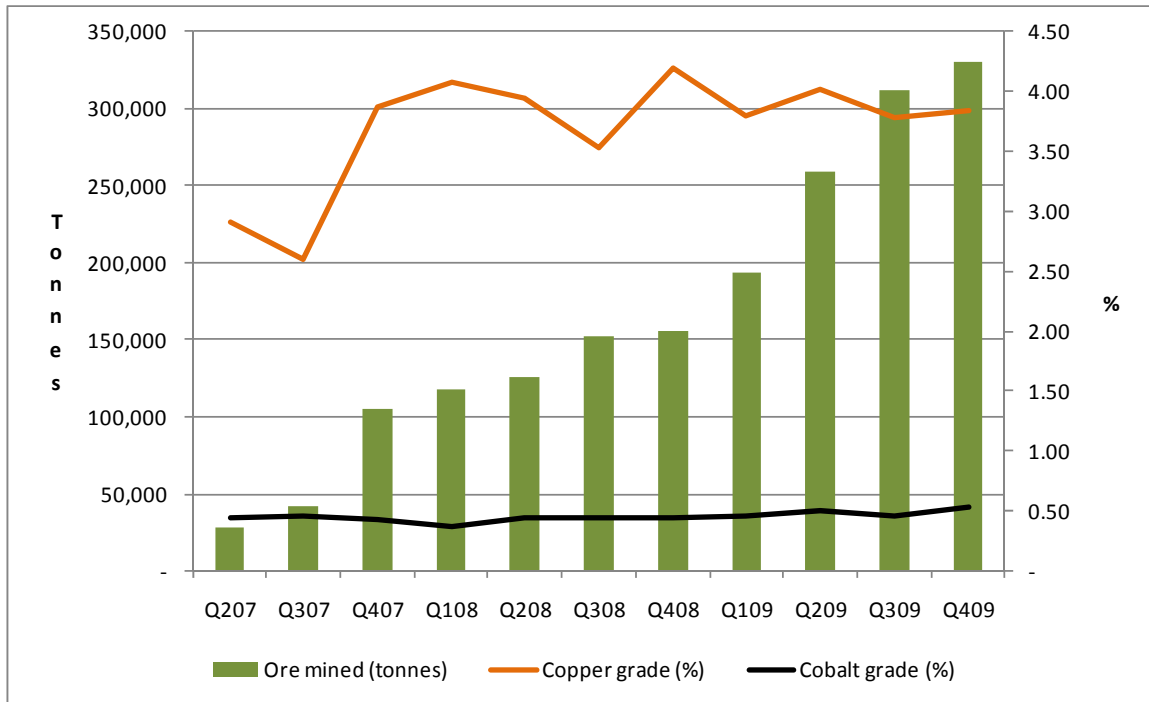
The process of producing copper cathode, cobalt metal and concentrate is achieved through distinct processes which are described and reviewed below. The production statistics for each of these areas is presented in item 24 – Summary of Quarterly Results and below in graphical analysis.

Underground (KTO)

During the fourth quarter of 2009, 329,703 tonnes of ore (quarter ended December 31, 2008 – 155,360 tonnes) and 33,157 tonnes of waste (2008 – 27,740 tonnes) were mined from underground. An average copper grade of 3.84% was achieved (2008 – 4.19%) and an average cobalt grade of 0.53% (2008 – 0.44%).

During the year ended December 31, 2009, 1,094,088 tonnes of ore (year ended December, 2008 – 551,333 tonnes) and 88,368 tonnes of waste (2008 – 79,458 tonnes) were mined from underground. An average copper grade of 3.85% (2008 – 3.93%) was achieved and an average cobalt grade of 0.49% (2008 – 0.43%).

As can be seen in the graph below, KTO has achieved quarter-on-quarter improvement in the amount of ore mined since the commencement of mining in 2007.

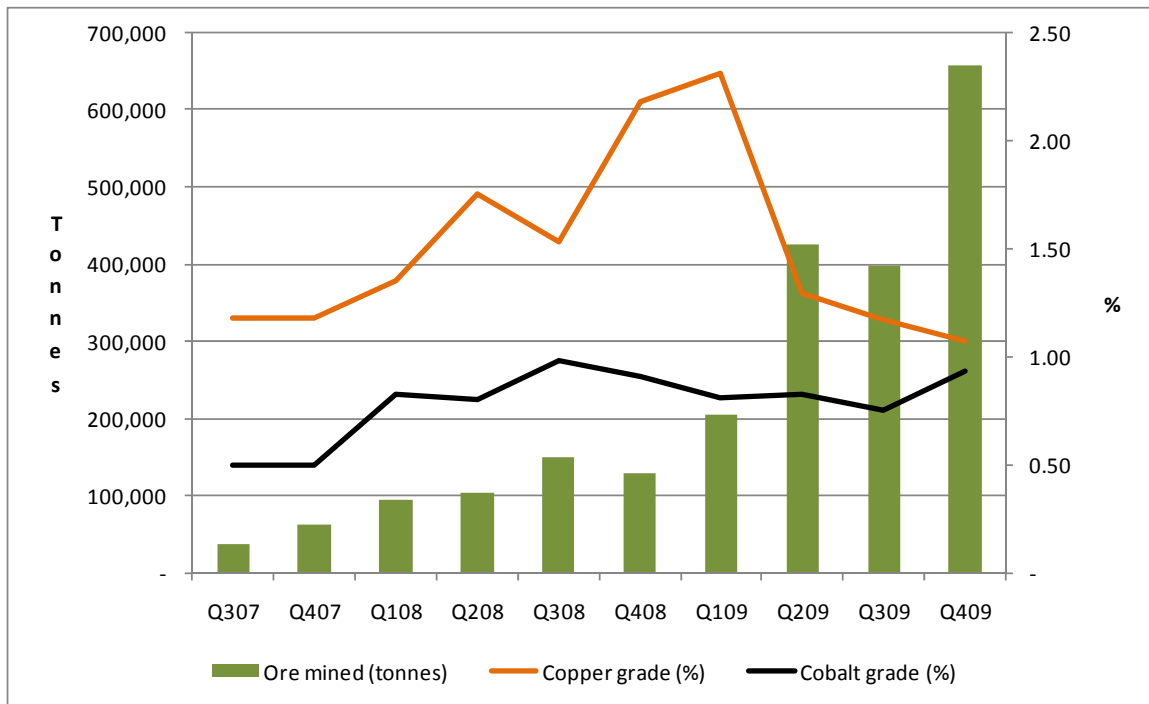


Open Pit (T17)

At T17, in the fourth quarter ended December 31, 2009, 658,128 tonnes of ore were produced (2008 – 129,653 tonnes) with an average copper grade of 1.08% (2008 – 2.18%) and an average cobalt grade of 0.93% (2008 – 0.91%). 3,892,979 tonnes of waste were removed in the fourth quarter (2008 – 1,181,999 tonnes).

In the year ended December 31, 2009, 1,687,978 tonnes of ore were produced (2008 – 479,543 tonnes) with an average copper grade of 1.30% (2008 – 1.72%) and an average cobalt grade of 0.85% (2008 – 0.89%). 16,489,810 tonnes of waste were removed (2008 – 5,405,748 tonnes).

The reduction in the average copper grade in the last three quarters of 2009 is a result of the mining of high cobalt grade ore which is being stockpiled to be used with the commencement of ore production from the KOV pit which will initially have low cobalt grades. The lower strip ratio in the fourth quarter and increase in ore mined was consistent with the mine plan.

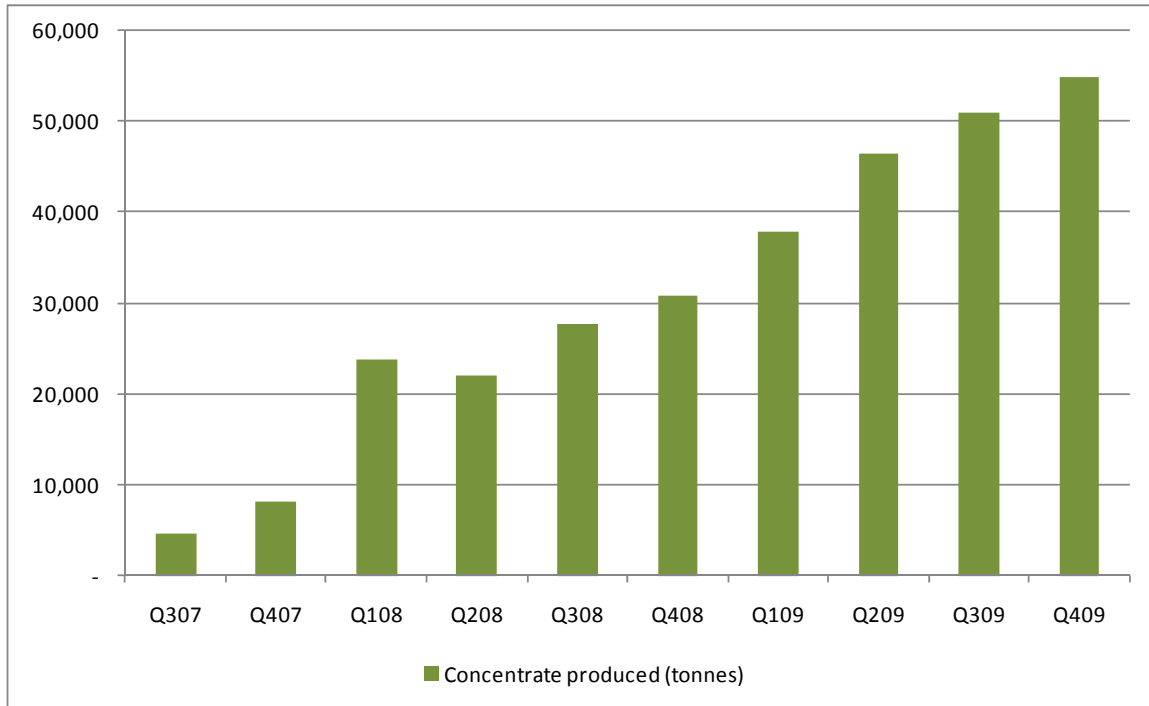


Kamoto Concentrator

The Kamoto concentrator (“KTC”) processes ore from KTO underground and T17 open pit. In the fourth quarter ended December 31, 2009, KTC processed 581,876 tonnes of ore (quarter ended December 31, 2008 – 305,445 tonnes) from which 54,782 tonnes of concentrate were produced (2008 – 30,814 tonnes).

