KATANGA MINING LIMITED

Management's Discussion and Analysis For the three months and years ended December 31, 2016 and 2015

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 audited consolidated financial statements and the notes thereto of the Company for the years ended December 31, 2016, and 2015. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). ***All dollar amounts are in United States dollars unless otherwise indicated.*** *This information has been prepared as of February 8, 2017. Katanga's common shares trade on the Toronto Stock Exchange ("TSX") under the symbol "KAT". Katanga's most recent filings, including Katanga's Annual Information Form for the year ended December 31, 2015, dated March 30, 2016, are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed through the internet at www.sedar.com. This Management's Discussion and Analysis contains forward looking statements that are subject to risk factors as set out in items 14 and 18.*

1. Company Overview

Katanga is a limited company whose common shares are listed on the TSX under the symbol "KAT". The Company's registered office address is Suite 300, 204 Black Street, Whitehorse, Yukon, Canada Y1A 2M9. Katanga's ultimate parent company is Glencore plc ("Glencore") which owns 75.3% of Katanga's shares through its wholly-owned subsidiary Glencore International AG.

Katanga, through its 75% owned subsidiary Kamoto Copper Company SA ("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, development and operation of the Kamoto / Mashamba East mining complex (including "KTO Underground Mine" or "KTO", "KTE Underground Mine" and "Etang South Underground Mine"), the Kamoto Oliveira Virgule copper and cobalt mine ("KOV Open Pit" or "KOV"), the T17 Mine consisting of "T17 Open Pit" and "T17 Underground Mine", various oxide open pit resources, the Kamoto Concentrator ("KTC") and the Luilu Metallurgical Plant ("Luilu"), (collectively, the "Project"), in the DRC. Operations at KTO, KTE, Etang South, T17, KTC and Luilu are currently suspended pending the completion of the Whole Ore Leach Project ("WOL Project") as described further herein. The Whole Ore Leach Plant is expected to commence commissioning in the second half of 2017.

2. Highlights during the three months and year ended December 31, 2016, and Outlook

		Three months ended			Twelve months ended	
		Dec 31,	Sep 30,	Dec 31,	Dec 31,	
		2016	2016	2015	2016	2015
Financial						
Realized copper price*	$/lb	-	-	(4.35)	-	2.33
Realized cobalt price	$/lb	-	-	5.13	-	10.74
Total sales*	$'000	3	(1,632)	(1,497)	(30,127)	669,701
*- including repricing**	*$'000*	*3*	*(1,632)*	*(7,863)*	*(30,853)*	*(65,359)*
EBITDA**	$'000	(64,468)	(55,214)	(78,138)	(249,141)	(285,697)
Net loss attributable to shareholders	$'000	(113,219)	(99,499)	(123,371)	(427,683)	(424,064)
Cash flows used in operating activities	$'000	(7,090)	(33,141)	(140,523)	(161,080)	(600,084)
Mining						
Waste mined	tonnes	2,152,986	3,295,872	9,781,277	8,174,964	39,384,948
Ore mined	tonnes	-	825	202,559	825	6,031,524
Average copper grade	%	-	2.67	3.30	2.67	3.75
Contained copper in ore mined	tonnes	-	22	6,682	22	224,979
Processing						
Ore milled	tonnes	-	-	-	-	5,454,990
Finished copper metal and concentrate	tonnes	-	-	-	-	113,674
Finished cobalt	tonnes	-	-	-	-	2,901

* *Negative price and sales amounts are a result of quality discounts, adverse repricing and mark to market ("M2M") adjustments*

** *Refer to item 22 Non-IFRS financial measures. Due to the suspension of production C1 cash costs are not calculated for this period.*

Ongoing suspension of production

- On September 11, 2015, the Company announced the decision to suspend the processing of copper and cobalt during the construction phase of the WOL Project. The suspension continued through the fourth quarter of 2016 and production is not expected to resume until the WOL Project is commissioned, which is expected to commence in the second half of 2017.
- Mining operations continued during 2016 at KOV and Mashamba East Open Pits with a focus on waste mining.

Review of 2016 Fourth Quarter Results

Financial

- Profitability during Q4 2016, when compared to Q3 2016 and Q4 2015, was affected by:
    - Write-off of consumable stores inventory with a net impact to the income statement of $9.9 million in Q4 2016 (Q3 2016 - $0.09 million; Q4 2015 – nil);
    - The release of the restructuring provision relating to contractor demobilisations and employee redundancy costs due to the suspension of production resulted in an income of $3.7 million in Q4 2016, compared to an expense of $12.3 million in Q4 2015 (Q3 2016 – nil); and
    - Income tax expense of $3.7 million in Q4 2016 relating to changes in the deferred tax liability (Q3 2016 - $5.5 million expense; Q4 2015 - $0.1 million recovery). Deferred tax recognition on tax losses carried forward in the DRC ceased in Q2 2015. Such recognition will be reassessed on commissioning of the WOL Project.
- Cash outflows from operating activities decreased in Q4 2016, when compared to Q4 2015 and Q3 2016, due to lower working capital requirements, notably for the reduction in inventories and prepayments following the suspension of copper and cobalt processing. These cash outflows were funded by Glencore.

Mining

- Waste mined at KOV Open Pit in Q4 2016 was 1,145,454 tonnes (34.9%) lower than in Q3 2016 due to seasonal rainfall. Compared to Q4 2015, waste mined from all sources was 78.0% lower due to the revised waste mining plan (pre strip) in the open pits which was put in place following the suspension of copper and cobalt processing at the end of Q3 2015. The revised waste mining plan aims to secure sufficient ore availability for processing once the suspension of copper and cobalt processing ends, while minimizing costs during the suspension period; and
- There was no ore mined in Q4 2016 due to the suspension of ore mining underground and the shift in focus towards waste mining in the open pits following the suspension of copper and cobalt processing at the end of Q3 2015.

Processing

- Due to the plant shutdown, there was no copper or cobalt metal produced for sale in Q4 2016.
- During Q4 2016 work continued on the WOL Project:
    - Ongoing engineering design optimization continued on the Pre Leach, Leach and Post Leach circuits and satisfactory progress was made on the earth works and civil works, as well as construction of the steel structures;
    - Related capital expenditures amounted to $16.7 million in Q4 2016, which related to site excavation, civil work and procurement of various long lead time items (Q3 2016 - $12.4 million); and
    - Concurrent with the construction of the WOL Project plant and infrastructure, the current Life of Mine Plan continues to be optimized to ensure the appropriate blend will be supplied to the WOL Project process when complete, in order to maximize copper and cobalt recovery and to minimize operating cost per unit.

Review of 2016 Full Year Results

Financial

- Profitability during 2016, when compared to 2015, was affected by:
  - Quality discounts of $27.0 million on finalization of outstanding 2015 sales;
  - Reduced operating expenditures due to the suspension of copper and cobalt processing;
  - The release of the restructuring provision of $0.6 million relating to contractor demobilisations and employee redundancy costs following the suspension of production, which totalled to a $36.3 million expense in 2015;
  - The cessation of borrowing cost capitalization during Q1 2015 due to the completion of the Phase 5 Expansion Project, resulting in Amended Loan Facility interest expense of $305.5 million for 2016 (2015 - $239.8 million) and customer prepayment interest of $43.5 million for 2016 (2015 – $19.7 million); and
  - Income tax expense of $9.0 million in 2016 relating to 2014 and 2015 corporate income taxes as well as changes in the deferred tax liability (2015 - $111.3 million recovery). Deferred tax recognition on tax losses carried forward in the DRC ceased in Q2 2015. Such recognition will be reassessed on commissioning of the WOL Project.
- Cash outflows from operating activities decreased in 2016, when compared to 2015, due to lower working capital requirements, notably for the reduction in inventories and prepayments following the suspension of copper and cobalt processing, partially offset by a higher reduction of payables during 2016. These cash outflows were funded by Glencore.

Mining

- Waste mined in 2016 was 79.7% lower than in 2015 due to the revised mining plan, following the suspension of copper and cobalt processing at the end of Q3 2015. The revised mining plan aims to secure sufficient ore availability for processing once the suspension of copper and cobalt processing ends, while minimizing costs during the suspension period;
- Ore mined in 2016 was 825 tonnes at KOV and is related to incidental ore mined during waste mining. Due to the suspension of ore mining underground and the shift in focus towards waste mining in the open pits following the suspension of copper and cobalt processing, ore mined is minimal; and
- In 2016, the Company commissioned:
  - 1 CAT 6060 shovel and 3 CAT 793 haul trucks at the KOV Open Pit mine; and
  - 1 CAT fuel truck and 1 CAT service truck at the KOV Open Pit mine.

Processing

- Due to the plant shutdown, there was no copper or cobalt metal produced for sale in 2016.
- During 2016, work continued on the WOL Project:
  - Ongoing engineering design optimization continued on the Pre Leach, Leach and Post Leach circuits and satisfactory progress was made on the earth works and civil works, as well as construction of the steel structures;
  - Related capital expenditures amounted to $81.2 million in 2016, which related to site excavation, civil work and procurement of various long lead time items; and
  - Concurrent with the construction of the WOL Project plant and infrastructure, the current Life of Mine Plan continues to be optimized to ensure the appropriate blend will be supplied to the WOL Project process when complete, in order to maximize copper and cobalt recovery and to minimize operating cost per unit.

