
KATANGA MINING LIMITED

Management's Discussion and Analysis for the year ended December 31, 2019

*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 consolidated financial statements and the notes thereto of the Company for the years ended December 31, 2019 and 2018. 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") in issue and effective for the Company at December 31, 2019. **All dollar amounts are in United States dollars unless otherwise indicated. Except as otherwise noted,** this information has been prepared as of February 13, 2020. 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, 2018, dated April 1, 2019, 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.*

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1. Company Overview

Katanga Mining Limited ("Katanga" or the "Company") is a limited company whose common shares are listed on the Toronto Stock Exchange ("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 99.5% of Katanga's shares indirectly through its wholly-owned subsidiary Glencore International AG ("GIAG") and provides executive management services to Katanga pursuant to a management services agreement dated January 17, 2019 (the "Management Agreement").

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 in the DRC 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").

2. Summary of Significant Events

OSC Settlement and appointment of a Consultant

On December 18, 2018, Katanga announced that the Ontario Securities Commission ("OSC") approved a global settlement agreement (the "OSC Settlement Agreement") between staff of the OSC and the Company, certain of its former directors and officers and its then Chief Executive Officer, relating to the investigation into certain of the Company's historical disclosures.

In the OSC Settlement Agreement, the Company agreed that it: (i) misstated its financial position and the results of its operations; (ii) failed to maintain adequate disclosure controls and procedures and internal controls over financial reporting; and (iii) failed to disclose material weaknesses in its internal controls. The OSC Settlement Agreement also states that certain of its former directors and officers and its then Chief Executive Officer authorized, permitted or acquiesced in such non-compliance with Ontario securities laws by the Company and acted in a manner contrary to the public interest in their roles as directors and officers of the Company. Separately, the Company (and not its directors and officers) agreed in the OSC Settlement Agreement that the Company failed to adequately describe the heightened risks associated with: (i) its operating environment, specifically the elevated risk of public sector corruption in the DRC; and (ii) its reliance on individuals and entities associated with Mr. Dan Gertler, including the risk that a cessation or deterioration in Katanga's business relationships with such individuals and entities could have an adverse impact on the Company's business.

Under the terms of the OSC Settlement Agreement, the Company made a voluntary payment in the amount of Cdn\$28.5 million (\$21.1 million) and reimbursed OSC costs in the amount of Cdn\$1.5 million (\$1.1 million). The Company's former Chief Executive Officer, Johnny Blizzard, who had served in such role since February 2015, agreed to resign as a director and officer of the Company, subject to a short transition period until his replacement was appointed.

As a term of the OSC Settlement Agreement, the Company also agreed to retain a consultant to complete a review of the policies, procedures and effectiveness of: (a) the Company's metal accounting with respect to reporting of copper and cobalt metal production; and (b) the Company's financial accounting with respect to the integration of production statistics, including the calculation of cost of sales and inventory values. Full details of the OSC Settlement Agreement are available on the OSC website: www.osc.gov.on.ca.

On February 1, 2019, in accordance with the timetable in the OSC Settlement Agreement, Katanga presented to OSC staff the qualification documents in respect of the proposed consultant contemplated by the OSC Settlement Agreement. These were subsequently approved by OSC staff and on March 7, 2019, the consultant was retained.

On July 15, 2019, the consultant delivered to the board of directors (the "Board") and management of the Company, as well as OSC Staff, its preliminary report following a mine site visit earlier in the year. The report presented the consultant's findings on the Company's policies and procedures for obtaining, recording and reporting metal accounting production statistics, calculations of cost of sales and inventory values reported to the investing public, as well as some recommendations for future steps. The Company and the consultant jointly developed and submitted to OSC Staff a timetable for future action including further testing in Q1 2020 of some process upgrades which were implemented in 2019. This testing has not yet been carried out. Depending on the outcome of the testing, and whether or not further improvements are required, the final consultant report is planned to be delivered and submitted to the Company's Board and management, and then to the OSC Staff in Q2 2020.

Temporary Suspension of Cobalt Sales

On November 6, 2018, the Company announced that KCC had temporarily suspended the export and sale of cobalt due to the presence of uranium detected in the cobalt hydroxide at levels that exceeded the acceptable limit allowed for export of the product to customers through main African ports under both international and local DRC transport regulations (the "Applicable Regulations"). The low levels of radioactivity detected in the uranium to date do not present a health and safety risk.

On January 3, 2019, KCC received a notice of breach of the terms of the off-take agreement entered into with GIAG on March 28, 2008. While no claim has been raised to date by GIAG, management believe that the majority of the cobalt material sold between March 2018 and November 2018 by KCC remains in storage by GIAG in South Africa. KCC has been notified that the cobalt hydroxide is considered by GIAG as potentially not in conformity with industry standards. KCC and GIAG will discuss the resolution of the matter once the review of all regulations, necessary licenses and approvals in various jurisdictions has been completed.

KCC, together with the Company and KCC's 25% shareholder, DRC state-owned La Générale des Carrières et des Mines ("Gécamines"), have been working with the DRC government's Ministry of Mines (the "Ministry of Mines") and the Congolese Atomic Energy Agency on a long-term technical solution in the form of an ion exchange plant (the "IX Plant"). As a second potential solution, in line with further technical development, recent Whole Ore Leach ("WOL")

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modeling has been completed which indicates that both current and 'elevated' uranium levels can be successfully removed from the cobalt hydroxide product with KCC's phosphoric acid addition capabilities. KCC however is continuing to evaluate the alternative method of the IX Plant.

KCC had produced 17,054 tonnes of contained cobalt during the year ended December 31, 2019, and a total of 6,173 tonnes in Q4 2019. Through the effective use of phosphoric acid addition, approximately 82.6% of the total production of contained cobalt during 2019, and 99.6% of the production during Q4 2019, is compliant with Applicable Regulations. As previously disclosed, following approvals from competent DRC authorities, on April 25, 2019, KCC resumed the export of cobalt hydroxide complying with the Applicable Regulations and such resumption of exports remains subject to the regular DRC export verification procedures, which include the continued monitoring by the atomic administrative authorities in DRC (CGEA) and other relevant mining authorities.

A feasibility study and an environmental impact assessment (the "EIA") with respect to the IX Plant were completed during Q2 2019. The EIA was approved during Q3 2019 by the DRC mining cadastre. As part of these approval procedures for the IX Plant, the Ministry of Mines requested that KCC submit a bankable feasibility study ("BFS") for the entire KCC project rather than a feasibility study limited to the IX Plant, pursuant to the 2018 mining regulations made under the new mining code in the DRC effective since mid-2018 (the "2018 Mining Code"). On December 31, 2019, KCC submitted under protest a BFS which covers the entire KCC project, including the long-term options for removing 'elevated' uranium levels from the cobalt hydroxide product.

The temporary suspension of cobalt sales, which was lifted in Q2 2019, and additional cobalt inventory build during 2019, due to delayed cobalt drying capacity commissioning, negatively impacted the Company's revenue in 2019.

New Bank Loan Facility

On February 6, 2019, KCC entered into a loan framework agreement with a major South African bank (the "Bank") to secure funding of up to \$80 million. On March 13, 2019, the loan was increased to a \$500 million uncommitted, senior, unsecured facility (the "Bank Loan Facility"), with a term of 12 months (the "Term") and an interest rate of LIBOR + 1.1%. The Bank Loan Facility was increased to \$900 million on the same terms on August 30, 2019. The Bank Loan Facility is guaranteed by Glencore. A total of \$675 million of the \$900 million had been drawn on the Bank Loan Facility as at December 31, 2019.

Change in Company and KCC Management

On November 7, 2019, Peter Freyberg announced his intention to resign from his position as a director of the Company. The Board subsequently appointed Hilmar Rode as a director, effective November 7, 2019.

The KCC board of directors also appointed on October 29, 2019, Mark Davis as Managing Director of KCC, replacing Samuel Rasmussen, as well as Clint Donkin as Operations Director of KCC, replacing Michael Fleming.

On November 7, 2019, Jeff Gerard resigned as Chief Executive Officer and director of the Company, effective following the filing of the final prospectus related to the Rights Offering. Mark Davis was appointed CEO of the Company pursuant to the Management Agreement entered into with GIAG and as a director of the Company effective on November 19, 2019.

Rights offering and debt financing

On December 19, 2019, the Company completed its previously announced Cdn\$7,678,388,000 offering (the "Rights Offering") of rights ("Rights") to purchase common shares of the Company ("Common Shares"). In connection with the completion of the Rights Offering and pursuant to the exercise of Rights, the Company issued an aggregate of 59,292,571,428 Common Shares from treasury at a price of Cdn\$0.1295 per share. Shareholders of the Company, other than Glencore, subscribed for 68,746,113 Common Shares under the Rights Offering, for gross proceeds of Cdn\$8,902,622.

Glencore provided a standby commitment in respect of the Rights Offering and, in accordance with the standby commitment, accepted 59,223,825,315 Common Shares issued from treasury under the Rights Offering and a cash payment of Cdn\$8,902,622 as repayment for \$5.8 billion of debt owed to Glencore ("Glencore Debt") under the Glencore Loan Facilities (refer to item 9).

Upon closing of the Rights Offering, the Glencore Loan Facilities (refer to item 9) were merged into a single \$1.75 billion facility consisting of the remaining approximately \$1.5 billion of Glencore Debt not repaid under the Rights Offering and undrawn committed liquidity of approximately \$250 million, which Glencore provided under a subsequent facility agreement. The subsequent facility matures on January 1, 2023, and bears interest at a rate of 7% per annum. The interest will be capitalized to the extent the Company has insufficient cash to pay it when due.

In the event of a default under the Glencore Loan Facilities (refer to item 9), Glencore may give a Rights Offering notice. Upon receipt of a Rights Offering notice, the Company will immediately be obligated to commence preparing for and complete the Rights Offering in accordance with the amended and restated rights offering agreement entered into

between the Company and Glencore on November 18, 2019 (the "Amended and Restated Rights Offering Agreement"). As part of the Amended and Restated Rights Offering Agreement, Glencore has provided a standby commitment to support any such rights offering. If shareholders do not participate in any such rights offering then their interests will be further diluted. Moreover, Glencore may only take enforcement action if Katanga fails to undertake the Rights Offering or the Rights Offering cannot proceed for any reason.

Glencore support for KCC and the Company

In the course of 2019, Glencore and the Company also took steps to further formalize Glencore's ongoing support for Katanga. Glencore agreed to provide the required financial support to the Company to enable it to pay its debts as and when they become due and payable in the 12-month period from August 6, 2019 and to provide the required financial support to KCC to enable it to pay its debts as and when they become due and payable in the 12-month period from February 13, 2020.

Fatalities of Illegal Artisanal Miners

On June 27, 2019, the Company was saddened to report an incident that resulted in multiple fatalities and injuries of illegal miners within the KCC concession area. The illegal miners affected were working two separate galleries that were tunneled into the pit walls by the artisanal miners above the KCC open pit mining area. Two of these galleries caved in. These incidents were not in the vicinity of KCC's current mining operations. KCC has been informed that there were 30 fatalities as a result of these tragic events.

On July 4, 2019, the armed forces of the DRC (the "FADRC") arrived in the area of the operations of KCC. KCC has communicated its expectations to the FARDC to exercise restraint and operate in accordance with Voluntary Principles on Security and Human Rights (the "Voluntary Principles") and international human rights standards. This includes the principles relating to the use of proportionate force and provision of medical aid.

Since this FADRC intervention, which is continuing, there have been no confirmed human rights violations recorded and the illegal miners that occupied the KCC site have dispersed.

KCC is making significant efforts to upgrade additional perimeter controls and has been in regular and ongoing contact with the community and provincial government to understand and, where possible, promote short, medium and longer term sustainable solutions to illegal mining in the DRC.

Acquisition of land rights from Gécamines

As previously announced, KCC entered into an agreement with Gécamines on December 19, 2019 to acquire from Gécamines a comprehensive land package covering areas adjacent to KCC's existing mining concessions for \$250 million none of which has been paid as at February 13, 2020. The land includes multiple blocks for construction of a new long-term tailings facility and the possible exploitation of additional resources that will enhance KCC's ability to more efficiently operate its mines, facilities and other key infrastructure requirements.

The agreement provides for an initial payment of \$150 million. Since it has been agreed between KCC and Gécamines that the initial payment shall be postponed, the agreement has been treated as an executory contract and the commitments of \$250 million have been disclosed as capital commitments.

3. Operational Performance

December 2019 Cobalt Projects Update

The cobalt debottlenecking projects (the “Cobalt Projects”) continued to progress the final components of this project. The temporary repairs of cobalt dryer #1 was completed in Q4 2019. Dryer #2 is undergoing modifications and is expected to be commissioned during Q1 2020, following which, dryer #1 will be taken off-line for modification which is planned to be completed at the end of Q1 2020. Ramp up to full drying capacity is targeted for mid-2020.

December 2019 Acid Plant Update

The sulphuric acid, sulphur dioxide production and steam turbine generator project at KCC (the “Acid Plant”), continues to progress towards targeted commissioning during H1 2020.

Production highlights during the twelve months ended December 31, 2019

Copper and Cobalt Production

Copper cathode production increased to 65,402 tonnes in Q4 2019 from 59,424 tonnes in Q3 2019.

Cobalt contained in hydroxide production increased to 6,173 tonnes in Q4 2019 from 4,763 tonnes in Q3 2019.

As previously announced, KCC temporarily suspended the export and sale of cobalt due to the presence of uranium detected in the cobalt hydroxide at levels that exceed the acceptable limit allowed for export of the product through main African ports. The low levels of radioactivity detected in the uranium to date do not present a health and safety risk. On April 25, 2019, KCC resumed the export and sale of a limited quantity of cobalt that complies with both international and local Democratic Republic of Congo (“DRC”) transport regulations with respect to the levels of uranium contained in the cobalt hydroxide (the “Applicable Regulations”).

Mining						
		Three months ended			Twelve months ended	
		Dec 31, 2019	Sep 30, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Ore mined**/**						
KOV open pit	tonnes	1,851,272	1,728,062	1,465,641	5,643,001	6,479,571
Mashamba East open pit	tonnes	1,156,339	1,674,866	851,968	5,252,662	3,318,476
Total open pits	tonnes	3,007,611	3,402,928	2,317,609	10,895,663	9,798,047
KTO underground	tonnes	223,437	158,116	154,022	662,989	369,680
Total ore mined	tonnes	3,231,048	3,561,044	2,471,631	11,558,652	10,167,727
Waste mined and primary development*						
KOV open pit	tonnes	8,204,253	9,604,164	8,057,522	33,982,397	29,757,641
Mashamba East open pit	tonnes	1,679,714	5,161,024	5,777,914	14,587,002	21,224,044
Total open pits	tonnes	9,883,967	14,765,188	13,835,436	48,569,399	50,981,685
KTO underground primary development	meters	-	-	151	137	1,127
Total waste mined***	tonnes	9,883,967	14,765,188	13,835,436	48,569,399	50,981,685
Total material mined						
KOV open pit	tonnes	10,055,526	11,332,226	9,523,163	39,625,398	36,237,212
Mashamba East open pit	tonnes	2,836,052	6,835,890	6,629,882	19,839,664	24,542,520
Total open pits	tonnes	12,891,578	18,168,116	16,153,045	59,465,062	60,779,732
KTO underground	tonnes	223,437	158,116	154,022	662,989	369,680
Total material mined***	tonnes	13,115,015	18,326,232	16,307,067	60,128,050	61,149,412
Total contained copper	tonnes	92,821	112,015	61,393	341,206	218,147
Ore summary						
Total primary ore mined	tonnes	2,207,302	2,978,497	1,648,105	8,670,071	5,322,494
Average Cu grade	%	3.81	3.59	3.28	3.65	3.49
Average Co grade	%	0.49	0.50	0.41	0.44	0.46
Total very low-grade ore mined	tonnes	596,925	471,759	616,436	1,956,676	2,299,703
Average Cu grade	%	1.05	0.95	1.04	0.99	1.01
Average Co grade	%	0.36	0.25	0.18	0.27	0.20
Total cobalt ore mined	tonnes	426,821	110,789	207,090	931,905	2,545,530
Average Co grade	%	0.56	0.67	0.58	0.56	0.59
Average Cu grade	%	0.55	0.61	0.42	0.66	0.36
Total ore mined	tonnes	3,231,048	3,561,045	2,471,631	11,558,652	10,167,727
Average Cu grade	%	2.87	3.15	2.48	2.95	2.15
Average Co grade	%	0.48	0.47	0.37	0.43	0.43

* These segments include classification of ore volumes into different categories, being primary copper containing ore, low-grade copper containing ore (but still above cut-off grade) and cobalt containing ore (that contains copper under the copper cut-off grade but cobalt over the cobalt cut-off grade). The primary ore component is defined as having a Cu grade of greater than 1.25%, the low-grade component is defined as having a Cu grade between 0.65% and 1.25% and the cobalt ore component is defined as having a Cu grade of less than 0.65% and Co grade greater than 0.30%.

** Excludes any ore hydro-mined out of Kamoto Interim Tailings Dam ("KITD") as this is not a traditional mining operation, but instead, a hydro-mining reclamation project.

*** Underground waste is excluded.

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Total ore mined decreased to 3,231,048 tonnes in Q4 2019 from 3,561,044 tonnes in Q3 2019. Total ore mined increased to 11,558,652 tonnes in 2019 from 10,167,727 tonnes in 2018.