In the year ended December 31, 2009, KTC processed 1,985,220 tonnes of ore (year ended December 31, 2008 – 1,000,587 tonnes) from which 189,971 tonnes of concentrate were produced (2008 – 104,233 tonnes).

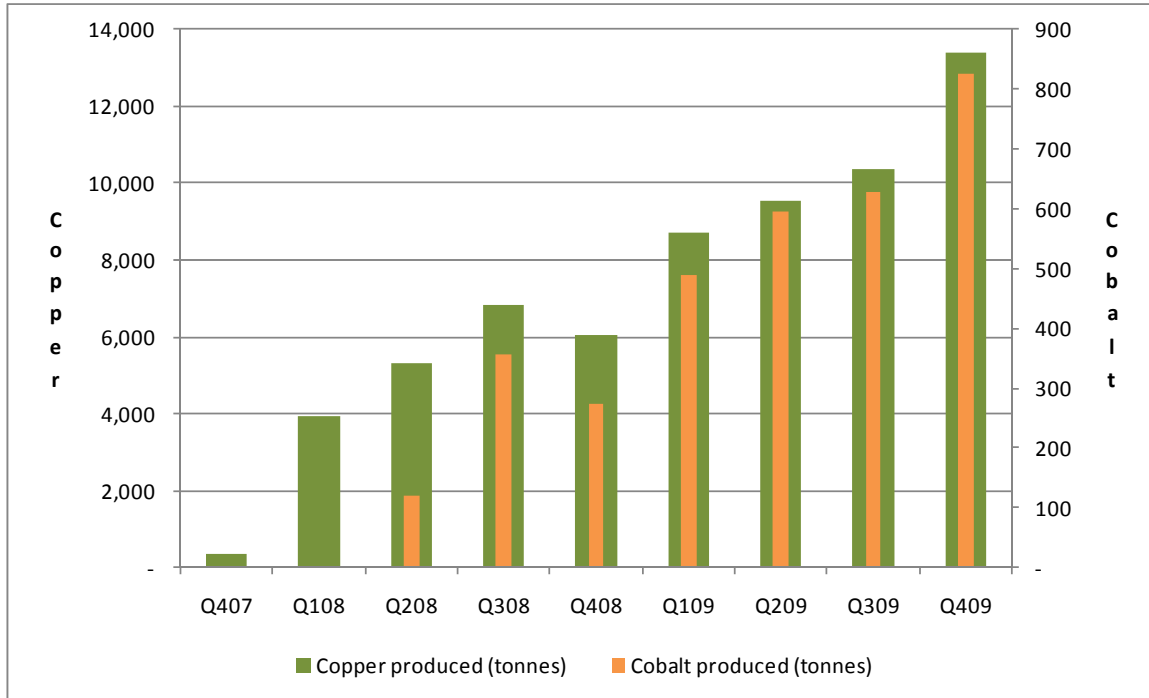
The capacity of the concentrator exceeds the current mine production capability and continues to meet planned availability and recovery.



Luilu processing plant

The Luilu processing plant is an electrowinning plant that processes sulphide and oxide concentrate from KTC. In the fourth quarter ended December 31, 2009, 13,382 tonnes of copper were produced (quarter ended December 31, 2008 – 6,090 tonnes) and 824 tonnes of cobalt (2008 – 273 tonnes).

In the year ended December 31, 2009, 41,964 tonnes of copper cathode (year ended December 31, 2008 – 22,122 tonnes) were produced along with 2,534 tonnes of cobalt metal (2008 – 749 tonnes).



3. 2009 Fourth Quarter Financial Discussion

Operating Results

	Three Months Ended		
	December 31,	December 31,	December 31,
	2009	2008	2007
	\$'000	\$'000	\$'000
Sales revenue	99,994	13,339	-
Cost of sales*	(83,178)	(89,118)	-
	16,816	(75,779)	-
Other expenses	(8,594)	15,599	(7,829)
Restructuring gains (expenses)	11,180	(101,670)	-
Impairment of mineral properties and inventories	-	(1,460,378)	-
Debenture interest	(4,563)	(4,511)	(4,951)
Interest income	582	1,180	99
Income tax (provision) recovery	(147)	392,805	645
Net income (loss)	15,274	(1,232,754)	(12,036)

*Includes royalties, transportation costs and depreciation

The Company reported a net income for the three months ended December 31, 2009, of \$15.3 million, \$0.01 basic income per share, compared with a net loss for the comparable quarter in 2008, of \$1,232.8 million, \$(5.98) basic loss per share.

- Revenues of \$85.0 million were generated from the sale of copper cathode (10,275 tonnes) and cobalt metal (680 tonnes) for the fourth quarter (sales tonnes do not equal production tonnes in any given period as the Company only recognizes sales once title has passed). During the three months ended December 31, 2008, revenues of \$59.9 million were generated from the sale of copper cathode (8,472 tonnes), cobalt metal (310 tonnes) and cobalt concentrate (12,784 tonnes). The net re-pricing adjustments during the three months ended December 31, 2009 were: copper \$12.2 million increase (three months ended December 31, 2008 \$26.9 million decrease); and cobalt \$1.0 million increase (three months ended December 31, 2008 \$5.7 million decrease). Re-pricing adjustments result from sales being made at a provisional price in the month of shipment with final pricing based on average prices at a specified period thereafter. The movement in the marked-to-market provision for the fourth quarter represented an unrealized gain of \$1.8 million (three months ended December 31, 2008 - \$3.3 million loss).
- The cost of sales for the three months ended December 31, 2009, totaled \$83.2 million (three months ended December 31, 2008, \$89.1 million) and was comprised of:
 - Selling costs of \$11.0 million (three months ended December 31, 2008, \$19.2 million), including transportation costs, government royalties (2% of gross sales revenue less transportation costs) and Gécamines lease payments (2.5% of gross sales revenue less transport costs). Selling costs in 2008 were higher due to the additional transportation costs incurred on the sale of cobalt concentrate.
 - \$71.1 million for costs directly attributable to mining operations (KTO and T-17), processing operations (Kamoto concentrator and Luilu processing plant) and engineering costs (three months ended December 31, 2008, \$31.3 million).
 - Site infrastructure and support costs of \$18.8 million for site operating and maintenance costs not directly attributable to individual operations (three months ended December 31, 2008, \$30.9 million).

- \$19.9 million has been credited against the cost of sales and added to inventories with respect to production costs applicable to work in progress and finished goods not yet sold.
- Depreciation of \$2.1 million in the 2009 fourth quarter (three months ended December 31, 2008, \$7.7 million), with \$0.3 million for amortization of mineral interests (three months ended December 31, 2008, \$5.4 million) and \$1.8 million of depreciation for property plant and equipment (three months ended December 31, 2008, \$2.3 million). The reduction in depreciation and amortization is as a result of increased allocation of amortization and depreciation to work in progress and finished goods in the 2009 quarter.
- The other expenses for the three months ended December 31, 2009, totaled \$8.6 million (three months ended December 31, 2008 - \$15.6 million credit). These included:
 - General administrative expenses of \$5.3 million (three months ended December 31, 2008 - \$8.2 million credit) representing:
 - The cost to maintain the corporate office function in London and South Africa and overheads incurred at site level \$4.1 million (three months ended December 31, 2008 - \$3.3 million);
 - Stock-based compensation cost of \$0.2 million (three months ended December 31, 2008 - \$3.6 million recovery which was due to the revaluation of the restricted stock units in the 2008 quarter to reflect the reduction in the Company's share price for the quarter of \$4.49 per share to \$0.33 per share);
 - Professional fees and consultants costs of \$0.7 million (three months ended December 31, 2008 - \$0.2 million credit) due to fees incurred in the restructuring of the business;
 - Recovery of provision for DRC non-corporate tax exposures of \$2.3 million (three months ended December 31, 2008 - nil);
 - Road refurbishment costs of \$2.0 million were incurred in the 2009 fourth quarter (three months ended December 31, 2008 - nil);
 - In the 2009 fourth quarter provision was made for expected legal settlement costs of \$0.7 million (three months ended December 31, 2008 - nil);
 - During the fourth quarter of 2008, the Company undertook a comprehensive review to identify costs incurred of a capital nature and identified costs properly attributable to capital assets totaling \$7.7 million incurred and expensed during the 2008 year which were then correctly capitalized in the fourth quarter of 2008.
 - Foreign exchange loss of \$3.0 million (three months ended December 31, 2008 - \$7.6 million gain). The 2009 quarter includes a \$4.0 million unrealized loss arising on the translation into U.S. dollar of the Canadian dollar denominated debentures.
 - Net derivative gain of nil (three months ended December 31, 2008 - \$0.1 million) on settlement of derivative contracts.
 - Interest expense of \$0.3 million (three months ended December 31, 2008 - nil)
 - Convertible debt accretion of nil (three months ended December 31, 2008 - \$0.3 million).
- Debenture interest for the three months ended December 31, 2009, totaled \$4.6 million (three months ended December 31, 2008 - \$4.5 million).