Outlook

- During 2017:
  - Open pit mining operations are expected to continue with focus on waste mining and remediation activities following the revised mine plan, which continues to be optimised;
  - High pressure backfill operations at KTO are expected to continue to ensure underground stability;
  - Care and maintenance activities in the underground mine, KTC and Luilu are expected to continue;
  - Work is expected to continue on the design optimization and construction of the WOL Project according to the defined project plan. Commissioning of the WOL Project is expected to commence in the second half of 2017; and

- Various initiatives relating to cost base reduction, consumable inventory reductions, staff training and process improvements are expected to continue to be developed and implemented.

3. Operational performance

The production of copper cathode, cobalt metal and previously copper concentrate is achieved through distinct processes which are described and reviewed below. The production statistics for each of these areas are presented below, for the current and comparative periods, and in item 6 – Summary of Quarterly Results, for the last eight quarters.

Mining

		Three months ended			Twelve months ended	
		Dec 31,	Sep 30,	Dec 31,	Dec 31,	
		2016	2016	2015	2016	2015
Ore mined						
KOV Open Pit	tonnes	-	825	202,559	825	4,546,585
Mashamba East Open Pit	tonnes	-	-	-	-	4,312
T17 Open Pit	tonnes	-	-	-	-	-
KTO Underground	tonnes	-	-	-	-	1,478,932
Etang South Underground	tonnes	-	-	-	-	1,695
Total	tonnes	-	825	202,559	825	6,031,524
Waste mined						
KOV Open Pit	tonnes	2,137,484	3,282,938	7,456,107	7,486,536	34,723,636
Mashamba East Open Pit	tonnes	-	-	2,303,698	633,725	4,226,136
T17 Open Pit	tonnes	-	-	-	-	-
KTO Underground	tonnes	15,502	12,934	21,472	54,702	235,912
Etang South Underground	tonnes	-	-	-	-	31,884
KTE Underground	tonnes	-	-	-	-	162,454
T17 Underground	tonnes	-	-	-	-	4,925
Total	tonnes	2,152,986	3,295,872	9,781,277	8,174,964	39,384,948
Average Cu grade						
KOV Open Pit	%	-	2.67	3.30	2.67	3.93
Mashamba East Open Pit	%	-	-	-	-	3.42
T17 Open Pit	%	-	-	-	-	-
KTO Underground	%	-	-	-	-	3.22
Etang South Underground	%	-	-	-	-	2.43
Total average	%	-	2.67	3.30	2.67	3.73
Average Co grade						
KOV Open Pit	%	-	0.68	0.65	0.68	0.47
Mashamba East Open Pit	%	-	-	-	-	0.41
T17 Open Pit	%	-	-	-	-	-
KTO Underground	%	-	-	-	-	0.36
Etang South Underground	%	-	-	-	-	0.45
Total average	%	-	0.68	0.65	0.68	0.44
Recorded rainfall						
KOV Open Pit	mm	265	34	357	823	1,086

Review of 2016 Fourth Quarter and Full Year Results

KOV Open Pit

- Ore mined in 2016 was 825 tonnes and is related to incidental ore mined during waste mining. Due to the suspension of copper and cobalt processing at the end of Q3 2015, ore mined is minimal.
- Waste mined in Q4 2016 was 34.9% lower than in Q3 2016 and 71.3% lower than in Q4 2015. The decrease compared to Q3 2016 is due to seasonal rainfall. Of the total waste mined in Q4 2016, approximately 1,996,410 tonnes related to ongoing search and recovery and remediation activities following the geotechnical failure at KOV Open Pit on March 8, 2016 (Q3 2016 – 3,007,869 tonnes).
- When comparing 2016 to 2015, waste mined decreased by 78.4%. This is due to the revised waste mining plan, which was put in place following the suspension of copper and cobalt processing at the end of Q3 2015. The revised waste mining plan aims to secure sufficient ore availability for processing once the suspension of copper and cobalt processing ends, while minimizing costs during the suspension period.
- In 2016, the Company commissioned:
    - 1 CAT 6060 shovel and 3 CAT 793 haul trucks at the KOV Open Pit mine; and
    - 1 CAT fuel truck and 1 CAT service truck at the KOV Open Pit mine.

KTO Underground Mine

- There was no ore mined in Q4 2016 at KTO following the suspension of production in Q3 2015.
- Waste mined in Q4 2016 was 2,568 tonnes higher than in Q3 2016 and 5,971 tonnes lower than in Q3 2015. The decrease between 2016 and 2015 is 181,210 tonnes. This is due to the suspension of ore mining following the suspension of copper and cobalt processing.

Other Mines

- There was no waste mined at Mashamba East Open Pit during Q4 2016 and Q3 2016, compared to 2,303,698 tonnes during Q4 2015. During 2016, waste mined was 633,725 tonnes compared to 4,226,136 tonnes in 2015.
- At T17 Underground, Etang South Underground Mine and KTE Underground Mine (both extensions of KTO) mining operations were suspended in Q3 2015.

Processing

Kamoto Concentrator ("KTC")

		Three months ended			Twelve months ended	
		Dec 31,	Sep 30,	Dec 31,	Dec 31,	
		2016	2016	2015	2016	2015
Production						
Ore milled	tonnes	-	-	-	-	5,454,990
Cu mill grade	%	-	-	-	-	3.97
Co mill grade	%	-	-	-	-	0.46
Concentrate produced	tonnes	-	-	-	-	859,647
Cu grade in concentrate	%	-	-	-	-	17.19
Co grade in concentrate	%	-	-	-	-	1.68

- KTC mills ore from the various mines and concentrates the contained copper and cobalt before transfer to Luilu.
- Following the suspension of copper and cobalt production in Q3 2015, no ore was milled and no concentrate was produced in 2016.

Luilu Metallurgical Plant

		Three months ended			Twelve months ended	
		Dec 31,	Sep 30,	Dec 31,	Dec 31,	
		2016	2016	2015	2016	2015
Production						
Concentrate fed	tonnes	-	-	-	-	844,708
Cu concentrate grade	%	-	-	-	-	17.52
Co concentrate grade	%	-	-	-	-	1.75
Copper produced	tonnes	-	-	-	-	106,816
Cobalt produced	tonnes	-	-	-	-	2,901

- The Luilu Metallurgical Plant processed sulphide and oxide concentrate from KTC through a modern Solvent Extraction and Electro-Winning ("SX-EW") circuit.
- Due to the suspension of copper and cobalt processing in Q3 2015, nil copper and cobalt metal was produced in 2016.

4. Financial Performance

Operating Results

		Three months ended			Twelve months ended	
		Dec 31,	Sep 30,	Dec 31,	Dec 31,	
		2016	2016	2015	2016	2015
Sales*	$'000	3	(1,632)	(1,497)	(30,127)	669,701
Operating expenses (including other expenses)**	$'000	(64,471)	(53,582)	(76,641)	(219,014)	(955,398)
EBITDA**	$'000	(64,468)	(55,214)	(78,138)	(249,141)	(285,697)
Depreciation and amortization**	$'000	(6,701)	(6,915)	(14,138)	(28,126)	(186,601)
Exclude: Other expenses (included below gross loss)**	$'000	(2,827)	550	(1,639)	346	15,709
Gross loss	$'000	(73,996)	(61,579)	(93,915)	(276,921)	(456,589)
Other (expenses) income**	$'000	2,827	(550)	1,639	(346)	(15,709)
Net finance costs	$'000	(90,530)	(88,160)	(82,393)	(354,964)	(268,487)
Income tax recovery (expense)	$'000	(3,650)	(5,510)	121	(9,017)	111,269
Net loss	$'000	(165,349)	(155,799)	(174,548)	(641,248)	(629,516)
Non-controlling interests	$'000	(52,130)	(56,300)	(51,177)	(213,565)	(205,452)
Loss attributable to equity holders	$'000	(113,219)	(99,499)	(123,371)	(427,683)	(424,064)
Basic and diluted loss per common share***	$/share	(0.06)	(0.05)	(0.06)	(0.22)	(0.22)

* *Negative price and sales amounts are a result of quality discounts, adverse repricing and mark to market ("M2M") adjustments*

** *The aggregation of sales cost of sales, operating expenses, royalties and transportation costs, and other expenses totals to EBITDA (Refer to item 22 Non-IFRS financial measures).*

*** *Basic and diluted loss per common share are the same for the periods presented as the outstanding share options are non-dilutive since their exercise prices exceeded the average market value of the common shares at each period end.*

- The movement in sales is due to the following price and volume factors:

		Three months ended			Twelve months ended	
		Dec 31,	Sep 30,	Dec 31,	Dec 31,	
		2016	2016	2015	2016	2015
Copper sales	$'000	3	(1,632)	(3,983)	(29,679)	597,182
Copper tonnes sold	tonnes	-	-	415	69	116,469
Realized copper price	$/tonne	-	-	(9,598)	-	5,127
Closing mark-to-market copper price	$/tonne	5,501	4,832	4,808	5,501	4,808
Cobalt sales	$'000	-	-	2,486	(448)	72,519
Cobalt tonnes sold	tonnes	-	-	220	32	3,064
Realized cobalt price	$/tonne	-	-	11,300	-	23,668
Closing mark-to-market cobalt price	$/tonne	32,700	26,599	24,051	32,700	24,051
Total sales	$'000	3	(1,632)	(1,497)	(30,127)	669,701
Including net repricing	*$'000*	*3*	*(1,632)*	*(7,863)*	*(30,853)*	*(65,359)*

- No sales of copper and cobalt cathodes or concentrates were made in 2016.
- $0.003 million of sales related adjustments in Q4 2016 are a result of mark-to-market movements. The sales related adjustments in 2016 are primarily due to quality discounts on finalization of outstanding 2015 sales.
- Sales for 2016 decreased by $699.8 million over 2015 due to no sales of copper and cobalt cathodes or concentrates, as well as sales related adjustments due to quality discounts on finalization of outstanding 2015 sales.
- Included in sales is a net re-pricing movement. 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. At each reporting date, open provisionally priced sales which retain an exposure to future changes in prices are marked-to-market based on forward prices (per the London Metal Exchange ("LME") offset by the contractual discount with adjustments being recorded in sales in the statement of loss and receivables on the statement of financial position. As at December 31, 2016, the Company had 25 tonnes of copper (December 31, 2015 – no copper) and no cobalt (December 31, 2015 – 25 tonnes) for which final commodity prices have yet to be determined. These were valued at December 31, 2016, at a forward commodity price net of contractual discounts of $1,568 per tonne for copper wire (December 31, 2015 – no copper) (amounts in whole numbers).

