

KATANGA MINING LIMITED

**Management's Discussion and Analysis
June 30, 2010**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is management's assessment of the results of operations and financial condition of Katanga Mining Limited ("Katanga" or the "Company") and should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the three and the six months ended June 30, 2010 and the notes thereto. The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts are in United States dollars unless otherwise indicated. This information has been prepared as of August 6, 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"), is engaged in copper and cobalt mining and related activities in the Democratic Republic of Congo ("DRC"). KCC is engaged in the exploration, mining, refurbishment, rehabilitation and operation of the Kamoto/Mashamba East mining complex, the KOV copper and cobalt mine, various oxide open pit resources, the Kamoto Concentrator and the Luilu metallurgical Plant (collectively, the "Project"), in the DRC.

The Company has prepared an Accelerated Development Plan with an initial 150,000 tonnes per annum ("tpa") copper production target by the end of the second quarter of 2011. Thereafter, the Company aims to continue the ramp-up to 310,000 tpa copper and is conducting a Scoping and Engineering Study currently to review the optimum process for reaching this capacity.

2. Highlights and Outlook

Highlights during and subsequent to the three months ended June 30, 2010

- Total sales for the second quarter of 2010, were \$115.2 million, comprising \$83.3 million (14,465 tonnes) for copper cathode, \$29.5 million for cobalt metal (801 tonnes) and \$2.3 million for copper concentrate (1,656 tonnes of contained copper).
- Sales revenue for the second quarter was negatively impacted by the fall in the copper price which resulted in a negative mark-to-market adjustment of \$15.6 million on copper awaiting final pricing.
- For the second quarter of 2010, the Company had a gross profit of \$4.7 million and net income of \$2.0 million.
- For the second quarter of 2010, the Company generated \$41.0 million in positive cash flows from operating activities. The closing cash balance as at June 30, 2010 was \$97.7 million.
- C1 cash cost for the second quarter of 2010 was \$1.70 per pound of copper (C1 cash costs per pound of copper are cash costs including mining, processing, administration and refining, net of cobalt credits – see item 20 Non-GAAP measures) which was \$0.36 per pound of copper higher than the first quarter due to a reduction in the cobalt credit as a result of a decline in the cobalt price and an increase in the cobalt inventory on site which had not been invoiced by the end of the second quarter.
- Production data for the second quarter:
 - Copper production was 12,554 tonnes which was a slight improvement on the previous quarter of 12,458 tonnes. Production was constrained by fleet availability at Kamoto underground mine and processing constraints at Luilu which are in the process of being resolved.
 - Cobalt production was 887 tonnes which was in line with production for the first quarter.
- The grizzly / conveyor system has been commissioned at KTO and is now transferring around 80% of the ore mined at KTO. This has reduced dump truck haul cycle times by approximately 50% relative to the conventional ore transfer method.
- Commercial mining activities at the KOV pit commenced in July, 2010 and dewatering is progressing as scheduled with approximately 72% of the water having been pumped out as of July 31, 2010.
- The CM6 mill in the Kamoto Concentrator, (“KTC”) its associated feed systems and flotation cells have been refurbished and commissioned. This has increased the milling capacity at KTC from 3.4 million to 5.6 million tonnes per annum.
- Rehabilitation of the Luilu plant continued with the installation of new thickeners, drum filters and belt filters which have been commissioned and have increased the plant’s capacity to 110,000 copper tonnes per annum.

Outlook

- Plans for extending the life of the T17 open pit to the fourth quarter of 2011 have been approved and work has commenced on expanding the pit eastwards to expose, approximately, a further 1 million tonnes of ore at an average copper grade of 3.5%.
- The Scoping and Engineering Study is progressing as planned and is expected to be completed in the fourth quarter of 2010. It 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 integration with the current site infrastructure.

3. Quarterly Results

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

	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2
(\$ millions except where indicated)								
Statement of Operations								
Total revenues	57.6	13.3	47.0	62.3	76.2	100.0	140.7	115.2
Cost of sales*	(77.9)	(89.1)	(85.6)	(77.5)	(74.2)	(83.2)	(101.7)	(110.4)
Total revenues less cost of sales	(20.2)	(75.8)	(38.6)	(15.3)	2.1	16.8	39.1	4.7
General administrative and other expenses	(9.5)	15.6	(0.8)	(19.6)	(11.5)	(8.6)	(6.4)	1.8
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	(4.6)	(4.5)	(3.7)	(4.6)	(4.4)	(4.6)	(4.8)	(4.6)
Interest income	2.1	1.2	0.2	0.0	0.9	0.6	0.0	0.0
(Loss) income before income taxes	(39.4)	(1,625.6)	(53.0)	(55.3)	(12.2)	15.4	27.9	2.0
Basic (loss) income per common share (\$ per share)	(0.19)	(5.98)	(0.26)	(0.09)	(0.01)	0.01	0.01	0.00
Realized copper price (\$ per lb)**	2.38	0.23	1.63	2.07	2.75	3.27	3.31	2.61
Realized cobalt price (\$ per lb)	28.03	8.40	10.76	12.73	14.73	17.25	18.95	16.73
Realized concentrate price (\$ per tonne)	2,510	266	492	664	-	-	2,660	2,727
Total copper sold (tonnes)***	4,197	8,472	7,750	10,478	9,623	10,275	12,915	14,465
Total copper produced (tonnes)	6,812	6,090	8,715	9,516	10,351	13,382	12,458	12,554
Total cobalt sold (tonnes)	290	310	460	500	620	680	900	801
Total cobalt produced (tonnes)	356	273	487	595	628	824	889	887
Total concentrate sold (tonnes)	6,847	12,784	16,992	560	-	-	3,304	840
Balance Sheet								
Cash	155.8	31.8	31.8	141.7	152.8	77.2	126.7	97.7
Other current assets	147.1	88.6	103.5	148.0	158.1	190.4	161.5	177.7
Mineral interests and other assets	2,726.4	1,351.5	1,389.3	1,437.4	1,450.7	1,484.0	1,504.8	1,548.8
Total assets	3,029.4	1,471.9	1,524.6	1,727.1	1,761.6	1,751.7	1,793.0	1,824.2
Current liabilities	101.3	192.8	169.6	204.8	162.8	136.8	147.0	179.6
Long-term debt	272.6	258.4	356.2	101.2	108.6	112.9	116.9	113.9
Other long-term liabilities	580.2	168.4	192.5	231.3	228.8	224.9	224.5	224.1
Total liabilities	954.2	619.6	718.4	537.3	500.2	474.7	488.3	517.5
Shareholders' equity	2,075.2	852.4	806.2	1,189.8	1,261.4	1,277.0	1,304.6	1,306.7
Cash Flow								
Operating activities	(59.5)	(0.5)	(71.3)	(39.5)	(48.8)	(19.9)	72.3	41.0
Investing activities	(99.3)	(136.9)	(28.9)	(20.6)	(14.7)	(56.7)	(22.7)	(70.2)
Financing activities	-	-	100.0	170.6	74.7	-	-	-

* Includes royalty payments, transportation costs, depreciation and amortization.