- Restructuring gain for the three months ended December 31, 2009, totaled \$11.2 million (three months ended December 31, 2008 – \$101.0 million loss). This amount included:
 - Settlement cost on return of KZC concentrator to Gécamines of \$1.9 million (three months ended December 31, 2008 – nil) see item 15 Joint Venture Agreement;
 - Net gain on settlement of terminated Phase V contracts of \$17.8 million (three months ended December 31, 2008 – \$84.0 million cost). During the year ended December 31, 2008, the Company indicated its intention to defer expansion plans relating to the development of an SX/EW plant. In the three months ended December 31, 2008, the Company recorded as an expense the further costs considered likely for liabilities and obligations incurred relating to work carried out on contracts terminated as a result of this deferral. The net gain in the three months ended December 31, 2009 is as a result of settlements agreed or further provisions required as a result of ongoing discussions in relation to these contracts;
 - Office closure costs totalling \$4.7 million including remaining lease costs and employee termination costs related to the closure of the UK corporate service office (which has relocated to Switzerland) and costs related to the relocation of the South African office (three months ended December 31, 2008 – nil). These have been incurred as part of the Company's overall commitment to reduce its operating costs.
 - During the three months ended December 31, 2008, executive termination costs of \$17.6 million, including accrued amounts for termination benefits of \$10.4 million and accelerated stock-based compensation charges of \$7.2 million for five senior managers who were entitled to contractual termination benefits upon their resignation pursuant to employment and change of control agreements.

- For the fourth quarter of 2008, an impairment of mineral properties and inventories amounting to \$1,460.4 million was recognized. It was made up of:
 - Costs capitalized and included in capitalized development expenditures not yet subject to amortization or \$1,414.3 million;
 - A write down of inventories of \$46.1 million based on the decline of copper and cobalt prices. This resulted in work in progress for the production of sellable concentrate and finished concentrate being written down to net realizable value as at December 31, 2008.

- Interest income of \$0.6 million (three months ended December 31, 2008 - \$1.2 million) was earned on non-utilized funds.

Cash Flows

Cash flow from (used in):	Three Months Ended		
	December 31,	December 31,	December 31,
	2009	2008	2007
	\$'000	\$'000	\$'000
Operating activities	(19,940)	(501)	(13,785)
Investing activities	(56,656)	(136,897)	(72,822)
Financing activities	-	-	150,000

- For the three months ended December 31, 2009, cash outflows from operating activities were \$19.9 million (three months ended December 31, 2008 – \$0.5 million). The cash used to fund operating activities was primarily spent on (and offset by):
 - The net income for the period of \$15.3 million (three months ended December 31, 2008 – \$1,243.2 million loss).
 - Adjusting non-cash items including:
 - Amortization and depreciation of \$2.1 million (three months ended December 31, 2008 – \$7.7 million);
 - During the three months ended December 31, 2008, an impairment of mineral properties and inventories of \$1,460.4 million
 - Non-cash restructuring gain of \$10.6 million (three months ended December 31, 2008 – \$84.0 million loss);
 - Stock-based compensation of \$0.2 million (three months ended December 31, 2008 – \$6.6 million);
 - Debenture interest of \$4.6 million (three months ended December 31, 2008 – \$4.5 million);
 - An unrealized foreign exchange loss of \$4.0 million (three months ended December 31, 2008 – \$7.6 million gain);
 - Convertible debt accretion - nil (three months ended December 31, 2008 - \$0.3 million);
 - Net derivative gain of \$0.1 million during the three months ended December 31, 2008;
 - Recognition of future tax recoveries of nil (three months ended December 31, 2008 – \$392.8 million).
 - Increase in trade receivables of \$28.8 million (three months ended December 31, 2008 – \$19.8 million decrease) as a result of increased production and an improvement in copper and cobalt prices.
 - Increase in prepayments and other receivables of \$9.2 million, (three months ended December 31, 2008 – \$3.4 million decrease).
 - Decrease in inventories of \$24.0 million (three months ended December 31, 2008 – \$40.1 million) which excludes the non-cash movement attributable to the increase in depreciation included in inventory costs.
 - Decrease in accounts payable of \$21.4 million (three months ended December 31, 2008 – \$16.2 million increase) as a result of the improvement of cash flows, positive repricing adjustment on sales and the settlement of Phase V terminated contracts.
- Investing activities in the three months ended December 31, 2009, totaled \$56.7 million (three months ended December 31, 2008 – \$136.9 million) relate to:
 - Costs incurred on the development project of \$48.2 million (three months ended December 31, 2008 – \$148.7 million);
 - Increase in restricted cash of \$8.5 million due to debenture interest payments held in trust (three months ended December 31, 2008 – \$11.8 million decrease related

to a decrease in deposits held as guarantees for certain capital procurement contracts);

- There were no financing activities in the three months ended December 31, 2009 and 2008.

5. 2009 Full Year Financial Discussion

Operating Results

	Year Ended		
	December 31, 2009 \$'000	December 31, 2008 \$'000	December 31, 2007 \$'000
Sales revenue	285,549	209,991	-
Cost of sales*	(320,540)	(314,856)	-
	(34,991)	(104,865)	-
Other expenses	(40,466)	(29,607)	(33,999)
Restructuring expenses - net	(14,015)	(108,859)	-
Impairment of mineral properties and inventories	-	(1,460,378)	-
Debenture interest	(17,214)	(18,426)	(18,996)
Interest income	1,670	16,180	4,712
Income tax provision (recovery)	(2,984)	407,062	429
Net loss	(108,000)	(1,298,893)	(47,854)

*Includes royalties and transportation costs and depreciation

The Company reported a net loss for the year ended December 31, 2009, of \$108.0 million, \$(0.09) basic loss per share, compared with a net loss for the year ended December 31, 2008, of \$1,298.9 million, \$(6.51) basic loss per share and a net loss for the year ended December 31, 2007, of \$47.9 million, \$(0.61) basic loss per share.

- Revenues of \$285.5 million were generated from the sale of copper cathode (38,126 tonnes), cobalt metal (2,260 tonnes) and cobalt concentrate (16,952 tonnes) for the 2009 year (sales tonnes do not equal production tonnes in any given period as the company only recognizes sales once title has passed). During the year ended December 31, 2008, revenues of \$210.0 million were generated from the sale of copper cathode (18,557 tonnes), cobalt metal (630 tonnes) and cobalt concentrate (47,158 tonnes). The net re-pricing adjustments were: copper \$34.9 million increase; cobalt \$1.8 million increase; and, concentrate \$3.9 million decrease. Re-pricing adjustments result from sales being made at a provisional price in the month of shipment with final pricing based on average prices at a specified period thereafter. The movement in the marked-to-market provision for the year ended December 31, 2009, represented an unrealized gain of \$9.2 million (year ended December 31, 2008 - \$10.0 million loss).
- The cost of sales for the year ended December 31, 2009, totaled \$320.5 million (year ended December 31, 2008, \$314.9 million) and was comprised of:
 - Selling costs of \$46.8 million (year ended December 31, 2008, \$52.4 million), including transportation costs, government royalties (2% of gross sales revenue less transportation costs) and Gécamines lease payments (2.5% of gross sales revenue less transportation costs).
 - \$210.9 million for costs directly attributable to mining operations (KTO and T-17), processing operations (Kamoto concentrator and Luilu processing plant), and engineering costs (year ended December 31, 2008, \$102.1 million).

- Site infrastructure and support costs of \$56.0 million for site operating and maintenance costs not directly attributable to individual operations (year ended December 31, 2008, \$73.3 million).
 - \$21.6 million has been credited against the cost of sales and added to inventories with respect to production costs applicable to work in progress and finished goods not yet sold.
 - Depreciation of \$28.1 million (year ended December 31, 2008, \$16.6 million), with \$8.9 million for amortization of mineral interests (year ended December 31, 2008, \$10.5 million) and \$19.2 million of depreciation for property plant and equipment (year ended December 31, 2008, \$6.1 million).
 - Loss on non delivery of cobalt – nil (year ended December 31, 2008, \$1.5 million).
 - During the year ended December 31, 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 year to December 31, 2008 included \$68.9 million previously assigned to the fair value of the concentrate ore.
- The other expenses for the year ended December 31, 2009, totaled \$40.5 million (year ended December 31, 2008 - \$29.6 million; year ended December 31, 2007 - \$34.0 million). These included:
 - General administrative expenses of \$16.7 million (year ended December 31, 2008 - \$22.6 million; year ended December 31, 2007 - \$15.6 million) representing:
 - The cost to maintain the corporate office function in London and South Africa \$11.8 million (year ended December 31, 2008 - \$10.1 million; year ended December 31, 2007 - \$8.5 million);
 - A stock-based compensation charge of \$2.7 million (year ended December 31, 2008 - \$1.9 million; year ended December 31, 2007 - \$5.2 million);
 - Professional fees and consultants costs of \$3.0 million (year ended December 31, 2008 - \$1.7 million; year ended December 31, 2007 - \$1.9 million);
 - Recovery of provision for DRC non-corporate tax exposures of \$2.7 million (year ended December 31, 2008 - \$7.5 million cost; year ended December 31, 2007 – nil);
 - Road refurbishment costs of \$2.0 million (year ended December 31, 2008 – \$1.5 million; year ended December 31, 2007 – nil);
 - Provision was made for expected legal settlement costs of \$0.7 million (year ended December 31, 2008 - nil);
 - Foreign exchange loss of \$16.2 million (year ended December 31, 2008 - \$3.1 million; year ended December 31, 2007 - \$18.4 million). This includes a \$16.9 million unrealized loss arising on the translation into U.S. dollar of the Canadian dollar denominated debentures (year ended December 31, 2008 - \$3.1 million; year ended December 31, 2007 - \$20.0 million).
 - Net derivative loss - nil (year ended December 31, 2008 - \$2.6 million; year ended December 31, 2007 - nil) on settlement of derivative contracts.
 - Interest expense of \$1.3 million (year ended December 31, 2008 and December 31, 2007 - nil).
 - Convertible debt accretion - \$6.2 million (year ended December 31, 2008 - \$1.4 million). During the year ended December 31, 2007, \$0.2 million of convertible debt accretion was capitalized to mineral interests.

