

KATANGA MINING LIMITED

**Management's Discussion and Analysis
September 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 nine months ended September 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 November 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"), 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 September 30, 2010

- ... Total sales for the third quarter of 2010, were \$129.4 million, comprised of \$91.6 million (12,632 tonnes) for copper cathode, \$33.2 million for cobalt metal (902 tonnes) and \$4.6 million for copper concentrate (944 tonnes of contained copper).
- ... For the third quarter of 2010, the Company had a gross profit of \$30.3 million and net income of \$21.1 million.
- ... C1 cash cost for the third quarter of 2010 was \$1.81 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 \$0.11 per pound of copper higher than the second quarter due to an increase in maintenance costs at Luilu.
- ... Production data for the third quarter:
 - Copper production was 12,826 tonnes which was a slight improvement on the previous quarter of 12,554 tonnes. Finished copper production was constrained at Luilu due to delays in achieving nameplate design throughput for recently commissioned equipment in the concentrate reception area. These problems are currently in the process of being resolved. Additionally, power instability originating from the provincial grid resulted in frequent disruptions and productivity loss in the copper electro-winning tank house and the cobalt purification circuits. Power instability issues are being resolved through on-going project related works between the Company and the national power utility company.
 - Cobalt production was 852 tonnes which was in line with production for the second quarter.
 - Concentrate production for sale as a finished product was 10,899 tonnes (2,053 tonnes of contained copper) as the Company is exploiting the additional capacity of its concentrator.
- ... Commercial production at the KOV pit commenced with 203,793 tonnes of ore mined with an average copper grade of 2.24% and cobalt grade of 0.29%. The copper and cobalt grades are expected to significantly increase in the next quarter as higher grade reserves are exploited. KOV pit is now nearly fully dewatered with only 7% of the original water volume remaining.
- ... Progress on the Accelerated Development Plan to increase the production capacity to 150,000 tonnes of copper per annum by July 2011 is as anticipated, with:
 - CM6 mill and its associated infrastructure commissioned in July 2010. The concentrator now has the monthly capacity to mill 195,000 tonnes of sulphide ore and 245,000 tonnes of oxide ore with associated flotation systems also having being installed.
 - A new receiving thickener, drum filter, residue belt filter, cobalt belt filter and additional electro-winning cells rehabilitated in the copper tank house at Luilu. Luilu now has the capacity to produce 110,000 tonnes per annum of finished copper.

Outlook

- ... A Scoping and Engineering Study is continuing as planned. The Company expects the study will provide a more efficient solution for the expansion of the plant to 310,000 tpa copper production which will be integrated with the current infrastructure and which will achieve the objective of reducing the associated capital expenditures.

3. Quarterly Results

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

	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3
(\$ millions except where indicated)								
Statement of Operations								
Total revenues	13.3	47.0	62.3	76.2	100.0	140.7	115.2	129.4
Cost of sales*	(89.1)	(85.6)	(77.5)	(74.2)	(83.2)	(101.7)	(110.4)	(99.1)
Total revenues less cost of sales	(75.8)	(38.6)	(15.3)	2.1	16.8	39.1	4.7	30.3
General administrative and other expenses	15.6	(0.8)	(19.6)	(11.5)	(8.6)	(6.4)	1.8	(4.5)
Restructuring expenses	(101.7)	(10.1)	(15.9)	0.8	11.2	-	-	-
Impairment of mineral properties and inventories	(1,460.4)	-	-	-	-	-	-	-
Debt interest	(4.5)	(3.7)	(4.6)	(4.4)	(4.6)	(4.8)	(4.6)	(4.6)
Interest income	1.2	0.2	0.0	0.9	0.6	0.0	0.0	0.1
(Loss) income before income taxes	(1,625.6)	(53.0)	(55.3)	(12.2)	15.4	27.9	2.0	21.2
Basic (loss) income per common share (\$ per share)	(5.98)	(0.26)	(0.09)	(0.01)	0.01	0.01	0.00	0.01
Realized copper price (\$ per lb)**	0.23	1.63	2.07	2.75	3.27	3.31	2.61	3.29
Realized cobalt price (\$ per lb)	8.40	10.76	12.73	14.73	17.25	18.95	16.73	16.67
Realized concentrate price (\$ per tonne)	266	492	664	-	-	2,660	2,727	908
Total copper sold (tonnes)***	8,472	7,750	10,478	9,623	10,275	12,915	14,465	12,632
Total copper produced (tonnes)	6,090	8,715	9,516	10,351	13,382	12,458	12,554	12,826
Total cobalt sold (tonnes)	310	460	500	620	680	900	801	902
Total cobalt produced (tonnes)	273	487	595	628	824	889	887	852
Total concentrate sold (tonnes)	12,784	16,992	560	-	-	3,304	840	5,045
Balance Sheet								
Cash	31.8	31.8	141.7	152.8	77.2	126.7	97.7	46.4
Other current assets	88.6	103.5	148.0	158.1	190.4	161.5	177.7	226.6
Mineral interests and other assets	1,351.5	1,389.3	1,437.4	1,450.7	1,484.0	1,504.8	1,548.8	1,589.8
Total assets	1,471.9	1,524.6	1,727.1	1,761.6	1,751.7	1,793.0	1,824.2	1,862.9
Current liabilities	192.8	169.6	204.8	162.8	136.8	147.0	179.6	194.7
Long-term debt	258.4	356.2	101.2	108.6	112.9	116.9	113.9	116.4
Other long-term liabilities	168.4	192.5	231.3	228.8	224.9	224.5	224.1	223.7
Total liabilities	619.6	718.4	537.3	500.2	474.7	488.3	517.5	534.8
Shareholders' equity	852.4	806.2	1,189.8	1,261.4	1,277.0	1,304.6	1,306.7	1,328.1
Cash Flow								
Operating activities	(0.5)	(71.3)	(39.5)	(48.8)	(19.9)	72.3	41.0	(1.1)
Investing activities	(136.9)	(28.9)	(20.6)	(14.7)	(56.7)	(22.7)	(70.2)	(49.7)
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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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	2010 Q3
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	103,224
Ore mined (tonnes)	152,520	155,360	193,377	259,205	311,803	329,703	297,435	311,180	329,027
Copper grade (%)	3.53	4.19	3.79	4.02	3.78	3.84	4.15	4.01	3.52
Cobalt grade (%)	0.45	0.44	0.46	0.51	0.46	0.53	0.53	0.56	0.61
<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	1,060,928
Ore mined (tonnes)	151,044	129,653	206,176	425,372	398,302	658,128	618,128	513,478	548,108
Copper grade (%)	1.53	2.18	2.31	1.29	1.17	1.08	1.68	2.50	2.96
Cobalt grade (%)	0.98	0.91	0.81	0.83	0.75	0.93	0.95	0.90	0.99
<i>Open Pit Mining - KOV</i>									
Waste mined (tonnes)	-	-	-	-	-	-	1,924,785	7,787,142	7,323,131
Ore mined (tonnes)	-	-	-	-	-	-	-	-	203,793
Copper grade (%)	-	-	-	-	-	-	-	-	2.24
Cobalt grade (%)	-	-	-	-	-	-	-	-	0.29
<i>Concentrator</i>									
Ore processed (tonnes)	269,997	305,445	387,487	476,750	539,107	581,876	620,671	703,282	762,060
Concentrate produced (tonnes)	27,690	30,814	37,835	46,447	50,908	54,782	67,686	70,108	78,233
<i>Metallurgical Plant</i>									
Total concentrate feed (tonnes)	30,844	26,918	37,115	40,658	39,443	62,228	62,790	63,891	62,617
Copper produced (tonnes)	6,812	6,050	8,715	9,516	10,351	13,382	12,458	12,554	12,826
Cobalt produced (tonnes)	356	273	488	595	628	824	889	887	852