** 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 the commencement of commercial production.

The following production information sets out the quarterly results for the Company since July 1, 2008.

	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2
Cobalt and Copper								
Production Statistics*								
<i>Underground Mining</i>								
Waste mined (tonnes)	14,478	27,740	22,005	14,972	18,234	33,157	49,229	80,484
Ore mined (tonnes)	152,520	155,360	193,377	259,205	311,803	329,703	297,435	311,180
Copper grade (%)	3.53	4.19	3.79	4.02	3.78	3.84	4.15	4.01
Cobalt grade (%)	0.45	0.44	0.46	0.51	0.46	0.53	0.53	0.56
<i>Open Pit Mining - T17</i>								
Waste mined (tonnes)	1,320,606	1,181,999	2,209,868	4,767,594	5,619,369	3,892,979	1,390,802	2,522,063
Ore mined (tonnes)	151,044	129,653	206,176	425,372	398,302	658,128	618,128	513,478
Copper grade (%)	1.53	2.18	2.31	1.29	1.17	1.08	1.68	2.50
Cobalt grade (%)	0.98	0.91	0.81	0.83	0.75	0.93	0.95	0.90
<i>Concentrator</i>								
Ore processed (tonnes)	269,997	305,445	387,487	476,750	539,107	581,876	620,671	703,282
Concentrate produced (tonnes)	27,690	30,814	37,835	46,447	50,908	54,782	67,686	70,108
<i>Metallurgical Plant</i>								
Total concentrate feed (tonnes)	30,844	26,918	37,115	40,658	39,443	62,228	62,790	63,891
Copper produced (tonnes)	6,812	6,050	8,715	9,516	10,351	13,382	12,458	12,554
Cobalt produced (tonnes)	356	273	488	595	628	824	889	887

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

4. Production for the Second Quarter and Year to date

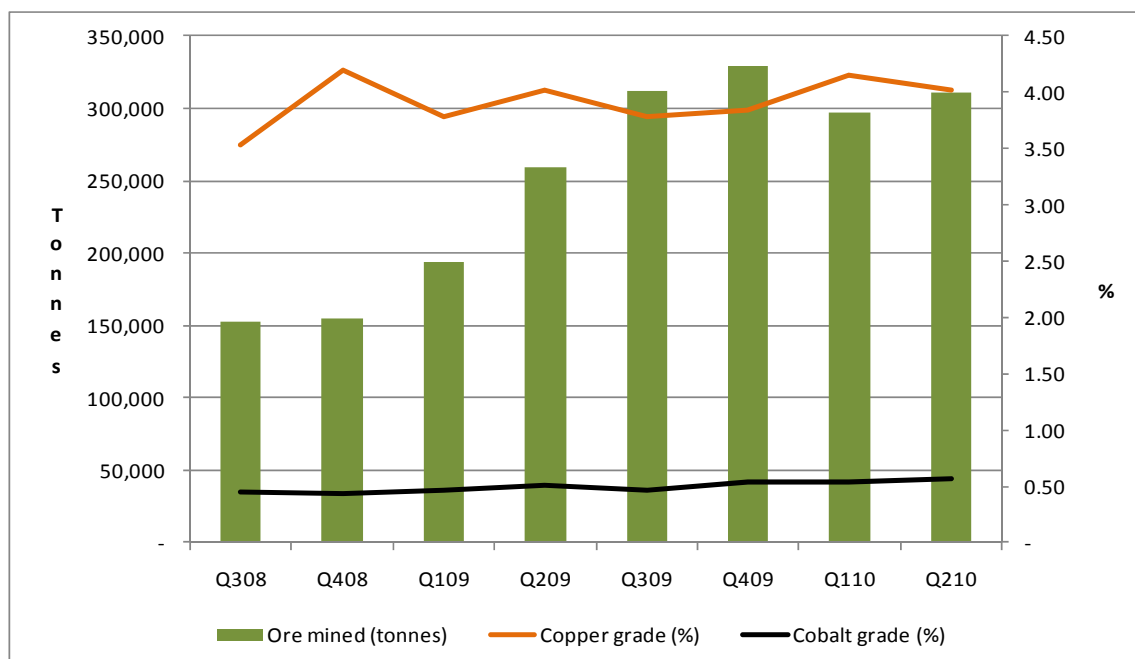
The process of producing copper cathode, cobalt metal and concentrate is achieved through distinct processes which are described and reviewed below. The production statistics for each of these areas is presented in item 3 – Summary of Quarterly Results and below in graphical analysis.

KTO Underground

During the quarter ended June 30, 2010, 311,180 tonnes of ore (quarter ended June 30, 2009 – 259,205 tonnes) and 80,484 tonnes of waste (2009 – 14,972 tonnes) were mined from underground. An average copper grade of 4.01% (2009 – 4.02%) and an average cobalt grade of 0.56% (2009 – 0.51%) were achieved.

During the six months ended June, 2010, 608,615 tonnes of ore (six months ended June 30, 2009 – 452,582 tonnes) and 129,713 tonnes of waste (2009 – 36,977 tonnes) were mined from underground. An average copper grade of 4.08% (2009 – 3.92%) and an average cobalt grade of 0.55% (2009 – 0.49%) were achieved.

During the three months ended June 30, 2010, ore production, although an improvement on the previous quarter, continued to be impacted by mining fleet reliability. The measures put in place to improve mining fleet reliability (improved maintenance systems, outsourcing maintenance of semi-mobile fleet, increasing availability of spares through vendor held stock and acquiring additional underground fleet) have seen the reliability improve towards the end of the quarter. In addition to improved fleet reliability, fleet utilization has improved with the commissioning of a grizzly / conveyor transfer system which is now transferring approximately 80% of ore mined underground. This has reduced haul cycle times by approximately 50% relative to the conventional ore transfer to the main underground crusher station. Additional water ingress that commenced in April, 2010 has been effectively managed by the introduction of additional pumping capacity and has not had a material impact on production during the three months ended June 30, 2010.



