

# News release

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## **Katanga Announces Year-End Results 2008 & Joint Venture Update**

**LONDON, UK** March 31, 2009 – **Katanga Mining Limited** (TSX – **KAT**) (“Katanga” or the “Company”) today announces its financial results for the calendar year ended December 31, 2008.

### **Highlights for the calendar year ended December 31, 2008**

- The Company reported a net loss for the year ended December 31, 2008 of US\$1,298.9 million, or US\$6.51 per share
- Total sales for the year were US\$210 million, comprising US\$46 million (18,557 tonnes) for copper cathode, US\$26 million (630 tonnes) for cobalt metal, and US\$138 million (47,158 tonnes) for cobalt concentrate sales.
- The Company has taken account of the precipitous decline in the copper and cobalt prices in the fourth quarter of 2008 and the deterioration in the credit markets as well as revised production plans developed by the Company. In response to these factors the Company has had to test its mineral properties for impairment. The Company has calculated a total of US\$1,544.4 million in ‘fair-value’ impairment write-downs (comprising US\$1,498.3 million for mineral properties as well as US\$46.1 million write-down of inventories to net realizable value). A corresponding future income tax liability of US\$608.5 million was reduced by US\$386.4 million on booking the impairment. The net loss for the year therefore included US\$1,158.0 as a result of the impairment.

### **Outlook**

- For 2009, the Company expects to achieve targeted production of 45,500 tonnes of copper cathode and 4,000 tonnes of cobalt metal.
- During the first half of 2009, the Company needs to raise an additional US\$250 million in equity and/or debt financing. Once US\$250 million is raised in debt and/or equity, the full amount of the Glencore (and RP Explorer) facility, \$265 million, will be mandatorily converted into equity, further strengthening the Company’s balance sheet. See Press Release February 11, 2009.
- The Company has undertaken a comprehensive review of its operational costs and has already started to implement cost savings the full benefit of which will be seen in the second half of 2009.
- An independent technical report has been commissioned to encompass the combined joint venture’s 23 years of production and incorporate the latest cost estimates, commodity prices and new mineral reserve statement. The new technical report prepared in accordance with National Instrument 43-101 is filed on SEDAR at [www.sedar.com](http://www.sedar.com). Please see Press Release No. 5 dated March 31 2009 for details.

- The DRC Government Mine Contract Review is complete. The Company has agreed with La Générale des Carrieres et des Mines (“Gécamines”) the basis on which the amended joint venture agreement will be finalized. The final form of the amended joint venture agreement and the merger of the Company’s operating companies in the DRC is expected to be completed in the second quarter of 2009. Please find below a summary of the current status of negotiations. Please also refer to the Company’s Annual Information Form for further details filed on SEDAR at [www.sedar.com](http://www.sedar.com)

### **Status of Negotiations with Gécamines Relating to the Merger of the KCC and DCP Joint Ventures (“Merged JV Company”)**

#### ***Transfers of Exploitation Permits, Infrastructure and Other Necessary Surfaces***

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

- the whole of Exploitation Permit (EP) 525 (comprising 13 carrés containing the Kamoto and Mashamba East deposits);
- part of EP 4958 (comprising 2 carrés containing the T17 deposit).

It has also been agreed with Gécamines that all installations and infrastructures within the perimeter of the KCC/DCP concession area shall be rented by Gécamines to the Merged JV Company, with rental being covered by the royalties. Katanga has agreed that the KZC concentrator at Kolwezi will be returned to Gécamines who will re-employ following the transfer of former Gecamines employees.

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

As set out in the agreement between Gécamines, KFL Limited and KCC dated February 8, 2008 relating to the release of the Dikuluwe and Mashamba West deposits (“Concession Release Agreement”), the perimeter of the merged the KCC/DCP concession area will contain the surface necessary for the proper operation of the current activities of the merged joint venture company, including space for dumps, storage sites, tailings and new infrastructure (the “Necessary Surfaces”). The Necessary Surfaces will be sourced from adjacent exploitation permits. Once the Necessary Surfaces have been determined, they shall be rented to the Merged JV Company on an interim basis, pending drilling to determine whether the surfaces identified contain any mineral reserves. Provided no reserves are discovered, the relevant surfaces shall be transferred (or in certain cases leased) to the Merged JV Company.

#### ***Replacement Deposits***

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

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

### ***Share Capital and Financing***

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

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

Following the establishment of the Merged JV Company, 5% of the future funding requirements of the Merged JV Company shall be met by non-interest bearing equity financing from KFL and Global Enterprises Corporate Limited (“GEC”), until the project reaches its production target of 150,000 tonnes of copper output per year.

### ***Rental, Royalty and Pas de Porte***

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

A “*pas de porte*” (“entry premium”) payment shall be payable by KFL/GEC to Gécamines for the access to the project. The total amount shall be USD 140 million, of which US\$ 5 million has already been paid, payable in installments on an agreed schedule until 2016.

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

### ***Board and Management***

As previously announced, the board of directors of the Merged JV Company will be increased to eight members, three of whom will be appointed by Gécamines. In addition, it has been agreed that the CEO will be appointed by KFL/GEC, and the deputy CEO will be appointed by Gécamines. A management committee shall be constituted, comprising the CEO, deputy CEO, three employees of the merged joint venture company appointed by KFL / GEC, and one employee of the merged joint venture company appointed by Gécamines.

The Kamoto Operating Limited Operating Agreement will be terminated on or before September 30, 2009.

Katanga's Financial Statements and Management Discussion and Analysis for the quarter are filed on SEDAR, [www.sedar.com](http://www.sedar.com)

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**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.*