4. Production for the Third Quarter and Year to date

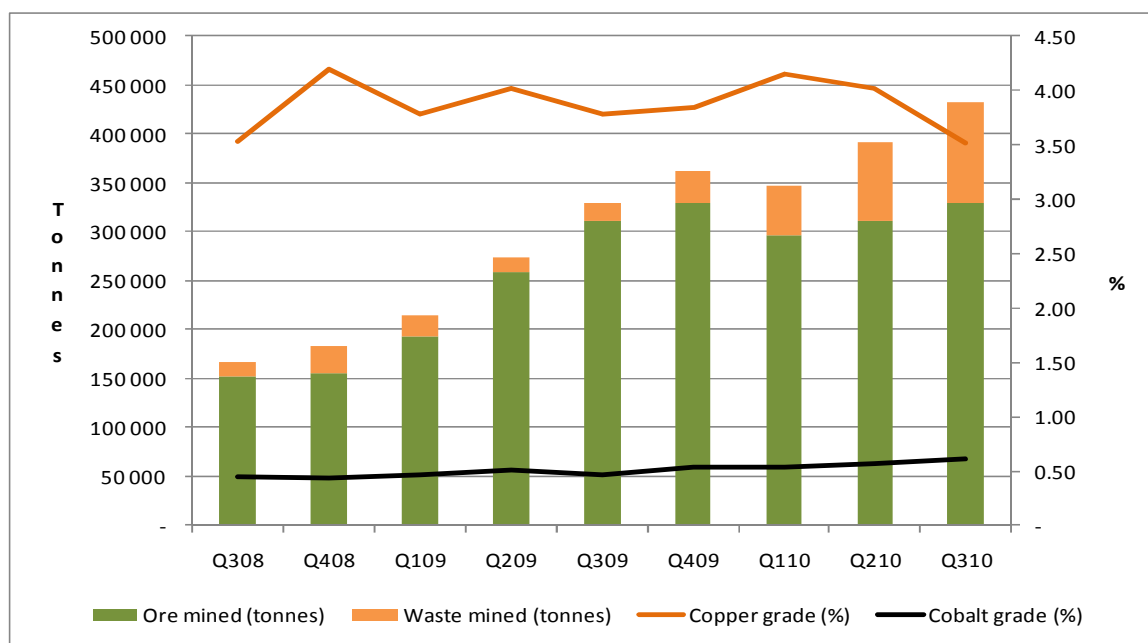
The process of producing copper cathode, cobalt metal and concentrate is achieved through distinct processes which are described and reviewed below. The production statistics for each of these areas is presented in item 3 – Summary of Quarterly Results and below in graphical analysis.

KTO Underground

During the quarter ended September 30, 2010, 329,027 tonnes of ore (quarter ended September 30, 2009 – 311,803 tonnes) and 103,224 tonnes of waste (2009 – 18,234 tonnes) were mined from underground. An average copper grade of 3.52% (2009 – 3.78%) and an average cobalt grade of 0.61% (2009 – 0.46%) were achieved.