- The movement in cost of sales, operating expenses, depreciation, royalties and transportation costs (operating expenses) is due to:

		Three months ended			Twelve months ended	
		Dec 31,	Sep 30,	Dec 31,	Dec 31,	
		2016	2016	2015	2016	2015
Mining	$'000	-	-	10,181	-	238,786
KTC processing cost	$'000	-	-	3,123	-	173,557
Luilu processing cost	$'000	-	-	4,002	-	196,898
Mine infrastructure and support	$'000	-	-	74,893	-	187,089
Change in metal inventories	$'000	-	-	(19,537)	-	(62,841)
Expense on issue of capital spares to production	$'000	-	-	4,305	-	18,792
Gain on disposal of property, plant and equipment	$'000	-	-	-	-	(468)
NRV write-down	$'000	-	-	-	-	85,890
Total cost of sales	$'000	-	-	76,966	-	837,703
Mining care and maintenance costs	$'000	21,631	17,761	-	69,698	-
KTC care and maintenance costs	$'000	3,196	3,824	-	12,159	-
Luilu care and maintenance costs	$'000	3,072	2,878	-	11,421	-
Mine infrastructure and support care and maintenance costs	$'000	33,839	26,964	-	107,924	-
Expense on issue of capital spares to production	$'000	6,152	1,230	-	19,311	-
Loss (gain) on disposal of property, plant and equipment	$'000	785	375	-	(550)	-
Royalties and transportation costs	$'000	(1,377)	-	1,314	(1,296)	101,986
Depreciation	$'000	6,701	6,915	14,138	28,126	186,601
Total operating expenses	$'000	73,999	59,947	92,418	246,794	1,126,290
Copper tonnes sold	tonnes	-	-	415	69	116,469
Cost per tonne sold	$/tonne	-	-	222,695	-	9,670

- Following the suspension of copper and cobalt processing in Q3 2015, mining, KTC and Luilu costs decreased significantly, shifting from being in production to care and maintenance.
  - Mining care and maintenance costs for 2016 consisted of:
    - The costs of ongoing search and recovery and slope remediation activities following the geotechnical failure on March 8, 2016;
    - The costs of dewatering operations in the open pits and underground;
    - The costs of limited backfilling operations;
    - Labour costs; and
    - Other costs relating to the care and maintenance of the open pits and underground mines.
  - KTC care and maintenance costs for 2016 consisted of:
    - Labour costs;
    - The costs of running limited milling operations to support underground backfill activities; and
    - Other costs relating to the care and maintenance of KTC.
  - Luilu care and maintenance costs for 2016 consisted of:
    - Labour costs; and
    - Other costs relating to the care and maintenance of Luilu.
  - Mine infrastructure and support care and maintenance costs for 2016 consisted of:
    - Labour costs;
    - Engineering costs; and

- Other costs relating to the care and maintenance of mine infrastructure and support functions

Review of 2016 Fourth Quarter Expenses

- Mine infrastructure and support care and maintenance costs for Q4 2016 decreased by 54.8%, when compared to Q4 2015 mine infrastructure and support costs, due to a provision of $30.6 million recorded in Q4 2015 in relation to the write-down of consumables inventory to net realizable value, as well as savings following the suspension of copper and cobalt processing (mainly in relation to labour savings following headcount reductions).
- Compared to Q3 2016, mine infrastructure and support care and maintenance costs increased by 25.5% mainly due to write-off of consumable stores inventory with a net impact to the income statement of $9.9 million in Q4 2016 (Q3 2016 - $0.09 million).
- Loss on disposal of property, plant and equipment was $0.8 million in Q4 2016 compared to a loss of $0.4 million in Q3 2016, which relates to a loss on disposal of plant and equipment as well as lower sales of non-core products. In Q4 2015, profit on disposal of property, plant and equipment was nil.
- Royalty payments and transportation income for Q4 2016 relates to the negative sales arising from quality discounts on finalization of outstanding 2015 sales, which led to lower royalty payments.
- Depreciation and amortization decreased by 52.6% and 3.1% compared to Q4 2015 and Q3 2016 respectively, due to lower waste tonnes mined.
- Other income in Q4 2016 was $2.8 million compared to an expense of $0.6 million for Q3 2016. This relates to the release of the restructuring provision, which totalled $3.7 million (Q3 2016 – nil), which is offset by a foreign exchange loss of $0.3 million (Q3 2016 – $0.4 million gain) and general and administrative expenses of $0.6 million (Q3 2016 – $0.9 million). Compared to Q4 2015, other income increased by $1.2 million, which is primarily related to restructuring expenses of $12.3 million in Q4 2015.
- Net finance costs in Q4 2016 increased compared to Q4 2015 and Q3 2016 mainly due to additional funding drawn under customer prepayments. Amended Loan Facility interest expense amounted to $78.5 million for Q4 2016 (Q4 2015 – $73.5 million and Q3 2016 - $77.5 million) and customer prepayment interest of $12.0 million for Q4 2016 (Q4 2015 - $8.5 million and Q3 2016 - $11.1 million).
- Income tax expense was $3.7 million in Q4 2016 and is related to changes in the deferred tax liability (Q4 2015 – $0.1 million recovery and Q3 2016 – $5.5 million expense).

Review of 2016 Full Year Expenses

- Mine infrastructure and support care and maintenance costs for 2016 decreased by 42.3%, when compared to 2015 mine infrastructure and support costs, due to lower engineering costs and savings following the suspension of copper and cobalt processing (mainly in relation to labour savings following headcount reductions).
- Gain on disposal of property, plant and equipment increased to $0.6 million in 2016 compared to $0.5 million in 2015, due to higher sales of non-core products, which were slightly offset by losses on disposal of property, plant and equipment.
- Royalty payments and transportation income for 2016 relates to the negative sales arising from quality discounts on finalization of outstanding 2015 sales, which lead to lower royalty payments.
- Depreciation and amortization decreased by 84.9% from 2015 as a result of lower units-of-production ("UOP") amortization and depreciation following the suspension of copper and cobalt processing and reduced mining due to the revised waste mining plan.
- Other expenses in 2016 decreased compared to 2015, due to restructuring expenses of $36.3 million in 2015 (2016 – $0.6 million income due to reversal of restructuring provision), slightly offset by a higher foreign exchange gain of $5.9 million in 2015 (2016 - $1.3 million gain).
- Net finance costs in 2016 increased compared to 2015, mainly due to the increase in customer prepayments following the suspension of copper and cobalt processing and financing of the WOL Project. A contributing factor is the cessation of borrowing cost capitalization during Q1 2015 following the completion of the Phase 5 Expansion Project. This resulted in Amended Loan Facility

interest expense of $305.5 million for 2016 (2015 - $239.8 million) and customer prepayment interest of $43.5 million for 2016 (2015 – $19.7 million).

- Income tax expense in 2016 was $9.0 million and is related to 2014 and 2015 corporate income taxes as well as changes in the deferred tax liability (2015 - $111.3 million recovery). Deferred tax recognition on tax losses carried forward in the DRC ceased in Q2 2015. Such recognition will be reassessed on commissioning of the WOL Project.

Cash Flows

		Three months ended			Twelve months ended	
		Dec 31,	Sep 30,	Dec 31,	Dec 31,	
		2016	2016	2015	2016	2015
Cash flow from (used in):						
Operating activities	$'000	(7,090)	(33,141)	(140,523)	(161,080)	(600,084)
Investing activities	$'000	(67,586)	(69,758)	(154,793)	(213,097)	(541,655)
Financing activities	$'000	74,030	96,650	297,865	337,975	1,190,007
Total cash flows	$'000	(646)	(6,249)	2,548	(36,203)	48,268
Cash, beginning of period*	$'000	2,188	8,429	35,164	37,740	(10,519)
Effect of exchange rate changes on cash held in foreign currencies	$'000	(24)	9	28	(20)	(9)
Cash, end of period*	$'000	1,518	2,188	37,740	1,518	37,740

** Consisting of cash on hand and bank overdrafts.*

Review of 2016 Fourth Quarter Cash Flows

- Cash outflows from operating activities were:
  - $133.4 million lower in Q4 2016, when compared to Q4 2015, primarily due to the commencement of care and maintenance activities in Q4 2015, which resulted in contractor demobilisation and employee redundancy costs.
  - $26.1 million lower, when compared to Q3 2016, primarily due to:
    - A working capital inflow of $47.7 million (Q3 2016 - $21.6 million inflow); and
    - An increase in net loss, net of non-cash items, of $0.1 million, as described above.
- Investing activities in Q4 2016 decreased by $87.2 million, when compared to Q4 2015, mainly due to lower expenditure on the KOV mining fleet, lower KOV pre-strip costs capitalized, lower primary development and lower sustaining capital, slightly offset by WOL Project investments.
- Investing activities in Q4 2016 were in line with planned spending on expansionary projects and sustaining capital expenditure.
- Financing activities in Q4 2016 were in line with planned funding. The Q4 2016 draw-downs were mainly utilized to fund additions to property, plant and equipment and operating cash outflows.