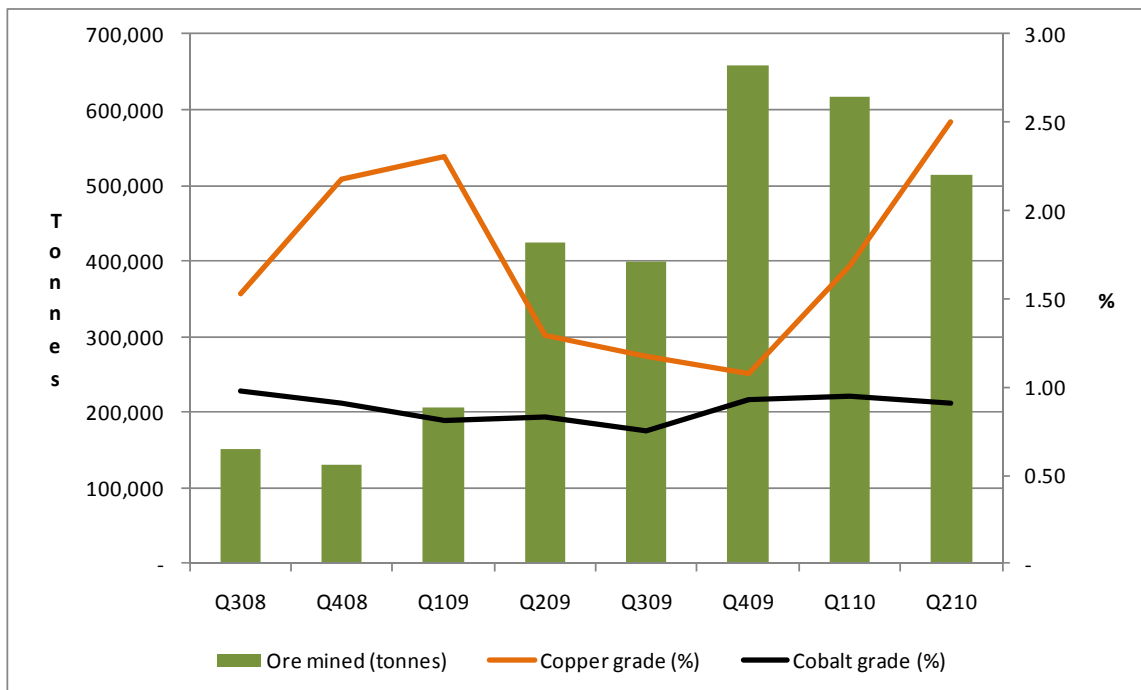
T17 Open Pit

At T17, in the three months ended June 30, 2010, 513,478 tonnes of ore were produced (2009 – 425,372 tonnes) with an average copper grade of 2.50% (2009 – 1.29%) and an average cobalt grade of 0.90% (2009 – 0.83%). 2,552,063 tonnes of waste were removed in the second quarter (2009 – 4,767,594 tonnes). The strip ratio for the three months ended June 30, 2010 was 6.0 compared to 12.2 for the same period in 2009.

At T17, in the six months ended June 30, 2010, 1,131,606 tonnes of ore were produced (2009 – 631,548 tonnes) with an average copper grade of 2.06% (2009 – 1.62%) and an average cobalt grade of 0.93% (2009 – 0.82%). 3,912,865 tonnes of waste were removed in the six months (2009 – 6,977,462 tonnes). The strip ratio for the six months ended June 30, 2010 was 4.5 compared to 12.1 for the same period in 2009.

T17 continues to exceed expectations with regards to the amount of ore mined and the grades of that ore. Mining activities have focused in Cut 3 at the 1360 to 1345 meter level (“mL”) and current analysis of the ore body indicates that copper grades will continue to increase with increased mine depth. Plans for extending the life of the pit until the last quarter of 2011 have been approved and work has commenced on extending the pit eastwards to expose a further estimated 1 million tonnes of ore at an average copper grade of 3.5%.

As part of the plan to complement the initial KOV pit ore production, which will have low cobalt grade, in excess of a million tonnes of T17 high cobalt ore has been stockpiled at an average grade of approximately 1.05% cobalt. This stockpile will be drawn down in 2011 and 2012.



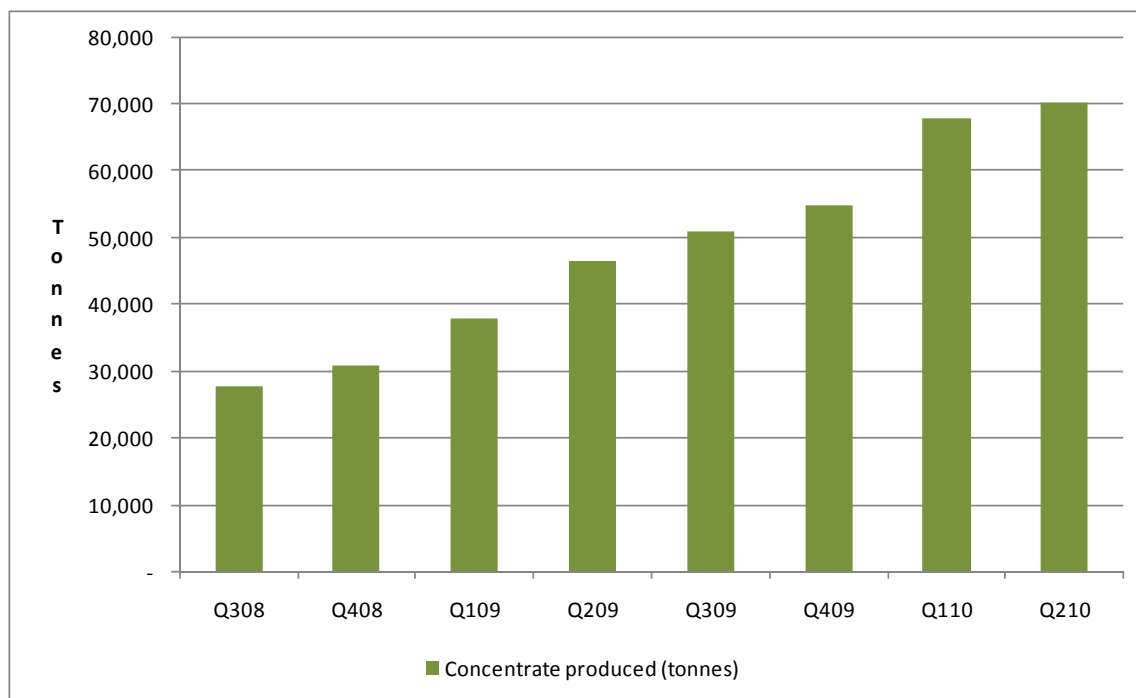
Kamoto Concentrator

The Kamoto concentrator (“KTC”) processes ore from KTO underground and T17 open pit. In the three months ended June 30, 2010, KTC processed 703,282 tonnes of ore (three months ended June 30, 2009 – 476,750 tonnes) from which 70,108 tonnes of concentrate were produced (2009 – 46,447 tonnes).

In the six months ended June 30, 2010, KTC processed 1,323,953 tonnes of ore (six months ended June 30, 2009 – 864,237 tonnes) from which 137,794 tonnes of concentrate were produced (2009 – 84,282 tonnes).

During 2010, both ore processed and concentrate produced continued their trend of quarter on quarter increases. The concentrator continues to meet planned availability and recovery.

As of June 30, 2010, the CM6 mill and its associated feed systems and flotation cells were mechanically completed and full commissioning is expected by August 2010. The CM6 mill has added 2.2 million tpa of oxide ore milling capacity and the ability to produce an additional 300,000 tpa of oxide concentrate at a nominal mill feed grade of 4.5% copper and a concentrate grade of 25% copper. This will provide the Company with excess capacity which will be utilized to produce oxide concentrate as a finished product for sale.