During the nine months ended September, 2010, 937,642 tonnes of ore (nine months ended September 30, 2009 – 764,386 tonnes) and 232,937 tonnes of waste (2009 – 55,211 tonnes) were mined from underground. An average copper grade of 3.88% (2009 – 3.85%) and an average cobalt grade of 0.57% (2009 – 0.47%) were achieved.

During the three months ended September 30, 2010, a cumulative total of 432,251 tonnes of ore plus waste was mined which was 40,587 tonnes higher than the previous highest cumulative total mined. Due to poor semi-mobile fleet reliability in previous periods there was a backlog in development, drilling and preparation of production chambers which is now being eliminated following the successful implementation of improved maintenance management systems underground. The backlog in development, drilling and preparation of production chambers resulted in a requirement to accelerate this activity during the third quarter with waste mined being 103,224 tonnes for the quarter, an increase of 84,990 tonnes compared to the same quarter in 2009. This increased the relative volume of ore originating from development works which is of a lower grade than ore mined from production chambers. As a result, the average grade dropped from 4.01% in the previous quarter to 3.52% in the current quarter.

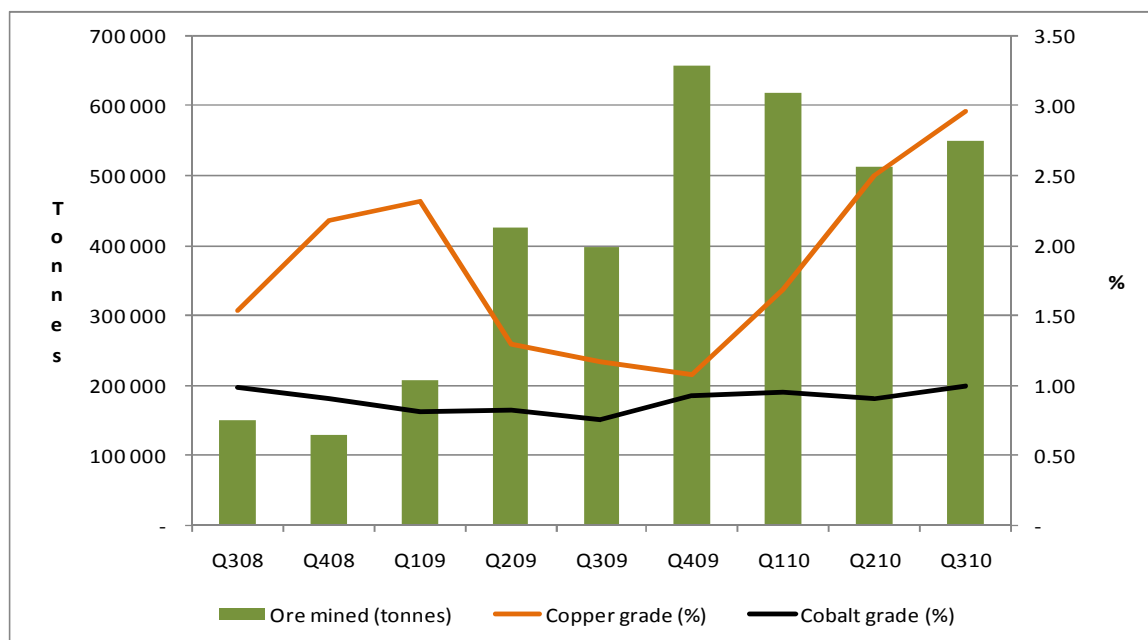


T17 Open Pit

At T17, in the three months ended September 30, 2010, 548,108 tonnes of ore were produced (2009 – 398,302 tonnes) with an average copper grade of 2.96% (2009 – 1.17%) and an average cobalt grade of 0.99% (2009 – 0.75%). 1,060,928 tonnes of waste were removed in the third quarter (2009 – 5,619,369 tonnes). The strip ratio for the three months ended September 30, 2010 was 1.9 compared to 14.1 for the same period in 2009 which is in line with the mine plan.

At T17, in the nine months ended September 30, 2010, 1,679,714 tonnes of ore were produced (2009 – 1,029,850 tonnes) with an average copper grade of 2.35% (2009 – 1.45%) and an average cobalt grade of 0.93% (2009 – 0.80%). 4,973,793 tonnes of waste were removed in the nine months (2009 – 12,596,831 tonnes). The strip ratio for the nine months ended September 30, 2010 was 3.0 compared to 12.2 for the same period in 2009.

T17 continues to exceed expectations with regards to the amount of ore mined and the grades of the ore.



KOV Open Pit

203,793 tonnes of ore were produced in the three months ended September 30, 2010, with an average copper grade of 2.24% and cobalt grade of 0.29%. Total waste mined for the quarter was 7,323,131 tonnes of which 5,679,848 were a result of pre-strip activities in Cut1b. Copper and cobalt grades are expected to significantly increase in the next quarter as the higher grade ore is accessed below the 1320m level.

As of September 30, 2010, approximately 93% of the water had been pumped out of the KOV Open Pit which is in excess of what had been planned.