Review of 2016 Full Year Cash Flows

- Cash outflows from operating activities were $439.0 million lower in 2016, when compared to 2015, primarily due to the suspension of copper and cobalt processing in Q3 2015.
- Investing activities in 2016 decreased by $328.6 million, when compared to 2015, mainly due to the completion of the Phase 5 Expansion Project, lower expenditure on the KOV mining fleet, lower pre-strip costs capitalized, lower primary development and lower sustaining capital, slightly offset by WOL Project investments.
- Financing activities in 2016 decreased by $852.0 million, when compared to 2015, due to lower funding required from Glencore as a result of the suspension of production and completion of the Phase 5 Expansion Project. The 2016 draw-downs were mainly utilized to fund additions to property, plant and equipment and operating cash outflows.

5. Statement of Financial Position Discussion

	December 31, 2016 $'000	December 31, 2015 $'000
Assets		
Cash and cash equivalents	1,518	37,740
Receivables	236,634	201,900
Inventories	511,337	620,517
Prepayments and other current assets	113,107	274,704
Mineral interests and property, plant and equipment	4,274,009	4,128,746
Other non-current assets	629,452	515,078
	5,766,057	**5,778,685**
Liabilities		
Current liabilities	256,578	320,062
Customer prepayments	1,592,761	1,208,243
Amended loan facilities	3,363,267	3,057,760
Other non-current liabilities	15,134	12,445
	5,227,740	**4,598,510**
Total equity	**538,317**	**1,180,175**

Cash and cash equivalents / liquidity

The cash and cash equivalents balance decreased from $37.7 million at December 31, 2015 to $1.5 million at December 31, 2016. The movements in cash and cash equivalents are discussed in item 4 under the heading "Cash Flows".

Receivables

As at December 31, 2016, the receivables balance of $236.6 million includes $188.4 million of VAT input credits receivable, $22.3 million of outstanding balances primarily for warehouse inventory items sold to Mutanda and $7.2 million of outstanding balances for mining fleet sold to Mopani. Receivables increased by $34.7 million from December 31, 2015 mainly due to an increase in VAT input credits of $20.2 million, an increase in third party receivables of $8.7 million, as well as an increase in related party receivables of $5.9 million.

Inventories

Inventories decreased from $620.5 million at December 31, 2015 to $511.3 million at December 31, 2016, mainly due to a decrease in consumables inventories of $109.4 million following sales of warehouse inventory items to Mutanda ($41.1 million) and third parties, as well as a write-off of consumable stores inventory following a full wall to wall count of all warehouses. As at December 31, 2016, $63.5 million of consumables inventories with a useful life of more than one year were included in property, plant and equipment as capital spares (December 31, 2015 - $69.3 million).

Prepayments and other current assets

Prepayments and other current assets decreased from $274.7 million at December 31, 2015 to $113.1 million at December 31, 2016, primarily due to a reclassification of $109.3 million relating to royalties and drilling prepayments to Gécamines from current to non-current prepayments following the suspension of copper and cobalt processing.

Mineral interests and property, plant and equipment

Mineral interests and property, plant and equipment increased from $4,128.7 million at December 31, 2015 to $4,274.0 million at December 31, 2016, primarily due to sustaining capital expenditures of $19.1 million, KOV and Mashamba East pre-stripping expenditures of $31.8 million, project related capital expenditures of $134.8 million and capitalized borrowing costs of $3.0 million offset by depreciation and amortization expense of $28.1 million. As at December 31, 2016, $63.5 million of consumables inventory with a useful life of more than one year were included in property, plant and equipment as capital spares (December 31, 2015 - $69.3 million).

Other non-current assets

Other non-current assets increased from $515.1 million at December 31, 2015 to $629.5 million at December 31, 2016, mainly due to an increase in non-current prepayments relating to a reclassification of $109.3 million relating to royalties and drilling prepayments to Gécamines from current to non-current prepayments.

Current liabilities

Current liabilities decreased from $320.1 million at December 31, 2015 to $256.6 million at December 31, 2016. This is primarily due to a decrease in trade payables and accruals of $54.4 million, a $7.7 million decrease in provisions mainly driven by the utilization of the restructuring provision and a $1.4 million decrease in the current portion of other non-current liabilities.

Customer prepayments

Customer prepayments increased from $1,208.2 million at December 31, 2015 to $1,592.8 million at December 31, 2016. This is due to $338.0 million of advance payments received and $46.5 million of interest payable accrued. It is the Company's intention to transfer the existing and future customer prepayments into a loan facility in due course.

Amended Loan Facilities

Amended Loan Facilities (refer to item 9) increased from $3,057.8 million at December 31, 2015, to $3,363.3 million at December 31, 2016, due to the accrual of interest of $305.5 million which is payable on maturity on January 1, 2021.

Other non-current liabilities

As at December 31, 2016, other non-current liabilities consist of decommissioning and environmental provisions, and have increased from $12.4 million as at December 31, 2015, to $15.1 million as at December 31, 2016 as a result of the accretion of $1.6 million as well as an increase in the liability of $1.1 million since the Company reassessed its WACC rate and lowered it from 11.25% to 10.70%.

Off-Balance Sheet Arrangements

As at December 31, 2016, the Company had no off-balance sheet arrangements.

6. Summary of Quarterly Results

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

($ millions except where indicated)	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4
Statement of Operations								
Total sales*	**220.8**	**248.4**	**202.0**	**(1.5)**	**(27.9)**	**(0.6)**	**(1.6)**	**0.0**
Cost of sales**	(233.5)	(253.9)	(273.3)	(77.0)	-	-	-	-
Royalties and transportation costs**	(29.1)	(35.7)	(35.9)	(1.3)	(0.1)	(0.0)	-	1.4
Depreciation and amortization	(55.4)	(62.5)	(54.7)	(14.1)	(7.7)	(6.8)	(6.9)	(6.7)
Gross loss	(97.2)	(103.7)	(161.8)	(93.9)	(35.7)	(7.4)	(8.5)	(5.3)
Operating expenses**	-	-	-	-	(55.9)	(42.3)	(53.0)	(68.7)
Other (expenses) income**	(0.1)	8.7	(2.0)	(3.5)	0.4	0.0	(0.6)	(0.8)
Release of SX/EW provision	-	-	-	17.4	-	-	-	-
Restructuring expense	-	-	(24.0)	(12.3)	(3.1)	-	-	3.7
Net finance cost	(27.7)	(77.9)	(80.4)	(82.4)	(84.8)	(91.4)	(88.2)	(90.5)
Income taxes recovery (expense)	57.4	53.9	(0.2)	0.1	(0.1)	0.2	(5.5)	(3.7)
Net loss	**(67.6)**	**(119.0)**	**(268.4)**	**(174.6)**	**(179.2)**	**(140.9)**	**(155.8)**	**(165.3)**
EBITDA**	(41.9)	(32.5)	(133.2)	(78.1)	(86.5)	(42.9)	(55.2)	(64.5)
Basic and diluted loss per common share ($ per share)***	(0.01)	(0.04)	(0.10)	(0.06)	(0.06)	(0.05)	(0.05)	(0.06)
Realized copper price ($ per lb)	2.51	2.52	2.03 -	4.35	-	-	-	-
Realized cobalt price ($ per lb)	10.54	12.57	10.53	5.13	-	-	-	-
Total copper sold (tonnes)	36,222	40,308	39,524	415	69	-	-	-
Total copper metal produced (tonnes)	37,133	35,974	33,709	-	-	-	-	-
Total copper produced in metal and concentrate (tonnes)	**37,133**	**40,096**	**36,444**	**-**	**-**	**-**	**-**	**-**
Total cobalt sold (tonnes)	885	888	1,071	220	32	-	-	-
Total cobalt produced (tonnes)	852	943	1,105	-	-	-	-	-
Statement of Financial Position								
Cash and cash equivalents	2.0	32.2	35.2	37.7	1.9	8.4	2.2	1.5
Other current assets	986.3	946.0	916.2	602.8	483.7	520.8	516.1	495.8
Mineral interests, property, plant and equipment and other long term assets	4,386.7	4,547.3	4,670.0	5,138.2	5,312.0	5,282.1	5,267.8	5,268.7
Total assets	5,375.0	5,525.5	5,621.4	5,778.7	5,797.6	5,811.3	5,786.1	5,766.1
Current liabilities	757.3	970.5	1,270.2	1,528.3	1,651.7	1,731.4	1,783.0	1,849.3
Amended Loan Facilities	2,841.3	2,911.8	2,984.2	3,057.8	3,132.0	3,207.2	3,284.7	3,363.3
Other non-current liabilities	34.2	19.9	12.4	12.5	12.8	13.2	14.7	15.1
Total liabilities	3,632.8	3,902.2	4,266.8	4,598.5	4,796.6	4,951.8	5,082.5	5,227.7
Total equity	1,742.2	1,623.3	1,354.7	1,180.2	1,001.1	859.5	703.7	538.3
Cash Flow								
Operating activities (before working capital changes)	(39.3)	(31.8)	(115.1)	(150.8)	(82.6)	(45.9)	(54.7)	(54.8)
Changes in working capital (excluding customer prepayments)	(227.5)	6.6	(50.2)	10.3	3.7	3.5	21.9	47.7
Increase (decrease) in customer prepayments****	(2.1)	2.1	(2.3)	-	0.1	0.3	(0.3)	-
Investing activities	(98.3)	(162.7)	(125.9)	(154.8)	(52.8)	(23.0)	(69.8)	(67.6)
Financing activities	354.0	241.2	297.0	297.9	95.8	71.5	96.7	74.0

* 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") prices for copper, previously concentrate and cobalt at the balance sheet date and repricing of those provisional sales in future periods.