- Debenture interest for the year ended December 31, 2009, totaled \$17.2 million (year ended December 31, 2008 – \$18.4 million; year ended December 31, 2007 - \$19.0 million).
- Restructuring expenses for the year ended December 31, 2009, totaled \$14.0 million (year ended December 31, 2008 – \$108.9 million; year ended December 31, 2007 – nil). This amount included:
 - Settlement cost on return of KZC concentrator to Gécamines - \$7.0 million see item 15 “Joint Venture Agreement”;
 - Net gain on settlement of terminated Phase V contracts for \$9.1 million (year ended December 31, 2008 – \$84.0 million loss). During the year ended December 31, 2008, the Company indicated its intention to defer expansion plans relating to the development of an SX/EW plant. During the year ended December 31, 2008, the Company recorded as an expense the further costs considered likely for liabilities and obligations incurred relating to work carried out on contracts terminated as a result of this deferral. The net gain in the year ended December 31, 2009, is as a result of settlements agreed or further provisions required as a result of ongoing discussions in relation to these contracts;
 - Loss on settlement of Kamoto Operating Limited operating agreement of \$6.8 million. The termination of this contract was a requirement of the new Joint Venture Agreement (see item 15);
 - Employee termination costs incurred of \$4.6 million as a result of the deferral of the new SX/EW plant and a review of the Company’s operating costs;
 - Office closure costs totalling \$4.7 million including remaining lease costs and employee termination costs related to the closure of the UK corporate service office (which has relocated to Switzerland) and costs related to the relocation of the South African office (year ended December 31, 2008 – nil). These have been incurred as part of the Company’s overall commitment to reduce its operating costs.
 - During the year ended December 31, 2008, executive termination costs of \$24.8 million, including accrued amounts for termination benefits \$15.4 million and accelerated stock-based compensation charges \$9.4 million for the former President and CEO and five senior managers who were entitled to contractual termination benefits upon their resignation pursuant to employment and change of control agreements.
- During the year ended December 31, 2008 an impairment of mineral properties and inventories amounting to \$1,460.4 million was recognized as discussed above in the review of fourth quarter operating results.
- Interest income of \$1.7 million (year ended December 31, 2008 - \$16.2 million; year ended December 31, 2007 - \$4.7 million) was earned on non-utilized funds. The decrease in the interest income earned during the year ended December 31, 2009, was as a result of a reduction in available funds during the year. Interest income in 2008 was higher as a result of cash acquired in the Nikanor transaction.

Cash Flows

Cash flow from (used in):	Year Ended		
	December 31,	December 31,	December 31,
	2009	2008	2007
	\$'000	\$'000	\$'000
Operating activities	(179,582)	(45,150)	(23,852)
Investing activities	(120,914)	(12,047)	(237,172)
Financing activities	345,226	-	156,239

- For the year ended December 31, 2009, cash outflows from operating activities were \$179.6 million (year ended December 31, 2008 – \$45.2 million; year ended December 31, 2007 - \$23.9 million). A significant variance between the periods 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 \$108.0 million (years ended December 31, 2008 – \$1,298.9 million; year ended December 31, 2007 - \$47.9 million).
 - Adjusting non-cash items including:
 - Amortization and depreciation of \$28.1 million (year ended December 31, 2008 – \$16.6 million; year ended December 31, 2007 - nil). Prior to June 1, 2008, depreciation was capitalized given the development phase of the project and shown as investing activities;
 - An impairment of mineral properties and inventories of \$1,460.4 in the year ended December 31, 2008;
 - In the year ended December 31, 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 \$1.4 million (year ended December 31, 2008 – \$84.0 million; year ended December 31, 2007 - nil);
 - Stock-based compensation of \$2.7 million (year ended December 31, 2008 – \$11.3 million; ended December 31, 2007 - \$3.1 million);
 - Debenture interest of \$1.8 million (year ended December 31, 2008 – \$1.1 million; year ended December 31, 2007 - \$17.6 million). Interest of \$7.2 million in relation to the debenture was paid on January 1, 2009 and \$8.1 million was paid on July 1, 2009;
 - An unrealized foreign exchange loss of \$16.9 million (year ended December 31, 2008 – \$3.1 million; year ended December 31, 2007 - \$20.0 million);
 - Convertible debt accretion - \$6.2 million (year ended December 31, 2008 - \$1.4 million; during the year ended December 31, 2007, \$0.2 million of convertible debt accretion was capitalized to mineral interests);
 - Accretion of the asset retirement obligation \$0.3 million (year ended December 31, 2008 – \$0.1 million; year ended December 31, 2007 - nil);
 - Net derivative loss of nil (year ended December 31, 2008 – \$2.6 million; year ended December 31, 2007 - nil);
 - Recognition of future tax charges of \$0.7 million (year ended December 31, 2008 – \$407.1 million recovery; year ended December 31, 2007 - \$0.6 million recovery).
 - Increase in trade receivables of \$58.4 million (year ended December 31, 2008 and year ended December 31, 2007 – nil) due to increased production and the

accounts receivable balance as at December 31, 2008 being nil due to the impact of provisional pricing adjustments made in the fourth quarter of 2008. No trade receivables were present at December 31, 2007 since commercial production only commenced on June 1, 2008.

- Increase in prepayments and other receivables of \$0.7 million, (year ended December 31, 2008 – \$11.0 million decrease; year ended December 31, 2007 - nil).
- Increase in inventories of \$25.2 million (year ended December 31, 2008 – \$18.0 million; year ended December 31, 2007 - \$16.1 million) as a result of an increase in production and stockpiling of T17 ore as discussed in item 3. The increase in inventory excludes the non-cash movement attributable to the increase in depreciation included in inventory costs.
- Decrease in accounts payable of \$45.4 million (year ended December 31, 2008 – \$18.4 million increase; year ended December 31, 2007 - nil) due to a higher payables balance at December 31, 2008 caused by the cash flow constraints the Company had at that time, Phase V terminated contracts still to be settled and a provision for repricing of open provisional sales invoices of \$13.3 million included in accounts payable.
- Investing activities in the year ended December 31, 2009, totaled \$120.9 million outflow (years ended December 31, 2008 – \$12.0 million; year ended December 31, 2007 - \$237.2 million) relate to:
 - Costs incurred on the development project of \$118.1 million (year ended December 31, 2008 – \$438.6 million; year ended December 31, 2007 - \$227.9 million);
 - Increase in restricted cash of \$2.8 million due to guarantees required by certain capital asset procurement contracts and debenture interest payments held in trust (year ended December 31, 2008 – \$1.9 million; year ended December 31, 2007 - \$8.8 million);
 - During the year ended December 31, 2008 net cash acquired on the acquisition of Nikanor, net of acquisition costs, of \$428.4 million made up of:
 - Cash acquired \$911.2 million
 - Less: distribution to Nikanor shareholders \$446.1 million
 - Less: acquisition costs \$36.7 million (year ended December 31, 2007 - \$0.5 million)
- Financing activities in the year ended December 31, 2009, totaled \$345.2 million (year ended December 31, 2008 – nil) as a result of the net proceeds from the convertible facility of \$100.0 million and the rights issue of \$245.2 million. In 2007, financing activities totaled \$156.2 million inflow including \$1.1 million from the issuance of common shares upon the exercise of stock options, \$5.1 million from the issuance of warrants, and \$150.0 million as proceeds from the issuance of convertible debt.

6. Balance Sheet Discussion

	December 31, 2009 \$'000	December 31, 2008 \$'000	December 31, 2007 \$'000
Assets			
Cash and cash equivalents	77,243	31,824	91,948
Restricted cash	13,455	10,625	8,766
Accounts receivable	58,379	-	-
Other current assets	120,614	80,980	27,799
Property, plant and equipment	1,481,904	1,342,924	298,262
Other non-current assets	56	5,563	22,047
	1,751,651	1,471,916	448,822
Liabilities			
Current liabilities	136,804	192,818	61,854
Convertible debt	-	163,848	149,518
Debentures payable	112,929	94,520	118,012
Other long-term liabilities	224,932	168,370	5,291
	474,665	619,556	334,675
Shareholders' equity	1,276,986	852,360	114,147

Cash and Cash Equivalents / Liquidity

The cash balance at December 31, 2009 increased to \$77.2 million from \$31.8 million at December 31, 2008. The increase has occurred as a result of financing activities (\$100.0 million inflow from the proceeds of the convertible debt and \$245.2 million inflow from the rights issue) offset by operating cash outflows of \$179.6 million; investing activities outflows of \$120.9 million; and realized foreign exchange gains of \$0.7 million. The cash balance at December 31, 2008 decreased to \$31.8 million from \$91.9 million at December 31, 2007 primarily as a result of the net cash acquired upon the acquisition of Nikanor \$428.4 million offset by \$438.6 million spent on capital expenditures as part of the development project, cash outflows from operating activities of \$45.2 million, and foreign exchange losses of \$2.9 million.

Restricted Cash

Restricted cash at December 31, 2009 of \$13.5 million (December 31, 2008 - \$10.6 million; December 31, 2007 - \$8.8 million) includes cash held for guarantees entered into as required by certain capital asset procurement contracts and for debenture interest held in trust before payment to debenture holders.

Accounts receivable

As at December 31, 2009, the accounts receivable balance of \$58.4 million represents outstanding balances for copper, cobalt and copper concentrate sales invoiced. Copper, cobalt and copper 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 thereafter. Included in the \$58.4 million is a marked-to-market adjustment for copper sales of \$9.2 million that represents the difference between the provisional invoice price and the quoted market price of copper at December 31, 2009. As at December 31, 2008, the open provisional invoices were re-priced and resulted in net payable balance of \$13.3 million due to a decline in the copper and cobalt prices and this net amount was included within accounts payable and accrued liabilities at December 31, 2008. No trade receivables were present at December 31, 2007 since commercial production only commenced on June 1, 2008.