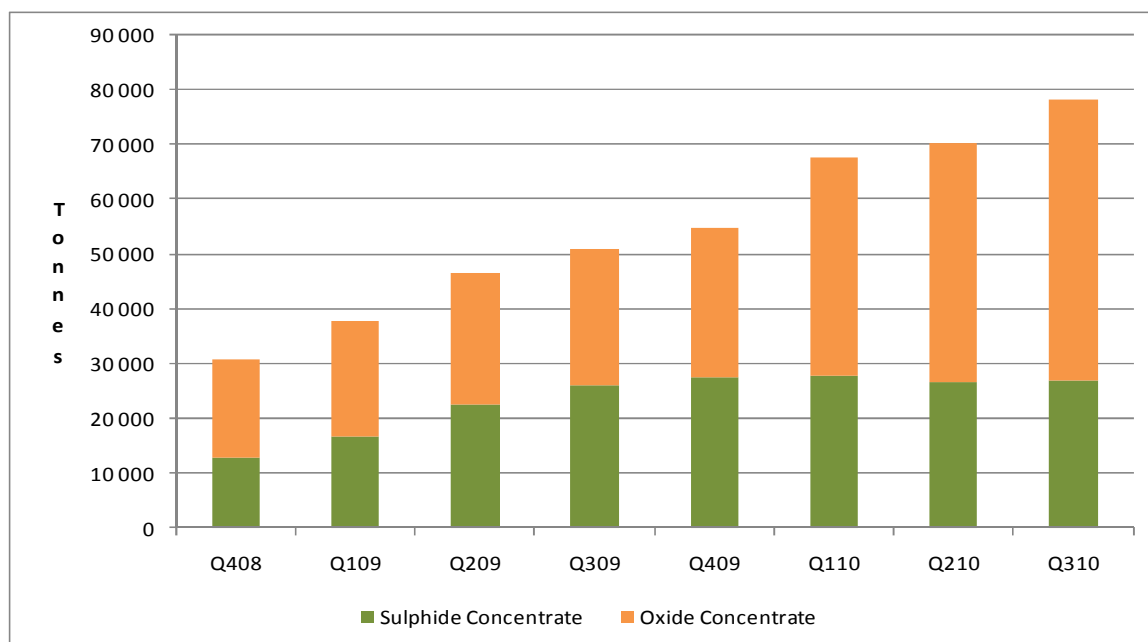
Kamoto Concentrator

The Kamoto concentrator ("KTC") processes ore from KTO underground, KOV and T17 open pit. In the three months ended September 30, 2010, KTC processed 762,060 tonnes of ore (three months ended September 30, 2009 – 539,107 tonnes) from which 78,233 tonnes of concentrate were produced (2009 – 50,908 tonnes).

In the nine months ended September 30, 2010, KTC processed 2,086,013 tonnes of ore (nine months ended September 30, 2009 – 1,403,344 tonnes) from which 216,027 tonnes of concentrate were produced (2009 – 135,190 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.

With the commissioning of the CM6 mill and its associated feed and flotation systems, KTC has excess capacity which is being utilized to produce oxide concentrate as a finished product for sale. In the three months ended September 30, 2010 the Company produced 10,899 tonnes of oxide concentrate for sale with contained copper of 2,044 tonnes. The Company expects to increase the production of oxide concentrate as a finished product in future quarters.

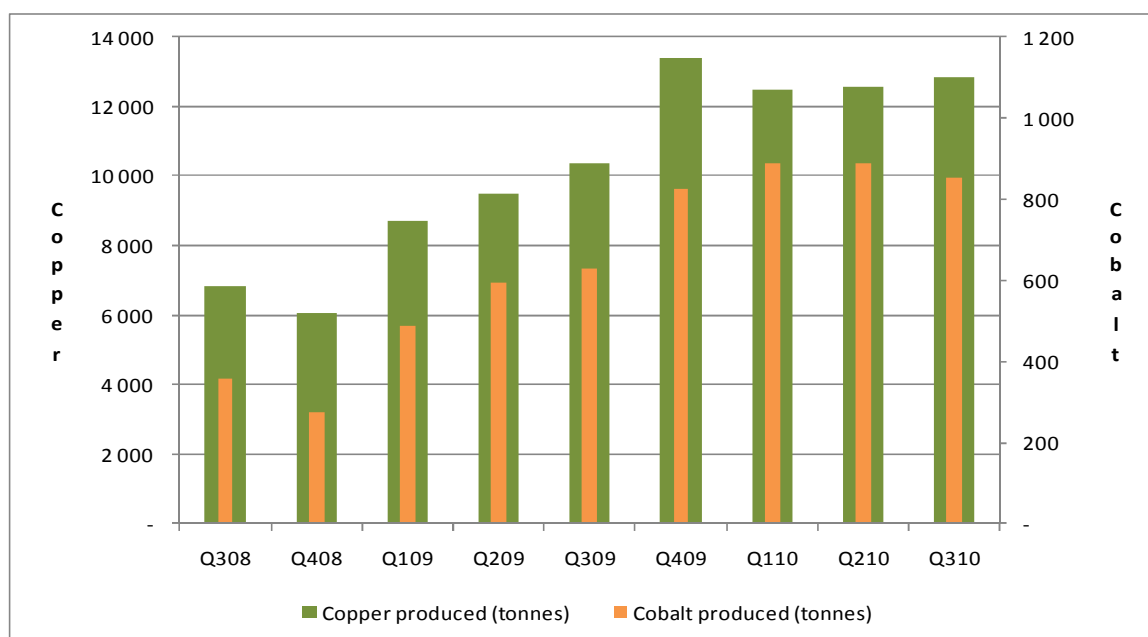


Luilu Processing Plant

The Luilu processing plant is an electro-winning plant that processes sulphide and oxide concentrate from KTC. In the three months ended September 30, 2010, 12,826 tonnes of copper (three months ended September 30, 2009 – 10,351 tonnes) and 852 tonnes of cobalt (2009 – 628 tonnes) were produced.