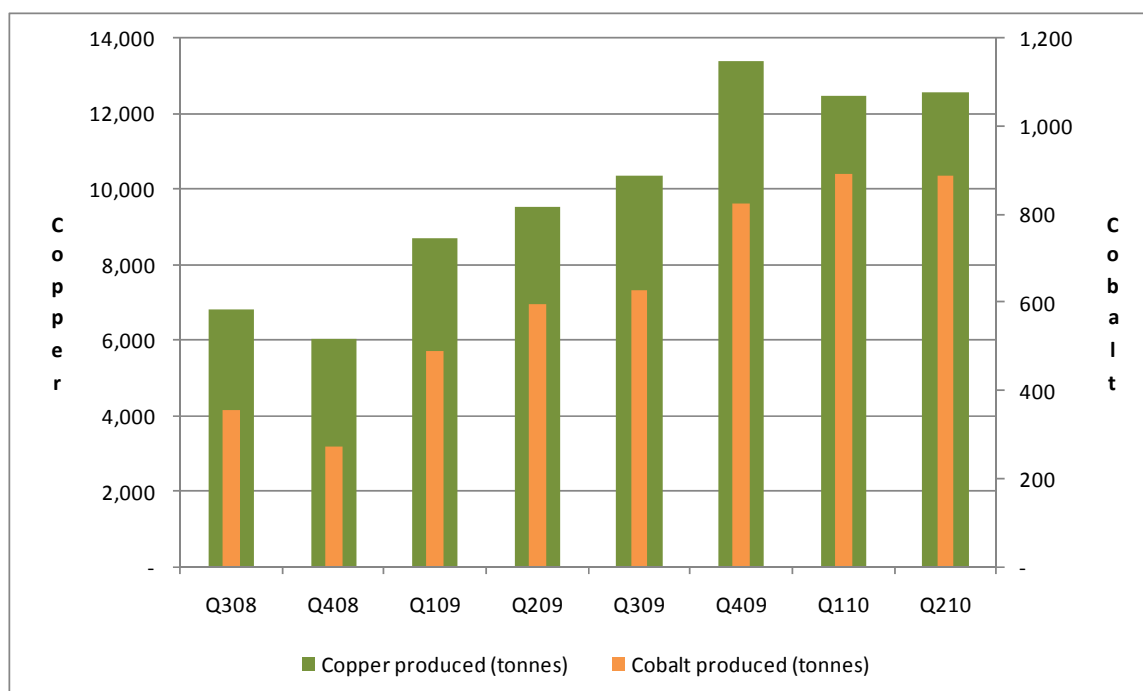


Luilu Processing Plant

The Luilu processing plant is an electro-winning plant that processes sulphide and oxide concentrate from KTC. In the three months ended June 30, 2010, 12,554 tonnes of copper (three months ended June 30, 2009 – 9,516 tonnes) and 887 tonnes of cobalt (2009 – 595 tonnes) were produced.

In the six months ended June 30, 2010, 25,012 tonnes of copper (six months ended June 30, 2009 – 18,231 tonnes) and 1,776 tonnes of cobalt (2009 – 1,083 tonnes) were produced.

Although copper production in the second quarter improved modestly from the first quarter, it was not in line with expectations. Production was hampered by the lack of sulphide ore from KTO underground and by processing constraints with concentrate receiving systems and leach residue disposal systems at the Luilu Processing Plant. The lack of sulphide ore from KTO Underground was caused by mining fleet availability, as discussed above under “KTO Underground”. The process constraints at the Luilu Processing Plant are being remediated by the installation of additional thickeners, drum filters and belt filters as part of Phase III of the rehabilitation, which equipment is currently being commissioned. When fully operational, this equipment will remove the processing constraints up to a copper production capacity of 110,000 tpa.



KOV Open Pit

7,787,142 tonnes of waste has been removed from the KOV Open Pit in the three months ended June 30, 2010 and 9,711,927 tonnes year to date as part of the pre-strip to expose the ore body. As planned, in July 2010 commercial mining activities commenced with high grade copper ore being extracted from the 1320 mL in Cut 1a of the revised mine plan as presented in the Company's Technical Report dated March 31, 2010. Pre-strip activities in Cut 1b have been accelerated and have commenced in advance of the next wet season to achieve ore production plans during this period.

As of July 31, 2010, approximately 72% of the water had been pumped out of the KOV Open Pit. This is in excess of what had been planned. Scheduled engineering works have commenced on the existing pumps and three new pumps have been installed to complete KOV dewatering in the fourth quarter of 2010.

5. 2010 Second Quarter Financial Discussion

Operating Results

	Three Months Ended	
	June 30, 2010 \$'000	June 30, 2009 \$'000
Copper revenue	83,323	47,850
Cobalt revenue	29,539	14,028
Copper concentrate revenue	2,291	-
Cobalt concentrate revenue	-	372
Cost of sales*	(110,414)	(77,540)
	4,739	(15,290)
Other income (expenses)	1,820	(19,587)
Restructuring expense	-	(15,887)
Debenture interest	(4,626)	(4,550)
Interest income	46	49
Income tax recovery (provision)	30	(2,190)
Net income (loss)	2,009	(57,455)
Basic and diluted income (loss) per common share	\$0.00	\$(0.09)

* Includes royalty payments, transportation costs, depreciation and amortization.

The Company reported net income for the three months ended June 30, 2010, of \$2.0 million, \$0.00 basic income per share, compared with a net loss for the comparable quarter in 2009, of \$57.5 million, \$0.09 basic loss per share.

- Copper revenue increased by \$35.5 million for the three months ended June 30, 2010, compared to the same period in 2009 due to:
 - an increase in copper cathodes sold from 10,478 to 14,465 tonnes as production capacity has increased; and
 - an increase in the realized copper price per pound to \$2.61 from \$2.07 as a result of the increase in commodity prices compared to the prior period.
- Cobalt revenue similarly increased by \$15.5 million with:
 - cobalt metal sales increasing from 500 to 801 tonnes; and
 - an increase in the realized cobalt price per pound to \$16.73 from \$12.73 as a result of the increase in commodity prices compared to the prior period.
- Copper concentrate revenue for the three months ended June 30, 2010, was \$2.3 million. No copper concentrate was sold in the three months ended June 30, 2009.
- There was no cobalt concentrate revenue in the second quarter of 2010 as a result of the hand back of the KZC concentrator to La Générale des Carrières et des Mines (“Gécamines”) in 2009 as part of the new Joint Venture Agreement.
- Included in revenue is a net re-pricing loss during the three months ended June 30, 2010, for copper and cobalt of \$0.3 million (three months ended June 30, 2009 \$1.8 million). 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.
- Also included in revenue are movements in the marked-to-market provision for copper, the second quarter represented an unrealized loss of \$15.6 million (three months ended June 30, 2009 - \$6.8 million gain). The loss in the quarter occurred as a result of the reversal of a marked-to-market asset as at March 31, 2010, of \$11.9 million and the provision for a potential loss of \$3.7 million at June 30, 2010, for copper invoices not yet finalized.