Other Current Assets

Other current assets increased to \$120.6 million at December 31, 2009, from \$81.0 million at December 31, 2008, primarily due to increased consumable stores inventory due to the ramp up of production and the build-up of high cobalt oxide ore to supplement the expected low cobalt KOV production in 2010. The increase in inventory from 2008 to 2009 is also attributable to the inclusion of depreciation in inventory at December 31, 2009 whereas, at December 31, 2008 inventory was written down to net realizable value due to the decrease in copper and cobalt prices. Other current assets at December 31, 2008 increased to \$80.9 million from \$27.8 million at December 31, 2007 primarily because of an increase in inventory of consumables of \$17.2 million and product of \$23.7 million as commercial production commenced in 2008; and an increase in prepaid expenses and other assets of \$12.2 million due to the ramp up of production activity.

Property, Plant and Equipment

Property, plant and equipment at December 31, 2009 increased to \$1,481.9 million from \$1,342.9 million at December 31, 2008 primarily due to additions of \$71.3 million in relation to "Pas de Porte" ("entry premium") obligations (see item 15) of which \$56.3 million relates to future liabilities that have been accrued for and \$103.1 million for operational capital expenditure and Mineral Interest in relation to Phase II offset in part by depreciation and amortization during 2009 of \$28.1 million. Property, plant and equipment at December 31, 2008 increased to \$1,342.9 million from \$298.3 million at December 31, 2007 primarily due to the acquisition of Nikanor. The fair value of the KOV open pit was considered to be equal to the overall purchase price of \$2,010.0 million, less the fair value of the other net assets acquired, which included \$230.1 million of property plant and equipment. This gave rise to a fair value for the KOV deposit of \$1,833.4 million, along with a related liability for future income taxes of \$570.7 million and \$230.1 million of other property, plant and equipment acquired. The additional increase related to the continuing costs of the development project. Offset against this was an impairment write down of \$1,414.3 million as explained in the discussion in the fourth quarter operating results.

Other Non-current Assets

Other non-current assets decreased to \$0.1 million at December 31, 2009 from \$5.6 million at December 31, 2008. This is primarily due to a decrease in non-current prepayments. At December 31, 2008 other non-current assets decreased by \$16.5 million to \$5.6 million from December 31, 2007. This is primarily due to the deferred acquisition costs relating to the acquisition of Nikanor of \$18.9 million which were previously included in non-current assets as at December 31, 2007 and were then included in property, plant and equipment as at December 31, 2008.

Current Liabilities

Current liabilities at December 31, 2009 have decreased to \$136.8 million from \$192.8 million at December 31, 2008. This is primarily due to a decrease in trade payables and accruals of \$54.3 million. This was a result of trade receivables being reflected in a receivable position as at December 31, 2009, as opposed to the \$13.3 million liability recognized at December 31, 2008 as a result of provisional pricing adjustments described above; and the payment of change of control accruals of \$10.1 million and a reduction of \$14.3 million for accruals relating to work carried out on terminated Phase V contracts before and after December 31, 2008. Current liabilities at December 31, 2008 had increased by \$131.0 million to \$192.8 million from December 31, 2007. This was the result of an increase in accounts payable and accrued liabilities of \$133.0 million resulting from an increase in trade payables and accruals of \$38.6 million as a result of the ramp

up of the mine, \$84.0 million in relation to capital expenditure incurred on the discontinued Phase V construction contracts and \$10.4 million change of control accrual. There was unearned revenue of \$14.0 million for sales where title and risk has not yet passed. This was offset by a decrease in the accrued acquisition costs of \$16.2 million which had then been paid.

Convertible Debt

On November 5, 2007, the Company's subsidiary KCC finalized a two-year term debt facility for \$150 million with Glencore International AG ("Glencore"). The key terms of the debt facility were a 2-year term, interest rate of LIBOR plus 4% (fixed in the first year at 8.6% and added to the loan principal, fixed at 7.2% for the remaining life of debt), full amount repayable at the end of the 2-year term, mandatory prepayment on change of control, subordination agreement making the loan senior ranking to other indebtedness and the loan was guaranteed by the Company.

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

- a new finance facility of \$100 million underwritten by Glencore; and
- an amendment and restatement of the existing \$150 million loan facility provided by Glencore, which, with accrued interest amounted 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 was outstanding at \$0.2783 per common share, being the 5 day volume weighted average Canadian dollar price per common share immediately prior to the announcement of the Facility converted into U.S. 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 \$25.0 million by the Company at the price per share of the equity issuance converted into U.S. dollars.

On June 2, 2009, the Company received notices of exchange from all lenders under the facility to exchange in full their respective loan participations in the Facility (including accrued and capitalized interest to such date) into common shares of the Company. As at that date, the total amount outstanding under the Facility was \$270.2 million, which included 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 \$112.9 million at December 31, 2009 from \$94.5 million at December 31, 2008 has occurred as a result of an unrealized foreign exchange loss of \$16.9 million on the revaluation of the Canadian dollar denominated debentures into U.S. dollars, and the accretion of the debt of \$1.5 million. At December 31, 2008 the decrease was \$23.5 million from December 31, 2007 due to an unrealized foreign exchange gain of \$25.0 million offset by accretion of the debt of \$1.5 million.

The Company's outstanding debentures are due on 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 increased to \$224.9 million (December 31, 2008 - \$168.4 million; December 31, 2007 - \$5.3 million). Included in long-term liabilities are future income taxes recorded for the future income tax liabilities of \$163.6 million (December 31, 2008 - \$163.6 million; December 31, 2007 - nil). A new long-term liability has been included in other long-term liabilities as at December 31, 2009 for entry premium obligations which shall be payable to Gécamines for access to the project of \$56.3 million, see item 15. Also included in other long-term liabilities at December 31, 2009, is \$5.0 million relating to asset retirement obligations (December 31, 2008 - \$4.7 million; December 31, 2007 - nil). Furthermore, other long-term liabilities include the liability for restricted stock units of nil at December 31, 2009, \$0.1 million at December 31, 2008 and \$5.3 million at December 31, 2007. The reduction in the liability for restricted stock units during 2008 of \$5.2 million was mainly due to the reduction in the Company's share price.

Off-Balance Sheet Arrangements

As at December 31, 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 December 31, 2009.

	Total	Less than 1	1-3 years	4-5 years	After 5
Payments due by period	\$'000	year	\$'000	\$'000	years
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital expenditure commitments (1)	15,090	15,090	-	-	-
Debentures payable (2)	183,752	16,654	33,355	133,742	-
Other long-term liabilities (3)	95,500	10,000	25,000	30,000	30,500
Gécamines lease (4)	27,000	1,800	5,400	3,600	16,200
	321,342	43,544	63,755	167,342	46,700

- (1) The capital expenditure commitments relate to Phase II and Phase III of the Kamoto Project. Phase II is substantially complete with financial completion expected to be on budget in early 2010. Phase III has commenced, with a budgeted cost of \$262 million, and is expected to increase production to 150,000 tonnes of copper per annum by 2011. It is expected that Phase II and III will be funded by existing cash balances and cash generated by operations.
- (2) The total payable includes all interest costs to the date of repayment.
- (3) A "*pas de porte*" ("entry premium") obligation is payable to Gécamines for access to the project. The total amount of \$140,000 is payable in installments on an agreed schedule until 2016. Of the \$140,000, \$20,000 has already been paid and \$24,500 has been deducted representing Gécamines' outstanding share capital contribution to KCC.
- (4) Pursuant to the terms of the New Joint Venture Agreement (see item 15), all installations and infrastructures within the perimeter of the KCC/DCP concession area shall be rented for an annual lease payment to Gécamines of \$1.8 million.

Glencore and the Company have signed an off-take agreement whereby, commencing January 1, 2009, all copper and cobalt produced is sold to Glencore based on market terms.

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 publicly-traded debentures. Capital resources are monitored on a daily basis and are the responsibility of the CFO.

In the opinion of management, the working capital as at December 31, 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, are sufficient to support the Company's commitments until the completion of the Accelerated Development Plan. The Company's total planned capital expenditures for 2010 will focus on the completion of Phase II and the advancement of phase III of the Project, and are forecast to be \$304.0 million in the next 12 months. The Company expects to fund these expenditures with cash flows from operations and cash on hand.

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").

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.

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

In January 2009, the CICA issued 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 this EIC had no material effect 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 disclosure 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 commencing in the quarter ended March 31, 2009. Section 3064 establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The application of this EIC had no effect on the consolidated financial statements.

Amendment to Financial Instruments – Disclosures ("Section 3862")

During 2009, CICA Handbook Section 3862, "Financial Instruments – Disclosures" ("Section 3862"), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data

See item 22 for the relevant disclosures

To be adopted in fiscal 2010 and beyond*International Financial Reporting Standards*

The CICA has announced that publicly accountable enterprises will be required to transition from Canadian generally accepted accounting principles ("Canadian GAAP") to International Financial Reporting Standards ("IFRS"), effective January 1, 2011. This mandate is first applicable to interim reporting periods in 2011 and includes the requirement to present comparative financial information for the 2010 year based on IFRS. Accordingly, although the Company will first report our result under IFRS in 2011, the underlying conversion will be based on an effective transition date of January 1, 2010.

The Company has commenced transition planning and has established an IFRS conversion team to lead the conversion project. The conversion project includes the following phases: 1- scoping and planning, 2- detailed assessment, 3- implementation and 4- post implementation.

The scoping and planning phase involves establishing a project team and organizational structure, including oversight of the process; this includes a project management plan, stakeholder analysis and communication strategy. This phase also entails an initial assessment of the key areas where IFRS transition may have a significant impact and present significant challenges. The Company has prepared an initial diagnostic of the key areas in which adjustments would be required shortly after the timeline for IFRS transition for Canadian public Companies was announced and is planning on updating the initial assessment for more recent developments as well as incorporating an analysis of the transition exceptions and exemptions available under IFRS 1 "First Time Adoption of International Financial Reporting Standards" as well as an assessment of the accounting policy choices available to the Company upon adoption.