In the nine months ended September 30, 2010, 37,838 tonnes of copper (nine months ended September 30, 2009 – 28,583 tonnes) and 2,628 tonnes of cobalt (2009 – 1,710 tonnes) were produced.

Although copper production in the third quarter improved modestly from the second quarter, it was not in line with expectations. Production constraints at the Luilu Processing Plant are still being remediated by the installation of additional thickeners, drum filters and belt filters as part of Phase III of the rehabilitation. The equipment has been installed but additional work has been required to modify the initial designs to achieve the design throughput. In addition to this, there have been frequent power outages and variability in power frequency due to provincial grid deficiencies which have negatively impacted on copper electro-winning tank house performance and cobalt purification processes. These are being resolved through on-going project related initiatives between KCC and SNEL, the national power utility company. These initiatives are focussing on upgrading the current capacity of the DC link, between the Inga hydro-electricity facilities and Katanga province, to its installed capacity.



5. 2010 Third Quarter Financial Discussion

Operating Results

	Three Months Ended	
	September 30, 2010 \$'000	September 30, 2009 \$'000
Copper revenue	91,617	58,404
Cobalt revenue	33,155	20,139
Copper concentrate revenue	4,579	-
Cobalt concentrate revenue	-	(2,296)
Cost of sales*	(99,091)	(74,196)
	30,260	2,051
Other expenses	(4,483)	(11,473)
Restructuring gain	-	756
Debenture interest	(4,627)	(4,397)
Interest income	93	882
Income tax provision	(161)	(420)
Net income (loss)	21,082	(12,601)
Basic and diluted income (loss) per common share	\$0.01	\$(0.01)

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

The Company reported net income for the three months ended September 30, 2010, of \$21.1 million, \$0.01 basic income per share, compared with a net loss for the comparable quarter in 2009, of \$12.6 million, \$(0.01) basic loss per share.

- ... Copper revenue increased by \$32.8 million for the three months ended September 30, 2010, compared to the same period in 2009 due to:
 - o an increase in copper cathodes sold from 9,623 to 12,632 tonnes as production capacity has increased; and
 - o an increase in the realized copper price per pound to \$3.29 from \$2.75 as a result of the increase in commodity prices compared to the prior period.
- ... Cobalt revenue similarly increased by \$13.0 million with:
 - o cobalt metal sales increasing from 620 to 902 tonnes; and
 - o an increase in the realized cobalt price per pound to \$16.67 from \$14.73 as a result of the increase in commodity prices compared to the prior period.
- ... Copper concentrate revenue for the three months ended September 30, 2010, was \$4.6 million. No copper concentrate was sold in the three months ended September 30, 2009.
- ... There was no cobalt concentrate revenue in the third 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 gain during the three months ended September 30, 2010, for copper and cobalt of \$5.7 million (three months ended September 30, 2009 \$11.7 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 third quarter represented a gain of \$7.6 million (three months ended September 30, 2009 - \$1.2 million gain).

- ... The cost of sales for the three months ended September 30, 2010, totalled \$99.1 million (three months ended September 30, 2009, \$74.2 million). The major variance between the periods being:
 - Royalty payments and transportation costs for three months ended September 30, 2010 were \$6.1 million higher than for the three months ended September 30, 2009. The increase was a result of higher royalty payments in the three months ended September 30, 2010, as a result of increased sales revenue and an increase in transportation costs with more tonnes of finished product being shipped.
 - Costs directly attributable to mining operations (KTO, KOV and T-17), processing operations (Kamoto concentrator and Luilu processing plant) and engineering costs for the three months ended September 30, 2010 increased by \$13.2 million compared to the same period in 2009. This was as a result of the increase in processing and engineering costs of \$10.4 million due to the increased production plus an increase in mining costs of \$2.7 million due to the commencement of commercial mining at KOV.
 - Site infrastructure and support costs of \$4.8 million for site operating and maintenance costs not directly attributable to individual operations (three months ended September 30, 2009, \$5.0 million) was a small decrease even though production increased as the Company benefited from reductions made in overheads last year.
 - Depreciation and amortization of \$13.2 million in the three months ended September 30, 2010, represented an increase of \$5.9 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 and the commencement of commercial production at KOV.
- ... The other income and expenses for the three months ended September 30, 2010, were a net expense of \$4.5 million (three months ended September 30, 2009 - \$11.5 million expense). The major variances was:
 - Foreign exchange loss of \$1.0 million (three months ended September 30, 2009 - \$8.0 million) mainly due the weakening of the US dollar in the three months ended September 30, 2010 which resulted in a foreign exchange loss being incurred on the Canadian dollar denominated debenture (for the three months ended September 30, 2009, the US dollar weakened more significantly).
- ... Restructuring gain for the three months ended September 30, 2009, totalled \$0.8 million (no such expenses were incurred for the three months ended September 30, 2010). This amount included:
 - Gain on settlement of Kamoto Operating Limited operating agreement \$0.9million. As part of the merger of the KCC and DCP Joint Ventures, the operating agreement with KOL was terminated. The loss was incurred on the acquisition of KOL which was completed on September 23, 2009. The acquisition was settled in cash and the issuance of shares and was accrued for at June 30, 2009. The gain recorded in the three months ended September 30, 2009 results from movements in the Company's share price and the CAD-US\$ exchange rate from June 30 to September 23, 2009;
 - Employee termination costs incurred at \$0.1 million on restructuring the head office

Cash Flows

Cash flow from (used in):	Three Months Ended	
	September 30, 2010 \$'000	September 30, 2009 \$'000
Operating activities	(1,128)	(48,795)
Investing activities	(49,654)	(14,674)
Financing activities	-	74,658

