

News release

Katanga announces US\$265 million mandatorily convertible loan facility

LONDON, UK December 24, 2008 – **Katanga Mining Limited** (TSX – **KAT**) (“Katanga” or the “Company”) today announced it has secured an underwriting of a US\$265.3 million two-year mandatorily convertible loan facility (“Facility”).

The Facility is split in two parts:

- a new finance facility of US\$100 million underwritten by Glencore Finance (Bermuda) Limited (“Glencore”); and,
- an amendment and restatement of the existing US\$150 million loan facility provided by Glencore, which, with accrued interest, amounts to approximately US\$165.3 million (“Existing Glencore Facility”).

The new financing provided under the Facility will be primarily used for the ongoing rehabilitation, redevelopment and operation of the Company’s mines and related assets held by its Democratic Republic of Congo joint-venture subsidiaries - Kamoto Copper Company (KCC) and DRC Copper and Cobalt Project (DCP) - and for general working capital purposes.

The Company has prepared a revised production plan with an initial 150ktpa production target. It is proposed that this will be achieved by maintaining capacity at 70ktpa until 2010, and rehabilitating the remainder of the KTC Concentrator and Luilu metallurgical facility to 150 ktpa by 2012. Thereafter, the Company expects to continue the ramp-up to in excess of 300ktpa, utilizing new SX/EW modules. This plan will be presented to the KCC and DCP Boards during January 2009 for consideration and approval.

The new financing will enable the Company to meet the immediate financing requirements for its revised production plan through the first quarter 2009. The Company will then need to seek in aggregate additional equity and/or debt finance in the amount of approximately US\$250 million during the first six months of 2009. Once the US\$250 million has been raised in debt and/or equity, the full amount of the Facility will be mandatorily converted into equity, further strengthening the Company’s balance sheet.

The Facility will bear interest at LIBOR plus 3% payable upon maturity. During the two year term, the Facility is convertible at the option of each lender into common shares of the Company either at any time while the loan is outstanding at US\$0.2783 per common share (as it may be adjusted for dilutive equity issues and other matters) (the “Conversion Price”), being the 5 day volume weighted average price per common share immediately prior to this announcement converted into US dollars using the noon rate published by the Bank of Canada for December 23, 2009, or at any time within seven days of any equity issuance of more than US\$25 million by the Company at the price per share of the equity issuance converted into US dollars. In addition, the Facility is convertible into Company common shares on a mandatory basis when US\$250 million has been raised by the Company through equity and/or debt financing at the lower of the price equal to the initial conversion price (as adjusted) and the price per share of any equity issuance (of more than US\$25 million) prior to such conversion and if more than one such equity issuance, at the weighted average price of such equity issuances, converted in each case into US dollars. An aggregate of up to approximately 953 million common shares (representing approximately 462% of the currently issued and outstanding shares) are issuable upon conversion of the loan at the Conversion Price.

The Company has the right to repay the loan at any time although if repaid rather than mandatorily converted, lenders will have the right to subscribe for shares on the same basis as their existing conversion rights until the expiry of the two year period.

The Existing Glencore Facility is currently secured by the pledge of shares over the Company's joint-venture interests in KCC. Given the proposed merger of KCC and DCP the Facility will be secured by the pledge of shares over the Company's interests in both joint venture subsidiaries. The new financing available under the Facility will be drawn down by KCC and guaranteed by the Company.

The Company, in consultation with Glencore, intends to approach certain other investors and potential investors with a view to them participating in the Facility up to an aggregate amount not exceeding 75% of the issue, with Glencore's participation being reduced proportionately to a minimum of 25% of the issue. To the extent the amount subscribed to by new investors exceeds US\$100 million the excess payments will be made to Glencore. No underwriting or other fees are payable to Glencore in relation to its commitment under the Facility. Additional loan participations from new investors will be sought in two tranches: the first by the expected closing on January 12, 2009 and the second closing on February 9, 2009. Upon completion of the second closing, insider participation in the issue could be up to 100%.

Funding of the new finance of US\$100 million is expected to be available on January 12, 2009 upon completion of the loan documentation and subject to approval of the proposed increase in authorized share capital of the Company at the special meeting of shareholders of the Company to be held on January 12, 2009.

On drawdown of the new finance of US\$100 million, the Existing Glencore Facility will be amended and restated on the same terms and the existing conversion rights will be terminated and replaced by the conversion rights set out above.

Glencore, a significant shareholder of the Company with director appointment rights, currently holds 17,580,482 common shares (8.5%). Assuming full participation by other investors, and assuming no change in Glencore's interest in existing common shares, following draw-down of the Facility, Glencore would beneficially own interests in common shares representing approximately 22.1% of the total issued and outstanding shares of the Company [See Note 1] on a fully diluted basis assuming conversion of all investors' beneficial interests in the Facility (or 57.6% assuming only conversion of Glencore's beneficially owned interest). Assuming Glencore is the sole lender under the Facility on the second closing date and no change in Glencore's interest in existing common shares, Glencore would at that time beneficially own interests in common shares representing approximately 83.7% of the total issued and outstanding shares of the Company on a fully diluted basis [See Note 2], in which case control of the Company would be materially affected. Following closing of the Facility, Glencore has informed the Company that it will continue to review its investment alternatives from time to time and may determine to increase or decrease its equity ownership in Katanga through the acquisition or sale of additional outstanding common shares or other securities of Katanga through open market or privately negotiated transactions in accordance with applicable securities laws. Lenders, including Glencore, whose interests (individually and together with other persons) in the common shares and convertible securities might otherwise give rise to a change of control will be restricted from exercising conversion rights until sixty-one days after the second closing.