The second phase, detailed assessment, will involve technical analysis that will result in understanding potential impacts, quantification of alternatives where there are accounting policy choices, detailed analysis and decisions taken regarding IFRS 1 exemptions and exceptions available to the Company and the drafting of accounting policies in accordance with IFRS. In addition this will result in identifying resource and training requirements, processes for preparing financial statements, and establishing IT system requirements. The Company intends to disclose

its progress in accomplishing the phase 2 goals in its Management Discussion and Analysis documents throughout 2010 as the detailed assessment phase is completed.

During the implementation phase, we will identify and carry out the implementation requirements to effect management's accounting choices, develop sample financial statements, implement business and internal control requirements, calculate the opening balance sheet at January 1, 2010 and other transitional reconciliations and disclosure requirements.

The last phase, post implementation, will involve continuous monitoring of changes in IFRS throughout and continuing with the development and maintenance of IFRS competencies by addressing training requirements at various levels of the organization.

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 the Company'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, the estimated lives of depreciable assets, and the estimation of the value of the work carried out on terminated contracts for the deferred SX/EW plant. These estimates involve considerable judgment and are, or could be, affected by significant factors that are beyond the Company's control.

The Company'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. The Company'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. The Company 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, the Company 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 the Company'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	633,600
Balance – December 31, 2007	78,887,743
Performance shares issued to former Nikanor employees	215,362
Shares issued to acquire Nikanor	127,217,697
Balance – December 31, 2008	206,320,802
Shares issued on conversion of convertible debt	971,023,329
Shares issued in rights offering	718,036,282
Shares issued on acquisition of Kamoto Operating Limited	12,000,000
Balance – December 31, 2009 and February 5, 2010	1,907,380,413

The Company has a Stock Option Plan which is consistent with the policies of the TSX.

During the year ended December 31, 2009, there were no options granted pursuant to the Company's stock option plan and 1,065,000 options were forfeited during the period.

As a result of the rights offering and the adjustment to the exchange basis of the warrants pursuant to the terms of 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 liabilities associated with the derivatives is as follows:

	As at December 31, 2009 \$'000	As at December 31, 2008 \$'000
Current		
Foreign currency forward contract	-	48
	-	48

13. Related Party Transactions

Related Parties

DEM Mining SPRL ("DEM"), Dan Gertler holds an interest in the shares in DEM and has a beneficial interest in the Company. DEM was 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 Directors 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 are sold to Glencore on market terms. During the year ended December 31, 2009, Glencore has also provided funding to the Company in the form of convertible debt and a non-convertible bridge loan facility.

Xstrata Queensland Ltd ("Xstrata") is identified as a related party on the basis Glencore holds a significant interest in Xstrata. At December 31, 2009, this interest represented 34.38% of Xstrata's issued share capital. During 2008 and 2009, Xstrata has provided mining equipment and services to the Company.

Mopani Copper Mine Plc ("Mopani") is a copper and cobalt producer located in Zambia. Mopani is a 73% owned subsidiary of Glencore. During 2008 and 2009, Mopani supplied sulphuric acid and other consumables to the Company.

Mutanda ya Mukonkota Mining SPRL ("Mutanda") is a copper and cobalt producer located in the DRC. Mutanda is a 40% owned investment of Glencore. During the year ended December

31, 2009, Mutanda supplied cranes to the Company and the Company supplied vehicles and furniture to Mutanda.

Kamoto Operating Limited (“KOL”), a company incorporated pursuant to the laws of the DRC, was 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. KOL was acquired by the Company on September 23, 2009, and the Operating Agreement terminated on September 30, 2009. Current shareholders and former directors of the Company were the owners of KOL. The Operating Agreement established the terms and conditions pursuant to which KOL as operator provided services to KCC in the planning and conduct of exploration, development, mining, processing and related operations with respect to the Kamoto Joint Venture Assets, including a management fee provided to KOL. Fees to the end of May, 2008 were capitalized to mineral interests. From the commencement of commercial production on June 1, 2008 to the date of termination of the Operating Agreement (September 30, 2009), fees were expensed in the consolidated statement of operations and comprehensive loss.

Enterprise Generale Malta Forrest SPRL (“EGMF”), a company owned by George Forrest and which has Malta Forrest as a Director, both of whom had a beneficial interest in the Company, was involved in contracts for 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. EGMF ceased being a related party on June 10, 2009. These contracts were entered into while EGMF was a related party.

Malta Forrest, who was a Director and had a beneficial interest in the Company, provided consultation on corporate affairs in the DRC. Malta Forrest ceased being a related party on June 10, 2009.

Bateman Engineering N.V (“Bateman”), a company in the BSG Resources group who through Oakey Investment Holdings, was a related party as a result of owning a beneficial interest in the Company, and was engaged in the engineering and procurement contracts for KOV and the Kamoto Project. These contracts were entered into while Bateman was a related party. Bateman ceased being a related party on June 2, 2009.

Transactions

All transactions, other than the financing transactions with Glencore, were in the normal course of business. The following table provides the total amount of the transactions entered into with these related parties:

	Year Ended December 31, 2009 \$'000	Year Ended December 31, 2008 \$'000
Purchases from related parties		
DEM	-	37,875
Gécamines	5,153	5,271
Xstrata	7,861	38,774
Mopani	7,151	-
Mutanda	464	-
Purchases from former related parties		
EGMF	28,829	29,417
Bateman	4,617	26,129
Malta Forrest	-	90
Sales to related parties		
DEM	-	601
Mutanda	440	-
Glencore	284,626	110,351
Sales to former related parties		
EGMF	3,808	-
	As at December 31, 2009 \$'000	As at December 31, 2008 \$'000
Amounts owed to related parties		
DEM	-	8,257
Gécamines	-	13
Glencore	178	-
Glencore (convertible debt)	-	162,885
Xstrata	1,915	14,608
Amounts owed by related parties		
Gécamines	806	-
Mopani	5,190	-
Mutanda	24	-
Glencore	44,774	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, its employees and contracting companies involved in work on the operating site. The Company is actively developing and implementing procedures, practices, training, and audit protocols across its operation. This includes emergency response preparedness and relevant training.

There were two fatalities in the year ended December, 31 2009, as a result of separate underground mining accidents on February 27 and March 01, 2009, respectively. On January 31, 2010, an accident occurred at the new roaster that resulted in the death of a contractor. It is the Company's policy in such instances to provide assistance and support directly to the families affected and to investigate the accident with our internal safety personnel and local government officials to determine if additional measures should be taken by the Company to prevent any reoccurrence.

In December 2008, the Company's consultants (SRK Consulting) 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 increase the production to 300,000 tpa copper. Arrangements have been made for SRK Consulting to review the draft ESIA based on the revised project development and in consideration of DRC legal requirements. Once this review and amendment is completed the ESIA will be submitted for approval. It is anticipated that SRK Consulting will complete the necessary amendment to the ESIA during 2010. In the interim, community development and ongoing communications are maintained, albeit at a somewhat lower level than originally anticipated.

15. Joint Venture Agreement (JVA)

On July 25, 2009, an amended JVA was signed with Gécamines. The principal terms of the new JVA are: to release the Dikuluwe and Mashamba West Deposits; merge the DCP and KCC joint ventures; and to address the 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. Gécamines' interest is non-dilutable. The merger of the DCP and KCC joint ventures is conditional on Presidential approval.

Gécamines and the Merged JV Company 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 \$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.

The main terms of the new JVA are:

Transfers of Exploitation Permits, Infrastructure and Other Necessary Surfaces

The parties agreed the perimeters of the transfers of the KCC/DCP concession area deposits. This included the following permits which transferred from Gécamines/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 was also agreed with Gécamines that all installations and infrastructures within the perimeter of the KCC/DCP concession area be rented by Gécamines to the Merged JV Company for an annual lease payment of \$1.8 million, with rental being covered by the royalties. Katanga agreed that the KZC concentrator at Kolwezi was to be returned to Gécamines.

The DCP exploitation permits were transferred to the Merged JV Company as part of the merger process.

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 are discovered, the relevant surfaces shall be transferred (or in certain cases leased) to the Merged JV Company.

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 has 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 \$285 million. This amount of \$285 million was arrived at by discounting back to July 1, 2015 the net cash flows attributable to the mining of the reserves, excluding resources, returned to Gécamines. Any amounts not paid at that time 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 August 31, 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 was increased to US\$100 million. It was agreed that the 25% equity interest of Gécamines and its subsidiary shall be non-dilutable.

Dividends are to be distributed proportionate to the equity stakes of the shareholders in the merged joint venture company. Of the available cash flows 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 are to 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 July 25, 2009, 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 150,000 tonnes of copper per 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") obligation shall be payable by KFL/GEC to Gécamines for the access to the project. The total amount payable is \$140 million, of which \$20 million has been paid (including \$5 million paid upon effective transfer of the exploitation permits from Gécamines to KCC); \$24.5 million has been deducted representing Gécamines' outstanding share capital contribution to KCC and the balance is payable in instalments on an agreed schedule until 2016, subject to the merger of DCP and KCC becoming effective. The full net present value of the payment was recognized in the Company's 2009 consolidated financial statements and capitalized to mineral interests. This amount will be amortized over the life of the mine.

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.

16. Acquisition of KOL

On September 23, 2009, the Company completed the acquisition of Kamoto Operating Limited ("KOL"). The Company acquired KOL from companies controlled by former directors of the Company by issuing an aggregate of 12,000,000 common shares and by making a cash payment in the aggregate amount of \$1.6 million.

KOL was the operator of the assets of KCC in the DRC pursuant to the terms of an operating agreement between KOL and KCC dated November 2, 2005 (the KOL Operating Agreement). As part of the new JVA with Gécamines (see item 15), the KOL Operating Agreement was terminated on 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.

17. 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 \$50 million (the "Bridge Loan") repayable September 30, 2009 and a rights offering via prospectus by the Company to raise at least \$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 at the conclusion of the Rights Offering as is necessary to ensure that the Company raised \$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 issued 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 received aggregate gross proceeds of \$250,000,119.