Total waste mined decreased to 9,883,967 tonnes in Q4 2019 from 14,765,188 tonnes in Q3 2019. Total waste mined decreased to 48,569,399 tonnes in 2019 from 50,981,685 tonnes in 2018.

Total contained copper decreased to 92,821 tonnes in Q4 2019 from 112,015 tonnes in Q3 2019. Total contained copper increased to 341,206 tonnes in 2019 from 218,147 tonnes in 2018.

The decrease in total material mined in the open pits in 2019 compared to 2018 relates to ongoing mine plan optimization work.

The decrease in total material mined in the combined open pits in Q4 2019 compared to Q3 2019 reflects the start of wet season. The wet season is accounted for in KCC's mine planning process and the results are in line with management's production forecasts.

The ongoing mining and stockpiling of low-grade ore reflects the optimization of the long-term plant feed strategy. The low-grade ore is currently being stockpiled and is planned to be fed into the processing plant on a planned basis in the future.

Kamoto concentrator						
		Three months ended			Twelve months ended	
		Dec 31, 2019	Sep 30, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Total material milled and processed	tonnes	2,346,569	2,467,572	2,482,663	10,095,656	7,529,596
KITD material processed	tonnes	437,969	561,506	726,206	2,520,474	2,483,169
Cu grade in ore	%	1.35	1.22	1.55	1.36	1.57
Co grade in ore	%	0.17	0.17	0.18	0.17	0.18
Open pit ore milled	tonnes	1,692,495	1,768,335	1,600,911	6,921,586	4,703,021
Cu grade in ore	%	3.88	3.50	3.18	3.48	3.43
Co grade in ore	%	0.50	0.43	0.42	0.40	0.45
Underground ore milled	tonnes	216,105	137,731	155,546	653,596	343,406
Cu grade in ore	%	3.81	3.40	3.40	3.64	3.34
Co grade in ore	%	0.58	0.65	0.65	0.57	0.63
Production						
Oxide concentrate	tonnes	21,887	26,376	35,752	124,462	107,094
Sulphide concentrate	tonnes	35,557	26,349	30,026	119,821	98,489
Total concentrate produced	tonnes	57,444	52,725	65,778	244,283	205,583
Cu grade in concentrate	%	24.61	20.45	20.77	20.66	20.19
Co grade in concentrate	%	2.81	2.47	2.68	2.37	2.1
Oxide feed received at Luilu	tonnes	1,688,262	1,748,911	1,602,666	6,859,499	4,666,773
Cu grade in oxide feed	%	3.55	3.16	2.86	3.19	3.02
Total contained copper	tonnes	74,024	66,057	59,527	269,383	182,566

Total material milled and processed decreased to 2,346,569 tonnes in Q4 2019 from 2,467,572 tonnes in Q3 2019. Total material milled and processed increased to 10,095,656 tonnes in 2019 from 7,529,596 tonnes in 2018.

Total concentrate produced increased to 57,444 tonnes in Q4 2019 from 52,725 tonnes in Q3 2019. Total concentrate produced increased to 244,283 tonnes in 2019 from 205,583 tonnes in 2018.

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Total oxide feed received at Luilu decreased to 1,688,262 tonnes in Q4 2019 from 1,748,911 tonnes in Q3 2019. Total oxide feed received at Luilu increased to 6,859,499 tonnes in 2019 from 4,666,773 tonnes in 2018.

Total contained copper in concentrate and oxide feed produced increased to 74,024 tonnes in Q4 2019 from 66,057 tonnes in Q3 2019. Total contained copper in concentrate and oxide feed produced increased to 269,383 tonnes in 2019 from 182,566 tonnes in 2018.

The increase in total material milled and processed in 2019 compared to 2018 was driven by the increase in milling capacity due to the ramp-up and optimization of CM6 and CM7 following commissioning at the end of 2018, as well as increased availability from the CM5 oxide mill.

The decrease in total material milled and processed in Q4 2019 compared to Q3 2019 was driven by the objective of reducing overall acid consumption by increasing copper feed grades and reducing oxide feed tonnage.

Luilu metallurgical plant		Three months ended			Twelve months ended	
		Dec 31, 2019	Sep 30, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
WOL feed – oxide concentrate*	tonnes	21,887	26,376	35,752	124,462	198,317
WOL feed – oxide feed	tonnes	1,688,262	1,748,911	1,602,666	6,859,499	4,666,773
Total oxide feed	tonnes	1,710,149	1,775,287	1,638,418	6,983,961	4,865,090
Total oxide Cu grade	%	3.67	3.28	3.07	3.34	3.44
Total oxide Co grade	%	0.48	0.43	0.43	0.39	0.45
Sulphide roaster feed	tonnes	34,962	25,089	25,588	114,413	58,099
Sulphide Cu grade	%	29.44	26.09	27.27	27.32	29.17
Sulphide Co grade	%	3.71	3.68	3.86	3.45	4.04
Production						
Copper cathode	tonnes	65,402	59,424	49,770	234,516	152,357
Cobalt contained in hydroxide	tonnes	6,173	4,763	4,646	17,054	11,112

Total copper cathode produced increased to 65,402 tonnes in Q4 2019 from 59,424 tonnes in Q3 2019. Total copper cathode produced increased to 234,516 tonnes in 2019 from 152,357 tonnes in 2018.

Total cobalt contained in hydroxide increased to 6,173 tonnes in Q4 2019 from 4,763 tonnes in Q3 2019. Total cobalt contained in hydroxide increased to 17,054 tonnes in 2019 from 11,112 tonnes in 2018. The final tonnage and pricing are subject to final assayed results.

The increase in Q4 2019 copper cathode and cobalt contained in hydroxide production compared to Q4 2018 was driven by a ramp-up of oxide material treatment rates at the Luilu refinery.

The increase in copper cathode production in Q4 2019 from Q3 2019 was due to progress made on the electrowinning ("EW") refurbishment program and current efficiency improvements as well as maintaining high ore feed rates and copper grades to Luilu refinery.

Outlook

On April 29, 2019, the Company announced that KCC had commenced a comprehensive business review targeting mining efficiencies and processing improvements as well as enhancements to product quality realizations and overhead cost reductions (the "Review").

Indications suggest there may be scope for margin improvements in the order of \$200-250 million per annum. Further work, seeking to develop detailed implementation plans to deliver these improvements is being undertaken, which if successful, are expected to be realizable progressively by 2022.

KCC has defined business priorities such as, but not limited to, improved efficiencies, maintenance, labor productivity and production quality, while decreasing the costs associated with procurement, sourcing and information technology. KCC has commenced executing key cost reduction initiatives identified in the transformation review process.

These improvements are expected to materially increase the cash flow generation of KCC from 2022, when it is projected to achieve targeted life of mine average production of approximately 300kt of copper and 30kt of cobalt, resulting in a steady state copper unit cash cost of \$1.65/pound, before cobalt by-product credits, and \$0.75/pound after cobalt by-product revenue, net of allocable cobalt direct production and realization/selling costs of Cdn\$0.60/pound. Realization costs are based on an assumed copper price of \$6,500/tonne and realized cobalt price of \$15/pound.

Production guidance for copper and cobalt is as follows:

Commodity	Units	FY 2020
Copper ⁽¹⁾	Kt	270
Cobalt ⁽²⁾	Kt	29

Notes:

- (1) Annual copper production guidance is subject to +/- 15 kt variation
 (2) Annual cobalt production guidance is subject to +/- 2 kt variation

It should be noted that, production in any given year will fluctuate as a function of numerous factors, including availability and utilization of the plant, geological and mining conditions, logistics, availability of reagents, availability of electricity, macro-economic factors such as commodity prices, input costs and geopolitical developments (including the 2018 Mining Code). For further details, refer to item 14.

4. Financial Performance

Operating Results

		Three months ended			Twelve months ended	
		Dec 31, 2019	Sep 30, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Sales*	\$'000	382,572	347,794	344,708	1,386,313	1,265,094
Mining, processing and other costs (net of changes in metal stocks)*	\$'000	(264,180)	(272,689)	(320,726)	(1,141,976)	(773,331)
Royalties and transportation costs*	\$'000	(72,848)	(70,904)	(54,326)	(268,172)	(201,682)
Depreciation and amortization	\$'000	(122,804)	(109,744)	(85,721)	(346,270)	(276,638)
Gross (loss) profit	\$'000	(77,260)	(105,543)	(116,065)	(370,105)	13,443
Other income (expenses)*	\$'000	(5,435)	(5,844)	(14,456)	(12,177)	(24,651)
Write-offs / loss on disposal of property, plant and equipment*	\$'000	(749)	(555)	(8,088)	(31,945)	(50,237)
Net finance costs	\$'000	(150,813)	(106,420)	(111,762)	(490,423)	(461,450)
Restructuring expenses	\$'000	-	-	-	-	(248,128)
Fines and penalties	\$'000	-	-	(22,248)	-	(22,248)
Income tax expense	\$'000	(3,702)	(8,395)	(3,557)	(18,637)	(12,940)
Net loss and comprehensive loss	\$'000	(237,959)	(226,757)	(276,176)	(923,287)	(806,211)
Non-controlling interests	\$'000	(26,431)	(41,189)	(48,718)	(152,978)	(97,775)
Attributable to shareholders of the Company	\$'000	(211,528)	(185,568)	(227,458)	(770,309)	(708,436)
Adjusted EBITDA*	\$'000	39,360	(2,198)	(52,888)	(67,957)	215,193
Basic and diluted loss per common share	\$/share \$/pound	(\$0.05)	(\$0.10)	(\$0.12)	(\$0.19)	(\$0.37)
CI costs**		2.30	2.50	2.53	2.59	1.79

* The aggregation of sales, mining, processing and other costs, royalties and transportation costs, other income (expenses) and write-offs / loss on disposal of property, plant and equipment are included within adjusted EBITDA (Refer to item 22 'Non-IFRS measures').

** CI costs after by-product credit. Refer to item 22 'Non-IFRS measures'.

		Three months ended			Twelve months ended	
		Dec 31, 2019	Sep 30, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Copper revenue	\$'000	372,381	320,264	270,765	1,327,959	867,917
Cobalt revenue	\$'000	10,192	27,530	73,943	58,354	396,914
Concentrate revenue	\$'000	-	-	-	-	263
Total revenue	\$'000	382,573	347,794	344,708	1,386,313	1,265,094
<i>Including net provisional pricing adjustment</i>		13,903	7,389	(10,012)	20,514	(4,318)
Copper cathode sold	tonnes	63,864	60,530	48,686	234,495	145,743
Cobalt contained in hydroxide sold	tonnes	1,324	1,308	1,430	4,257	7,343
Copper contained in concentrate sold	tonnes	-	-	-	-	73
LME average copper price	\$/pound	2.67	2.63	2.80	2.72	2.96
Realized copper price*	\$/pound	2.22	2.02	2.10	2.15	2.23
MB average cobalt price	\$/pound	15.82	14.82	31.68	15.91	36.79

* Realized copper prices are based on gross copper revenue (above) after deducting realization charges, royalties and other selling expenses.

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

- Copper revenue increased to \$372.4 million in Q4 2019 from \$320.3 million in Q3 2019. Copper revenue increased to \$1,327.9 million in 2019 from \$867.9 million in 2018. The increase in copper revenue in Q4 2019 versus Q3 2019 was due to higher copper sales and an increase in the realized copper price. During Q4 2019, an additional 3,334 tonnes were sold, compared to Q3 2019. Markets improved and the realized copper price was also 10% higher on average than during Q3 2019 which also contributed to the additional revenue. The increase in copper revenue during 2019 versus 2018 is due to the increase in copper sales driven by the WOL project ("WOL Project") ramp-up, partially offset by a lower realized copper price. Compared to 2018, an additional 88,752 tonnes of copper cathode was sold during 2019. However, the realized copper price was 5% lower on average compared to 2018.
- Cobalt revenue decreased to \$10.2 million in Q4 2019 from \$27.5 million in Q3 2019. Cobalt revenue decreased to \$58.4 million in 2019 from \$396.9 million in 2018. The decrease in cobalt revenue in Q4 2019 versus Q3 2019 was primarily due to a quality adjustment processed in Q4 2019. This was partially offset by increased sales volumes during Q4 2019 and a higher realized cobalt price.
- Included within sales is a net provisional pricing adjustment resulting from movements in the commodity price between the date of sale and the final pricing, based on average prices for a specified contractual period thereafter. At each reporting date, provisionally priced sales that have not been finalized, retain an exposure to future changes in prices and are marked-to-market, based on London Metal Exchange ("LME") and Metal Bulletin ("MB") forward prices. The final tonnage and pricing are subject to final assayed results. These adjustments are recorded in sales in the consolidated statements of loss and comprehensive loss and within receivables on the consolidated statements of financial position. These embedded derivatives, comprising provisional pricing, included in receivables, are classified within level 2 of the fair value hierarchy.

The movement in cost of sales, depreciation, royalties and transportation costs comprises:

		Three months ended		Twelve months ended		
		Dec 31, 2019	Sep 30, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Open pit mining costs	\$'000	34,686	38,006	37,283	132,124	116,985
Underground mining costs	\$'000	18,427	13,437	14,003	61,551	51,107
KTC processing costs	\$'000	18,927	22,331	28,533	91,375	81,260
Luilu refinery costs	\$'000	153,001	141,777	113,937	577,820	300,736
Change in metal stock	\$'000	(34,062)	(36,179)	11,806	(83,210)	(63,355)
Mine infrastructure and support costs	\$'000	73,201	93,317	114,544	358,779	283,494
Expense on issue of capital spares to production	\$'000	-	-	620	3,537	3,104
Depreciation and amortization	\$'000	122,804	109,744	85,721	346,270	276,638
Royalties and transportation costs	\$'000	72,848	70,904	54,326	268,172	201,682
Total cost of sales	\$'000	459,832	453,337	460,773	1,756,418	1,251,651

Review of Expenses for the Three Months and Year ended December 31, 2019:

- Gross loss decreased to \$77.3 million in Q4 2019 from \$105.5 million in Q3 2019. Gross loss increased to \$370.1 million in 2019 from \$13.4 million gross profit in 2018. The decrease in gross loss in Q4 2019 compared to Q3 2019 was due to increased revenue together with reduced costs of production. The increase in revenue was due to an increase in tonnes sold and increased realized prices as noted above. The decreased production costs are the result of improved efficiencies attained in the production process which resulted in lower costs, partially offset by increased depreciation due to increased production volumes. In addition, the provision for obsolete inventory decreased by \$11 million during Q4 2019.

The increase in gross loss in 2019 compared to 2018 gross profit was driven by reduced cobalt revenue (volume and price), higher reagent costs at Luilu and an increase in total volumes processed, in line with the optimized mine plan. These were partially offset by an increase in copper revenue due to increased copper sales as noted above. In addition, the inventory obsolescence provision was increased by \$52 million during 2019 which resulted in an additional expense.

- Open pit mining costs decreased to \$34.7 million in Q4 2019 compared to \$38 million in Q3 2019. Open pit mining costs increased to \$132.1 million in 2019 from \$116.9 million in 2018. The decrease in open pit mining costs during Q4 2019 was due to a decrease in total material mined. Total material mined was lower due to decreased production at Luilu as a result of the processing constraints from the EW2 refurbishment as well as to a planned slowdown in order to begin implementing efficiency initiatives. The increase in open pit mining costs during 2019 compared to 2018 was due to longer haulage distances and cycle times, additional costs incurred due to changes in the maintenance strategy and higher blasting costs.

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

- KTC processing costs decreased to \$18.9 million in Q4 2019 from \$22.3 million in Q3 2019. KTC processing costs increased to \$91.3 million in 2019 from \$81.2 million in 2018. KTC processing and operational costs have moved in line with the amount of material milled during the respective periods. The decrease during Q4 2019 is mainly due to the throughput constraints at the Luilu EW plant.
- Luilu refinery costs increased to \$153 million in Q4 2019 from \$141.8 million in Q3 2019. Luilu refinery costs increased to \$577.8 million in 2019 from \$300.7 million in 2018. Luilu refinery costs increased due to increased reagent costs, mainly due to increased sulphuric acid prices and consumption and increased lime prices and an increase in total oxide feed from KTC, in line with the optimized mine plan.
- Royalties and transportation costs increased to \$72.8 million in Q4 2019 from \$70.9 million in Q3 2019. Royalties and transportation costs increased to \$268.1 million in 2019 from \$201.7 million in 2018. Royalties and transportation costs have increased due to higher copper revenues and sales tonnes. The 2019 negative variance versus 2018 includes the impact from implementation of the 2018 Mining Code, which changed the basis of royalties from a net revenue to gross revenue basis, increased base royalty rates and cobalt being declared a "strategic mineral substance" and taxed at a higher royalty of 10% of gross revenue from Q4 2018 (previously 3.5%).