[1] Based on Glencore's current holding of 17,580,482 Katanga common shares, and the 206,320,802 Katanga common shares in issue and outstanding as at the date of this announcement.

[2] Glencore is also deemed to beneficially own and/or control 47,795,722 common shares of Cosaf and Ruwenzori (management estimates) When Glencore's interests are aggregated with those of Cosaf and Ruwenzori (and assuming no participation in the Facility by those parties), Glencore's interest will be: assuming full take up by other investors, 26.2% on a fully diluted basis (or 68.3% assuming conversion by Glencore only); and assuming Glencore is the only lender, 87.8% on a fully diluted basis.

The Company has a right to terminate the Facility before drawdown in the event that Katanga receives a bona fide third party offer of equity finance in an aggregate amount of at least US\$350 million (including equity finance received in cash of US\$100 million) on payment of a break fee to Glencore of US\$5 million.

Completion of the Financing is subject to approval of the proposed increase in authorized share capital of the Company at the special meeting of shareholders of the Company on January 12, 2009, the approval of the Toronto Stock Exchange (the "TSX") and all other necessary regulatory approvals. The Company intends to rely upon exemptions from the security holder approval requirements of the TSX available in cases of financial hardship (see KAT press release – December 15, 2008).

Under normal circumstances, shareholder approval of the loan and the issuance of common shares upon conversion thereof would be required. However, the Company's Board of Directors, acting in good faith, and based in part upon the recommendation of the Financial Hardship Committee comprised of Robert Wardell and Terry Robinson, each of whom is an independent director, has determined that the Company is in serious financial difficulty, that the proposed transaction has been designed to improve the financial position of the Company, and that the Financing is reasonable in the circumstances. As a consequence, the Company is relying upon the financial hardship exemption in the rules of the TSX. As a result, the TSX has informed the Company that it will, in the ordinary course, commence a delisting review. The Company believes that, upon completion of the Financing, it will be in compliance with TSX listing requirements. The securities issuable pursuant to the Financing will be subject to statutory four month hold periods in relation to sales on the TSX.

Shareholders are urged to vote in favor of the resolution to increase the authorized share capital. Drawdown of the Facility is conditional on the resolution being passed. If the resolution is not passed and/or drawdown does not take place for any other reason, the Company will not, in the absence of other equivalent immediate financing alternatives, be able to continue to operate as a going concern.

Joint Venture Update

Discussions with Gécamines to complete the amended KCC Joint Venture Agreement continue to progress, using the framework established in the Memorandum of Understanding ("MOU") announced on August 5, 2008. Following meetings between the parties and representatives of the DRC Mines Minister, the MOU has been modified with provisions for: a right of pre-emption in the event of a change of control of KFL Limited ("KFL"); restrictions on transfer shares of KCC during the first year of commercial operation of KCC; return to Gécamines without consideration of the mining rights and titles of KCC/DCP upon the winding up or liquidation of those companies; and provisions regarding the use of excess cash-flow so that payments of distributions to shareholders can be made alongside payments of intra-group loans. This latter provision will enable Gécamines to receive cash-flow payments earlier.

Further revisions under discussion include: the mechanics for replacement of tonnage in exchange for the deposits returned to Gécamines as part of the February 2008 agreement; the cash value to be paid by Gécamines in the event that the deposits are not replaced; the method of calculation of royalties payable to Gécamines; the area of exploitation permits to be transferred by Gécamines to KCC; and whether the KFL or KCC entities will make *pas de porte* ('entry premium') payments and the schedule for these payments.

The parties are intending to commence a review of the revised joint-venture agreement in January 2009. This agreement is unlikely to be finalized prior to the completion of financing. Drawdown under the Facility is not conditional on completion of the negotiations.

For further information contact:

Steven Isaacs

Interim CEO

Tel: +44(0) 207 440 5824

Nick Brodie

CFO

Tel:+44 (0) 7983 447 775

Anu Dhir

VP, Corporate Development

Tel: +44 (0) 207 440 5822

Nigel O'Connor

Manager Communications

Tel: +44 (0)7508 058 828

About Katanga Mining Limited

Katanga Mining Limited operates a major mine complex in the Democratic Republic of Congo producing refined copper and cobalt. The company has the potential to become Africa's largest copper producer and the world's largest cobalt producer. Katanga is listed on the Toronto Stock Exchange under the symbol KAT.

About Glencore

Glencore International AG, based in Baar, Switzerland, is the parent company of Glencore Finance (Bermuda) Limited and is a leading privately held, diversified natural resources company with worldwide activities in the smelting, refining, mining, processing, purchasing, selling and marketing of metals and minerals, energy products and agricultural products.

Persons who wish to obtain a copy of the Early Warning Report filed by Glencore in connection with this transaction may obtain a copy of such report from www.sedar.com or by contacting the persons listed above.