Pursuant to the Rights Offering, the Company issued 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 also issued 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 Rights Offering, 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 \$172,332,743. The Company used the part of the proceeds to repay the Bridge Loan. Glencore and the Standby

Purchaser also exercised their additional subscription privilege in full and acquired an additional 168,510,728 shares for an additional amount of \$77,667,376. Glencore and the Standby Purchaser's total percentage holding, taken together, of shares as at completion of the Rights 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 \$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 September 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, the Company 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, the Company 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 \$250 million to the Company, negotiations expanded to include the provision of a \$250 million equity investment by Glencore.

On March 18, 2009, the Company 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 the Company considered a number of factors in approving the Transactions, including the following:

- (a) the fact that the Company was in severe financial distress and had an immediate need for committed funding in the amount of approximately \$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 required a total of \$250 million in financing in order to ensure its continued solvency and successful completion of Phase II of the Kamoto/Dima mining project (the "Project") and ramp-up of production was addressed by the Rights Offering;
- (c) that, in order to continue trading, the Board of the Company had to be convinced that both the interim and long-term funding through to the completion of Phase II of the Project were certain and 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 provided that certainty;
- (d) that a broad market canvass conducted by the Company's financial advisor over a period of six months failed to identify any other potential investors that were prepared to make a firm proposal to provide financing on terms that were as certain as those provided by Glencore;
- (e) that shareholders would be entitled to preserve their pro rata interest in the Company through the exercise of Rights;
- (f) that shareholders who wished to increase their shareholding in the Company would be able to do so via their exercise of the additional subscription privilege, assuming that all of the Rights were not exercised; and
- (g) that the provision of the Standby Commitment by Glencore ensured the Company raised at least \$250 million which would, in turn, cause the Facility to be mandatorily exchanged into Shares, thereby reducing the amount of debt on the Company's balance sheet.

18. Technical report

The Company filed a Technical Report, March 17, 2009, that covered the mineral reserves and operations of the Company's two operating subsidiaries in the DRC, Kamoto Copper Company SARL and DRC Copper and Cobalt Project SARL which will 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"). The Company will be amending the Technical Report to include the new Accelerated Development Plan (see item 19) with the intention of filing the update before March 31, 2010.

19. Accelerated Development Plan

On September 8, 2009, the Company announced its intention to accelerate the ramp-up of its project to 150,000 tons of copper and 8,000 tons of cobalt per annum (the "Accelerated Development Plan") through the earlier completion of the construction of Phases III and IV, as disclosed in the Technical Report. It is expected that the Accelerated Development Plan will be substantially funded by existing cash balances and cash generated by operations.

Following the completion of its \$250 million rights offering on July 7, 2009, the signing of its amended joint venture agreement on July 25, 2009, the successful cost cutting initiatives that have been implemented since the beginning of 2009 and the recovery of copper and cobalt prices, the Company has reviewed the timing of Phases III and IV of its project development program as

outlined in the Technical Report. The result of this review was the decision to move to the Accelerated Development Plan.

The details of the Accelerated Development Plan are:

- Phases III and IV as described in the Technical Report have now been combined into one new Phase III which will take installed copper and cobalt capacity up to 150,000 and 8,000 tonnes per annum respectively through the refurbishment of existing facilities and infrastructure at the Kamoto Concentrator and the Lulu Refinery by the end of Q2 2011. This compares with an original completion date of Q1 2013 from the Technical Report.
- The new Phase III is scheduled to ramp-up installed copper capacity from the current 70,000 tonnes per annum by 20,000 tonnes per annum increments every 6 months with the first increment being completed during Q1 2010.
- The tables below shows revised project capital expenditures out to 2013 for the Accelerated Development Program with a comparison to the Technical Report:

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

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

(2) Musonoi Village relocation capital expenditure included.

- Based on current copper and cobalt spot prices and current operating cost assumptions in the Accelerated Development Plan, it is expected that capital expenditures relating to the Accelerated Development Plan will be substantially funded by existing cash balances and cash generated from operations.
- The KOV mine plan has been optimized to reduce pre-strip capital, reduce the strip ratio over the first six years of operation and balance ore production from the KOV open-pit and Kamoto underground mines with the process plant requirements for the Accelerated Development Plan. This mine plan will also allow for further delineation and potential up-grade in classification of resources through additional drilling.
- The 2 modules of Phase V described in the Technical Report will in future be represented as Phases IV and V, with Phase IV ramping up to 230,000 tonnes of installed copper capacity

per annum and Phase V ramping up to 310,000 tonnes of installed copper capacity per annum, through the construction of new facilities.

- In this regard, the Company will also progress with a Scoping and Engineering study that will re-visit the process engineering completed for the Technical Report with a view towards reducing capital expenditures and simplifying process design to facilitate the integration of existing process systems and infrastructure into the development required for new Phases IV and V.
- The Scoping and Engineering Study will confirm the phasing of capital expenditures related to the new Phases IV and V after the completion of the Accelerated Development Plan. However, for the Accelerated Development Plan, the Company has deferred capital expenditures relating to the hydro dam power projects (\$50 million) and the Far West tailings infrastructure (\$88 million) which would only be required for the new Phases IV and V. The Company is also assessing the potential to mine the Kamoto East ore body from underground and has therefore removed the capital expenditure allocated to the relocation of the Musonoi village, which amounted to \$58 million during the period of the Accelerated Development Plan in the Technical Report.

20. 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 years ended December 31, 2008 and 2009, 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 disclosure controls and procedures as defined under the rules adopted by the Canadian securities regulatory authorities.

The Company's CEO and CFO 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.

The CEO and CFO have concluded that, as at December 31, 2009, the Company's DC&P has been designed effectively to provide reasonable assurance that (a) 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 (b) 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 have also concluded that the Company's ICFR has been designed effectively to provide reasonable assurance regarding the reliability of the preparation and presentation of the 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 only provide reasonable assurance with respect to financial statement preparation and presentation.

The Company uses the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") control framework. For the fiscal years ended December 31, 2008 and 2009, 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 and 2009. 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

While the Company's CEO and CFO have concluded that the Company's internal control over financial reporting has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, 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 indicated that, based on internal audits conducted in 2008 and in 2009, the following areas required improvement:

- Supply chain management
- Accounting and reporting
- Payroll
- Capital projects
- Metallurgical accounting and inventory control

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 continues to work with internal audit to take the necessary steps to resolve areas of weakness identified. The majority of the weaknesses were corrected as of December 31, 2009. For those weaknesses where corrective action is still in progress, Management has concluded that mitigating controls are in place such that the reliability of the Company's financial reporting has not been compromised.

21. 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 to one customer, which is 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 U.S. dollar. Sales are transacted in U.S. dollars and the majority of major purchases are transacted in U.S. dollars and South African rand. The Company maintains the majority of its cash and cash equivalents in U.S. dollars but it does hold balances in South African rand, British pounds, Canadian dollars, Swiss franc 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 U.S. dollar moved by plus or minus 1% at December 31, 2009, the unrealized foreign exchange gain or loss would move by approximately \$0.1 million.

The debentures payable are denominated in Canadian dollars and as such the Company is exposed to unrealized foreign exchange gains or losses which will be realized upon maturity of the debentures on November 20, 2013. A plus or minus 1% movement in the Canadian dollar exchange rate at December, 31 2009 would affect the consolidated statement of operations and comprehensive loss by approximately \$1.2 million.

(c) Commodity price risk

The Company sells copper, cobalt and 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 years. There is currently no intention to hedge future copper and cobalt sales.

As at December 31, 2009, the Company had 8,138 tonnes of copper and 860 tonnes of cobalt sales for which final commodity prices have yet to be determined. These were valued at the end of the year at an average commodity price of \$7,345 per tonne for copper and \$36,108 per tonne for cobalt (amounts in whole numbers). A 1% plus or minus movement in the copper and cobalt

price at December 31, 2009 would result in a \$0.9 million change to revenue and trade receivables.

Liquidity risk

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

Speculative nature of mining operations

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

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

Mineral resources and ore reserves

The mineral resources and ore reserves are presented in the "Combined Technical Report" ("Combined Technical Report" means the technical report dated March 17, 2009 titled "Independent Technical Report on the Material Assets of Katanga Mining Limited, Katanga Province, Democratic Republic of Congo", which is available under the Company's profile on SEDAR at www.sedar.com) and in other publicly disclosed information. No assurances can be given that the anticipated tonnages and grades will be achieved or that the indicated levels of copper and cobalt recovery will be realized.

There is a degree of uncertainty to the calculation of mineral reserves and mineral resources and corresponding grades being mined or dedicated to future production. Until mineral reserves or

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

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

Political stability

The Joint Venture Agreement (referred to in item 15) may be subject to the effects of political changes, war and civil conflict, changes in government policy, lack of law enforcement and labor unrest and the creation of new laws. These changes (which may include new or modified taxes or other governmental levies as well as other legislation) may impact the profitability and viability of the Company's properties. The DRC is an impoverished country with physical and institutional infrastructure that is in a debilitated condition. It is in transition from a largely state-controlled economy to one based on free market principles and from a non-democratic political system with a centralized ethnic power base to a political system based on more democratic principles. There can be no assurance that these changes will be effected or that the achievement of these objectives will not have material adverse consequences for Katanga and its operations. The effect of unrest and instability on political, social or economic conditions in the DRC could result in the impairment of the development and mining operations at the Company's properties. Any such changes are beyond the control of Katanga and may adversely affect its business.

Licenses, permits and governmental regulations

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

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

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

Foreign operations

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

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

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

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

Logistics risks

The Company depends primarily on road and rail links throughout the DRC and neighboring countries to transport raw materials, supplies and products over long distances between its facilities and African ports. In some cases these transport services are currently not adequate to support the Company's planned operations. In addition, seasonal climate changes in the DRC may severely impact the Company's ability to use these routes. This could have a material adverse effect on the Company's business, operating results and financial position.