** The aggregation of sales, cost of sales, operating expenses, royalties and transportation costs, and other expenses totals to EBITDA (refer to item 22 Non-IFRS financial measures).

*** Basic and diluted income per common share are the same for the periods presented since the outstanding share options do not have a dilutive effect since their exercise prices exceeded the average market value of the common shares at each period end.

**** Operating cash flows from customer prepayments have been superseded by the Amended Loan Facilities (refer to item 9) and financing cash flows from customer prepayments. Q1 2015 to Q4 2015 represents the movement in cash received for copper and cobalt that has been invoiced but not yet crossed the DRC border (the point of revenue recognition).

In Q1 2015 profitability was adversely impacted by reduced copper and cobalt prices, decreasing copper production, the cessation of borrowing cost capitalization and the write down of product inventories to net realizable value. These factors were offset by increased income tax recoveries.

In Q1 2015, the Company ceased borrowing cost capitalization leading to the expensing of Amended Loan Facility and customer prepayment interest costs of $24.4 million, $74.6 million, $78.4 million and $82.1 million in Q1 2015, Q2 2015, Q3 2015 and Q4 2015, respectively.

In Q1 2015, Q2 2015 and Q3 2015 the Company incurred an expense of $24.9 million, $35.3 million and $25.7 million, respectively, on inventory write-down due to the decrease in the copper price.

In Q2 2015, profitability was adversely impacted by the expensing of Amended Loan Facility and customer prepayment interest costs of $74.6 million and inventory write down costs of $35.3 million, offset by an increase in copper sales tonnes and an increase in cobalt prices.

In Q3 2015, profitability was adversely impacted by decreasing copper and cobalt prices, a $24.0 million restructuring expense recorded following the suspension of copper and cobalt production in September 2015 and the suspension of recognition of deferred tax assets. These factors were offset by an increase in cobalt production and sales.

In Q4 2015, profitability was negatively impacted by a further $12.3 million restructuring expense and the recording of a provision of $30.6 million in relation to the write-down to net realizable value of consumables inventory.

In Q1 2016, profitability was negatively impacted by additional quality discounts of $25.4 million relating to finalization of outstanding 2015 sales, and a further $3.1 million restructuring expense.

In Q2 2016, profitability compared to Q1 2016 was positively impacted by lower negative sales of $0.6 million relating to the finalization of copper sold in 2015, and cost savings following the suspension of copper and cobalt processing.

In Q3 2016, profitability compared to Q2 2016 was negatively impacted by higher negative sales of $1.6 million relating to the finalization of copper sold in 2015, as well as loss on sale of assets amounting to $0.4 million due to lower sales of non-core products and higher loss on sales of warehouse inventory items of $2.4 million.

In Q4 2016, profitability compared to Q3 2016 was negatively impacted by the write-off of consumable stores inventory, which had a net impact to the income statement of $9.9 million.

These movements in the results are also reflected in the cash flows from operating activities before working capital changes.

Investing activities increased in Q2 2015 and Q4 2015, due to mining fleet acquisitions and pre-stripping costs at KOV, and this has also resulted in an increase in the net additions to mineral interest and other assets. Other movements on the statement of financial position can be primarily attributed to the changes in production.

The following production information sets out the quarterly results of the Company for the last eight quarters:

	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4
Copper and Cobalt Production Statistics								
Open Pit Mining - KOV								
Waste mined (tonnes)	6,215,360	9,395,807	11,656,361	7,456,107	1,121,281	944,834	3,282,938	2,137,484
Ore mined (tonnes)	1,343,544	1,669,055	1,331,428	202,559	-	-	825	-
Copper grade (%)	3.66	3.95	4.16	3.30	-	-	2.67	-
Cobalt grade (%)	0.46	0.52	0.42	0.65	-	-	0.68	-
Open Pit Mining - Mashamba East								
Waste mined (tonnes)	-	304,057	1,618,381	2,303,698	-	633,725	-	-
Ore mined (tonnes)	-	4,312	-	-	-	-	-	-
Copper grade (%)	-	3.42	-	-	-	-	-	-
Cobalt grade (%)	-	0.41	-	-	-	-	-	-
Underground Mining - KTO								
Waste mined (tonnes)	103,179	57,943	53,319	21,472	21,392	4,875	12,934	15,502
Ore mined (tonnes)	504,725	526,292	447,915	-	-	-	-	-
Copper grade (%)	3.32	3.06	3.28	-	-	-	-	-
Cobalt grade (%)	0.38	0.31	0.40	-	-	-	-	-
Underground Mining - Etang South								
Waste mined (tonnes)	-	14,954	16,930	-	-	-	-	-
Ore mined (tonnes)	-	1,695	-	-	-	-	-	-
Copper grade (%)	-	2.43	-	-	-	-	-	-
Cobalt grade (%)	-	0.45	-	-	-	-	-	-
Underground Mining - T17								
Waste mined (tonnes)	4,925	-	-	-	-	-	-	-
Ore mined (tonnes)	-	-	-	-	-	-	-	-
Copper grade (%)	-	-	-	-	-	-	-	-
Cobalt grade (%)	-	-	-	-	-	-	-	-
Underground Mining - KTE								
Waste mined (tonnes)	67,650	44,586	50,218	-	-	-	-	-
Ore mined (tonnes)	-	-	-	-	-	-	-	-
Copper grade (%)	-	-	-	-	-	-	-	-
Cobalt grade (%)	-	-	-	-	-	-	-	-
Total Mining								
Waste mined (tonnes)	6,391,114	9,817,347	13,395,209	9,781,277	1,142,672	1,583,434	3,295,872	2,152,986
Ore mined (tonnes)	1,848,269	2,201,354	1,779,343	202,559	-	-	825	-
Copper grade (%)	3.57	3.74	3.94	3.30	-	-	2.67	-
Cobalt grade (%)	0.44	0.47	0.42	0.65	-	-	0.68	-
KTC Concentrator								
Ore processed (tonnes)	1,959,724	2,034,949	1,460,316	-	-	-	-	-
Concentrate produced (tonnes)	270,608	317,392	271,647	-	-	-	-	-
Luilu Metullurgical Plant								
Total concentrate feed (tonnes)	279,492	292,671	272,545	-	-	-	-	-
Copper produced (tonnes)	37,133	35,974	33,709	-	-	-	-	-
Cobalt produced (tonnes)	852	943	1,105	-	-	-	-	-

7. Commitments

The following table summarizes the Company's contractual and other obligations as at December 31, 2016.

Commitments due by year	Total $'000	Less than 1 year $'000	1-3 years $'000	4-5 years $'000	After 5 years $'000
Capital expenditure commitments[1]	57,223	57,223	-	-	-
Gécamines minimum royalty payment[2]	18,000	1,800	3,600	3,600	9,000
Power Project[3]	28,979	17,157	11,822	-	-
	104,202	**76,180**	**15,422**	**3,600**	**9,000**

(1) The capital expenditure commitments relate to the WOL Project ($54.7 million) and other infrastructure projects. Glencore has indicated it will provide or procure the additional funding required for the completion of these projects.

(2) Pursuant to the terms of the Joint Venture Agreement (the "JVA" – refer to item 16), all installations and infrastructures within the perimeter of the KCC concession area are being rented for an annual minimum royalty payment to Gécamines of $1.8 million.

(3) In order to meet the need for additional and reliable electrical power for the development of their mining activities, KCC and Mutanda Mining SARL ("Mutanda") (a related party of the Company and part of the Glencore Group), entered into agreements with the DRC electricity provider, La Société Nationale d'Electricité ("SNEL"), to fund the rehabilitation of certain of SNEL's generation and transmission infrastructures (the "Power Project"). KCC will fund $385.6 million for the Power Project, which commenced in the second quarter of 2012 and is expected to continue to the end of 2018, with Mutanda reimbursing KCC two thirds of the funding. Accordingly, KCC's net funding contribution will be $128.5 million, of which $99.5 million has been funded as of December 31, 2016 (included in other non-current assets in the statement of financial position). $380.6 million of this amount will be reimbursed by SNEL ("Debt Amount") via credits to power bills payable by the Company and its affiliates. Interest will accrue at 6 months LIBOR + 3% on the Debt Amount from date of drawdown to date of reimbursement. SNEL will retain ownership of the generation and transmission infrastructures throughout the duration of the Power Project and thereafter. Glencore has indicated it will provide or procure the additional funding required for the completion of the Power Project.

8. Contingent Liabilities

The Company and its subsidiaries are subject to routine legal proceedings and tax audits. While the Company cannot predict the results of any legal proceedings, it believes it has meritorious defences against those claims. The Company believes the likelihood of any liability arising from these claims to be remote and that the liability, if any, resulting from any litigation or tax audits, individually or in aggregate, will not have a material adverse effect on its earnings, cash flow or financial position.