Cash Flows

		Three months ended			Twelve months ended	
		Dec 31, 2019	Sep 30, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Cash flow generated (used) in:						
Operating activities before changes in working capital	\$'000	33,811	10,055	(11,966)	44,339	128,258*
Changes in working capital	\$'000	(27,984)	(13,296)	139,952	(141,777)	(8,568)
Taxes paid	\$'000	-	(17,106)	-	(17,106)	-
Operating activities	\$'000	5,827	(20,347)	127,986	(114,544)	119,690
Investing activities	\$'000	(127,017)	(125,591)	(166,037)	(508,841)	(448,265)
Financing activities	\$'000	318,316	135,000	22,500	828,316	296,182
(Decrease) increase in cash	\$'000	197,126	(10,938)	(15,551)	204,931	(32,393)
Cash, beginning of period	\$'000	12,913	24,321	21,420	5,499	38,144
Effect of exchange rate changes on cash held in foreign currencies	\$'000	(2,276)	(470)	(370)	(2,667)	(252)
Cash, end of period	\$'000	207,763	12,913	5,499	207,763	5,499

* Includes \$191 million as cash component of the one-time restructuring expense under the Gécamines Settlement Agreement (refer to item 9).

Review of the Cash Flows for the Three Months and Year ended December 31, 2019

- Cash inflows from operating activities before changes in working capital increased to \$33.8 million inflow in Q4 2019 from \$10.1 million inflow in Q3 2019. Cash flows from operating activities before changes in working capital decreased to \$44.3 million generated in 2019 from \$128.3 million generated in 2018. The increase in cash inflows in Q4 2019 compared to Q3 2019 cash outflow was driven principally by an increase in copper revenue due to slightly higher copper sales (volume and price), and a decrease in production costs, partially offset by a decrease in cobalt revenue. The decrease in cash flows in 2019 compared to 2018 was driven mainly by an increase in processing, mine infrastructure and support costs and lower cobalt revenue.

- Changes in working capital cash outflows increased to \$27.9 million in Q4 2019 from \$13.3 million in Q3 2019. Changes in working capital outflows increased to \$141.8 million in 2019 from \$8.6 million 2018.

The increase in working capital cash outflows in Q4 2019 compared to Q3 2019 outflows resulted primarily from an increase in inventories and trade receivables, partially offset by a decrease in prepayments. The increase in outflows in 2019 compared to 2018 was driven by an increase in trade receivables, an increase in inventory, partially offset by an increase accounts payable and accrued liabilities and a decrease in prepaid expense and other current assets. This is in line with the increased volume of production and sales.

- During 2019 income taxes relating to the 2018 income tax liability and tax on super profits were paid. No cash flows relating to tax payments occurred during 2018.

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

- Cash outflows from investing activities increased to \$127 million in Q4 2019 from \$125.6 million in Q3 2019. Cash outflows from investing activities increased to \$508.8 million in 2019 from \$448.3 million in 2018. The increase in the cash outflows reflects the underlying costs of expansionary capital expenditures in the respective periods. The largest project during 2019 was the Acid Plant amounting to \$196.9m.
- Cash inflows from financing activities increased to \$318.3 million in Q4 2019 from \$135 million in Q3 2019. Cash inflows from financing activities increased to \$826.3 million in 2019 from \$296.1 million in 2018. The increase in cash inflows from financing activities reflected the drawdowns under the Bank Loan Facility and other facilities (please see item 2 and 9 for further details). The drawdowns were required to fund operations and the expansionary capital projects.
- Cash and cash equivalents increased to \$207.8 million at December 31, 2019 from \$5.5 million at December 31, 2018. The increase is due to a drawdown made under the Glencore Loan Facility in order to effect the initial payment for the acquisition of land rights. This payment was not made as at December 31, 2019 (refer to item 2 and 16).

5. Statements of Financial Position

		Dec 31, 2019	Dec 31, 2018
Assets			
Cash and cash equivalents	\$'000	207,763	5,499
Receivables	\$'000	497,200	355,388
Current inventories	\$'000	442,811	400,182
Prepayments and other current assets	\$'000	105,500	151,162
Property, plant and equipment and mineral interests	\$'000	4,590,625	4,483,861
Non-current inventories	\$'000	240,323	192,072
Other non-current assets and deferred income tax assets	\$'000	509,150	522,630
	\$'000	6,593,372	6,110,794
Liabilities			
Accounts payable, accrued liabilities and provisions	\$'000	595,901	548,080
Current portion of the Glencore Loan Facilities*	\$'000	-	452,772
Non-Current portion of the Glencore Loan Facilities	\$'000	1,576,425	6,279,190
Bank Loan Facility	\$'000	687,098	-
Lease liability	\$'000	13,194	-
Other non-current liabilities	\$'000	86,416	67,356
	\$'000	2,959,034	7,347,398
Net shareholders' equity (deficiency)	\$'000	3,634,338	(1,236,604)

* Consists of interest payments accrued and due within one year.

Cash and cash equivalents

Cash and cash equivalents increased to \$207.8 million at December 31, 2019 from \$5.5 million at December 31, 2018. The underlying movements in cash and cash equivalents are set out and explained in item 4 under the heading "Cash Flows". The increase is due to a drawdown made under the Glencore Loan Facility in order to effect the initial payment for the acquisition of land rights. This payment was not made as at December 31, 2019 (refer to item 2 and 16).

Receivables

Receivables increased to \$497.2 million at December 31, 2019 from \$355.4 million at December 31, 2018, largely as a result of an increase in VAT receivable of \$92 million and an increase in the trade receivables of \$44.9 million.

As at December 31, 2019, the receivables balance includes \$368 million of VAT input credits receivable (December 31, 2018 – \$276.0 million). On April 14, 2017, the Minister of Finance of the DRC agreed that mining companies may have the option to offset their VAT receivable against payments of taxes and duties owed to other DRC tax administrations.

Current inventories

During the period, as a result of the Company approaching a steady state level of production, the method of determining the warehouse inventory obsolescence provision was changed. This was accounted for as a change in estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. All raw materials and consumable items (excluding critical and insurance spares) not issued from stores for more than 5 years are now classified as obsolete and are fully provided for and all items not issued in a 2 year period are provided for at 90%.

During the year ended December 31, 2019, the Company focused on identifying specific inventory items within the slow-moving and obsolete stock categories, resulting in a total write-off of \$155.5 million against the allowance for obsolescence during the H1 2019. No additional write-off was recorded during H2 2019.

During 2019, the provision for consumables obsolescence decreased by \$103.5 million to \$25.8 million (provision as at December 31, 2018: \$129.3 million). This decrease was primarily due to the write-offs identified above, partly off-set by additional provisions for non-moving stock based on the last issue date of the underlying stock.

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

Furthermore, the capital spares classification was revised during Q2 2019 to include all items greater than \$50,000 which have an expected useful life of greater than 12 months. This resulted in a \$21.3 million reclassification to plant, property, equipment and mineral interests during H1 2019. No additional reclassifications were made during H2 2019.

Prepayments and other current assets

Prepayments and other current assets decreased to \$105.5 million at December 31, 2019 from \$151.2 million at December 31, 2018, primarily due the unwinding of capital prepayments as construction milestones were achieved on the Acid Plant and Cobalt Projects and due to the offset of previously prepaid royalties.

Property, plant, equipment and mineral interests

Property, plant, equipment and mineral interests increased to \$4,590.6 million at December 31, 2019 from \$4,483.9 million at December 31, 2018, primarily due to increased spend on expansionary and sustaining capital projects in the period. This was partially offset by a decrease in the rehabilitation asset when the rehabilitation provision was revised. As at December 31, 2019, \$80.1 million of consumable inventories with a useful life of more than one year were included in property, plant, equipment and mineral interests as capital spares (December 31, 2018 – \$50.6 million).

Non-current inventories

Non-current inventories represents the stockpiling of copper and cobalt ore.

Non-current inventories increased to \$240.3 million at December 31, 2019 from \$192.1 million at December 31, 2018. The increase largely relates to the optimization and re-scheduling of the production profile within the mine plan, partially offset by an increase in the NRV provision related to ore in stockpiles.

At December 31, 2019, the total net realizable value adjustment on ore in stockpile inventory amounted to \$35.9 million (December 31, 2018 - \$24.3 million), driven by lower realized cobalt prices and higher reagent costs.

Other non-current assets and deferred income tax assets

Other non-current assets decreased to \$509.1 million at December 31, 2019 from \$522.6 million at December 31, 2018, due to the reclassification of the short-term portion of the Power Project (see item 7) from long-term to short-term. There was no change in the deferred tax asset of \$419.8 million.

Accounts payable, accrued liabilities and provisions

The accounts payable, accrued liabilities and provisions increased to \$595.9 million at December 31, 2019 from \$548.0 million at December 31, 2018. The increase was primarily due to an increase in the operating costs during 2019 due to the ramp up in production.

Current portion of the Glencore Loan Facilities

The current portion of the Glencore Loan Facilities (refer to item 9) decreased to \$nil at December 31, 2019 from \$452.8 million at December 31, 2018, as a result of the amendment made in July 2019 (refer to item 16) whereby the interest is capitalized until the maturity of the Glencore Loan Facility.

Non-current portion of the Glencore Loan Facilities

Loan Facilities (refer to item 14) decreased to \$1,576.4 million at December 31, 2019 from \$6,279.2 million at December 31, 2018 due to the reduction through the Rights Offering, as described under "Rights offering and debt financing" in item 2.

Bank Loan Facility

The short-term bank loan increased to \$687.1 million at December 31, 2019 from nil at December 31, 2018. The additional liquidity available is intended to address KCC's previously disclosed cash flow deficit for 2019, which is largely as a result of the temporary suspension of cobalt sales (see item 2 for further details).

Lease liability

Lease liability increased to \$13.2 million at December 31, 2019 from nil at December 31, 2018, due entirely to the adoption of IFRS 16 during 2019.

[Other non-current liabilities](#)

Other non-current liabilities consists of decommissioning and environmental provisions. The increase is primarily the result of the unwinding of the provisions during the period, partially offset by an adjustment to the decommissioning and environmental provisions during 2019.

As at December 31, 2019, the Company increased its estimate regarding the total reclamation and closure costs from \$105.2 million to \$128.1 million and extended the closure date from 2047 to 2055 due to the optimization of the life of mine. The Company also revised its risk free rate of 2.0% (net of an inflationary allowance of 2.1%) to risk free rate of 1.8% (net of an inflationary allowance of 2.1%). Adjustments due to changes in the decommissioning provision led to a corresponding decrease in property, plant, equipment and mineral interests amounting to \$14.8 million (December 31, 2018 – increase of \$39.0 million). Rehabilitation costs arising from extraction and other production activities were expensed in the consolidated statements of loss and comprehensive loss during 2019.

[Off-balance sheet arrangements](#)

As at December 31, 2019, the Company had no off-balance sheet arrangements.

6. Summary of Quarterly Results

The following tables set out a summary of the quarterly results of the Company for the last eight quarters:

	****2018 Q1	2018 Q2	2018 Q3	2018 Q4	*****2019 Q1	2019 Q2	2019 Q3	2019 Q4
(\$ millions except where indicated)								
Statement of Operations								
Total sales*	146.7	345.5	428.1	344.7	354.9	301.1	347.8	382.6
Cost of sales, excluding depreciation	(102.0)	(130.4)	(220.3)	(320.7)	(334.7)	(270.4)	(272.7)	(264.2)
Royalties and transportation costs	(21.8)	(51.9)	(73.7)	(54.3)	(56.3)	(68.2)	(70.9)	(72.8)
Depreciation and amortization	(54.6)	(61.4)	(75.0)	(85.7)	(56.4)	(57.3)	(109.7)	(122.8)
Total cost of sales**/**	(178.3)	(243.6)	(368.9)	(460.8)	(447.4)	(395.9)	(453.3)	(459.8)
Gross (loss) profit	(31.6)	101.9	59.2	(116.1)	(92.5)	(94.8)	(105.5)	(77.3)
Other (expenses) income**	(0.7)	(8.8)	(0.7)	(14.4)	(2.8)	1.9	(5.8)	(5.4)
Write-offs/loss on disposal of PPE**	(6.0)	(3.5)	(32.7)	(8.1)	(3.0)	(27.7)	(0.6)	(0.7)
Restructuring expense	-	(248.1)	-	-	-	-	-	-
OSC Fine	-	-	-	(22.2)	-	-	-	-
Net finance cost	(97.0)	(150.5)	(102.2)	(111.8)	(116.2)	(117.0)	(106.4)	(150.8)
Loss before income taxes	(135.2)	(309.0)	(76.5)	(272.6)	(214.5)	(237.6)	(218.4)	(234.3)
Income tax expenses	-	-	(9.4)	(3.6)	(4.0)	(2.6)	(8.4)	(3.7)
Net loss and comprehensive loss	(135.2)	(309.0)	(85.9)	(276.2)	(218.4)	(240.1)	(226.8)	(238.0)
Adjusted EBITDA**	16.4	151.0	100.7	(52.9)	(41.9)	(63.2)	(2.2)	39.4
Basic loss per common share***	(0.04)	(0.17)	(0.04)	(0.12)	(0.09)	(0.10)	(0.10)	(0.1)
Diluted loss per common share***	(0.04)	(0.17)	(0.04)	(0.12)	(0.09)	(0.10)	(0.10)	(0.1)
Total copper cathode sold (tonnes)	22,640	30,825	43,596	48,686	56,401	53,700	60,530	63,864.3
Total Cobalt contained in hydroxide sold (tonnes)	-	2,176	3,737	1,430	-	1,245	2,020	1,324.5
Total copper concentrate sold (tonnes)	74	-	-	-	-	-	-	-
Statements of Financial Position								
Cash and cash equivalents (including restricted cash)	20.7	37.5	21.4	5.5	110.4	30.8	12.9	207.8
Other current assets	902.8	1,084.0	1,059.4	906.7	902.6	901.5	973.0	1,045.5
Other non-current assets	5,029.2	4,946.0	4,955.7	5,198.6	5,285.8	5,326.3	5,352.8	5,340.1
Total assets	5,952.6	6,067.4	6,036.5	6,110.8	6,298.8	6,258.6	6,338.8	6,593.4
Current liabilities	2,677.1	669.5	724.4	1,000.9	1,394.0	909.9	578.0	595.9
Loan Facilities	3,771.8	6,256.7	6,256.7	6,279.2	6,279.2	6,953.2	7,583.0	2,263.5
Other non-current liabilities	13.3	15.8	15.8	67.4	80.6	90.7	99.6	99.6
Total liabilities	6,462.2	6,942.0	6,996.9	7,347.4	7,753.8	7,953.8	8,260.7	2,959.0
Shareholders' (deficiency) equity	(509.6)	(874.6)	(960.4)	(1,236.6)	(1,455.0)	(1,695.2)	(1,921.9)	3,634.3

* Includes the impact of provisionally priced sales which retain exposure to future changes in commodity prices being marked-to-market based on the "LME" prices for copper and "MB" prices for 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, impairment, inventory provision, and other expenses totals to adjusted 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.

**** First-time adoption of IFRS 9 and IFRS 15 occurred for periods beginning on or after January 1, 2018.

***** First-time adoption of IFRS 16 occurred for periods beginning on or after January 1, 2019.

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

In Q2 2018, profitability compared to Q1 2018 was negatively impacted due to restructuring expenses related to the Gécamines Settlement Agreement (refer to item 9).

In Q3 2018, profitability compared to Q2 2018 was positively impacted due to the non-reoccurrence of the restructuring expenses related to the Gécamines Settlement Agreement (refer to item 9) incurred in Q2 2018. This was offset by a lower gross margin due to the impact of lower realized copper and cobalt prices, increased reagent costs at the Luilu metallurgical plant and the increase in royalty costs under the 2018 Mining Code from 2.5% of net revenue to 3.5% of gross revenue.

In Q4 2018, profitability compared to Q3 2018 negatively impacted by the temporary suspension of cobalt sales, increased reagent costs at the Luilu metallurgical plant, increased mine infrastructure and support costs, a change in estimate in the de-commissioning and environmental provision and voluntary payment and reimbursement amount made under the OSC Settlement Agreement. This was offset by an increase in copper sales in the quarter.

In Q1 2019, profitability compared to Q4 2018 was negatively impacted by an obsolescence provision on warehouse items, increased reagent costs at Luilu and a net realizable value write down of ore in stockpile inventory due to increased reagent costs and lower cobalt prices. This was partially offset by an increase in copper revenue.

In Q2 2019, profitability compared to Q1 2019 was negatively impacted by a decrease in copper sales volume and a reduction in LME prices as well as increased realization costs related to the resumption of export and sales of a limited supply of cobalt that complies with Applicable Regulations. These were partially offset by an increase in cobalt sales and an increase in metal stock inventory.

In Q3 2019, profitability compared to Q2 2019 was positively impacted by an increase in copper revenue due to higher copper sales and a higher realized copper price. Cobalt revenue also increased due to increased sales volume during Q3 2019 with the focus on exporting dried cobalt production only which has a higher cobalt contained value compared to Q2 2019 where a mixture of high moisture and dried material was sold. The increase in revenue was partially offset by increased costs of production relating to, higher reagent costs and higher depreciation and amortization.

In Q4 2019, profitability compared to Q3 2019 was positively impacted by the increase in revenue due to increased tonnes sold and realized prices. Production costs decreased during the period as a result of the efficiency improvements. This decrease was partially offset by increased depreciation due to increased production. In addition, the provision for obsolete inventory decreased by \$11 million during Q4 2019. The net loss increased during Q4 2019 primarily due to a one-off IFRS modification adjustment of \$56 million that increased the Loan Facilities (refer to item 14) when the contractual cash flows of the Glencore Loan Facilities (refer to item 9) were amended.