The Company will also be dependent either on the rehabilitation of part of the state-owned DRC rail network operated by SNCC (the "SNCC Rail Network") and an increase in that rail network's capacity (through the addition of extra locomotives and carriages) or on the rehabilitation of the Benguela rail network in Angola. Failure or material delay in increasing the SNCC Rail Network capacity or the rehabilitation of the Benguela rail network in Angola could either restrict the Company's ability to deliver raw materials and other supplies to its operations and to transport products to African ports, or result in increased costs for the Company, and this will have a material adverse effect on the Company's business, operating results and its financial position.

Power supply

The Company's operations depend upon the reliable and continuous delivery of sufficient quantities of power to its mines and processing facilities. While the Company currently has power supply to certain of its existing facilities, the Company's long-term operations, when taken

together, would, if all fully operational, have a total power requirement in excess of power currently available in the Katanga Province, taking account of existing usage and commitments. There can be no guarantee that sufficient future supplies of power will be available to meet the Company's needs or that, if sufficient power is, or becomes, available, the Company will be able to purchase sufficient power for its needs on commercially acceptable terms or at all. Failure to secure sufficient power in the future could have a material adverse effect on the Company's business, operating results and financial position. In addition, the current electrical infrastructure available to the Project requires rehabilitation and there are risks of power interruptions or power shortages, which could have a material adverse effect on the Company's business, operations and financial condition.

Labor and employment matters

Relations with employees may be impacted by changes in the scheme of labor relations, which may be introduced by the relevant governmental authorities. Adverse changes in such legislation may have a material adverse effect on the Company's business, result of operations and financial condition. In addition, labor disruption or work stoppages by employees of the Company or its contractors could have a material adverse effect on the business and operations of the Company.

Dependence on relations with third parties

The Company is heavily dependent on its ability to secure reliable supplies of raw materials and provision of certain services from third-party suppliers in order to carry out its operations. While the Company has certain arrangements currently in place for some of these materials and services, there can be no guarantee that these arrangements will be sufficient for the Company's future needs or that such supplies or provision of services will not be interrupted or cease altogether. Some of the materials or services required for the Company's operations are currently only available on commercially reasonable terms from one or a limited number of suppliers or providers. These operations may be interrupted or otherwise adversely affected by lack of supply, or delays in the supply, of these materials or services by third party suppliers, by any change to the terms on which these materials or services are made available by third party suppliers, and by the failure of third-party suppliers to provide materials or services that meet the Company's quality requirements. If the Company is forced to change a supplier of such materials or services, there is no guarantee that this would not result in the Company experiencing additional costs, interruptions to supply continuity or some other adverse effect on its business. There is also no guarantee that the Company will be able to find adequate replacement materials or services on a timely basis or at all.

Potential dependence on key contracts and business arrangements

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

Insurance and uninsured risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labor disputes, civil unrest and political instability, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the

regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in development or mining, monetary losses and possible legal liability.

The Company does not intend to obtain political risk insurance which will guarantee investments and loans by the Company to companies in the DRC against the risks of transfer restrictions, expropriation, breach of contract, war and civil disturbance. The Company will maintain insurance to protect against certain other risks in such amounts as it considers reasonable. However, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Other risks

The Company is exposed to other risks during its course of business and these are discussed in detail in the Company's Annual Information Form which are available on SEDAR at www.sedar.com and should be reviewed in conjunction with this document.

22. Financial Instruments

At December 31, 2009 and 2008, the Company's financial instruments consisted of cash and cash equivalents, other current assets, accounts payable and accrued liabilities, non-hedged derivative financial instruments, long-term debt and other long term-liabilities. With respect to all of these financial instruments with the exception of the publicly-traded debentures, the Company estimates that the fair value of these financial instruments approximates the carrying values at December 31, 2009 and 2008, respectively. The publicly-traded debentures were trading at a discount to their carrying value, as at December 31, 2009 (fair value - \$109,474), and December 31, 2008 (fair value - \$51,077).

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy established using Canadian GAAP as at December 31, 2009¹:

	Financial assets and liabilities at fair value as at December 31, 2009			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Receivables from provisional copper sales (1)	-	9,213	-	9,213
Restricted stock units (2)	47	-	-	47
	47	9,213	-	9,260

¹Comparative information has not been presented in the table because this comparative information is not required in the year of adoption.

- (1) Open provisionally priced copper sales which retain an exposure to future changes in commodity prices are marked-to-market based on London Metal Exchange ("LME") forward prices for copper offset by the contractual discount to the LME price. As such, these receivables are classified within Level 2 of the fair value hierarchy.
- (2) Outstanding restricted stock units are marked-to-market based on the Company's share price on the TSX at the reporting date. As such, these payables are classified within Level 1 of the fair value hierarchy.

23. 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. 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 current annual information form and other 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.

The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events, or otherwise, except in accordance with applicable securities laws.

24. Summary of Quarterly Results

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

	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4
Statement of Operations								
(USD millions except where indicated)								
Total revenues	90.2	48.8	57.6	13.3	47.0	62.3	76.2	100.0
Cost of sales*	(109.4)	(38.5)	(77.9)	(89.1)	(85.6)	(77.5)	(74.2)	(83.2)
Total revenues less cost of sales	(19.3)	10.4	(20.2)	(75.8)	(38.6)	(15.3)	2.1	16.8
General administrative and other expenses	(15.4)	(20.3)	(9.5)	15.6	(0.8)	(19.6)	(11.5)	(8.6)
Restructuring expenses	-	-	(7.2)	(101.7)	(10.1)	(15.9)	0.8	11.2
Impairment of mineral properties and inventories	-	-	-	(1,460.4)	-	-	-	-
Debt interest	(4.7)	(4.6)	(4.6)	(4.5)	(3.7)	(4.6)	(4.4)	(4.6)
Interest income	7.1	5.8	2.1	1.2	0.2	0.0	0.9	0.6
(Loss) income before income taxes	(32.3)	(8.6)	(39.4)	(1,625.6)	(53.0)	(55.3)	(12.2)	15.4
Basic (loss) income per common share	(0.10)	(0.05)	(0.19)	(5.98)	(0.26)	(0.09)	(0.01)	0.01
Realized copper price (per lb)**	3.58	3.71	2.38	0.23	1.63	2.07	2.75	3.27
Realized cobalt price (per lb)**	-	32.00	28.03	8.40	10.76	12.73	14.73	17.25
Realized concentrate price (per tonne)**	4,306	4,301	2,510	266	492	664	-	-
Total copper sold (tonnes)***	1,996	3,892	4,197	8,472	7,750	10,478	9,623	10,275
Total copper produced (tonnes)	3,946	5,314	6,812	6,090	8,715	9,516	10,351	13,382
Total cobalt sold (tonnes)	-	30	290	310	460	500	620	680
Total cobalt produced (tonnes)	-	120	356	273	487	595	628	824
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	-	-	-	6,120
Balance Sheet								
Cash and cash equivalents	441.0	330.1	155.8	31.8	31.8	149.8	152.8	77.2
Other current assets	148.7	123.5	147.1	88.6	103.5	139.8	158.1	190.4
Mineral interests and other assets	2,454.2	2,622.2	2,726.4	1,351.5	1,389.3	1,437.4	1,450.7	1,484.0
Total assets	3,043.9	3,075.9	3,029.4	1,471.9	1,524.6	1,727.1	1,761.6	1,751.7
Current liabilities	107.0	124.7	101.3	192.8	169.6	204.8	162.8	136.8
Long-term debt	266.4	271.8	272.6	258.4	356.2	101.2	108.6	112.9
Other long-term liabilities	557.7	568.3	580.2	168.4	192.5	231.3	228.8	224.9
Total liabilities	931.1	964.9	954.2	619.6	718.4	537.3	500.2	474.7
Shareholders' equity	2,112.8	2,111.0	2,075.2	852.4	806.2	1,189.8	1,261.4	1,277.0
Cash Flow								
Operating activities	10.9	4.0	(59.5)	(0.5)	(71.3)	(39.5)	(48.8)	(19.9)
Investing activities	348.7	(116.0)	(107.8)	(136.9)	(28.9)	(12.5)	(22.8)	(56.7)
Financing activities	-	-	-	-	100.0	170.6	74.7	-

*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 London Metal Exchange ("LME") forward rate for copper 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 January 1, 2008.

	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4
Cobalt and Copper								
Production Statistics*								
<i>Underground Mining</i>								
Waste mined (tonnes)	17,670	19,570	14,478	27,740	22,005	14,972	18,234	33,157
Ore mined (tonnes)	117,948	125,505	152,520	155,360	193,377	259,205	311,803	329,703
Copper grade (%)	4.08	3.94	3.53	4.19	3.79	4.02	3.78	3.84
Cobalt grade (%)	0.37	0.45	0.45	0.44	0.46	0.51	0.46	0.53
<i>Open Pit Mining</i>								
Waste mined (tonnes)	1,250,836	1,652,307	1,320,606	1,181,999	2,209,868	4,767,594	5,619,369	3,892,979
Ore mined (tonnes)	95,055	103,791	151,044	129,653	206,176	425,372	398,302	658,128
Copper grade (%)	1.35	1.75	1.53	2.18	2.31	1.29	1.17	1.08
Cobalt grade (%)	0.83	0.80	0.98	0.91	0.81	0.83	0.75	0.93
<i>Concentrator</i>								
Ore processed (tonnes)	206,615	218,530	269,997	305,445	387,487	476,750	539,107	581,876
Concentrate produced (tonnes)	23,786	21,943	27,690	30,814	37,835	46,447	50,908	54,782
<i>Metallurgical Plant</i>								
Copper produced (tonnes)	3,946	5,314	6,812	6,050	8,715	9,516	10,351	13,382
Cobalt produced (tonnes)	-	120	356	273	488	595	628	824

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