The Company's operations in the DRC are subject to various environmental laws and regulations. The Company is in material compliance with those laws and regulations. Environmental contingencies are accrued by the Company when such contingencies are probable and reasonably estimable. At this time, the Company is unaware of any material environmental incidents at its operations in the DRC.

Refer to item 14 of this Management Discussion and Analysis.

9. Liquidity and Capital Resources

As at December 31, 2016, the Company had cash and cash equivalents of $1.5 million (December 31, 2015 – $37.7 million) and a working capital shortfall of $1,191.8 million (December 31, 2015 – $887.8 million).

In December 2011, the Company announced the execution of two loan facilities with Glencore Finance (Bermuda) Limited, a subsidiary of Glencore, with total available borrowing of up to $635.5 million (the "Loan Facilities"). $120.0 million was provided to the Company during the year ended December 31, 2011, as a new term loan facility (the "Term Loan") to fund in substantial part the redemption of the Company's debentures. On December 13, 2012, the second facility (the "Senior Facility"), making up the balance of the available borrowing and amounting to $515.5 million, was provided to a subsidiary of the Company and together with other subsidiaries of the Company as guarantors, as a senior secured credit facility to fund a portion of the Updated Phase 4 Expansion Project not covered by the Company's cash flows.

On November 26, 2014, the Company announced the execution of extended and increased loan facilities with Glencore Finance (Bermuda) Limited. The amended facilities are comprised of the Senior Facility and Term Loan, each as amended (the "Amended Loan Facilities") as follows:

The Senior Facility was increased to include the existing $515.5 million Senior Facility (plus accrued interest thereon) and $1,815.8 million of un-invoiced customer prepayments provided by Glencore International AG to KCC (plus accumulated interest thereon), which were converted into loans bearing interest at 10% per annum and provided by Glencore Finance (Bermuda) Limited. Included in the total amount of the amended Senior Facility was further funding of $50.0 million, which was subsequently fully drawn down, made available according to the cash flow requirements of KCC based on the approved budgets for the Phase 5 Expansion Project and the Power Project. The amount of the Term Loan remained unchanged at $120.0 million plus accumulated interest. The maturity of the Senior Facility and the Term Loan was extended to January 1, 2021. All other material terms of the Senior Facility and the Term Loan remained the same.

The Company's 75% interest in KCC (which holds the copper and cobalt project assets) has been pledged as security for the Senior Facility along with certain other assets of the Company and its subsidiaries. As security for the Term Loan and additional security for the Senior Facility, the Company has agreed, if a Loan Facility is in default, to complete a discounted rights offering with a Glencore subsidiary providing a standby commitment, to repay the Loan Facility. In the case of the Senior Facility, a Glencore subsidiary has agreed to exercise its right to compel the Company to complete the discounted rights offering prior to realizing on the Glencore subsidiary's other security. The Loan Facilities contain undertakings which restrict the Company's and other Company subsidiaries' ability to (i) make acquisitions, (ii) grant loans, (iii) provide guarantees, (iv) pledge or dispose of their assets, as well as certain additional undertakings which are customary for these type of transactions.

The Amended Loan Facilities balance is comprised of the following:

	December 31, 2016 $'000	December 31, 2015 $'000
Balance, beginning of the year	3,057,760	2,770,863
Changes during the year:		
Facility draw-down	-	1,800
Interest capitalized and payable on maturity[(1)]	274,172	255,730
Interest payable on maturity but not yet capitalized[(1)]	31,335	29,367
Balance, end of the year	**3,363,267**	**3,057,760**

(1) Interest is payable on any amount drawn under the Amended Loan Facilities at a rate of 10% per annum. Before finalization of the Amended Loan Facilities, financing received through customer prepayments bore interest at a floating rate of 3-month LIBOR plus 3%. Interest is capitalized twice a year to the Amended Loan Facilities and payable on maturity. The amount of interest payable has therefore been split between interest capitalized and interest payable but not yet capitalized to the Amended Loan Facilities.

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 budgeting process included stress testing of the assumptions underlying the budget. It is anticipated that the Company's existing cash balances, cash flow from operations, existing credit facilities and advances from Glencore will be sufficient to fund the operations, capital expenditure, the WOL Project and the Power Project for the next year. Glencore has indicated it will provide or procure the additional funding required for the operations, capital expenditure, care and maintenance costs during the suspension period, the WOL Project and the completion of the Power Project. Further detail on the Company's commitments can be found in item 7 and 14 of this Management's Discussion and Analysis.

10. Accounting Policies, Key Judgments and Estimates

The consolidated financial statements have been prepared using the same accounting policies, key judgments and estimates as applied in the 2015 annual audited consolidated financial statements. The following new and revised standards and interpretations were adopted effective for annual accounting periods beginning on or after January 1, 2016:

- IFRS 5 – Non-current assets Held for Sale and Discontinued Operations;
- IAS 16 – Property, Plant and Equipment;
- IAS 19 – Employee Benefits;
- IAS 34 – Interim Financial Reporting; and
- IAS 38 – Intangible Assets.

The adoption of these new and revised standards and interpretations did not have a significant impact on Katanga's financial statements.

New standards not yet effective

At the date of authorisation of these financial statements, the following new standards, which are applicable to the Company, were issued but are not yet effective:

- IFRS 15 – Revenue from Contracts with Customers – effective for year ends beginning on or after 1 January 2018. IFRS 15 applies to revenue from contracts with customers and replaces all of the revenue standards and interpretations in IFRS. The standard outlines the principles an entity must apply to measure and recognise revenue and the related cash flows.
- IFRS 9 – Financial Instruments – effective for year ends beginning on or after 1 January 2018. IFRS 9 modifies the classification and measurement of certain classes of financial assets and liabilities. The most significant change is to rationalise from four to two primary categories of financial assets.
- IFRS 16 Leases: Effective for year ends beginning on or after 1 January 2019. IFRS 16 provides a comprehensive model for identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretative guidance.

The Company has not early adopted these standards and amendments. The Company is currently assessing what impact the application of the remaining standards or amendments will have on the financial statements. These standards and amendments will be first applied in the financial report of the Company that relates to the annual reporting period beginning on or after the effective date of each pronouncement.

11. Outstanding Share Data

(a) AUTHORIZED

An unlimited number of common shares with no par value.

(b) ISSUED AT DECEMBER 30, 2016

1,907,380,413 common shares.

(c) SHARE OPTIONS

The following table reflects the continuity of share options during the years presented:

	Number of share options	Weighted Exercise Price per Share [1]
Outstanding at January 1, 2015	7,153,658	$2.85
Forfeited during the year	(3,095,406)	($0.97)
Outstanding at December 31, 2015	4,058,252	$4.28
Forfeited during the year	(1,562,754)	($0.79)
Outstanding at December 31, 2016	**2,495,498**	**$6.47**

[1] Denominated in Canadian dollars.

12. Related Party Transactions

Related parties and related party transactions not otherwise disclosed elsewhere in this Management's Discussion and Analysis include:

Galif Investments Limited ("Galif"), registered in Bermuda, is an aircraft management company whose ultimate beneficial owner is Glencore. During 2016 and 2015, Galif provided aircraft maintenance and auxiliary services to the Company in the normal course of business and on arm's length commercial terms. For the year ended December 31, 2016 and 2015 the Company incurred charges of $2.3 million and $1.9 million, respectively.

Glencore is the Company's ultimate majority shareholder and is represented on the Board of Directors of the Company. In November 2007, Glencore's wholly-owned subsidiary, Glencore International AG 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 International AG on market terms for the life of any mines and plants operated, acquired and / or developed by the Company in the DRC. The off-take agreements were entered into before Glencore was a related party of the Company. In December 2011, the Company entered into the Loan Facilities with total available borrowings of up to $635,500, which was fully drawn down during 2011 and 2012. Such Loan Facilities were amended in 2014 (refer to item 9).

Mutanda Mining SARL ("Mutanda") is a copper and cobalt producer located in the DRC and is a 69% owned subsidiary of Glencore. During the year ended December 31, 2012, the Company commenced the Power Project with Mutanda and Kansuki SPRL (since merged with Mutanda). Additionally, there is an agreement in place for employees of either Katanga or Mutanda to use charter flights operated by either company with associated costs invoiced. In November 2014, the Company's Board of Directors, including its independent directors, unanimously approved entering into a contract for the sale by Mutanda of copper concentrate to the Company, in the ordinary course of business and on arm's length commercial terms. During 2015, Mutanda supplied processing consumables and medical services to the Company. Further, during 2016, the Company supplied warehouse inventory items to Mutanda. These services were provided in the normal course of business and on arm's length commercial terms.

Mopani Copper Mines Plc ("Mopani") is a copper and cobalt producer located in Zambia. Mopani is a 73.1% owned subsidiary of Glencore. During 2015, Mopani supplied sulphuric acid and other consumables to the Company in the normal course of business and on arm's length commercial terms. Further, during 2016, the Company sold mining fleet to Mopani. This sale was done in the ordinary course of business and on arm's length commercial terms.

Glencore Technology Proprietary Limited ("Glencore Technology") is a provider of mining services and is a 100% subsidiary of Glencore. During 2016 and 2015, Glencore Technology provided mining equipment and services to the Company, in the normal course of business and on arm's length commercial terms.