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

	2018 Q1*	2018 Q2*	2018 Q3*	2018 Q4*	2019 Q1*	2019 Q2*	2019 Q3*	2019 Q4*
Copper and Cobalt Production Statistics								
Open Pit Mining – KOV								
Waste mined (tonnes)	6,030,880	7,300,157	8,369,083	8,057,522	7,282,726	8,891,254	9,604,164	8,204,253
Ore mined (tonnes)	775,393	1,894,752	2,343,785	1,465,641	1,082,137	981,529	1,728,062	1,851,272
Copper grade (%)	3.35	2.26	2.17	2.39	2.79	2.59	3.08	3.52
Cobalt grade (%)	0.49	0.48	0.51	0.43	0.40	0.40	0.59	0.45
Open Pit Mining – Mashamba East								
Waste mined (tonnes)	3,308,558	5,141,270	6,996,303	5,777,914	2,977,252	4,769,012	5,161,024	1,679,714
Ore mined (tonnes)	626,808	885,791	953,909	851,968	1,086,595	1,334,862	1,674,867	1,156,339
Copper grade (%)	0.45	1.51	1.49	2.45	2.95	2.83	3.14	1.61
Cobalt grade (%)	0.49	0.35	0.30	0.22	0.32	0.30	0.34	0.52
Underground Mining - KTO								
Primary Development (meters)	539	311	126	151	137	-	-	-
Ore mined (tonnes)	-	73,685	141,973	154,022	139,305	142,131	158,116	223,437
Copper grade (%)	-	3.01	3.27	3.58	3.83	3.93	3.85	4.06
Cobalt grade (%)	-	0.44	0.65	0.64	0.50	0.55	0.59	0.54
Total Mining								
Waste mined (tonnes)**	9,339,438	12,441,427	15,365,386	13,835,436	10,259,978	13,660,266	14,765,188	9,883,967
Ore mined (tonnes)	1,402,201	2,854,228	3,439,666	2,471,632	2,308,037	2,458,522	3,402,929	3,231,048
Copper grade (%)	2.05	2.04	2.02	2.48	2.93	2.80	3.15	2.87
Cobalt grade (%)	0.49	0.44	0.46	0.37	0.37	0.36	0.47	0.48
KTC								
KITD material processed (tonnes)	520,323	615,731	620,909	726,207	747,327	773,672	561,506	437,969
KITD copper grade (%)	1.43	1.66	1.63	1.55	1.50	1.32	1.22	1.35
Open pit ore milled (tonnes)	878,672	1,044,821	1,178,617	1,600,911	1,818,399	1,642,357	1,768,335	1,692,495
Open pit ore copper grade (%)	3.92	3.60	3.26	3.18	3.41	3.14	3.50	3.88
Underground ore milled (tonnes)	-	42,770	145,090	155,546	141,388	158,371	137,731	216,105
Underground ore copper grade (%)	-	3.32	3.28	3.40	3.64	3.64	3.40	3.81
Luilu								
WOL feed – oxide concentrate (tonnes)	77,436	63,033	22,096	35,752	37,536	38,663	26,376	21,887
WOL feed – open pit ore (tonnes)	828,208	1,040,750	1,195,149	1,602,666	1,822,820	1,599,507	1,748,911	1,688,262
Sulphide roaster feed (tonnes)	-	5,823	26,688	25,588	26,772	27,589	25,089	34,962
Luilu copper metal (tonnes)	27,677	35,615	39,296	49,770	57,175	52,514	59,424	65,402
Finished cobalt (tonnes)	525	2,429	3,512	4,646	3,511	2,607	4,763	6,173

* Amounts include all ore as defined above in item 3 under 'Mining'.

** Excludes waste mined in KTO underground.

7. Commitments

The following table summarizes the Company's contractual and other obligations as at December 31, 2019.

		Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Commitments due by year						
Capital expenditure commitments ⁽¹⁾	\$'000	66,816	66,816	-	-	-
Power Project ⁽²⁾	\$'000	9,600	9,267	333	-	-
Future lease commitments ⁽³⁾	\$'000	4,813	2,778	440	145	1,450
Acquisition of land ⁽⁴⁾	\$'000	250,000	250,000	-	-	-
Total commitments	\$'000	331,229	328,861	773	145	1,450

Notes:

- (1) The capital expenditure commitments relate to the Acid Plant, IX Plant, dryers, tailings storage and various other projects.
- (2) In order to meet the needs for reliable electrical power for the development of their mining activities, KCC and Mutanda Mining Sarl ("Mutanda") entered into agreements with the DRC electricity provider, La Société Nationale d'Electricité ("SNEL") in 2012, to fund the rehabilitation of some of SNEL's generation and transmission infrastructures (the "Power Project"). KCC agreed to fund \$392.6 million for the Power Project commencing in 2012, with expected completion in Q1 2020, of which \$261.7 million is reimbursable by Mutanda. Accordingly, KCC's net funding contribution is \$130.9 million, of which \$121.3 million has been funded as of December 31, 2019. Reimbursements by SNEL of the debt amount, and payment of interest, is by way of credits to power bills payable by KCC and its affiliates. Interest accrues at 6 months LIBOR plus 3% on the debt amount from the date of drawdown to the date of reimbursement. SNEL will retain ownership of the generation and transmission infrastructure throughout the duration of the Power Project and thereafter. The agreements with SNEL require that monthly interest payments be distributed 70% to KCC and 30% to Mutanda, notwithstanding that Mutanda's net funding contribution is two-thirds and KCC's net funding contribution is one-third. Accordingly, in May 2018, KCC and Mutanda entered into an interest allocation agreement to formalize an accrued payable from KCC to Mutanda to give effect to a net interest distribution of 33⅓% to KCC and 66⅔% to Mutanda.
- (3) The commitments relate to low value leases for which the IFRS 16 recognition exemption has been applied. As a result these items have not been capitalized as a right-of-use asset.
- (4) As previously announced, KCC entered into an agreement with Gécamines on December 19, 2019 to acquire from Gécamines a comprehensive land package covering areas adjacent to KCC's existing mining concessions for \$250 million none of which has been paid as at February 13, 2020. The land includes multiple blocks for construction of a new long-term tailings facility and the possible exploitation of additional resources that will enhance KCC's ability to more efficiently operate its mines, facilities and other key infrastructure requirements. The agreement provides for an initial payment of \$150 million. Since it has been agreed between KCC and Gécamines that the initial payment shall be postponed, the agreement has been treated as an executory contract and the commitments of \$250 million have been disclosed as capital commitments.

8. Contingent Liabilities

The Company is subject to various claims which arise in the ordinary course of business as detailed below. These contingent liabilities are reviewed on a regular basis and where practical an estimate is made of the potential financial impact on the Company.

Litigation

The Company and its subsidiaries are subject to tax audits and various litigation and claims in the normal course of their business and they record provisions for claims as required.

The Company is aware of putative and current securities class action claims having been filed or threatened to be filed in both Canada and the United States relating to damages alleged to have been incurred due to a decline in the Company's share price related to the restatement of certain of its historical financial statements and related disclosure documents (the "Restatement"). The Company intends to vigorously defend against any such actions. While the Company cannot predict the results of any legal proceedings, it believes it has meritorious defences against these 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 consolidated income, financial position or cash flows.

Environmental Contingencies

The Company's operations in the DRC are subject to various environmental laws and regulations. The Company believes it is in compliance with those laws and regulations. Environmental contingencies are provided for 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.

2018 Mining Code

Some of the provisions of the 2018 Mining Code will be subject to the interpretation of the relevant authorities in DRC and may therefore vary materially from the Company's current expectations. The Company is currently monitoring the implementation of the 2018 Mining Code on a case-by-case basis. Given the apparent decision of the DRC authorities to ignore the stability clause provided by the 2002 Mining Code, the Company is currently making all payments required by the 2018 Mining Code under protest and is reviewing its legal options.

The 2018 Mining Code creates a 50% tax on 'exceptional' profits, also known as the "Super Profit Tax" or "SPT". Specifically, the 2018 Mining Code introduced a new SPT equating to 50% of the portion of the effective earnings before interest, tax, depreciation and amortization ("EBITDA") higher than 125% of the EBITDA presented by the BFS, when the concerned commodity price exceeds 125% of the price used in the BFS.

In July 2019, KCC settled its 2018 SPT liability with the authorities. As part of a memorandum of understanding entered into in connection with the settlement of its 2018 SPT liability, KCC agreed to produce a BFS for future SPT calculation by the end of 2019. KCC submitted under protest a BFS on December 31, 2019, which covers the entire KCC project, including the long-term options for removing 'elevated' uranium levels from the cobalt hydroxide product. The BFS is currently under review by the DRC authorities and remains subject to potential adjustments and approvals by such authorities.

Tax Disputes

The Company assesses its liabilities and contingencies for all tax years open to audit based upon the latest information available. Inherent uncertainties exist in estimates of tax contingencies due to complexities of interpretation and changes in applicable tax laws. For those matters where it is probable that an adjustment will be made, the Company records its reasoned estimate of these tax liabilities, including any related interest charges. These current open tax matters consist primarily of items that have been open for a number of years and may take several more years to resolve, none of which are individually material. Management does not anticipate a significant risk of material change in estimates within the next financial year.

DGDA Instruction Preventing Imports and Exports

The Direction Générale des Douanes et Accises ("DGDA") in the DRC issued an internal instruction on November 9, 2018, temporarily preventing KCC from importing or exporting any material or production, including copper production, as a result of KCC's alleged failure to declare and pay duties on the export of 6,650 tonnes of copper in December 2014 and January 2015.

DGDA Instruction Preventing Imports and Exports (continued)

The dispute with the DGDA arose as a result of the Company's previously disclosed overstatement of copper cathode production by 6,650 tonnes in December 2014. This overstated cathode production was provisionally invoiced in the amount of \$43 million on December 31, 2014. However, as disclosed in the Company's restated consolidated financial statements for the years ended December 31, 2016 and 2015, the restated financial statements eliminated the recording of the overstated cathode production and the provisional invoicing of \$43 million.

Although the 6,650 tonnes of copper cathode at issue were not produced by KCC in 2014 or exported in 2015, the DGDA claims that KCC failed to pay export duties on the export of these copper lots. As a result, the DGDA proposed to levy on KCC an export duty of \$4.3 million (being 10% of the alleged copper value of \$43.3 million) and penalties of \$129.8 million (being three times the alleged copper value).

On November 16, 2018, the Company announced that DGDA's instruction preventing KCC from importing and exporting material and production was lifted and imports and exports of material and copper production had resumed.

The validity and quantum of the DGDA's proposed export duties and penalties remains in dispute. Given that the copper cathode production at issue did not exist and that the copper lots were not exported, KCC intends to continue vigorously contesting any export duties or penalties on the overstated (not produced and not sold) copper cathodes.

9. Liquidity and Capital Resources

As at December 31, 2019, the consolidated entity had net shareholders' equity of \$3,634.3 million (December 31, 2018 – \$1,236.6 million deficiency), which included related party loans of \$1,576 million (December 31, 2018 - \$6,731.9 million). The combined balance of principal and interest is repayable on January 1, 2023. The Company made a loss of \$923.3 million during the year ended December 31, 2019 (year ended December 31, 2018 – \$806.2 million). The loss was significantly impacted by increased costs of production, reduced cobalt sales and interest incurred on the Loan Facilities (refer to item 14).

As at December 31, 2019, Katanga's current liabilities of \$1,285 million exceeded its current assets of \$1,253 million by \$32 million.

On April 29, 2019, the Company announced that KCC had commenced the Review, a comprehensive business review targeting mining efficiencies and processing improvements as well as enhancements to product quality realizations and overhead cost reductions.

Indications suggest there may be scope for margin improvements in the order of \$200-250 million per annum. Further work, seeking to develop detailed implementation plans to deliver these improvements is being undertaken, which if successful, are expected to be realizable progressively by 2022.

KCC has defined business priorities such as, but not limited to, improved efficiencies, maintenance, labor productivity and production quality, while decreasing the costs associated with procurement, sourcing and information technology. KCC has commenced executing key cost reduction initiatives identified in the transformation review process.

These improvements are expected to materially increase the cash flow generation of KCC from 2022, when it is projected to achieve targeted life of mine average production of approximately 300kt of copper and 30kt of cobalt, resulting in a steady state copper unit cash cost of \$1.65/pound, before cobalt by-product credits, and \$0.75/pound after cobalt by-product revenue, net of allocable cobalt direct production and realization/selling costs of Cdn\$0.60/pound. Realization costs are based on an assumed copper price of \$6,500/tonne and realized cobalt price of \$15/pound.

Production guidance for copper and cobalt is as follows:

Commodity	Units	FY 2020
Copper ⁽¹⁾	Kt	270
Cobalt ⁽²⁾	Kt	29

Notes:

- (1) Annual copper production guidance is subject to +/- 15 kt variation
 (2) Annual cobalt production guidance is subject to +/- 2 kt variation

It should be noted that production in any given year will fluctuate as a function of numerous factors, including availability and utilization of the plant, geological and mining conditions, logistics, availability of reagents, availability of electricity, macro-economic factors such as commodity prices, input costs and geopolitical developments (including the 2018 Mining Code).

It is anticipated that KCC will remain cash flow negative until midway through 2020. This is based on the above production profile, assumed copper and cobalt prices of \$6,250/tonne and \$20/pound, the expected cost reductions and upfront costs of restructuring, and completion of the capital projects as planned.

On December 19, 2019, the Company completed its previously announced Cdn\$7,678,388,000 Rights Offering. In connection with the completion of the Rights Offering and pursuant to the exercise of Rights, the Company issued an aggregate of 59,292,571,428 Common Shares from treasury. Shareholders of the Company, other than Glencore, subscribed for 68,746,113 Common Shares under the Rights Offering, for gross proceeds of Cdn\$8,902,622.

Glencore provided a standby commitment in respect of the Rights Offering and, in accordance with the standby commitment, accepted 59,223,825,315 Common Shares issued from treasury under the Rights Offering and a cash payment of Cdn\$8,902,622 as repayment for US\$5.8 billion of debt owed to Glencore under the Glencore Loan Facilities (defined below).

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

Upon closing of the Rights Offering, the Glencore Loan Facilities (defined below) were merged into a single \$1.75 billion facility consisting of the remaining approximately \$1.5 billion of Glencore Debt not repaid under the Rights Offering and undrawn committed liquidity of approximately \$250 million, which Glencore provided under a subsequent facility agreement. The subsequent facility matures on January 1, 2023, and bears interest at a rate of 7% per annum. The interest will be capitalized to the extent the Company has insufficient cash to pay it when due.

In the event of a default under the Glencore Loan Facilities (defined below), Glencore may give a Rights Offering notice. Refer to item 2 for additional detail.

In the course of 2019, Glencore and the Company also took steps to further formalize Glencore's ongoing support for Katanga. Glencore agreed to provide the required financial support to the Company to enable it to pay its debts as and when they become due and payable in the 12-month period from August 6, 2019 and to provide the required financial support to KCC to enable it to pay its debts as and when they become due and payable in the 12-month period from February 13, 2020.

As described in item 16, in conjunction with the KCC Debt Conversion, the debts owing to Glencore Finance (Bermuda) Limited ("Glencore Finance") and GIAG were restructured. As at December 31, 2019, there is no KCC Commercial Debt (refer to item 16) consisting of customer prepayments.

		2019	2018
Balance as at the beginning of the year	\$'000	-	2,241,573
Assignment of debt to Glencore Finance and KMFL as Facility B	\$'000	-	(2,238,759)
Reclassification of commercial amounts to accounts payable	\$'000	-	(2,814)
Balance as at the end of the year	\$'000	-	-

Glencore Loan Facilities and Katanga Rights Offering

As part of the Rights Offering described in item 2, the Company entered into an assignment, capitalization, amendment and restatement agreement ("ACARA").

On closing of the Rights Offering on December 19, 2019, the full amount outstanding under the "Glencore Loan Facilities" were as follows: Facility A of \$4,281 million (including capitalized interest) together with \$1,519 million (including capitalized interest) outstanding under Facility B was settled. The remaining part of Facility B and Facility C, amounting to \$1,517 million as at December 19, 2019 were consolidated into one facility:

- Facility B - \$1,750 million (principal) facility bearing interest at 7%, due January 1, 2023.

As at December 31, 2019, a total of \$1,517 million (principal) had been drawn down from Facility B.

As at		December 31, 2019	December 31, 2018
Facility A*	\$'000	-	4,005,678
Facility B*	\$'000	1,576,425	2,362,953
Facility C*	\$'000	-	363,331
Total	\$'000	1,576,425	6,731,962
Current Glencore Loan Facilities**	\$'000	-	452,772
Non-current Glencore Loan Facilities	\$'000	1,576,425	6,279,190
Total	\$'000	1,576,425	6,731,962

* Includes interest.

** Consists of interest payments accrued and due within one year. All accrued interest was reclassified to non-current during 2019 as a consequence of the term changes.