- The cost of sales for the three months ended June 30, 2010, totaled \$110.4 million (three months ended June 30, 2009, \$77.5 million). The major variance between the periods being:
 - Royalty payments and transportation costs for three months ended June 30, 2010 were \$12.3 million higher than for the three months ended June 30, 2009. The increase was a result of higher royalty payments in the three months ended June 30, 2010, as a result of increased sales revenue and an increase in transportation costs with 4,568 more tonnes being shipped.
 - Costs directly attributable to mining operations (KTO and T-17), processing operations (Kamoto concentrator and Luilu processing plant) and engineering costs for the three months ended June 30, 2010 increased by \$4.4 million compared to the same period in 2009. This was as a result of the increase in processing and engineering costs of \$7.0 million due to the increased production offset by a reduction in mining costs of \$2.6 million due to a decrease in the total volume mined at T17 as a result of an improvement in the stripping ratio.
 - Site infrastructure and support costs of \$14.2 million for site operating and maintenance costs not directly attributable to individual operations (three months ended June 30, 2009, \$14.4 million) was a small decrease even though production increased as the Company benefited from reductions made in overheads last year.
 - Depreciation and amortization of \$20.3 million in the three months ended June 30, 2010, represented an increase of \$10.5 million on the same three months in 2009. The increase is a result of the additional amortization and depreciation being charged due to the increase in capacity achieved from the completion of Phase II of the rehabilitation project.
- The other income and expenses for the three months ended June 30, 2010, were a net income of \$1.8 million (three months ended June 30, 2009 - \$19.6 million expense). The major variances were:
 - Foreign exchange gain of \$3.7 million (three months ended June 30, 2009 - \$9.7 million loss) mainly due the strengthening of the US dollar in the three months ended June 30, 2010 which resulted in a foreign exchange gain being incurred on the Canadian dollar denominated debenture (for the three months ended June 30, 2009, the US dollar weakened).
 - In the three months ended June 30, 2009, convertible debt accretion of \$5.4 million.
 - A reduction in general administrative expenses of \$2.5 million as a result of savings implemented during the second half of 2009.
- Restructuring expenses for the three months ended June 30, 2009, totaled \$15.9 million in relation to the restructuring of the Company's operations which the Company was required to do to comply with the new joint venture agreement, to implement a new mine plan and reduce the Company's non-core overheads. No such expenses were incurred for the three months ended June 30, 2010.

Cash Flows

Cash flow from (used in):	Three Months Ended	
	June 30, 2010 \$'000	June 30, 2009 \$'000
Operating activities	40,986	(39,510)
Investing activities	(70,236)	(20,635)
Financing activities	-	170,568

- For the three months ended June 30, 2010, cash inflows from operating activities were \$41.0 million (three months ended June 30, 2009 – \$39.5 million outflow). The increase of \$80.5 million was primarily due to:
 - The increase in net income, net of non cash items, of \$36.2 million, as already discussed;
 - A movement of \$38.1 million in accounts receivable due to an increase in trade receivables in the three months ended June 30, 2009 as production and copper price increased changing to a reduction in trade receivables in the three months ended June 30, 2010 as a result of flat production and a decrease in the copper price.
 - An increase in accounts payable in the three months ended June 30, 2010, being \$19.7 million more than the corresponding quarter in 2009 due to an increase in production and a delay in paying creditors due to extended holidays in the DRC at the quarter end.
- Investing activities in the three months ended June 30, 2010, totaled \$70.2 million which was an increase of \$49.6 million on the three months ended June 30, 2009. The main variance being \$50.4 million on additions to property plant and equipment which relates to the additional expenditures incurred on Phase III capital expansion.
- Financing activities in the three months ended June 30, 2010 were nil but for the three months ended June 30, 2009 totaled \$170.6 million as a result of proceeds from a rights offering, net of issue costs and the repayment of a bridge facility.

6. 2010 First Half Year Financial Discussion

Operating Results

	Six Months Ended	
	June 30, 2010 \$'000	June 30, 2009 \$'000
Copper revenue	177,676	75,632
Cobalt revenue	67,144	24,941
Copper concentrate revenue	11,081	-
Cobalt concentrate revenue	-	8,735
Cost of sales*	(212,082)	(163,166)
	43,819	(53,858)
Other expenses	(4,615)	(20,339)
Restructuring expense	-	(25,951)
Debenture interest	(9,418)	(8,254)
Interest income	82	206
Income tax provision	(266)	(2,417)
Net income (loss)	29,602	(110,673)
Basic and diluted income (loss) per common share	\$0.02	\$(0.27)

* Includes royalty payments, transportation costs, depreciation and amortization.

The Company reported a net income for the six months ended June 30, 2010, of \$29.6 million, \$0.02 basic income per share, compared with a net loss for the comparable half year in 2009, of \$110.7 million, \$0.27 basic loss per share.

- Copper revenue increased by \$102.0 million for the six months ended June 30, 2010, compared to the same period in 2009 due to:
 - an increase in copper cathodes sold from 18,288 to 27,380 tonnes as production capacity has increased; and
 - an increase in the realized copper price per pound to \$2.94 from \$1.88 as a result of the increase in commodity prices compared to the prior period.
- Cobalt revenue similarly increased by \$42.2 million with:
 - cobalt metal sales increasing from 960 to 1,701 tonnes; and
 - an increase in the realized cobalt price per pound to \$17.90 from \$11.78.
- Copper concentrate revenue for the six months ended June 30, 2010, was \$11.1 million. No copper concentrate was sold in the six months ended June 30, 2009.
- There was no cobalt concentrate revenue in the first half year of 2010 as a result of the hand back of the KZC concentrator to Gécamines in 2009 as part of the new Joint Venture Agreement.
- Included in revenue are net re-pricing adjustments during the six months ended June 30, 2010, for copper and cobalt of \$5.4 million (six months ended June 30, 2009 \$2.1 million). 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.
- Also included in revenue are movements in the marked-to-market provision for copper, the first half year represented an unrealized loss of \$12.9 million (six months ended June 30, 2009 - \$7.3 million gain).