All transactions 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 December 31,		Twelve months ended December 31,	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Purchases from related parties				
Galif	1,527	1,969	2,265	3,866
Glencore International AG[1]	92,541	82,240	358,889	354,821
Mopani	-	-	-	14,130
Mutanda	-	-	-	8,000
Glencore Technology	-	156	3	1,493
Sales to related parties				
Glencore International AG[2]	2	(1,496)	(26,057)	670,446
Mopani[3]	-	-	7,152	-
Mutanda[4]	16,374	5,353	41,078	7,303

	As at December 31, 2016 $'000	As at December 31, 2015 $'000
Amounts owed to related parties		
Galif	4,962	2,696
Glencore International AG[5]	5,050,802	4,346,059
Mopani	192	517
Mutanda[6]	39,044	10,333
Glencore Technology	-	408
Amounts owed by related parties		
Glencore International AG	212	23,730
Mopani	7,152	-
Mutanda[6]	22,288	-
Glencore Technology	5	-

(1) Amount includes interest payable under the Amended Loan Facilities and customer prepayments.

(2) Amounts included in sales for copper and cobalt are included in operating expenses for 2016 and cost of sales for 2015 in the consolidated statement of loss related to the disposal of property, plant and equipment. Negative sales amounts are a result of quality discounts.

(3) Amounts included in operating expenses for 2016 in the statement of loss related to the sale of mining fleet.

(4) Amounts included in operating expenses for 2016 and cost of sales for 2015 in the Operating Results as these are recoverable charter flight costs which are netted against the underlying expense as well as sale of warehouse inventory items.

(5) Amount includes customer prepayments and Amended Loan Facilities (as well as accrued interest).

(6) Amount represents advanced payments received on the Power Project (refer to item 7), amounts owing for the purchase of concentrate, processing consumables and medical services and amounts owed by Mutanda for their purchase of warehouse inventory items.

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (executive and non-executive) of the Company.
The remuneration of directors and other members of key management personnel during the year was as follows:

	Years ended December 31,	
	2016 $'000	**2015 $'000**
Short-term employee benefits	3,478	6,939
Other long-term benefits [(1)]	326	65
Termination benefits	74	53
Share-based compensation [(1)]	14	114
Total compensation	**3,893**	**7,171**

[(1)] Share-based compensation has been replaced by a long-term incentive plan.

13. Financial Instruments

At December 31, 2016, and December 31, 2015, the Company's financial instruments consisted of cash and cash equivalents, receivables, accounts payable and accrued liabilities, bank overdrafts, customer prepayments, other non-current liabilities and the Amended Loan Facilities. With respect to all of these financial instruments, the Company estimates that the fair value of these financial instruments approximates their carrying values at December 31, 2016 and December 31, 2015, respectively.

The Company values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

The following table outlines financial assets and liabilities measured at fair value in the financial statements and the level of the inputs used to determine those fair values in the context of the hierarchy as defined above as at December 31, 2016, and December 31, 2015:

	Hierarchy Level	**December 31, 2016 $'000**	**December 31, 2015 $'000**
Cash and cash equivalents	1	1,518	37,740
Provisional pricing derivative [(1)]	2	5	(7)

[(1)] Open provisionally priced sales which retain an exposure to future changes in commodity prices are marked-to-market based on the LME forward prices offset by the contractual discount to the LME price. As such, these embedded derivatives included in receivables are classified within Level 2 of the fair value hierarchy.

There have been no transfers between Level 1 and 2 in the respective reporting periods. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period. Fair values have been determined by reference to quoted prices at the reporting dates.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out in item 14.

14. Risk Factors

The risks associated with the financial instruments (set out in item 13) and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Company does not enter into or trade financial instruments including derivative financial instruments, for speculative purposes.

Credit risk

The Company's credit risk is primarily attributable to other receivables mainly consisting of value added tax input credits receivable, trade receivables from copper and cobalt sales and short-term deposits. The value added tax input credits are receivable from the tax authorities in the countries in which the Company operates and the collection thereof is closely monitored by management. The Company has a concentration of credit risk with all sales to one customer, which is closely monitored by management. The customer is a related party of the Company (refer to item 12). The majority of the Company's cash and cash equivalents are on deposit with banks or money market participants with a Standard and Poor's rating of BBB or greater in line with the Company's treasury policy.

Market risk

(a) Interest rate risk

The Company had cash balances and bank overdrafts, the Amended Loan Facilities and financing received through customer prepayments as at December 31, 2016, and December 31, 2015. The bank overdrafts had fixed interest rates of between 7% and 10%. The Amended Loan Facilities have a fixed interest rate of 10% and the financing received through customer prepayments bears interest at an interest rate of 3-month LIBOR plus 3% fixed on the date of receipt. The Company held no floating rate debt as at December 31, 2016, and December 31, 2015.

(b) Foreign currency risk

The Company's functional currency is the U.S. dollar. Sales are transacted in U.S. dollars and the majority of major purchases are transacted in U.S. dollars and South African rand. The Company maintains the majority of its cash and cash equivalents in U.S. dollars but it does hold balances in South African rand, British pounds, Canadian dollars, Swiss franc, Congolese franc and Euros from time to time (for future expenditures which will be denominated in these currencies). The Company has not entered into any derivative instruments to manage foreign exchange fluctuations; however, management monitors foreign exchange exposure.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the respective dates of the statement of financial position are as follows:

	Assets		Liabilities	
As at	**December 31, 2016 $'000**	**December 31, 2015 $'000**	**December 31, 2016 $'000**	**December 31, 2015 $'000**
Assets				
South African rand	26'695	212	(769)	-
British pounds	30	36	-	-
Canadian dollars	18	30	-	-
Swiss franc	23	24	-	-
Congolese franc	42	26,041	(1,081)	(1,918)
Euros	1,479	255	-	-
	28,287	26,598	(1,850)	(1,918)

A 5% increase or decrease in the U.S. dollar at December 31, 2016, with respect to all of the above currencies, would result in a movement of the unrealized foreign exchange gain or loss for the year of approximately $1.4 million (year ended December 31, 2015 – $1.2 million).

Commodity risk

The Company sells copper, cobalt and previously sold copper concentrate at prevailing market prices. Under certain revenue contracts, final pricing adjustments are made after delivery to customers. The Company is therefore exposed to changes in commodity prices of copper and cobalt both in respect of future sales and previous sales which remain open to final pricing.

The Company has not used any commodity price derivatives in this year or the prior year. There is currently no intention to hedge future copper and cobalt sales.

As at December 31, 2016, the Company had 25 of tonnes copper (December 31, 2015 – no copper) and no cobalt (December 31, 2015 – 25 tonnes) for which final commodity prices have yet to be determined. These were valued at December 31, 2016, at a forward commodity price net of contractual discounts of $1,568 per tonne for copper wire (December 31, 2015 – no copper) (amounts in whole numbers).

Liquidity risk

It is anticipated that the Company's existing cash balances, cash flow from operations, existing credit facilities and advances from Glencore (refer to item 9) will be sufficient to fund the operations, capital expenditure, the WOL Project and the Power Project (refer to item 7), for the next twelve months. Glencore has indicated it will provide or procure the additional funding required while the Company continues the planned investment in ongoing processing plant upgrades, the waste stripping at the KOV and Mashamba East Open Pits and any other operating activities during the suspension period. During the year ended December 31, 2014, the existing Loan Facilities and customer prepayments received up to November 26, 2014 were rolled into new long-term facilities with repayment terms extended to January 1, 2021 (refer to item 9).

The following table details the Company's expected remaining contractual maturities for its financial liabilities at December 31, 2016. The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to satisfy the liabilities.

As at December 31, 2016	6 months or less $'000	6 to 12 months $'000	1 to 2 years $'000	Over 2 years $'000	Total $'000
Accounts payable and accrued liabilities	115,654	133,704	-	-	**249,358**
Customer prepayments	1,592,761	-	-	-	**1,592,761**
Amended Loan Facilities – related parties	-	-	-	3,363,267	**3,363,267**
	1,708,415	**133,704**	**-**	**3,363,267**	**5,205,386**

As at December 31, 2015	6 months or less $'000	6 to 12 months $'000	1 to 2 years $'000	Over 2 years $'000	Total $'000
Accounts payable and accrued liabilities	271,788	31,929	-	-	**303,717**
Customer prepayments	1,208,243	-	-	-	**1,208,243**
Amended Loan Facilities – related parties	-	-	-	3,057,760	**3,057,760**
Current portion of finance lease liability	705	705	-	-	**1,410**
	1,480,736	**32,634**	**-**	**3,057,760**	**4,571,130**

Other risks

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

The financial information in this Management's Discussion and Analysis has been prepared using the same accounting policies and methods of computation as applied in the Company's 2016 annual audited consolidated financial statements for the year ended December 31, 2016, which are available on SEDAR at www.sedar.com, and no updates are required for the key accounting judgments and estimates.

15. 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 fully committed to continual improvement of its operational conditions and practices. The Company is actively developing and implementing procedures, conducting training and auditing of protocols across its operation. The Company has a well-established Emergency Response Team ("ERT") and a mine rescue team trained to international standards. Additionally, Katanga has an on-site hospital providing medical and occupational health services to all employees, contractors and their dependents.

The prevention of fatalities is of utmost importance to the Company. As part of the Glencore "SafeWork" program, the Company continues to develop and introduce Fatal Hazard Protocols and Life Saving Behaviours that mandate the processes, conditions and behaviours needed to prevent fatalities. Each individual employee has provided a commitment to this program. The Company also completed its comprehensive baseline Health and Safety risk assessment for mining and processing areas in Q4 2014. In 2015, the Company identified the top potentially fatal hazards in each area of the operation and trained its supervisors to lead SafeWork conversations to ensure our employees perform high risk tasks safely. In 2016, KCC continued to focus on implementation of Catastrophic Hazard Management Plans and achieving Stage 2 of the Fatal Hazard Protocols.