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

Reconciliation of Glencore Loan Facilities balance:

Total amount outstanding as at January 1, 2019	\$'000	6,731,962
Interest capitalized	\$'000	435,050
Additional drawdown	\$'000	153,316
Settlement as part of Rights Offering ⁽¹⁾	\$'000	(5,800,000)
Loan modification ⁽²⁾	\$'000	56,097
Total amount outstanding as at December 31, 2019	\$'000	1,576,425

- (1) The settlement of \$5.8 billion owing to Glencore was in the form of a combination of (i) cash equal to the proceeds received by the Company pursuant to the exercise of Rights by non-Glencore shareholders and (ii) issuance of shares via set-off pursuant to the exercise of Rights by Glencore. The set-off represented a significant non-cash transaction. Refer to item 2 for additional disclosure.
- (2) The original loan term and the interest rate was amended as part of ACARA which resulted in a modification to the carrying amount of the financial liability measured at amortized cost. The modification loss is a one-off loss recognized when the contractual cash flows of the Glencore Loan Facilities were modified. The maturity of the facilities was extended to January 1, 2023 and the interest rate changed to 7% from 5.87%. The loss was calculated as the difference between the value of the new contractual cash flows, discounted at the original effective interest rate and the carrying amount before the modification.

Certain specific assets of KCC are pledged as security against the facilities.

The Glencore Loan Facilities are repayable in full, including accrued interest, on January 1, 2023. Refer to item 2 for additional disclosure.

Non-controlling interests

The non-controlling interests consist of the 25% investment in KCC held by Gécamines (together with Société Immobilière du Congo ("SIMCO")), which is incorporated in the DRC—its principal place of business. This investment is subject to the ACRVA (refer to item 14), and the non-controlling interests remain the same as at December 31, 2019.

The following table details the movement in the non-controlling interests for:

		Twelve months ended Dec 31, 2019	Dec 31, 2018
\$'000			
Balance at the beginning of the year	\$'000	338,666	(907,959)
Impact of recapitalization of KCC	\$'000	-	1,344,400
Loss attributable to non-controlling interests	\$'000	(152,978)	(97,775)
Balance at the end of the year	\$'000	185,688	338,666

Restructuring Expenses

As noted above, certain expenses were incurred as a result of the KCC Debt Conversion (refer to item 16) and Gécamines Settlement Agreement (refer to item 16) as follows:

		Twelve months ended Dec 31, 2019	Dec 31, 2018
\$'000			
Settlement of historical commercial disputes	\$'000	-	150,000
Waiver of reimbursement of exploration and drilling expenditures	\$'000	-	57,128
Settlement of certain replacement reserve exploration costs	\$'000	-	41,000
Total restructuring expenses	\$'000	-	248,128

Bank Loan Facility

Drawings under the Bank Loan Facility are as follows:

		Dec 31, 2019	Dec 31, 2018
As at (\$'000)			
Bank Loan Facility*	\$'000	687,098	-
Total	\$'000	687,098	-

* Includes interest.

10. Accounting Policies

Adoption of new standards

The accounting policies applied in the consolidated financial statements are consistent in all material respects with those applied for the year ended December 31, 2018, except for the adoption of the following standards and interpretations, which became effective as of January 1, 2019 and the change in the warehouse inventory accounting methodology described in note 7 of the consolidated financial statements.

IFRS 16 – Leases: effective for year ends beginning on or after January 1, 2019

IFRS 16 provides a comprehensive model for identification of lease arrangements and their treatment in the consolidated financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretative guidance. The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparatives for the 2018 reporting period have not been restated and are accounted for under IAS 17.

Under IFRS 16, a lessee is required to recognize the present value of the unavoidable lease payments as a lease liability on the consolidated statements of financial position (including those that were previously classified as operating leases), with a corresponding right-of-use asset. The unwind of the financial charge on the lease liability and amortization of the leased asset are recognized in the consolidated statements of loss and comprehensive loss, based on the incremental borrowing rate of the Company and contract term respectively. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value (a value less than \$5,000) assets. For these leases, the Company recognizes the lease payments as an expense in the consolidated statements of loss and comprehensive loss on a straight-line basis over the term of the lease.

An assessment of the impact of adoption of IFRS 16 has been determined and the analysis of the impact on the consolidated statements of financial position has resulted in an increase in assets in the form of right-of-use assets and in liabilities of \$13.2 million.

The weighted average lessees incremental borrowing rate applied to lease liabilities recognized in the consolidated statements of financial position on January 1, 2019 is 15%.

The following table shows the operating lease commitments disclosed applying IAS 17 at December 31, 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognized in the consolidated statements of financial position at the date of initial application.

Operating lease commitment reported as at December 31, 2018	\$'000	61,167
Effect of discounting the above amounts	\$'000	(47,973)
Finance lease liabilities recognized under IAS 17 at December 31, 2018	\$'000	-
Lease liability and right-of-use asset recognized on adoption of IFRS 16 Leases	\$'000	13,194⁽¹⁾

(1) \$2 million classified as current

IFRIC 23 – Uncertainty over Income Tax Treatments: effective for year ends beginning on or after January 1, 2019

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Company has applied the interpretation using the modified retrospective approach and therefore the comparatives for the 2018 reporting period have not been restated.

The application of the interpretation did not have a material impact on the Company's consolidated financial statements.

11. Outstanding Share Data

Authorized

An unlimited number of common shares with no par value.

Issued at December 31, 2019

Number of shares outstanding January 1, 2019	1,907,380,413
Issued during the year ⁽¹⁾	59,292,571,428
Number of shares outstanding December 31, 2019	61,199,951,841

(1) On the completion of the Rights Offering as described in item 2, the Company issued an aggregate of 59,292,571,428 Common Shares from treasury. Glencore acquired an additional 59,223,825,315 Common Shares.

Share Options

	Number of share options	Weighted exercise price per share
Outstanding at December 31, 2019 and 2018	1,593,145	Cdn\$1.01

12. Related Party Transactions

Related parties and related party transactions not otherwise disclosed elsewhere in the consolidated financial statements include:

Galif Investments Limited ("Galif"), registered in Bermuda, is an aircraft management company whose ultimate beneficial owner is Glencore. During 2019 and 2018, Galif provided aircraft maintenance and auxiliary services to the Company in the normal course of business and on arm's length commercial terms.

Glencore plc is the Company's ultimate majority shareholder and is represented on the Board of Directors of the Company. In 2007, Glencore's wholly-owned subsidiary, GIAG entered into a 100% off-take agreement for concentrate sales with the Company and commencing 2009, pursuant to additional off-take agreements, all copper and cobalt metal produced are sold to GIAG on market terms for the life of any mines and plants operated, acquired, leased 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 2018, the Company restructured the KCC Commercial Debt (refer to item 16) and KCC Financial Debt (refer to item 16) into two separate Glencore Loan Facilities effective as at January 1, 2018, with a third facility added during the fiscal year 2018. This facility was amended during December 2019 with only one facility remaining as at December 31, 2019 (refer to item 9).

As part of the Rights Offering as described in item 9, Glencore subscribed for an additional 59,223,825,315 shares in the Company for a total consideration of \$5,793 million.

Glencore provides executive management services to the Company pursuant to a management services agreement. Glencore waived all charges relating to the services rendered during 2019 pursuant to the agreement.

Mutanda is a copper and cobalt producer located in the DRC and is a wholly owned subsidiary of Glencore. In 2012, the Company commenced the Power Project with Mutanda (refer to item 7). Additionally, there is an agreement in place for employees of Katanga and Mutanda to use charter flights operated by either company with associated costs invoiced. In 2018, KCC and Mutanda entered into an interest allocation agreement with respect to their respective recoveries from SNEL in connection with the Power Project.

In order to meet the needs for reliable electrical power for the development of their mining activities, KCC and Mutanda entered into agreements with the DRC electricity provider, SNEL in 2012, to fund the rehabilitation of the Power Project. During 2019 and 2018, the Company sold warehouse inventory items to Mutanda. These goods were provided in the normal course of business and at arm's length commercial terms. Additional details are disclosed in item 7.

Mopani Copper Mines Plc ("Mopani") is a copper producer located in Zambia. Mopani is a 73.1% owned subsidiary of Glencore. Since 2017, Mopani supplied sulphuric acid to the Company in the normal 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 wholly owned subsidiary of Glencore. During 2019 and 2018, Glencore Technology provided mining equipment and services to the Company in the normal course of business and on arm's length commercial terms.

Access World South Africa (Pty) Ltd ("Access World") is a logistics and supply chain company located in South Africa and a wholly owned subsidiary of Glencore. During 2019 and 2018, Access World provided freight services in the normal course of business and on arm's length commercial terms.

Glencore DRC (previously MKS S.A.S ("MKS")) is a provider of legal and tax services in the DRC, with 49% of the shareholding owned by the Company. During 2019 and 2018, Glencore DRC provided legal and tax services to the Company in the normal course of business and on arm's length commercial terms. On April 4, 2019, the KCC board of directors decided to discontinue the services provided by Glencore DRC and agreed that a transition plan would be implemented to provide these services. On July 5, 2019, the Company sold its 49% participation in Glencore DRC to a Glencore entity for the nominal amount which approximated its carrying value.

Transactions

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:

As at		December 31, 2019	December 31, 2018
Purchases and charges from related parties			
Galif	\$'000	12,550	3,441
Glencore International AG ⁽¹⁾	\$'000	615,458	528,481
Glencore Technology	\$'000	1,621	688
Access World	\$'000	25,424	21,667
Mopani	\$'000	15,348	44,541
Mutanda ⁽²⁾	\$'000	6,808	-
Sales to related parties			
Glencore International AG ⁽³⁾	\$'000	1,386,314	1,265,094
Mutanda ⁽⁴⁾	\$'000	4,455	5,070

- (1) Amount includes interest payable under the Glencore Loan Facilities (item 9).
 (2) Amount relates to assets and consumables that were purchased from Mutanda.
 (3) Amount represents copper and cobalt sales.
 (4) Amounts included in the consolidated statements of loss as these are recoverable charter flight costs, which are netted against the underlying expense as well as sale of warehouse inventory items.

Balances

As at		December 31, 2019	December 31, 2018
Amounts owed to related parties			
Galif	\$'000	15,077	11,602
Glencore International AG	\$'000	200,535	145,029
Mopani	\$'000	150	14,325
Mutanda ⁽¹⁾	\$'000	49,838	54,164
Glencore Technology	\$'000	4,779	719
Access World	\$'000	2,716	5,680
Glencore DRC	\$'000	4,571	4,571
Total accounts payable to related parties	\$'000	277,666	231,519
Glencore Finance – Glencore Loan Facilities ⁽²⁾	\$'000	1,576,425	6,731,962
Amounts owed by related parties			
Glencore International AG	\$'000	111,906	54,164
Glencore Technology	\$'000	779	-
Mutanda ⁽³⁾	\$'000	5,015	13,631
Glencore DRC	\$'000	123	-
Total accounts receivable from related parties	\$'000	117,823	67,795

- (1) Amount represents payment advances made by Mutanda on the Company's behalf on the Power Project (refer to item 7) and amounts owing for the purchase of concentrate.
 (2) Amount includes interest payable under the Glencore Loan Facilities (item 9).
 (3) Amount represents processing consumables, medical services and amounts owed by Mutanda for its purchase of warehouse inventory items.

13. Financial Instruments

At December 31, 2019 and December 31, 2018, 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 Glencore 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, 2019 and December 31, 2018, 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 consolidated 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, 2019 and December 31, 2018:

		Hierarchy level	Dec 31, 2019	Dec 31, 2018
Cash and cash equivalents	\$'000	1	207,763	5,499
Trade Receivables containing provisional pricing features ⁽¹⁾	\$'000	2	20,514	(4,318)

(1) Included in sales is a net provisional pricing adjustment resulting from movements in the commodity price between the date of sale and the final pricing based on average prices for a specified period thereafter. At each reporting date, provisionally priced sales that have not been finalized retain an exposure to future changes in prices and are marked-to-market based on London Metal Exchange ("LME") and Metal Bulletin ("MB") forward prices. These adjustments were recorded in sales in the consolidated statements of loss and comprehensive loss and within receivables on the consolidated statements of financial position. As such, these embedded derivatives included in receivables are classified within level 2 of the fair value hierarchy.

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 and the policies on how to mitigate these risks are set out in item 14.

14. Risk Factors

General Risks

The Company's principal business is mineral exploitation and, accordingly, an investment in Katanga involves a high degree of risk. For further details on such risks, please refer to the Company's Annual Information Form dated April 1, 2019 and its Technical Report dated November 7, 2019, which are available on SEDAR at www.sedar.com.

Critical Operational Risks

The following risks have been identified as critical items that could adversely impact the success of the Company's operations if no resolution or mitigation measures are implemented over the short and the long-term, in accordance with regulatory and legal requirements over the life of the mine:

- Illegal artisanal mining presence on the Company's concessions and adjacent areas;
- All mining permits are subject to renewal in 2022 and 2024;
- Insufficient tailings storage capacity and space constraints for the life of mine plan; and
- Insufficient dumping space for the life of mine plan.

For further details on the operational risks, please refer to the Company's Annual Information Form dated April 1, 2019 and its Technical Report dated November 7, 2019, which are available on SEDAR at www.sedar.com.

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

In order to reduce the prevalence of illegal artisanal mining on the Company's concessions and adjacent areas, the Company is making significant efforts to upgrade additional perimeter controls and has been in regular and ongoing contact with the community and provincial government.

KCC continues to engage with DRC authorities in order to mitigate the risk of non-renewal of the mining permits. In particular, if KCC is not profitable then this can provide a right of non-renewal of KCC permits.

The Company has entered into an agreement to acquire further land which if completed, will provide additional tailings storage capacity and dumping space for the life of mine plan. Refer to item 2 for additional disclosure.

Credit Risk

The Company's credit risk is primarily attributable to short-term deposits, trade receivables from copper and cobalt sales and other receivables mainly consisting of value added tax input credits receivable as well as the Power Project funding arrangement as described in item 7 and royalty advances. The value added tax input credits are receivable from the tax authorities in the DRC and the collection thereof is closely monitored by management. The Company has a concentration of credit risk with all sales to one customer, GIAG, which is also closely monitored by management. The customer is a related party of the Company (refer to item 12).

Market Risk

Interest rate risk

The Company had cash balances, the Glencore Loan Facilities, the Bank Loan Facility and an overdraft facility with a major DRC bank (the "Overdraft Facility") as at December 31, 2019. The Glencore Loan Facilities, Bank Loan Facility and Overdraft Facility (together the "Loan Facilities") bear interest as follows:

- Glencore Loan Facilities – \$1,750 million facility bearing interest at 7%, due January 1, 2023.
- Bank Loan Facility – \$900 million facility bearing interest at LIBOR + 1.1%, maturing on August 31, 2020. The Bank Loan Facility is guaranteed by Glencore.
- Overdraft Facility – \$150 million facility bearing interest at 6%, expiring on December 31, 2020.

The Company held no other floating rate debt as at December 31, 2019.

No amount of the Overdraft Facility had been utilized as at December 31, 2019.

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Assuming the amount of floating rate liabilities at the reporting period end were outstanding for a whole year, interest rates were 50 basis points higher/lower and all other variables held constant, the Company's loss and equity for the year ended December 31, 2019 would increase/decrease by \$2.1 million (2018 – \$34 million).

Foreign currency risk

The Company and its subsidiaries' functional currency is the U.S. dollar. The Company's sales are priced in U.S. dollars and the majority of major purchases are transacted in U.S. dollars and South African rand. However, since January 2018, all production sales are settled in Euro. Given the above-mentioned transactions and that the Company's debt is denominated in U.S. dollars, the Company ordinarily converts the Euro inflows into U.S. dollars at the spot rate on the date of the transaction.

The Company maintains the majority of its cash and cash equivalents in U.S. dollars but from time to time it also holds balances in South African rand, British pounds, Canadian dollars, Swiss franc, Congolese franc, Euro and Australian Dollars (for future expenditures which will be denominated in these currencies). The Company has not entered into any derivative instruments to manage foreign exchange fluctuations. The DRC and South Africa have historically experienced relatively high rates of inflation and associated weakness, relative to the other currencies. These trends may continue.

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

As at		Assets		Liabilities	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
South African Rand	\$'000	14,312	-	26,149	7,998
British Pounds	\$'000	-	25	368	-
Canadian Dollars	\$'000	348	508	106	-
Swiss Franc	\$'000	50	85	-	-
Congolese Franc	\$'000	1,517	5	13,390	-
Euro	\$'000	1,721	441	40,992	-
Australian Dollars	\$'000	-	-	236	-
	\$'000	17,948	1,064	81,241	7,998

A 5% increase or decrease in the U.S. dollar at December 31, 2019, with respect to all of the above currencies, would result in a movement of the unrealized foreign exchange gain or loss for the period of approximately \$3.2 million (year ended December 31, 2018 – \$0.3 million).

Commodity Price Risk

The Company sells copper and cobalt at prevailing market prices. Under the off-take agreements, final pricing adjustments are made after delivery to the customer. 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, normally ranging from 30 to 60 days after the initial booking. The Company has not used any commodity price derivatives in this period or the prior period. There is currently no intention to hedge the commodity price risk of future sales.

As at December 31, 2019, the Company had 36,745 tonnes of copper cathode (December 31, 2018 – 34,767 tonnes of copper cathode) for which final commodity prices have yet to be determined. A 5% increase or decrease in the forward copper price as at December 31, 2019 would result in a \$11.4 million change to revenue and trade receivables (as at December 31, 2018 – \$10.1 million change).