- The cost of sales for the six months ended June 30, 2010, totaled \$212.1 million (six months ended June 30, 2009, \$163.2 million). The major variance between the periods being:
 - Royalty payments and transportation costs for six months ended June 30, 2010 were \$10.8 million higher than for the six months ended June 30, 2009. Higher royalty payments of \$11.2 million in the six months ended June 30, 2010, were as a result of increased sales revenues. Transportation costs increased by \$2.7 million as a result of an increase in the number of tonnes of finished product shipped offset by a reduction in the tonnes of concentrate sold.
 - Costs directly attributable to mining operations (KTO and T-17), processing operations (Kamoto concentrator and Luilu processing plant) and engineering costs for the six months ended June 30, 2010 increased by \$7.4 million compared to the same period in 2009. This was as a result of the increase in processing and engineering costs of \$14.8 million due to the increased production offset by a reduction in mining costs of \$7.4 million due to a decrease in the total volume mined at T17 as a result of an improvement in the stripping ratio.
 - Site infrastructure and support costs of \$29.7 million for site operating and maintenance costs not directly attributable to individual operations (six months ended June 30, 2009, \$30.7 million) was a small decrease even though production increased as the Company benefited from reductions made in overheads last year.
 - Depreciation and amortization of \$33.8 million in the six months ended June 30, 2010, represented an increase of \$15.1 million on the same six months in 2009. The increase is a result of the additional amortization and depreciation being charged due to the increase in capacity achieved from the completion of Phase II of the rehabilitation project.
- The other expenses for the six months ended June 30, 2010, totaled \$4.6 million (six months ended June 30, 2009 - \$20.3 million). The major variances were:
 - For the six months ended June 30, 2009 \$5.2 million foreign exchange loss mainly due the weakening of the US dollar in the six months ended June 30, 2009 which resulted in foreign exchange losses being incurred on the Canadian dollar denominated debenture. No such weakening occurred in the six months ended June 30, 2010; and
 - In the three months ended June 30, 2009, convertible debt accretion of \$6.2 million; and
 - A reduction in general administrative expenses of \$4.6 million as a result of savings implemented during the second half of 2009.
- Restructuring expenses for the six months ended June 30, 2009, totaled \$26.0 million in relation to the restructuring of the Company's operations which the Company was required to do to comply with the new joint venture agreement, to implement a new mine plan and reduce the Company's non-core overheads. No such expenses were incurred for the six months ended June 30, 2010.

Cash Flows

Cash flow from (used in):	Six Months Ended	
	June 30, 2010 \$'000	June 30, 2009 \$'000
Operating activities	113,309	(110,847)
Investing activities	(92,943)	(49,584)
Financing activities	-	270,568

- For the six months ended June 30, 2010, cash inflows from operating activities were \$113.3 million (six months ended June 30, 2009 – \$110.8 million outflow). The increase of \$224.2 million was primarily due to:
 - The increase in net income, net of non cash items, of \$127.5 million as already discussed.
 - Changes in working capital which for the six months ended June 30, 2010 was an inflow of \$47.9 million and for the six months ended June 30, 2009 a \$48.7 million outflow. The majority of the improvement in the cash inflow is a result of trade receivables. At December 31, 2008, there were no accounts receivables due to the drop in commodity prices at the end of 2008 resulting in repricing of provisional invoices. The increase in commodity prices in the first half of 2009 led to an increase in accounts receivable and a negative impact on cash flow of \$41.1 million, compared to a net cash inflow of \$25.6 million in the six months ended June 30, 2010. The remainder is due to an increase in accounts payable due to increased production and delayed payment of creditors at the half year end due to an extended holiday in the DRC.
- Investing activities in the six months ended June 30, 2010, totaled \$92.9 million which was an increase of \$43.4 million on the six months ended June 30, 2009. The main variance being \$45.0 million on additions to property plant and equipment which relate to the additional expenditure incurred on Phase III.
- Financing activities in the six months ended June 30, 2010, were nil but for the six months ended June 30, 2009 they totaled \$270.6 million as a result of proceeds from the convertible facility of \$100.0 million and \$170.6 million as a result of proceeds from a rights offering, net of issue costs and the repayment of a bridge facility.

7. Balance Sheet Discussion

	June 30, 2010 \$'000	December 31, 2009 \$'000
Assets		
Cash and cash equivalents	97,728	77,243
Restricted cash	13,367	13,455
Accounts receivable	32,788	58,379
Other current assets	133,540	120,614
Property, plant and equipment	1,546,692	1,481,904
Other non-current assets	63	56
	1,824,178	1,751,651
Liabilities		
Current liabilities	179,614	136,804
Debentures payable	113,852	112,929
Other long-term liabilities	224,061	224,932
	517,527	474,665
Shareholders' equity	1,306,651	1,276,986

Cash

The cash balance at June 30, 2010 increased to \$97.7 million from \$77.2 million at December 31, 2009. The increase was as a result of operating cash inflows of \$113.3 million; offset by investing activities outflows of \$92.9 million; and realized foreign exchange gains of \$0.1 million.

Restricted Cash

Restricted cash at June 30, 2010 of \$13.4 million (December 31, 2009 - \$13.5 million) included cash held for guarantees entered into as required by certain capital asset procurement contracts. The restricted cash also included debenture interest of \$8.4 million which was held in trust as at June 30, 2010, and is payable semi-annually (December 31, 2009 - \$8.5 million).

Accounts Receivable

As at June 30, 2010, the accounts receivable balance of \$32.8 million represents outstanding balances for copper, cobalt and concentrate sales invoiced. Copper, cobalt and 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 \$32.8 million is a marked-to-market reduction to sales of \$3.7 million (December 31, 2009 - \$9.2 million increase) that represents the difference between the provisional invoice price and the quoted market price of copper.

Other Current Assets

Other current assets increased to \$133.5 million at June 30, 2010 from \$120.6 million at December 31, 2009. There was a net increase in inventories of \$7.8 million with a decrease in work in progress and finished goods of \$16.8 million due to improved logistics offset by an increase of \$24.6 million in consumables inventory with the ramp up in production. Prepayments have increased by \$5.1 million with the commencement of Phase III.

Property, Plant and Equipment

Property, plant and equipment at June 30, 2010 increased to \$1,546.7 million from \$1,481.9 million at December 31, 2009 with Project related capital expenditure of \$72.5 million and operational capital expenditure of \$21.6 million.

Other Non-current Assets

Other non-current assets were \$0.1 million at June 30, 2010 consistent with \$0.1 million at December 31, 2009.

Current Liabilities

Current liabilities at June 30, 2010 increased to \$179.6 million from \$136.8 million at December 31, 2009. The increase of \$42.8 million was as a result of the commencement of Phase III, increased consumption of goods and services with the increased production and a delay in paying creditors as at June 30, 2010, due to extended holidays in the DRC.

Debentures Payable

The increase in debentures payable to \$113.9 million at June 30, 2010 from \$112.9 million at December 31, 2009 occurred as a result of an unrealized foreign exchange loss of \$0.2 million on the revaluation of the Canadian dollar denominated debentures into US dollars and accretion of \$0.8 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 decreased to \$224.1 million as at June 30, 2010 from \$224.9 million as at December 31, 2009.

Off-Balance Sheet Arrangements

As at June 30, 2010, the Company had no off-balance sheet arrangements.

8. Contractual Obligations and Commitments

The following table summarizes the Company's contractual and other obligations as at June 30, 2010.

Payments due by period	Total \$'000	Less than 1 year \$'000	1-3 years \$'000	4-5 years \$'000	After 5 years \$'000
Capital expenditure commitments ⁽¹⁾	44,106	44,106	-	-	-
Debentures payable ⁽²⁾	175,723	16,676	33,399	125,648	-
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

⁽¹⁾ The capital expenditure commitments relate to Phase III of the Project. Phase III commenced in 2009 and is expected to increase production to 150,000 tpa of copper by the end of the second quarter of 2011. It is expected that Phase III will be funded from 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 \$140.0 million is payable in installments on an agreed upon schedule until 2016. Of the \$140.0 million, \$20.0 million has already been paid and \$24.5 million has been deducted from these payables representing Gécamines' outstanding share capital contribution to KCC.