- ... For the three months ended September 30, 2010, cash outflows from operating activities were \$1.1 million (three months ended September 30, 2009 – \$48.8 million). The net decrease of \$47.7 million was primarily due to:
- The increase in net income, net of non cash items, of \$37.7 million, as already discussed;
 - A working capital outflow of \$35.6 million (three months ended September 30, 2009 - \$45.5 million) with increases in Accounts Receivable of \$37.7 million as a result of the improvement in copper prices on the previous quarter, a decrease in Inventories of \$1.2 million, an increase in prepayments of \$17.3 million as a result of project expenditure, an increase in Accounts Payable of \$15.2 million in line with increased expenditures on Phase III and KOV pre-stripping and an increase in Unearned Revenue of \$3.0 million.
- ... Investing activities in the three months ended September 30, 2010, totalled \$49.6 million which was an increase of \$35.0 million on the three months ended September 30, 2009. The main variance being \$39.2 million on additions to property plant and equipment which relates mainly to the additional expenditures incurred on Phase III capital expansion and the KOV pre-strip.
- ... Financing activities in the three months ended September 30, 2010 were nil but for the three months ended September 30, 2009 totalled \$74.7 million representing the remainder of the proceeds from a rights offering.

6. 2010 First Nine Month's Financial Discussion***Operating Results***

	Nine months ended	
	September 30, 2010 \$'000	September 30, 2009 \$'000
Copper revenue	269,293	134,036
Cobalt revenue	100,299	45,080
Copper concentrate revenue	15,660	-
Cobalt concentrate revenue	-	6,439
Cost of sales*	(311,173)	(237,362)
	74,079	(51,807)
Other expenses	(9,098)	(31,872)
Restructuring expense	-	(25,195)
Debenture interest	(14,045)	(12,651)
Interest income	175	1,088
Income tax provision	(427)	(2,837)
Net income (loss)	50,684	(123,274)
Basic and diluted income (loss) per common share	\$0.03	\$(0.14)

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

The Company reported net income for the nine months ended September 30, 2010, of \$50.7 million, \$0.03 basic income per share, compared with a net loss for the comparable nine months in 2009, of \$123.3 million, \$(0.14) basic loss per share.

- ... Copper revenue increased by \$135.3 million for the nine months ended September 30, 2010, compared to the same period in 2009 due to:
 - o an increase in copper cathodes sold from 27,851 to 40,012 tonnes as production capacity has increased; and
 - o an increase in the realized copper price per pound to \$3.05 from \$2.18 as a result of the increase in commodity prices compared to the prior period.
- ... Cobalt revenue similarly increased by \$55.2 million with:
 - o cobalt metal sales increasing from 1,580 to 2,603 tonnes; and
 - o an increase in the realized cobalt price per pound to \$17.48 from \$12.95.
- ... Copper concentrate revenue for the nine months ended September 30, 2010, was \$15.6 million. No copper concentrate was sold in the nine months ended September 30, 2009.
- ... There was no cobalt concentrate revenue in the first nine month's 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 nine months ended September 30, 2010, for copper and cobalt of \$11.1 million (nine months ended September 30, 2009 \$23.5 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 nine month's represented a loss of \$5.3 million (nine months ended September 30, 2009 - \$7.4 million gain). The loss represents a reduction in the amount of copper provisionally priced at the quarter end.

- ... The cost of sales for the nine months ended September 30, 2010, totalled \$311.2 million (nine months ended September 30, 2009, \$237.4 million). The major variance between the periods being:
 - Royalty payments and transportation costs for nine months ended September 30, 2010 were \$16.8 million higher than for the nine months ended September 30, 2009. Higher royalty payments by \$10.1 million in the nine months ended September 30, 2010, were as a result of increased sales revenues. Transportation costs increased by \$6.7 million as a result of an increase in the number of tonnes of finished metal product shipped offset by a reduction in the tonnes of concentrate for sale shipped.
 - Costs directly attributable to mining operations (KTO, KOV and T-17), processing operations (Kamoto concentrator and Luilu processing plant) and engineering costs for the nine months ended September 30, 2010 increased by \$20.5 million compared to the same period in 2009. This was as a result of the increase in processing and engineering costs of \$25.2 million due to the increased production offset by a reduction in mining costs of \$4.7 million due to a decrease in the total volume mined at T17 as a result of an improvement in the stripping ratio offset by the commencement of commercial mining at KOV.
 - Site infrastructure and support costs of \$51.2 million for site operating and maintenance costs not directly attributable to individual operations (nine months ended September 30, 2009, \$35.7 million) has increased in line with production.
 - Depreciation and amortization of \$47.0 million in the nine months ended September 30, 2010, represented an increase of \$21.0 million on the same nine 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 and the commencement of commercial mining at KOV.
- ... The other expenses for the nine months ended September 30, 2010, totalled \$9.1 million (nine months ended September 30, 2009 - \$31.9 million). The major variances were:
 - For the nine months ended September 30, 2010 \$1.0 million foreign exchange loss (nine months ended September 30, 2009 - \$13.2 million) mainly due the weakening of the US dollar in the nine months ended September 30, 2009 which resulted in foreign exchange losses being incurred on the Canadian dollar denominated debenture (for the nine months ended September 30, 2009, the US dollar weakened more significantly).
 - In the nine months ended September 30, 2009, convertible debt accretion of \$6.2 million there was no such expense in 2010 as the debt was converted into shares in 2009; and
 - A reduction in general administrative expense of \$5.7 million as a result of overhead reductions implemented during the second half of 2009.
- ... Restructuring expenses for the nine months ended September 30, 2009, totalled \$25.2 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 nine months ended September 30, 2010.