As at December 31, 2019, the Company had 2,607 tonnes of cobalt (December 31, 2018 – nil tonnes of cobalt) for which final commodity prices had yet to be determined. A 5% increase or decrease in the forward cobalt price as at December 31, 2019 would result in a \$4.2 million change to revenue and trade receivables (as at December 31, 2018 – \$nil change).

Contamination and Content Risk

In December 2018, the presence of uranium was detected in the cobalt hydroxide produced at KCC in levels that exceed the Applicable Regulations. The low levels of radioactivity detected in the uranium to date do not present a health and safety risk. KCC has resumed the export and sale of a limited quantity of cobalt that complies with both international and local DRC transport regulations.

The temporary suspension of cobalt sales, which was lifted in Q2 2019, and additional cobalt inventory build during 2019, due to delayed cobalt drying capacity commissioning negatively impacted the Company's revenue in 2019.

For more details on the impact of the presence of uranium in cobalt hydroxide, see 'Temporary Suspension of Cobalt Sales' in item 2.

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The presence and level of deleterious minerals in the ore from which the cobalt and copper is mined also varies considerably, and can lead to variations in recovery, processing costs and the final price received under the offtake agreements with GIAG.

Liquidity Risk

The following table details the Company's expected remaining contractual maturities for its financial liabilities as at December 31, 2019.

As at December 31, 2019		Less than 1 year	Over 1 year and less than 3 years	Over 3 years	Total
Accounts payable and accrued liabilities	\$'000	581,813	-	-	581,813
Bank Loan Facility	\$'000	687,098	-	-	687,098
Glencore Loan Facility – related parties	\$'000	-	-	1,576,425	1,576,425
Expected future interest payments on Glencore and Bank Loan Facilities	\$'000	105,690	200,146	298	306,134
Lease liability	\$'000	2,000	179	11,015	13,194
Expected future interest payments on lease liability	\$'000	1,974	1,970	40,087	44,031
		1,378,575	202,295	1,627,825	3,208,695
As at December 31, 2018		Less than 1 year	1 to 2 years	Over 2 years	Total
Accounts payable and accrued liabilities	\$'000	539,309	-	-	539,309
Glencore Loan Facilities – related parties	\$'000	452,772	6,279,190	-	6,731,962
		992,081	6,279,190	-	7,271,271

The Bank Loan Facility is guaranteed by Glencore and Glencore has agreed to provide the required financial support to KCC to enable it to pay its debts as and when they become due and payable in the 12-month period from February 13, 2020.

Expected future interest payments on Glencore Loan Facilities will be capitalized to the extent the Company has insufficient cash to pay it when due.

The Glencore Loan Facilities are repayable in full, including accrued interest, on January 1, 2023. Refer to item 2 for additional disclosure.

Jurisdictional Risk

The Company's cash flow is derived from and dependent on material mining operations located in the DRC. The stability of revenue from the Company's mining operations and the carrying value of its investment in its 75% DRC operating subsidiary, KCC, is directly impacted by certain risks specific to operating in that jurisdiction, which can create financial, legal and economic uncertainty. Such risks include, but are not limited to: political unrest; risk of corruption in interaction with state and non-state actors, including violations under applicable foreign corrupt practices statutes; arbitrary changes in laws, regulations, policies, taxation, price controls and exchange controls; limitations on the repatriation of earnings; and limitations on mineral exports. These risks may limit or disrupt the Company's operations and projects, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization, expropriation or other means, without fair compensation.

Settlement of AHIL and Ventora Dispute

As previously disclosed, KCC has an obligation under the amended, consolidated and restated joint venture agreement dated July 25, 2009 (the "ACRJVA") to pay royalties quarterly at a rate of 2.5% of "net sales" from the KCC mine, subject to certain deductions. Africa Horizons Investment Limited ("AHIL"), a company affiliated with Mr. Dan Gertler, acquired these rights from Gécamines in January 2015 pursuant to a tripartite royalty agreement (the "Tripartite Agreement") between Gécamines, AHIL and KCC. AHIL assigned its right to receive royalties to Ventora Development Sasu ("Ventora"). In March and July 2015 respectively, AHIL and KCC entered into two prepayment agreements pursuant to which KCC made advance payments of royalties to AHIL for a total discounted value of \$54.7 million, after taking time value of money into consideration.

In December 2017, the United States government designated Mr. Gertler and affiliated companies, including AHIL, as specially designated nationals ("SDNs"), thereby imposing blocking sanctions on them and companies owned 50% or more by them. On June 15, 2018, the SDN designation was expanded to specifically designate additional entities affiliated with Mr. Gertler, including Ventora, as SDNs.

In June 2018, the Company entered into a settlement deed with AHIL and Ventora, companies affiliated with Mr. Gertler, whereby the Company agreed to satisfy its obligations to pay royalties under the ACRJVA and the parties agreed to withdraw all pending and threatened litigation between them.

Katanga believes that payment in non-US dollars of royalties to Ventora without the involvement of US persons would appropriately address all applicable sanctions obligations.

Refer to item 17 for more details.

Department of Justice Investigation

On July 3, 2018, Glencore announced that Glencore Ltd., a subsidiary of Glencore, had received a subpoena dated July 2, 2018, from the United States Department of Justice to produce documents and other records with respect to compliance by the Glencore group with the Foreign Corrupt Practices Act and United States money laundering statutes, including in relation to its business in the DRC. The Company was made aware of the receipt of the subpoena as it is part of the Glencore group and the Company continues to assess its risk exposure in connection therewith on an ongoing basis.

Regulatory Risk

As a result of the factors and risks specific to operating in the DRC, there is a risk that the Company may face investigation, fines, penalties or sanctions resulting from future regulatory action in Canada, the United States or other jurisdictions in which the Company operates, which may have an adverse impact on the Company's business, prospects or financial condition.

See also the discussion regarding the OSC Settlement Agreement under subheading OSC Settlement and appointment of a consultant in item 2.

2018 Mining Code

For details on risks pertaining to the 2018 Mining Code, refer to items 8 and 18.

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 operations. The Company has a well-established Emergency Response Team 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, Catastrophic Hazard Management Plans 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 has completed a comprehensive baseline health and safety risk assessment for mining and processing areas.

There were three workplace fatality and six Lost Time Injuries ("LTI") in 2019. The 2019 rolling LTI frequency rate, based on one million man hours worked, was 0.22, a decrease from 0.30 for the same period in 2018.

Two of these fatalities occurred on September 2, 2019 at the concentrator, where two KCC employees working in the stockpiling and milling operation fell over 5 metres into a feed chute and became engulfed in ore.

KCC management immediately stopped the operations and following recovery, commenced a detailed containment process that involved employees, supervisors and management before operations were allowed to restart.

Following this tragic event the Company engaged specialized risk consultants to facilitate the identification of catastrophic and fatal hazards, control effectiveness assessments, and develop verification plans, across the whole site.

On June 27, 2019, the Company was saddened to report an incident that resulted in multiple fatalities and injuries of illegal miners within the KCC concession area. The illegal miners affected were working two separate galleries that were tunneled into the pit walls by the artisanal miners above the KCC open pit mining area. Two of these galleries caved in. These incidents were not in the vicinity of KCC's current mining operations. KCC has been informed that there have been 30 fatalities as a result of these tragic events.

On July 4, 2019, the FARDC arrived in the area of the operations of KCC. KCC has communicated its expectations to the FARDC to exercise restraint and operate in accordance with the Voluntary Principles and international human rights standards. This includes the principles relating to the use of proportionate force and provision of medical aid.

The FARDC has maintained a continuous presence adjacent to KCC. During this period, there have been no confirmed human rights violations recorded. Some community complaints have been lodged and the appropriate authorities are investigating the complaints. The significant number of illegal miners who were previously gaining entry to the KCC site have dispersed. KCC is making significant efforts to upgrade additional perimeter controls and has been in regular and ongoing contact with the community and provincial government to understand and where possible promote short, medium and longer term sustainable solutions to illegal mining in the DRC.

The approach to environmental management at KCC is aligned with good international industry practice and continual improvement is a consistent theme. The 2018 Environmental and Social Impact Assessment ("ESIA") for the mine (approved by the DRC authorities in June 2018) was updated in December 2018 to incorporate the development of new infrastructure, specifically a planned sulphuric acid plant and the IX Plant. As part of the ESIA process, independent consultants assessed the environmental and social impacts of KCC operations and developed an Environmental Management Plan and a Sustainable Development Plan. The ESIA was re-submitted in May 2019 following comments received from the DRC authorities. The ESIA was approved by the DRC authorities during September 2019.

The Company continuously engages with KCC communities and has several programs including, but not limited to, KCC medical supplies program, summer camps for students and providing school kits for over 10,000 children, regular meetings with communities, training of community cooperatives and the ongoing support for maize crops. The Company will continue the above activities together with further infrastructure development such as complete rehabilitation of schools, the construction of maternity facilities, complete construction and rehabilitation of boreholes for surrounding villages, & orphanages, and the support for the public health campaigns (vaccination, HIV AIDS sensitization).

16. Amended, Consolidated and Restated Joint Venture Agreement and Settlement with Gécamines

Katanga indirectly owns 75% of KCC. Gécamines, a DRC state owned entity (either directly or through its affiliate company, SIMCO), owns the remaining 25% interest in KCC. Control and governance of KCC by the Company, Gécamines and SIMCO is carried out through the ACRJVA. Pursuant to the ACRJVA, KCC's objective is to hold, redevelop, rehabilitate and operate its exploration and mining properties as well as to extract and produce copper, cobalt and associated mineral substances. KCC was created on April 27, 2010 by presidential decree approving the merger of KCC and the DRC copper projects and cobalt projects (another joint venture between Katanga subsidiaries and Gécamines).

On June 26, 2018, the Company announced that it, together with KCC, had completed the transactions contemplated by the settlement agreement announced on June 12, 2018, with (amongst others) the Company's joint venture partner, DRC state-owned company Gécamines. Pursuant to the Gécamines Settlement Agreement, Katanga and KCC effected a recapitalization plan to resolve KCC's capital deficiency in accordance with the requirements provided for by DRC corporate law and Gécamines withdrew the legal proceedings it commenced on April 20, 2018 in the Kolwezi Commercial Court to dissolve KCC (the "Capital Deficiency Proceedings").

The following is a summary of the key terms of the ACRJVA, the Gécamines Settlement Agreement and other arrangements between the Company, KCC and Gécamines arising from the Gécamines Settlement Agreement.

Entry premium (*Pas de Porte*)

Pursuant to the ACRJVA, KCC will mine and process the ore reserves on the concession area. An entry premium ("pas de porte") equal to an aggregate of \$140 million was payable, in installments on an agreed schedule, by KFL Limited ("KFL") and Global Enterprises Corporate Limited ("GEC") (both KFL and GEC are subsidiaries of the Company) to Gécamines for access to the concession area.

In 2014, Gécamines directed KFL to pay the last three installments of the entry premium to AHIL. One installment was paid to AHIL in 2014 and two installments were prepaid to AHIL in 2015, for a total discounted value of \$43.5 million, after taking time value of money into consideration. The undiscounted prepayment amounted to \$45.5 million, as per the ACRJVA provisions. The entry premium is amortized on a straight line basis over the life of the mine.

As part of the Gécamines Settlement Agreement, the Company and Gécamines have agreed that additional entry premiums shall be paid by the Company to Gécamines for certain reserves that may be identified in the future subject to certain conditions and the outcome of the additional studies that will be conducted as described below.

Gécamines has agreed to provide to KCC all studies, drilling data, cores, surveys, assays and other information held by Gécamines and its contractors in respect of the areas that were explored as part of the exploration program conducted by Gécamines between 2009 and 2014 within the concession areas covered by KCC's mining permits. KCC has agreed to commission additional studies on the concession areas covered by such mining permits and provide the results to Gécamines within 5 years of the date of the Gécamines Settlement Agreement in order to determine whether there are any new Australasian Joint Ore Reserves Committee compliant reserves (the "KCC New Studies"). The payment and price of the entry premium per ton of copper and copper equivalent reserves (classifying cobalt to copper using industry standards and long-term consensus pricing prevailing at the time of payment) will depend on the result of the KCC New Studies. If KCC fails to conduct additional studies within 5 years, Gécamines may conduct the studies at its own cost and provide the results to KCC (the "Gécamines New Studies"), which in turn may result in an obligation on the Company to pay additional entry premiums to Gécamines.

The entry premiums that the Company may have to pay in the future after the KCC New Studies or the Gécamines New Studies are completed are detailed below:

	STUDIES CONDUCTED BY KCC ⁽¹⁾	
	JORC-compliant reserves Price / ton ⁽²⁾	Non JORC ore Price / ton ⁽²⁾ extracted by KCC
Extension of an ore body defined in the ACRJVA	US\$ 85 ⁽³⁾	US\$ 115 ⁽⁵⁾
Distinct ore body and not defined in the ACRJVA	US\$ 110 ⁽⁴⁾	US\$ 130 ⁽⁶⁾

(1) KCC New Studies must be conducted within 5 years of the date of the Gécamines Settlement Agreement.

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- (2) Tonne of copper and copper equivalent (classifying cobalt to copper using industry standards and long term consensus pricing prevailing at the time of payment).
- (3) If the KCC New Studies in the areas demonstrate that there are JORC-compliant reserves that are not geologically and lithologically distinctly separate from the KCC ore bodies identified in the ACRJVA (the "Existing Reserves' Extension") and which do not correspond to and are in excess to the resources or reserves that have been previously disclosed by the Company in its ore reserves and mineral resources statement as at December 31, 2017 or in the 2018 TR, the Company shall pay Gécamines an entry premium of \$85 per tonne of copper and copper equivalent reserves (classifying cobalt to copper using industry standards and long term consensus pricing prevailing at the time of payment) contained in the Existing Reserves' Extension. In such case, the entry premium shall only be payable in excess of the tonnage corresponding to the 'Total Replacement Reserves' (as defined in the ACRJVA) (i.e. 3,992,185 tonnes of copper and 205,629 tonnes of cobalt JORC-compliant reserves).
- (4) If the KCC New Studies demonstrate that there are new JORC-compliant reserves geologically and lithologically distinct and separate from the existing KCC ore bodies identified in the ACRJVA (the "New Identified Reserves"), KCC shall, in its sole discretion, elect, to:
- transfer for no consideration to Gécamines the right to mine the New Identified Reserves for its benefit, at its own cost using its own resources. The transfer or lease of the relevant exploitation rights shall be done at Gécamines' costs and KCC shall be reimbursed of the reasonable costs of the KCC New Studies and any related tax liability shall be fully assumed by Gécamines; or
 - mine the New Identified Reserves itself, in which case the Company shall pay Gécamines an entry premium of \$110 per tonne of copper contained in such New Identified Reserves.
- (5) If the KCC New Studies identify additional ore which is an extension of a defined ore body under the ACRJVA, but such ore is a non JORC-compliant reserve, and KCC decides to extract such ore, the Company shall pay an entry premium of \$115 per tonne of copper or copper equivalent contained in ore effectively extracted by KCC within 30 days of the end of the year during which such ore was extracted.
- (6) If the KCC New Studies identify additional ore which is distinct from a defined ore body under the ACRJVA, but such ore is a non JORC-compliant reserve, and KCC decides to extract such ore, the Company shall pay an entry premium of \$130 per tonne of copper or copper equivalent contained in ore effectively extracted by KCC within 30 days of the end of the year during which such ore was extracted.

	STUDIES CONDUCTED BY GÉCAMINES ⁽¹⁾	
	JORC-compliant reserves Price / ton ⁽²⁾	Non JORC ore Price / ton ⁽²⁾ extracted by KCC
Extension of an ore body defined in the ACRJVA	US\$ 130 ⁽³⁾	US\$ 140 ⁽⁵⁾
Distinct ore body and not defined in the ACRJVA ⁽¹⁾	US\$ 160 ⁽⁴⁾	US\$ 170 ⁽⁶⁾

- (1) The Gécamines New Studies will only be conducted if KCC fails to conduct KCC New Studies within 5 years of the date of the Gécamines Settlement Agreement.
- (2) Tonne of copper and copper equivalent reserves (classify cobalt to copper using industry standards and long term consensus pricing prevailing at the time of payment).
- (3) If the Gécamines New Studies in the areas demonstrate an Existing Reserves' Extension, the Company shall pay Gécamines an entry premium of \$130 per tonne of copper and copper equivalent reserves (classify cobalt to copper using industry standards and long term consensus pricing prevailing at the time of payment) contained in the Existing Reserves' Extension. In such case, the entry premium shall only be payable in excess of the tonnage corresponding to the Total Replacement Reserves (i.e. 3,992,185 tonnes of copper and 205,629 tonnes of cobalt JORC-compliant reserves).
- (4) If the Gécamines New Studies demonstrate New Identified Reserves, KCC shall, in its sole discretion, elect, to:
- transfer for no consideration to Gécamines the right to mine the New Identified Reserves for its benefit, at its own cost using its own resources. The transfer or lease of the relevant exploitation rights shall be done at Gécamines' costs and any related tax liability shall be fully assumed by Gécamines; or
 - mine the New Identified Reserves itself, in which case the Company shall pay Gécamines an entry premium of \$160 per tonne of copper contained in such New Identified Reserves.
- (5) If the Gécamines New Studies identify additional ore which is an extension of a defined ore body under the ACRJVA, but such ore is a non JORC-compliant reserve, and KCC decides to extract such ore, the Company shall pay an entry premium of \$140 per tonne of copper or copper equivalent contained in ore effectively extracted by KCC within 30 days of the end of the year during which such ore was extracted.
- (6) If the Gécamines New Studies identify additional ore which is distinct of a defined ore body under the ACRJVA, but such ore is a non JORC-compliant reserve, and KCC decides to extract such ore, the Company shall pay an entry premium of \$170 per tonne of copper or copper equivalent contained in ore effectively extracted by KCC within 30 days of the end of the year during which such ore was extracted.