⁽⁴⁾ Pursuant to the terms of the New Joint Venture Agreement all installations and infrastructures within the perimeter of the KCC concession area shall be rented for an annual lease payment to Gécamines of \$1.8 million.

9. Liquidity and Capital Resources

As at June 30, 2010, the Company had cash of \$97.7 million (December 31, 2009 – \$77.2 million) and working capital of \$95.8 million (December 31, 2009 – \$130.9 million). During the three months ended June 30, 2010, the Company generated operating cash flows of \$41.0 million compared with a cash outflow of \$39.5 million during the comparable period of 2009. The Company does not have any committed or uncommitted credit facilities in place.

The Company has in place a rigorous planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. The cash on hand and budgeted funds from operations are projected to be sufficient to meet the Company's budgeted capital expenditures in connection with Phase III of the Project, interest payments on outstanding debentures and entry premium payments to Gécamines. Further detail on the Company's commitments can be found in item 8 of this Management's Discussion and Analysis.

The Company did not undertake any financing activities in the six months ended June 30, 2010. In the six months period ended June 30, 2009, the Company raised \$100.0 million in connection with a convertible loan refinancing and \$170.6 million in connection with a rights offering. The cash raised in this financing was primarily used to fund the ongoing development of the Project and operations. In June 2009, the outstanding convertible loan with Glencore International AG ("Glencore") was converted into common shares settling the liability with no required cash outflows from the Company.

10. Changes in Accounting Policies

New accounting policies

No new accounting standards were adopted in the six months ended June 30, 2010.

International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board confirmed that publicly listed companies will be required to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption may be permitted, however it will require exemptive relief on a case by case basis from the Canadian Securities Administrators. Katanga expects its first consolidated financial statements presented in accordance with IFRS to be for the three month period ended March 31, 2011, which includes presentation of its comparative results for fiscal 2010 under IFRS.

In order to prepare for the changeover to IFRS, the Company has developed an IFRS conversion plan that comprises three major phases, including a scope and planning phase, a design and build phase and an implement and review phase culminating in the reporting of financial information in accordance with IFRS for the three month period ended March 31, 2011.

Scoping and Design Phase

The Company has completed the scoping and planning phase which involved:

- establishing a conversion management team,
- identifying and allocating resources required for the conversion,
- identifying major areas affected by the conversion and
- developing an implementation plan and communication strategy.

The Company has designated the appropriate resources for the conversion to develop an effective plan and continues to assess resource and training requirements as the conversion plan progresses.

Design and Build Phase

The Company began the design and build phase of the conversion plan in the second quarter of 2010 which resulted in:

- the identification of IFRS standards that are applicable to the company; and
- an assessment of the significance of such standards to the Company's financial reporting and whether such standards are expected to lead to qualitative / quantitative change to the reported results.

Based on the results of this assessment, the following accounting standards are expected to have a qualitative / quantitative effect on the financial results and reported position of the Company:

- IFRS 1 – First-time Adoption of IFRS, which specifies additional disclosures required in the period of adoption and elections on accounting policies that can be made where applicable.
- IAS 12 – Income Taxes, which requires foreign exchange fluctuations on deferred tax items to be recorded within income taxes whereas Canadian GAAP does not require such presentation. Additionally, potential differences exist between “probable” likelihood and “more likely than not” criteria for the realization of deferred tax assets.
- IAS 27 – Consolidated and Separate Financial Statements, which requires the accounting for a non-controlling interest even in the situation where the losses attributed to the non-controlling minority exceed the minority's interest in the subsidiary's equity whereas Canadian GAAP does not allow such a negative non-controlling interest.

- IAS 16 – Property, Plant and Equipment, which may result in a change due to the separation of asset components with differing useful lives.
- IAS 23 – Borrowing Costs, where capitalization of such costs is permitted under IFRS but not under Canadian GAAP.

Outlook for the Remainder of 2010

The Company is currently in the process of quantifying the impact that the identified differences will have. The Company expects to have completed shell financial statements, quantified the impact of the significant changes to the Company's current accounting policies on the Company's IFRS opening balance sheet and identified business processes and resources impacted by the end of the third quarter of 2010. Training sessions are planned and will be provided to key personnel of the Company to ensure adequate knowledge.

The International Accounting Standards Board continues to amend and add to current IFRS standards with several projects currently underway. The Company's conversion process includes monitoring actual and anticipated changes to IFRS standards and related rules and regulations and assessing the impacts of these changes on the Company and its reporting, including expected dates of when such impacts are effective.

To be adopted in fiscal 2011 and beyond

Business Combinations

In December 2008, the CICA issued Handbook Section 1582, Business Combinations ("Section 1582"), which replaces Handbook Section 1581, Business Combinations, and Handbook Section 1601, Consolidated Financial Statements and Handbook Section 1602, Non-Controlling Interests ("Section 1602"), which replace Handbook Section 1600, Consolidated Financial Statements. These new sections are effective January 1, 2011 with earlier adoption permitted.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. The Company has not early adopted these sections however should the Company engage in a future business combination, it would consider early adoption.

Multiple Deliverable Revenue Arrangements

In December 2009, the CICA issued EIC 175, "Multiple Deliverable Revenue Arrangements" to provide guidance on revenue recognition on contracts which provide multiple products, services, rights to use assets, or any combination thereof. This is effective for fiscal years beginning on or after January 2011. The application of this EIC would have no effect on the consolidated financial statements.

11. Critical Accounting Estimates

Critical accounting estimates used in the preparation of the unaudited interim consolidated financial statements include the Company's estimate of recoverable value on its investment in the redevelopment of the Project assets, inventory valuation, 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 Project assets is based on historical costs. The cost of acquisition of Nikanor plc in 2007 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.

12. 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

(b) ISSUED AT JUNE 30, AND AUGUST 6, 2010

1,000 common shares, par value \$12.00 each
 1,907,379,413 common shares, par value \$0.10 each

(c) WARRANTS

The following table reflects the continuity of warrants during the three and six months ended June 30, 2010:

Expiry date	Exercise price ⁽¹⁾	Outstanding December 31, 2009	Issued during the period	Exercised/ expired during the period	Outstanding June 30, 2010
November 20, 2011	\$8.50	3,966,400	-	-	3,966,400

⁽¹⁾ Denominated in Canadian dollars

(d) STOCK OPTIONS

The following table reflects the continuity of stock options during the period:

	Number of stock options	Weighted Exercise Price per Share ⁽¹⁾
Outstanding at January 1, 2009	5,515,686	\$11.95
Forfeited during the year	(1,065,000)	\$10.92
Outstanding at December 31, 2009	4,450,686	\$12.20
Movement during the period	-	-
Outstanding at August 6, 2010	4,450,686	\$12.20

⁽¹⁾ Denominated in Canadian dollars

During the three and six months ended June 30, 2010 and 2009, there were no options granted pursuant to the Company's stock option plan.