Cash Flows

Cash flow from (used in):	Nine months ended	
	September 30, 2010 \$'000	September 30, 2009 \$'000
Operating activities	112,181	(159,642)
Investing activities	(142,597)	(64,258)
Financing activities	-	345,226

- ... For the nine months ended September 30, 2010, cash inflows from operating activities were \$112.2 million (nine months ended September 30, 2009 – \$159.6 million outflow). The increase of \$271.8 million was primarily due to:
- The increase in net income, net of non cash items, of \$165.3 million as already discussed.
 - Changes in working capital which for the nine months ended September 30, 2010 was an inflow of \$12.4 million and for the nine months ended September 30, 2009 a \$94.2 million outflow. The large change in the nine months to September 30, 2009, was a result of the recovery of copper prices, a build-up of inventory as production increased rapidly with the completion of Phase II and associated with that an increase in accounts payable.
- ... Investing activities in the nine months ended September 30, 2010, totalled \$142.6 million which was an increase of \$78.3 million on the nine months ended September 30, 2009. The main variance being \$84.2 million on additions to property plant and equipment which relate mainly to the additional expenditure incurred on Phase III and pre-stripping costs at KOV.
- ... Financing activities in the nine months ended September 30, 2010, were nil but for the nine months ended September 30, 2009 they totalled \$345.2 million as a result of proceeds from the Glencore convertible facility of \$100.0 million and the rights issue of \$245.2 million.

7. Balance Sheet Discussion

	September 30, 2010 \$'000	December 31, 2009 \$'000
Assets		
Cash	46,445	77,243
Restricted cash	5,000	13,455
Accounts receivable	70,469	58,379
Other current assets	151,149	120,614
Property, plant and equipment	1,589,778	1,481,904
Other non-current assets	66	56
	1,862,907	1,751,651
Liabilities		
Current liabilities	194,722	136,804
Debentures payable	116,449	112,929
Other long-term liabilities	223,669	224,932
	534,840	474,665
Shareholders' equity	1,328,067	1,276,986

Cash

The cash balance at September 30, 2010 decreased to \$46.5 million from \$77.2 million at December 31, 2009. The decrease was as a result of operating cash inflows of \$112.2 million; offset by investing activities outflows of \$142.6 million; and realized foreign exchange losses of \$0.4 million as discussed earlier.

Restricted Cash

Restricted cash at September 30, 2010 of \$5.0 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 at December 31, 2009 also included debenture interest of \$8.5 million which was held in trust and is payable semi-annually.

Accounts Receivable

As at September 30, 2010, the accounts receivable balance of \$70.5 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.

Other Current Assets

Other current assets increased to \$155.7 million at September 30, 2010 from \$120.6 million at December 31, 2009. There was a net increase in inventories of \$8.1 million with a decrease in work in progress and finished goods of \$8.3 million due to improved logistics offset by an increase of \$16.4 million in consumables inventory with the ramp up in production. Prepayments have increased by \$22.4 million with the commencement of the Phase III expansion.

Property, Plant and Equipment

Property, plant and equipment at September 30, 2010 increased to \$1,589.8 million from \$1,481.9 million at December 31, 2009 with Project related capital expenditure of \$82.9 million, KOV pre-strip costs of \$45.4 million and operational capital expenditure of \$35.1 million.

Other Non-current Assets

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

Current Liabilities

Current liabilities at September 30, 2010 increased to \$194.7 million from \$136.8 million at December 31, 2009. The increase of \$57.9 million was as a result of the commencement of Phase III, increased consumption of goods and improved management of Accounts Payable including extending payment terms.

Debentures Payable

The increase in debentures payable to \$116.4 million at September 30, 2010 from \$112.9 million at December 31, 2009 occurred as a result of an unrealized foreign exchange loss of \$2.4 million on the revaluation of the Canadian dollar denominated debentures into US dollars and accretion of \$1.2 million.

The Company's outstanding debentures are due on November 20, 2013. Interest on the debentures is payable semi-annually in arrears with equal instalments 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 comprising of pas de porte (entry premium) payable to Gécamines and future income tax liabilities decreased to \$223.7 million as at September 30, 2010 from \$224.9 million as at December 31, 2009.

Off-Balance Sheet Arrangements

As at September 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 September 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⁾	33,323	33,323	-	-	-
Debentures payable ⁽²⁾	174,697	16,985	34,016	123,696	-
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 instalments 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 September 30, 2010, the Company had cash of \$46.4 million (December 31, 2009 – \$77.2 million) and working capital of \$78.3 million (December 31, 2009 – \$130.9 million). During the three months ended September 30, 2010, the Company had operating cash outflows of \$1.1 million compared with a cash outflow of \$48.8 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 nine months ended September 30, 2010. In the nine month period ended September 30, 2009, the Company raised \$100.0 million in connection with a convertible loan refinancing and \$245.2 million in connection with a rights offering. The cash raised in these financings 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 nine months ended September 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 (the "transition date"). 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 ending 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 and was substantially completed during the third quarter of 2010. This 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 have been identified as having a qualitative / quantitative effect on the financial results and reported position of the Company:

- ... IFRS 1 – First-time Adoption of IFRS

This standard provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The Company has noted two significant elections that would apply on the adoption to IFRS: Impairment of Assets and Borrowing Costs.