Royalties

Pursuant to the ACRJVA, KCC is also required to pay a royalty equivalent to 2.5% of net sales of the project, for the use of Gécamines' equipment and facilities and the depletion of the deposits. Initially, pursuant to the ACRJVA, the royalty was payable directly to Gécamines. Following the acquisition of rights from Gécamines by companies affiliated to Mr. Gertler, Gécamines directed KCC to make payment of the royalty to AHIL. The direction to pay the royalty to AHIL in lieu of Gécamines was formalized on January 22, 2015 pursuant to the Tripartite Agreement. In March and July 2015 respectively, AHIL and KCC entered into two prepayment agreements pursuant to which KCC made advance payments of royalties to AHIL for a total discounted value of \$54.7 million, after taking time value of money into consideration.

On June 15, 2018, KCC, the Company, AHIL and Ventora entered into an assignment and assumption agreement by which all the rights of AHIL under the Tripartite Agreement were assigned to Ventora.

Future royalty liabilities to Ventora will be offset against the royalty advances made to AHIL until the royalty advances are recovered by KCC in full. Royalty liabilities arising from sales in the period since the prepayments were made have been offset against the prepayments made.

Replacement Reserves

As previously disclosed, in February 2008, KCC renounced certain mineral reserves within its mineral concession in favour of Gécamines pursuant to the Concession Release Agreement. In connection therewith, Gécamines agreed that it would procure or provide to KCC, no later than December 31, 2015, the replacement reserves, or by way of a payment of the agreed equivalent financial value of \$285 million. In circumstances where Gécamines failed to provide the replacement reserves and make payment of the financial compensation, KCC had the right to offset dividends and royalties due to Gécamines against the amount of the financial compensation. The deadline to procure or provide the replacement reserves to KCC was extended to March 2019 when KCC suspended the processing of copper and cobalt in September 2015.

As previously disclosed, the drilling program to locate the replacement reserves was commenced in 2009, and notwithstanding Gécamines' agreement to finance this project, the Company agreed to fund the exploration and drilling costs on the condition that all such expenditures would be reimbursed by Gécamines at the conclusion of the program. Over the course of the drilling program between 2009 and 2014, the Company funded approximately \$57 million in exploration expenditures on Gécamines' behalf.

Pursuant to the ACRJVA, the contractual set-off rights preserved by the Tripartite Agreement permitted KCC to set-off the exploration program payments KCC had made on behalf of Gécamines against royalties which became due or payable to AHIL.

In connection with the Gécamines Settlement Agreement, KCC waived its contractual right to receive the replacement reserves or equivalent cash payment of \$285 million and waived its contractual right to be reimbursed for the approximately \$57 million in exploration and drilling expenditures incurred on behalf of Gécamines in connection with the replacement reserves program. As a consequence, KCC has also waived the right to offset dividends due to Gécamines and royalties due to AHIL against the replacement reserves or equivalent cash payment of \$285 million owing by Gécamines and against the exploration and drilling expenditures incurred on behalf of Gécamines.

Additionally, the Company agreed to fund the payment of approximately \$41 million in outstanding unpaid invoices for contractors in charge of the replacement reserves exploration program, resulting in an aggregate financial impact on the Company of \$383 million. The \$41 million payment was funded as described under "KCC Recapitalization and Debt Conversion".

KCC Recapitalization and Debt Conversion

As of January 1, 2018, pursuant to a series of intercompany loans, KCC was indebted to certain wholly-owned subsidiaries of the Company, namely KMFL, Katanga Mining Holdings Limited ("KMHL"), KML (BVI) Holdco Limited ("KMLBVI") and GEC, in a principal amount, together with capitalized interest, of approximately \$4,601 million (the "KCC Financial Debt"). Of the KCC Financial Debt, approximately \$3,644 million was held by KMFL, while the remaining \$957 million was held by KMHL, KMLBVI and GEC.

Separately, KCC was indebted to GIAG in respect of certain copper and customer prepayments made by GIAG to KCC in the aggregate amount of approximately \$4,450 million as of January 1, 2018 (the "KCC Commercial Debt"). The Company and its affiliates assumed approximately \$1,773 million of such commercial debt from GIAG in November 2014, which together with capitalized interest, amounted to \$2,208 million as at December 31, 2017, such that the Company's consolidated reporting of GIAG customer prepayments was \$2,242 million as at December 31, 2017.

KCC Recapitalization and Debt Conversion (continued)

In connection with the Gécamines Settlement Agreement, each of KMHL, KMLBVI and GEC assigned the portion of the KCC Financial Debt held by them to KMFL and GIAG assigned the entirety of the KCC Commercial Debt to KMFL, with the result that KMFL held all KCC Financial Debt and all KCC Commercial Debt, in the aggregate principal amount (plus capitalized interest) of approximately \$9 billion (the "KCC Total Debt") before the agreed recapitalization plan was implemented.

KMFL, KMHL, KMLBVI, GEC and a wholly-owned subsidiary of the Company, KFL, are party to the ACRJVA. Pursuant to the ACRJVA, Gécamines and DRC state-owned SIMCO constitute the 'Category A' shareholders of KCC while the Company's subsidiaries that are party to the ACRJVA constitute the 'Category B' shareholders of KCC.

The Gécamines Settlement Agreement provided that, following the assignment to KMFL of (i) that portion of the KCC Financial Debt not already held by it, and (ii) the KCC Commercial Debt, KMFL, as sole debtholder of KCC, reconstructed KCC's capitalization by converting approximately \$5,602 million of the KCC Total Debt that it then held into new equity of KCC (the "KCC Debt Conversion"). Together with certain accompanying reductions of stated capital of KCC, the KCC Debt Conversion eliminated the accumulated deficit balance of KCC as at December 31, 2017 and resulted in a positive net equity position for KCC, above the minimum local corporate law requirements. The remaining balance of the KCC Total Debt, in the principal amount of \$3,450 million, retroactive to January 1, 2018, is retained by KMFL as residual debt (the "Residual Debt"), and bears interest at the lesser of (i) 6-month LIBOR + 3%, and (ii) 6%, and is to be repaid over eight years.

The ACRJVA requires that the 'Category A' shareholders of KCC be entitled to participate pro rata in any capital increase of KCC without any financial obligation. As a result, the new equity of KCC generated by the KCC Debt Conversion was allocated 75% to KMFL and 25% to Gécamines and SIMCO. The shareholdings of other 'Category B' shareholders of KCC within the Katanga group was effectively diluted to nil. In accordance with the Gécamines Settlement Agreement, as a result of the implementation of the recapitalization plan, KMFL now holds 74.99% of the 'Category B' shareholders' stake in KCC and is the sole lender to KCC. The proportionate equity positions of Katanga, Gécamines and SIMCO in KCC remain unchanged by the Gécamines Settlement Agreement.

To implement the recapitalization of KCC finance the various commitments under the Gécamines Settlement Agreement, including the Settlement Payment and Stamp Duties (as defined below), as well as to give effect to the assignment of the relevant KCC Commercial Debt by GIAG to KMFL, KMFL became indebted to Glencore Finance under a new \$450 million credit facility (the "Facility C").

Following the completion of the transactions contemplated by the Gécamines Settlement Agreement, KMFL was indebted to Glencore and its affiliates (retroactive to January 1, 2018) in the amount of approximately \$3,688 million under the historical loans to KMFL from Glencore and its affiliates ("Facility A") and \$2,239 million under a restructured credit facility which consolidates a portion of the historical Loan Facilities provided to the Company and its affiliates by Glencore and its affiliates ("Facility B").

The successive share capital increases and restructuring of KCC caused by the KCC Debt Conversion triggered a DRC tax obligation in the amount of \$56 million (the "Stamp Duties"). The Stamp Duties were funded by way of new loans to KMFL under the Facility C with Glencore Finance, which funding was in turn loaned by KMFL to KCC.

In connection with the completion of the Gécamines Settlement Agreement transactions, the maturity date of all of the facilities described above with Glencore and its affiliates is now 2021. Glencore agreed to reduce the debt service obligations of the Company under the Facility A historical loans between Glencore Finance and KMFL by reducing the interest rate from 10% to 7% from July 1, 2018. Facility B and Facility C bear interest at the equivalent rate to the interest borne by the Residual Debt at the lesser of (i) 6-month LIBOR + 3%, and (ii) 6% (such provisions were further amended in July 2019 as explained below).

The recapitalization, and in particular the restructuring that resulted in the Residual Debt, was effected in part by an amendment and restatement agreement dated June 15, 2018 (the "ARA") to the original loan agreement dated December 13, 2015 between KMFL and KCC, which provided for the consequential amendments to the loan facility provided by KMFL to KCC (the "KCC Loan Facility").

KMFL and KCC agreed in the ARA that the KCC Loan Facility represented a principal amount equal to the Residual Debt as of January 1, 2018, being US\$3,450 million. However, that principal amount did not reflect additional amounts (the "Additional KCC Debt") aggregating US\$179.7 million borrowed by KCC or advanced to KCC by GIAG between January 1, 2018 and the effective date of the ARA on June 30, 2018. The Additional KCC Debt consisted of (i) US\$56 million borrowed by KCC from KMFL to pay Stamp Duties (the "Stamp Duty Amount"), (ii) US\$41 million borrowed by KCC from KMFL to pay certain outstanding invoices of contractors retained by Gécamines in the DRC to conduct the exploration drilling program to locate certain replacement reserves (the "Contractor Amount"), and (iii) US\$82.7 million advanced by GIAG to KCC under the offtake agreements between the Company and its subsidiaries and GIAG to fund

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expenses related to its operational ramp up during the first six months of 2018 following the resumption of processing at KCC's whole ore leach program in December 2017 (the "Operational Ramp Up Amount").

In July 2019, KMFL and KCC entered into an amendment letter (the "ARA Amendment Letter") to reflect the initial intention of the parties to the Gécamines Settlement Agreement and the ARA that the KCC Loan Facility include the Additional KCC Debt, together with the Residual Debt, such that the actual principal amount of the KCC Loan Facility as of June 30, 2018 was US\$3,629.7 million. Under the ARA Amendment Letter, the Additional KCC Debt forms part of, and is treated in the same manner as, the Residual Debt.

Additional amendments to Facility C of the loan facility between KMFL and Glencore Finance (the "KMFL Loan Facility") provided that amounts borrowed by KMFL from Glencore Finance on June 15, 2018 (\$150 million), June 22, 2018 (\$56 million), June 25, 2018 (\$41 million) and December 31, 2018 (\$22.5 million) representing in aggregate US\$352.2 million would be consolidated into Facility C of the KMFL Loan Facility.

The amendments also provide that, effective January 1, 2019, all interest payable under the KMFL Loan Facility that is not paid on its scheduled payment date will be capitalized as principal so that it will be payable on maturity on January 1, 2021. As at December 31, 2018 interest in the amount of \$317.4 million had accrued on Facility A of the KMFL Loan Facility, interest in the amount of \$124.2 million had accrued on Facility B of the KMFL Loan Facility and interest in the amount of \$11.1 million had accrued on Facility C. All of the accrued interest was capitalized as principal effective January 1, 2019. These provisions were further amended as described in item 9.

Commercial Protocols

The Company and Gécamines (together with SIMCO) also amended the ACRJVA to facilitate the implementation of the Gécamines Settlement Agreement, including the addition of certain new commercial protocols.

Such protocols include requirements that: (i) all future intercompany loans to KCC, if any, be provided by KMFL on equivalent terms as the Residual Debt; (ii) a tender process be run by KCC on any commercial agreement to be entered into by KCC with a value in excess of \$5 million; (iii) the prior approval of Gécamines be obtained for any capital expenditure of KCC that would allow the expansion of capacity of KCC's production facilities to over 300,000 tonnes per annum of copper, if such expenditure exceeds \$500 million; and (iv) the communication by KCC to Gécamines of the proposed annual terms of the copper and cobalt offtake arrangements between KCC and affiliates of Glencore and other further documentation in KCC's possession which Gécamines may reasonably request.

Withdrawal of Capital Deficiency Proceedings and Release of all Prior Claims under the ACRJVA

On June 26, 2018, Gécamines (together with SIMCO) irrevocably and unconditionally withdrew the Capital Deficiency Proceedings commenced on April 20, 2018 in the Kolwezi Commercial Court.

Gécamines also (i) renounced all effects of the Capital Deficiency Proceedings, (ii) irrevocably waived the right to commence or pursue (or procure the initiation by a third party) of any proceeding, action, claim, right or action in respect of or arising out of the capitalization of KCC, (iii) renounced all orders of the Kolwezi Commercial Court in connection with the Capital Deficiency Proceedings, including taking all necessary steps to withdraw the April 30, 2018 order of the Kolwezi Commercial Court preventing KCC from holding a shareholders' or board meeting, and (iv) agreed to refrain from any action or steps that could trigger a dissolution decision in respect of KCC by the Kolwezi Commercial Court.

Additionally, the parties to the Gécamines Settlement Agreement agreed to a mutual release and waiver of all claims arising or resulting out of or in connection with the ACRJVA and the management or operations of KCC that occurred on or prior to the date of execution of the Gécamines Settlement Agreement.

Summary of the Impact on Katanga's Financial Position

The KCC Debt Conversion described above did not impact Katanga's previously reported consolidated net assets or consolidated liabilities, however, as a consequence of the conversion of approximately \$5,602 million of the KCC Total Debt into equity of KCC, the Company's consolidated equity attributable to shareholders of the Company as at December 31, 2017, was reduced by approximately \$1,400 million, resulting in a capital deficiency attributable to shareholders as at December 31, 2018 of approximately \$1,594 million. Correspondingly, there is an increase in non-controlling interests of approximately \$1,344 million, resulting in a non-controlling interests balance as at December 31, 2018 of \$338.7 million.

Funding of KCC

The Residual Debt following the recapitalization of KCC bears interest at the lesser of (i) 6-month LIBOR + 3%, and (ii) 6%, and is to be repaid over eight years.

As part of the Gécamines Settlement Agreement, it was agreed that, should KCC need further funding in the future, it would have to seek it from third parties before any additional funding requirements are funded by intercompany or group loans. Any future intragroup loans funded by the Company or one of its affiliates will bear interest at the lesser of (i) 6-month LIBOR + 3%, and (ii) 6% (such provisions were further amended in July 2019).

Dividends and Free Cash Flow Distributed by KCC

Pursuant to the Settlement Agreement, the Residual Debt of KCC held by KMFL is required to be amortized over a period of eight years in accordance with an agreed amortization schedule. The amortization schedule provides a capital repayment holiday during 2018 and 2019 during which, to the extent KCC has available free cash flow, only interest payments on the Residual Debt are required to be made. If any of the interest is not paid by KCC, the interest will be capitalized and added to the loan and shall be deemed to form part of the loan. Thereafter, the amortization schedule provides for the repayment of principal and interest of the Residual Debt until its expected completion in 2025.

In any fiscal year of KCC, to the extent there is cash available after the required Residual Debt principal and interest payments have been made and KCC has profit available for distribution, such profits will be paid out as dividends to KCC's shareholders in proportion to their respective shareholdings. If, however, after the Residual Debt principal and interest payments have been made, there is no profit available for distribution but KCC is in possession of cash or there is a portion of cash in excess of profit available for distribution, KCC's shareholders may cause KCC to distribute such cash in proportion to their respective shareholdings by way of shareholder loans on reasonable commercial terms. Such shareholder loans would be required to be repaid via set-off against future dividends to be paid by KCC.

Settlement Payment

In connection with the transactions contemplated by the Gécamines Settlement Agreement, the Company agreed that a one-time settlement payment be made by its wholly-owned subsidiary, Katanga Mining Finance Limited ("KMFL"), to Gécamines in the amount of \$150 million (the "Settlement Payment") to resolve historical commercial disputes with respect to the KCC joint venture operation with Gécamines. The Settlement Payment was paid on June 14, 2018 and funded by new loans to KMFL under the loan facilities with Glencore Finance.

Acquisition of land rights from Gécamines

As previously announced, KCC entered into an agreement with Gécamines on December 19, 2019 to acquire from Gécamines a comprehensive land package covering areas adjacent to KCC's existing mining concessions for \$250 million none of which has been paid as at February 13, 2020. The land includes multiple blocks for construction of a new long-term tailings facility and the possible exploitation of additional resources that will enhance KCC's ability to more efficiently operate its mines, facilities and other key infrastructure requirements.

The agreement provides for an initial payment of \$150 million. Since it has been agreed between KCC and Gécamines that the initial payment shall be postponed, the agreement has been treated as an executory contract and the commitments of \$250 million have been disclosed as capital commitments.