During Q1 2016, regrettably 7 fatalities occurred from a single ground failure event. During 2015, no fatalities occurred in the operations. There was no lost time injury (LTI) recorded during Q4 2016 compared to one LTI in Q3 2016, 2 during the whole of 2016 and 5 during the whole of 2015. The 2016 rolling LTI frequency rate based on one million man hours was 0.16 (0.18 during the whole of 2015).

The Company's environmental practices are modelled after ISO 14000 and continual improvement is a consistent theme with the Company's environmental practices. In March 2008, the Company's consultants 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 tonnes per annum of copper production. Arrangements were subsequently made to review the draft ESIA based on the Accelerated Development Plan, the 2012 ITR (refer to item 17) and in consideration of DRC legal requirements and to re-draft an Environmental Impact Study ("EIS"). Public consultation was completed on April 15, 2010. The EIS was submitted to the DRC authorities for approval in January 2011. Through the Department for the Protection of Mining Environment, the DRC Ministry of Mines approved the EIS in March 2011 and as a consequence, the Company has commenced all necessary steps required to comply with its environmental commitments referenced in the EIS and its Environmental and Social Management Plans.

Under DRC law, Katanga is required to review its approved ESIA every five years and when any significant changes to its operations occur. Katanga submitted an amended ESIA, including the Updated Phase 4 Expansion Project, the Phase 5 Expansion Project and the development of T17 Underground Mine in April 2014. The Company has aligned its security practices with the United Nation's Voluntary Principles on Security and Human Rights.

Decommissioning and environmental provisions

Decommissioning and environmental provisions arise from the acquisition, development, construction and normal operation of mining property, plant and equipment due to government controls and regulations that protect the environment on the closure and reclamation of mining properties.

The decommissioning and environmental provisions are calculated at the net present value of estimated future cash flows of the reclamation and closure costs which total $102.4 million (December 31, 2015 – $102.4 million) (undiscounted) and are required to satisfy the obligations until 2034 (December 31, 2015 – until 2034). A risk-adjusted discount rate of 10.70% was applied to the expected future cash flows to determine the carrying value of the provisions (December 31, 2015 – 11.25% discount rate).

The following table details the items that affect the decommissioning and environmental provisions:

	As at December 31, 2016 $'000	**As at December 31, 2015 $'000**
Provisions, beginning of the year	12,445	24,518
Accretion	1,538	2,025
Charged to cost of sales	-	68
Charged to operating expenses	61	-
Revision to estimate	1,091 (2)	(14,166) (1)
Provisions, end of the year	**15,134**	**12,445**

(1) As at January 1, 2015, the Company reassessed its estimate regarding the expected closure date of the mining properties from 2030 to 2031. This resulted in a $2,517 decrease in the provisions and a corresponding decrease in property, plant and equipment.

As at June 30, 2015, the Company reassessed its estimate regarding the total reclamation and closure costs from $138,500 to $102,365 and the expected closure date of the mining properties from 2031 to 2034. This resulted in an $11,145 decrease in the provisions and a corresponding decrease in property, plant and equipment.

As at September 30, 2015, the Company reassessed its risk-adjusted discount rate due to changes in the Company's weighted average cost of capital. This resulted in a $504 decrease in the provisions and a corresponding decrease in property, plant and equipment.

(2) As at September 30, 2016, the Company reassessed its risk-adjusted discount rate due to changes in the Company's weighted average cost of capital. This resulted in a $1.1 million increase in the provisions and a corresponding increase in property, plant and equipment.

As at December 31 2016, there were no significant changes since September 30, 2016.

16. Joint Venture Agreement

The amended JVA was entered into with Gécamines on July 25, 2009, and all provisions remain consistent with those described in the Company's Annual Information Form for the year ended December 31, 2015, dated March 30, 2016, which is available under the Company's profile on SEDAR at www.sedar.com.

17. Technical Report

The Company filed its technical report entitled "An Independent Technical Report on the Material Assets of Katanga Mining Limited, Katanga Province, Democratic Republic of Congo" ("2012 ITR") on SEDAR (at www.sedar.com under Katanga's profile) on March 30, 2012. The 2012 ITR covers the mineral reserves and mineral resources (as defined by National Instrument 43-101 of the Canadian Securities Regulators) and operations of the Company's operating subsidiary in the DRC, KCC.

18. Disclosure Controls, 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.

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the Company.

The CEO and CFO have concluded that, as at December 31, 2016, the Company's DC&P have been designed and operate 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 by the Company under securities legislation is 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 and operate 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 December 31, 2016.

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 consolidated financial statements for external reporting purposes in line with IFRS. 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 control framework (2013). There were no changes to the Company's internal controls over financial reporting that occurred during the year ended December 31, 2016, that materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting.

19. Selected Annual Information

($ millions except where indicated)	**2012**	**2013**	**2014**	**2015**	**2016**
Total revenues	600.5	805.6	1,078.5	669.7	(30.1)
(Loss) income before income taxes	(101.4)	38.9	(82.5)	(740.8)	(632.2)
Basic and diluted income per common share ($ per share)	$0.02	$0.05	$0.07	$-0.22	$-0.22
Total assets	3,316.6	4,297.4	5,045.6	5,778.7	5,766.1
Total long term liabilities	(711.8)	(762.9)	(2,810.7)	(3,070.2)	(3,378.4)

As discussed previously, in the summary of quarterly results above, the movements in the selected annual information can be explained by the movement in production, movements in commodity prices, taxes and investment in the expansion and rehabilitation of the production assets.

20. Forward Looking Statements

Management's discussion and analysis may contain forward-looking statements, including, but not limited to statements relating to, the suspension of copper and cobalt processing, investigations into and remediation efforts related to the March 2016 geotechnical failure at KOV Open Pit, the impact of newly acquired or commissioned equipment on operations, the improvements related to the WOL Project, the impact of the shift in focus towards waste mining during the suspension of production, the expectation of resumption of production and the impact of the timing thereof, initiatives to be undertaken during the suspension of production and the overall expected improvement of recoveries and grades. 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.

All forward-looking statements reflect the Company's beliefs and assumptions based on information available at the time the statements were made. Actual results or events may differ from those predicted in these forward-looking statements. All of the Company's forward-looking statements are qualified by the assumptions that are stated or inherent in such forward-looking statements, including the assumptions listed below. Although the Company believes that these assumptions are reasonable, this list is not exhaustive of factors that may affect any of the forward-looking statements. The key assumptions that have been made in connection with the forward-looking statements include the following: the operations of the Company during the production suspension and timeline for the recommencement of operations remaining consistent with management's expectations, there being no significant disruptions affecting the operations of the Company whether due to labour disruptions, supply disruptions, power disruptions, rollout of new equipment, damage to equipment or otherwise; permitting, development, operations, expansion and acquisitions at the Project being consistent with the Company's current expectations; continued recognition of the Company's mining concessions and other assets, rights, titles and interests in the DRC; political and legal developments in the DRC being consistent with its current expectations; the continued provision or procurement of additional funding from Glencore for operations, the completion of the T17 Underground Mine, the WOL Project and the Power Project; new equipment performs to expectations; the exchange rate between the US dollar, South African rand, British pounds, Canadian dollar, Swiss franc, Congolese franc and Euro being approximately consistent with current levels; certain price assumptions for copper and cobalt; prices for diesel, natural gas, fuel oil, electricity and other key supplies being approximately consistent with current levels; production, operating expenses and cost of sales forecasts for the Company meeting expectations; the accuracy of the current ore reserve and mineral resource estimates of the Company (including but not limited to ore tonnage and ore grade estimates); and labour and material costs increasing on a basis consistent with the Company's current expectations.

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 unforeseen delays or changes to the WOL Project; 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, delays due to strikes or other work stoppage, both internal and external to the Company 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.

21. Qualified Person

Tim Henderson, a Director and Technical Consultant to the Company, is the 'Qualified Person', as defined in National Instrument 43-101, who approved the scientific and technical disclosure in this Management's Discussion and Analysis.

22. Non-IFRS Measures

The Company has included three non-IFRS performance measures:

1. EBITDA (earnings before interest, tax, depreciation and amortization); and
2. C1 cash costs.

The Company believes that, in addition to conventional measures prepared in accordance with IFRS, these measures provide useful information to both management and investors 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 IFRS. These measures do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS.

1. EBITDA has been calculated as:

		Three months ended			Years ended	
		Dec 31,	Sep 30,	Dec 31,	Dec 31,	
		2016	2016	2015	2016	2015
Sales	$'000	3	(1,632)	(1,497)	(30,127)	669,701
Cost of sales	$'000	-	-	(92,418)	-	(1,126,290)
Operating expenses	$'000	(73,999)	(59,947)	-	(246,794)	-
General and administrative expense	$'000	(561)	(932)	(1,362)	(2,284)	(2,715)
Release of SX/EW provision	$'000	-	-	17,422	-	17,422
Restructuring recovery (expense)	$'000	3,665	-	(12,330)	600	(36,304)
Foreign exchange gain (loss)	$'000	(277)	382	(2,091)	1,338	5,888
Exclude: Depreciation	$'000	6,701	6,915	14,138	28,126	186,601
EBITDA	$'000	(64,468)	(55,214)	(78,138)	(249,141)	(285,697)

2. C1 cash costs are the operational costs of production per unit of output. Due to the suspension of production C1 cash costs are not calculated for the applicable periods.