IFRS 1 provides an exemption to not apply the guidance of IAS 36 – *Impairment of Assets* retrospectively to impairments that occurred before the transition date by electing to use the deemed cost election. Under IFRS, an impairment loss recognized in prior periods for an asset, other than goodwill, is reversed if there has been a change in the

estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Whereas under Canadian GAAP, impairment losses recorded are not reversible. By taking this election the Company is allowed to reset the cost base of the asset to the carrying amount at the transition date. This will impact mineral interests due to the impairment write down of \$1,498 million recorded during the year ended December 31, 2008 by decreasing the carrying amount of mineral interests by the same amount as the impairment.

The election related to borrowing costs is discussed in further detail below in the IAS 23: *Borrowing Costs* section.

... IAS 27 – Consolidated and Separate Financial Statements

This standard 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; Canadian GAAP does not allow "negative" non-controlling interest.

Under IFRS, a non-controlling interest on Company's balance sheet and statement of operations and comprehensive loss should be recorded regardless of whether the non-controlling interest position is in a deficit balance or not. Consequently the Company will be required to record the 25% equity share in KCC held by Gécamines as a non-controlling interest even though this currently represents a negative non-controlling interest.

Application of the standard will result in an adjustment to reduce the opening deficit on the January 1, 2010 transition date of approximately \$175.4 million.

... IAS 23 – Borrowing Costs

This standard requires borrowing costs that are directly attributable to the construction of an asset to be capitalized where as under Canadian GAAP; these costs can be expensed as incurred. The Company has incurred interest expense on the debenture notes which under IFRS should be capitalized as incurred and expensed over the life of the mine on a unit-of-production basis, as the funds obtained were used to fund Phase I of the rehabilitation project.

While there is a difference in accounting treatment going forward, the Company had the option to retroactively apply IAS 23 on transition as stated in IFRS 1 or to apply it prospectively effective on the transition date. Prior to the transition date, the Company had incurred \$56.2 million in borrowing costs that would qualify for capitalization upon conversion to IFRS.

After evaluating the impact of both alternatives, the Company has elected to retroactively apply the standard which will result in an adjustment to reduce the opening deficit on the January 1, 2010 transition date of \$54.1 million (borrowing costs of \$56.2 million less amortization of \$2.1 million).

Implementation and Review Phase

The Company began the implementation and review phase of the conversion plan during the third quarter of 2010. This phase, which will continue to January 1, 2011 and beyond, is the execution phase which will focus on enabling continued IFRS reporting. This phase involves the following key elements:

- ... Preparation of full IFRS interim and annual financial statements for the transition period ending December 31, 2010 for comparative disclosure;
- ... Preparation of full IFRS interim and annual financial statements for the transition period ending December 31, 2011;
- ... Continued IFRS compliance by developing new accounting policies, accounting manuals, guidelines, and processes for reporting to management and shareholders; and
- ... Development of revised processes for disclosure controls and procedures and internal controls over financial reporting including updating key controls as required and performing testing and addressing any internal or disclosure control deficiencies.

As part of this phase, the Company has completed a draft a set of shell IFRS interim financial statements to be used for the quarter ended March 31, 2011 and identified the business processes and resources impacted.

Outlook for the Remainder of 2010

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 SEPTEMBER 30, AND NOVEMBER 5, 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 nine months ended September 30, 2010:

Expiry date	Exercise price ⁽¹⁾	Outstanding December 31, 2009	Issued during the period	Exercised/ expired during the period	Outstanding September 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
Granted during the period	6,613,226	\$ 1.07
Outstanding at November 5, 2010	11,063,912	\$ 5.55

⁽¹⁾ Denominated in Canadian dollars

During the nine months ended September 30, 2010, 6,613,226 stock options were granted pursuant to the Company's stock option plan with an average exercise price of \$1.07 (nine months ended September 30, 2009, no options granted). The values assigned to these options were calculated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, risk free rate of return 0.78% and expected maturity of 3 years. The weighted average grant date fair value of each option was Canadian \$0.65 and the total fair value assigned was Canadian \$4,274. The options vest on August 10, 2013.

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 September 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 September 30, 2010 \$'000	Three months ended September 30, 2009 \$'000	Nine months ended September 30, 2010 \$'000	Nine months ended September 30, 2009 \$'000
Purchases from related parties				
Gécamines	2,580	4,199	9,012	6,248
Glencore	8,244	5,323	25,597	16,775
Mopani	2,706	2,846	8,371	3,131
Xstrata	2	2,917	2,896	7,861
Mutanda	6	82	6	82
Purchases from former related parties				
EGMF	-	16,900	-	45,729
Bateman	-	-	-	4,617
Sales to related parties				
Mutanda	231	-	231	-
Glencore ⁽¹⁾	124,772	76,247	369,592	185,555
Mopani	13,370	-	24,451	-
Sales to former related parties				
EGMF	-	7,714	-	13,009
		As at September 30, 2010 \$'000	As at December 31, 2009 \$'000	
Amounts owed to related parties				
Gécamines		9,099	-	
Glencore		3,811	178	
Mopani		928	-	
Xstrata		1,316	1,915	
Amounts owed by related parties				
Gécamines		6,462	806	
Mopani		6,861	5,190	
Mutanda		207	24	
Glencore		42,348	44,774	

(1) 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 on April 15, 2010, and SRK Consulting is 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 September 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 have been designed effectively to provide reasonable assurance regarding the reliability of the preparation and presentation of the financial statements for external purposes and were effective as at September 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 September 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, 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.