13. Related Party Transactions

Related Parties

La Générale des Carrières et des Mines (“Gécamines”) a state owned and operated mining enterprise of the DRC, has a 25% minority interest in KCC. KCC is required to make royalty payments to Gécamines pursuant to the Joint Venture Agreement between Katanga, Gécamines and KCC.

Glencore is the Company’s majority shareholder and is represented on the Board of Directors of the Company. In November 2007, 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 also provided funding to the Company in the form of convertible debt and a non-convertible bridge loan facility. The offtake was entered into before Glencore was a related party of the Company.

Xstrata Queensland Ltd (“Xstrata”) is a subsidiary of Xstrata plc and at June 30, 2010, Glencore owned 34.38% of Xstrata plc’s issued share capital. During 2009 and 2010, Xstrata 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 2009 and 2010, Mopani supplied sulphuric acid and other consumables to the Company, and purchased concentrate from the Company. On August 4, 2010, Katanga’s Board of Directors approved entering into three contracts with Mopani providing for the purchase by Mopani of oxide concentrate from, and sale by Mopani of starter sheets and lead to, Katanga in the ordinary course of business and on arm’s length commercial terms. After reviewing the terms of the proposed three contracts, Katanga’s independent Directors, who are also members of its Corporate Governance and Nominations Committee unanimously recommended the Board of Directors approve entering into the three contracts with Mopani.

Mutanda ya Mukonkota Mining SPRL (“Mutanda”) is a copper and cobalt producer located in the DRC. Mutanda is a 40% owned investment of Glencore. There is an agreement in place for employees to use charter flights operated by either company with associated costs invoiced. During the year ended December 31, 2009, Mutanda supplied cranes to the Company and the Company supplied vehicles and furniture to Mutanda.

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.

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 the Project. These contracts were entered into while Bateman was a related party. Bateman ceased being a related party on June 2, 2009.

Transactions

All related party transactions, other than the financing transactions with the Company's majority shareholder, Glencore, were in the normal course of business and recorded at exchange amounts. The following table provides the total amount of the transactions entered into with these related parties:

	Three months ended June 30, 2010 \$'000	Three months ended June 30, 2009 \$'000	Six months ended June 30, 2010 \$'000	Six months ended June 30, 2009 \$'000
Purchases from related parties				
La Générale des Carrières et des Mines	3,127	1,159	6,432	2,049
Mopani Copper Mine Plc	9,298	-	13,473	-
Xstrata Queensland Ltd	2,894	4,944	2,894	4,944
Purchases from former related parties				
Enterprise Generale Malta Forrest SPRL	-	20,055	-	28,829
Bateman Engineering N.V	-	4,617	-	4,617
Sales to related parties				
Mutanda ya Mukonkota Mining SPRL	167	-	287	-
Glencore International AG ⁽¹⁾	112,864	97,396	244,821	104,013
Mopani Copper Mine Plc	2,291	-	11,081	-
Sales to former related parties				
Enterprise Generale Malta Forrest SPRL	-	-	-	3,807
		As at June 30, 2010 \$'000	As at December 31, 2009 \$'000	
Amounts owed to related parties				
La Générale des Carrières et des Mines		8,459	-	
Glencore International AG		3,822	178	
Mopani Copper Mine Plc		3,063	-	
Xstrata Queensland Ltd		1,915	1,915	
Amounts owed by related parties				
La Générale des Carrières et des Mines		6,462	806	
Mopani Copper Mine Plc		1,240	5,190	
Mutanda ya Mukonkota Mining SPRL		383	24	
Glencore International AG		26,521	44,774	

In November 2007, Glencore and the Company signed an off-take agreement whereby, commencing January 1, 2009, all copper and cobalt produced is sold to Glencore based on market terms.

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.

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 in excess of 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. Public consultation was completed at April 15, 2010, and SRK Consulting are currently finalizing the necessary amendment to the ESIA. Once this revision is completed the ESIA will be submitted to the DRC authorities for approval. In the interim, community development and ongoing communications are maintained, albeit at a somewhat lower level than originally anticipated.

15. Joint Venture Agreement (JVA)

The amended JVA was signed with Gécamines on July 25, 2009, and all conditions remain consistent with those outlined in the Annual Information Form which is available under the Company's profile on SEDAR at www.sedar.com.

16. Technical report

The Company filed an updated Technical Report on March 31, 2010, that covered the mineral reserves [as defined by National Instrument 43-101 of the Canadian Securities Regulators ("NI 43-101")] and operations of the Company's operating subsidiary in the DRC, Kamoto Copper Company SARL.

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

Disclosure control and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. For the fiscal year ended December 31, 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 June 30, 2010, 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 and was effective as at June 30, 2010.

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. There were no changes to the Company's internal controls over financial reporting that occurred during the quarter ended June 30, 2010 that materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting.

18. Financial Instruments

The Company's use of financial instruments has not changed since December 31, 2009. The main financial instruments of the Company remain as:

- Receivables from copper sales - 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.
- Restricted stock units - Outstanding restricted stock units are marked-to-market based on the Company's share price on the TSX at the reporting date.

19. Risk Factors

Katanga's operations and results are subject to a number of different risks at any given time. These risk factors include, but are not limited to, the current global financial condition; the speculative nature of mining operations; unanticipated variations in mineral resources or ore reserves, grade and recovery rates; risks relating to international operations, including political unrest, social disruption in the local communities and limitations in taking legal actions and enforcing judgments; the lack of infrastructure in the Democratic Republic of the Congo; health risks to Katanga personnel and local population; global competition in the mining sector; relationships with joint venture partners; the existence of a principal shareholder; potential conflicts of interests; dependence on key personnel and third party contracts and business arrangements; compliance with, or changes to, applicable laws, regulations, rules or quality standards, including those relating to Katanga's mineral entitlements and mining rights; insurance coverage limitations and uninsured risks; changes in environmental regulations and/or enforcement of such regulations; fluctuating copper and/or cobalt prices and currency exchange rates; acts of terrorism; accidents, labour disputes and other risks of the mining industry, including the possibility of project cost overruns or unanticipated costs and expenses or the failure of plant, logistics, equipment or processes to operate as anticipated. A more detailed analysis of the risk factors that could affect Katanga's operations and results can be found in the updated Technical Report and most recent Annual Information Form of Katanga, which are available on SEDAR at www.sedar.com.

20. Non-GAAP Measures

The Company has included a non-GAAP performance measure, C1 cash costs, net of by-product credits, per pound of copper. The Company reports C1 cash costs on a production basis. In the copper mining industry, this is a common performance measure but does not have any standardized meaning. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. C1 cash costs inclusive of by-product credits are calculated by deducting by-product cobalt sales revenues from operating cash costs.

21. Forward Looking Statements

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

Forward-looking statements involve known and unknown risks, future events, conditions, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, prediction, projection, forecast, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, the actual results of current exploration activities; actual results and interpretation of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of copper and cobalt; possible variations in ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labor disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of exploration, development or construction activities, as well as those factors disclosed in the Company's 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.