17. Settlements with Ventora

Settlement of AHIL and Ventora Dispute

As detailed in the Company's June 15, 2018 news release, KCC completed the transactions contemplated by a settlement deed with AHIL and Ventora pursuant to which the parties have withdrawn all pending and threatened litigation between them. The Company, in conjunction with Glencore, carefully considered its legal and commercial options in connection with this dispute in reaching the settlement agreement.

Background to AHIL and Ventora Dispute

As previously disclosed, KCC has an obligation under the ACRJVA dated July 25, 2009 to pay royalties quarterly at a rate of 2.5% of "net sales" from the KCC mine, subject to certain deductions. AHIL, a company affiliated with Mr. Dan Gertler, acquired these rights from Gécamines in January 2015 pursuant to the Tripartite Agreement between Gécamines, AHIL and KCC. AHIL assigned its right to receive royalties Ventora. In March and July 2015 respectively, AHIL and KCC entered into two prepayment agreements pursuant to which KCC made advance payments of royalties to AHIL for a total discounted value of \$54.7 million, after taking time value of money into consideration.

On June 15, 2018, KCC, the Company, AHIL and Ventora entered into an assignment and assumption agreement by which all the rights of AHIL under the Tripartite Agreement were assigned to Ventora. Future royalty liabilities to Ventora will be offset against the royalty advances made to AHIL until the royalty advances are recovered by KCC in full. Royalty liabilities arising from sales in the period since the prepayments were made have been offset against the prepayments made.

In December 2017, the United States government designated Mr. Gertler and affiliated companies, including AHIL, as SDNs, thereby imposing blocking sanctions on them and companies owned 50% or more by them. As a result of this designation, the Company (without involvement of executives or employees that are US persons) contemplated whether it should continue to make any further payments to AHIL, Ventora or other entities owned by Mr. Gertler. On June 15, 2018, the SDN designation was expanded to specifically designate additional entities affiliated with Mr. Gertler, including Ventora, as SDNs.

On April 27, 2018, Ventora served, in the DRC, a freezing order against KCC, for approximately \$2.28 billion. Ventora alleged that KCC had breached the Tripartite Agreement. Ventora asserted that if its claim was upheld it would be entitled to damages of approximately \$2.28 billion, which it alleged was the value of the future royalties due to it under the agreement.

On April 28, 2018, Ventora obtained an injunction to pay against KCC in the amount of \$2.86 billion (an increase of \$572 million for alleged legal fees), which, if the injunction had become final, would have potentially enabled Ventora to permanently seize assets at the KCC mine up to the amounts of the injunction. These assets seizures would have severely disrupted the mine and enabled Ventora to seize all productive assets at the mines, including mining titles.

The Company, in conjunction with Glencore, carefully considered its various legal and commercial options in connection with its dispute with Ventora and its obligations towards AHIL, as well as to its shareholders, customers and other shared stakeholders including the communities in which they operate in the DRC.

Based on its review, the Company determined that, in the circumstances, the only viable option, for its sole operation, KCC, to avoid the material risk of seizure of its assets under DRC court orders, was for KCC to pay the relevant royalties as and when they become due to Ventora in non-US dollars, without involving US persons, in order to discharge its obligations, while mitigating its risk in connection with the SDN designation.

In June 2018, the Company entered into a settlement deed with AHIL and Ventora, companies affiliated with Mr. Gertler, whereby the Company agreed to satisfy its obligations to pay royalties under the joint-venture agreement and the parties agreed to withdraw all pending and threatened litigation between them.

The Company believes that payment in non-US dollars of royalties to Ventora without the involvement of US persons would appropriately address all applicable sanctions obligations.

As at December 31, 2019, the KCC royalty advances to Ventora have been fully recovered as a result of royalty obligations offset against the prepayments made in March and July 2015. On the basis of the net sales realised in Q4 2019, KCC will therefore resume payments to Ventora commencing in Q1 2020. The payment will not be made in US dollars and will not involve US persons and will amount to an equivalent of approximately \$5.9 million in Q1 2020.

18. 2018 Mining Code

On January 27, 2018, the DRC parliament adopted the 2018 Mining Code, replacing the previous 2002 Mining Code, which provided for a 10-year stability clause by which existing operations would, after introduction of any new regulations amending the 2002 Mining Code, continue to benefit under the terms of the 2002 Mining Code for 10 years.

On March 7, 2018, representatives of the Company, along with fellow international miners with operations in the DRC, met with the President of the DRC and outlined concerns, the cornerstone being the need to preserve the stability arrangement provided in the 2002 Mining Code. Additional concerns included the increase of mining royalties, conditions regarding renewal of mining permits, tax on "super-profits", the increase of import duties, repatriation of funds and strategic mineral substances qualification. It was agreed that the miners' concerns would be addressed and a working group hosted by the Ministry of Mines, which would include the miners and civil society was to have commenced a 30-day review of the concerns. Despite repeated attempts, no such formal discussions have taken place.

The 2018 Mining Code was published in the Official Gazette on March 28, 2018. The position of the DRC government and the application of the new measures provided by the 2018 Mining Code and subsequent mining regulations published on June 8, 2018 as well as an instruction issued by the Secretary General of the Ministry of Mines on June 16, 2018, confirmed that the 2018 Mining Code is intended to supersede the 10-year stability clause provided by the 2002 Mining Code and that all new obligations will be immediately applicable.

The 2018 Mining Code substantially amended the 2002 Mining Code, introducing a number of new obligations, taxes and charges, and increasing existing ones. The Company and KCC consider that they are entitled to the continuing application of all relevant provisions of the 2002 Mining Code, including, but not limited to, the tax, custom and exchange rate regimes existing thereunder, for a further ten years starting from the date of entry into force of the 2018 Mining Code, pursuant to Article 276, paragraph 2 of the 2002 Mining Code (the "Stability Clause"). The Company and KCC have consistently contested the applicability of the 2018 Mining Code and reserved all rights in this regard.

Where in this section there is reference to compliance by the Company with the 2018 Mining Code, KCC has stated that it was under no obligation to comply and has reserved entirely its rights pursuant to the Stability Clause.

The royalties on copper and cobalt under the 2018 Mining Code were increased from 2% of the net revenue basis to 3.5% of the gross revenue calculated on the basis of the average price of the concerned commodity on international markets. Additionally, the DRC customs authorities have established cobalt tables to predetermine the quality of cobalt products for exports. The tables consist of multiple quality brackets, within which the cobalt product for export is automatically deemed to be the top end of the bracket for the purpose of the royalty calculation. The new rates and basis were implemented in June 2018.

As allowed by the 2018 Mining Code, on November 24, 2018, the Prime Minister of the DRC published a decree qualifying cobalt as a strategic mineral substance, resulting in a royalty payable of 10% instead of 3.5% on KCC's contained cobalt sales. The effect of such a decree on KCC operations to date has been relatively limited due to the fact that cobalt quantities exported since the issuance of the decree have been impacted by the presence of uranium in the cobalt produced and the timeline for commissioning of the various cobalt projects. The 2018 Mining Code also provides for the possible adoption by the Order of the Ministers responsible for Mines and Finance of an entirely different regulatory regime for "strategic mineral substances" including cobalt, concerning the conditions for access, research, exploitation and marketing thereof. The non-deductibility of freight costs led KCC to add back freight costs related to the lots exported after June 8, 2018. As at December 31, 2019, the loss to be carried forward for tax purposes has been reduced by \$159 million.

The 2018 Mining Code creates a 50% tax on 'exceptional' profits, also called the "Super Profit Tax" or "SPT", made on a given mining project when the prices of the metals and minerals produced exceed by more than 25% the prices used in the BFS for that project. Specifically, the 2018 Mining Code introduced a new SPT equating to 50% of the portion of the EBITDA higher than 125% of the EBITDA presented by the BFS, when the concerned commodity price exceeds 125% of the price used in the BFS. In July 2019, KCC settled its 2018 SPT liability with the authorities. As part of a memorandum of understanding entered into in connection with the settlement of its 2018 SPT liability, KCC agreed to produce a BFS for future SPT calculation by the end of 2019. KCC submitted under protest a BFS on December 31,

2019 which covers the entire KCC project, including the long-term options for removing 'elevated' uranium levels from the cobalt hydroxide product. The BFS is currently under review by the DRC authorities and remains subject to potential adjustments and approvals by such authorities.

The copper and cobalt price assumptions used in the BFS are key judgments applied in estimating the impact resulting from the changes in the 2018 Mining Code on Katanga's estimated fair value. The 2018 Mining Code provides for the application of substantive rates of imports duties (essentially 5% or 10% instead of 3%) when the mining license has been issued for more than 6 years. KCC has been importing under this regime since July 2018, resulting in an additional monthly cost of approximately \$3 million (duties and taxes collected by the DGDA).

The non-deductibility of interest payable to group companies (such as interest payable on intragroup loans) remains unclear and will depend on the interpretation of the new regulations by the DRC central bank. Following the enactment and entry into force of the 2018 Mining Code and Ministerial Decree n°020/CAB/MIN/EDD/AAN/TNT/SAA/2019, the Ministry of Environment has updated the list of classified installations to be declared by KCC to serve as basis for the calculation of various environmental taxes. KCC indicated that it will proceed with making the requisite declarations on the basis of the updated schedule.

The application of the 2018 Mining Code to KCC also impacts the approval process of some of the future waste dumps to be developed for the continuity of its operations. Article 279 of the 2018 Mining Code provides for an approval procedure for certain installations such as tailings and dumps when located within a certain distance from residential dwellings. KCC chose to comply with this requirement reserving its rights by virtue of the Stability Clause.

Renewal of the concession permits has also been affected by the 2018 Mining Code adding several requirements which have increased the risk of non-renewal of the permits held by KCC. In particular, the renewal of the permits is subject to the submission of a BFS and the assignment of 5% of the shares to the DRC state. The renewal of the permits is also subject to the submission of a new social plan and the uninterrupted operations of the mining permits. Although KCC's mining permits were not issued under the 2018 Mining Code and some conditions appear not be applicable by virtue of the Stability Clause, the 2018 Mining Code additional renewal requirements are considered to be a high risk item for KCC.

The rules governing foreign exchange under the 2018 Mining Code could also have a significant impact on the Company. Specifically, the 2018 Mining Code provides that KCC is required to repatriate to the DRC at least 60% of the proceeds from exports of mineral products, which proceeds may only be used for domestic expenses of KCC. The remaining 40% of export proceeds may be used for foreign expenses, including payment of foreign suppliers, servicing of foreign debt and the payment of dividends to non-DRC resident shareholders. Under the 2002 Mining Code, only 40% of export proceeds were required to be repatriated. This restriction may affect the ability of KCC to fully maintain its supply relationships with certain key non-DRC suppliers, service the Residual Debt (refer to KCC Recapitalization and Debt Conversion under item 16) and pay dividends to KMFL and ultimately to the Company.

KCC is considering certain commercial and structural options to mitigate the negative impact of such restrictions.

19. Technical Report and Qualified Person

Technical Report

The Company's technical report titled "NI 43-101 Technical Report on the Material Assets of Katanga Mining Limited, Lualaba Province, Democratic Republic of Congo" dated November 7, 2019 ("2019 TR") was filed under the Company's profile on SEDAR at www.sedar.com.

Amongst other matters, the 2019 TR includes estimates of the mineral reserves and mineral resources (as defined by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") of the Canadian Securities Regulators) and descriptions of KCC's operations in the DRC

Qualified Person

Tahir Usmani, PEng, APEGA, Mine Technical Services Manager of KCC, has reviewed and approved the scientific and technical disclosures in this MD&A. Mr. Usmani is a "qualified person" for the purposes of NI 43-101.

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

The Company's disclosure controls and procedures ("DC&P") are controls and other procedures that are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in such securities legislation. They include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports that it files or submits under applicable securities legislation is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS. The Company's management, including its Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate ICFR, as such term is defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"). A material weakness in ICFR exists if a deficiency, or a combination of deficiencies, in the Company's ICFR is such that there is a reasonable possibility that a material misstatement of the Company's annual financial statements or interim financial reports will not be prevented or detected on a timely basis.

On November 20, 2017, the Company filed restated consolidated statements of financial position as at December 31, 2016, December 31, 2015 and January 1, 2015, consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years ended December 31, 2016 and 2015, as well as unaudited consolidated interim financial statements as at, and for the three months ended March 31, 2017 (the "Restated Financials") and accompanying management's discussion and analysis. The Company's Board of Directors and management reassessed the effectiveness of the Company's ICFR and concluded that material weaknesses in the Company's ICFR existed as at December 31, 2016. Management also concluded that as at December 31, 2016, there existed a weakness relating to the design or operation of DC&P that was significant. Further information on the previously disclosed review undertaken by the independent directors (the "Independent Directors") of the Company (the "Independent Directors' Review") and the resulting Restatement is contained in the Restated Financials and related restated MD&A.

An internal evaluation was carried out by management under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer of the effectiveness of the Company's ICFR as at December 31, 2019. Management's assessment was based on the control framework sponsored by the Committee of Sponsoring Organizations of the Treadway Commission (2013). Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer of the Company concluded that as at December 31, 2019 certain of the material weaknesses that were identified to have existed in prior periods continued to exist at December 31, 2019 and as a result the Company's ICFR was not effective.

The following is an overview of the material weaknesses that were identified to have existed in prior periods:

- Control environment material weaknesses – The control environment is the responsibility of senior management, sets the tone of the organization, influences the control consciousness of its employees, and is the foundation of the other components of ICFR. In connection with the Restatement, the Company concluded that it did not adequately establish and enforce a strong culture of compliance and controls, which includes the adherence to policies, procedures and controls necessary to present financial statements in accordance with IFRS;
- Management override material weakness – In connection with the Restatement, the Company concluded that it did not maintain effective controls to prevent or detect the circumvention or override of controls. Certain of the accounting adjustments identified in the Independent Directors' Review were a result of senior management and executive directors in office at that time overriding the Company's control processes; and
- Monitoring material weaknesses – Monitoring ensures that the entire system of internal control is monitored continuously and problems are addressed timely. In connection with the Restatement, the Company determined that certain of the accounting adjustments identified in the Independent Directors' Review were not identified earlier due to inadequate monitoring controls, including inadequate controls and procedures to properly quantify and verify the value of in-process concentrate inventories, inadequate controls with respect to quarter-end and year-end sales cut-off procedures, insufficient involvement of internal audit in the testing of the accuracy of external financial reporting and inadequate procedures to ensure the effective implementation of internal audit recommendations on high risk areas, particularly with respect to metal accounting.

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Each of these material weaknesses, while being addressed by the implementation of new control systems described below may continue to exist at December 31, 2019, and create a reasonable possibility that a material misstatement of the Company's annual financial statements or interim financial reports would not be prevented or detected on a timely basis until such systems have been tested and demonstrate their effectiveness. particularly given the considerable changes to the Company's management and the material challenges inherent in the major changes in operational and financial and accounting controls undertaken in the past year, which are ongoing. During the year ended December 31, 2019, the control environment was significantly improved following the commissioning and completion of the WOL Project and the implementation of a new metal accounting system as well as other remediation actions described below. Accordingly, management has concluded that the unaudited interim condensed consolidated financial statements for the periods ended September 30, 2019, June 30, 2019, March 31, 2019 and the consolidated financial statements for the years ended December 31, 2019 and December 31, 2018 are fairly stated, in all material respects, in accordance with IFRS.

Remediation for Material Weaknesses in ICFR

As part of the Independent Directors' Review process, the advisors to the Independent Directors have recommended various remediation measures to strengthen the Company's corporate governance, compliance and control processes. The Board has considered these recommendations with a view to (a) enhancing the Company's internal control testing function allowing for a higher level of independent assurance from this function, (b) increasing organizational awareness and understanding of the importance of internal controls to significantly decrease the risk of errors in our financial statements, and (c) reinforcing related accounting policies through enhanced formalization of documentation requirements and additional training and procedures across the Company to better ensure compliance with Company standards and to emphasize adherence to these policies on an on-going basis. Other specific control requirements including, but not limited to, improved segregation of duties and additional internal audit resources have been implemented.

The Board and management are, and have been since the matters were identified, working diligently to implement and test remediation measures to strengthen the Company's corporate governance, compliance and control processes. Remediation actions undertaken to date include:

- The Company substantially changed the composition of its Board of Directors to include new directors, including two directors with significant finance and accounting expertise. In addition, the Company has restructured its corporate governance reporting structures to reflect recommendations made by the advisors to the Independent Directors in connection with the Independent Directors' Review;
- Peer review undertaken on compliance matters;
- Implementation of most elements of a more robust metal accounting system;
- Continuing review by an outside consultant of the control environment relating to the newly implemented metal accounting system;
- From July 1, 2019, the Company has successfully implemented a new enterprise resource planning system to improve the control environment over finance, procurement, warehousing and maintenance;
- Enhanced training for management and directors, including intensive securities and corporate law training for new directors and management and ongoing periodic training for all directors and senior management; and
- A scoping and assessment of significant accounts and business processes to identify associated risks and related controls. All key controls identified during the assessment were tested for design and operating and all necessary corrective actions have been undertaken.

The Company believes the Management Agreement concluded with GIAG on January 17, 2019 has improved the business integration of Katanga within Glencore's corporate programs, which is expected to further improve corporate governance, increase compliance awareness, improve accounting policies, reporting, systems and structures, and further increase the controls of the Company and its subsidiaries.

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Further, as described above, as part of the OSC Settlement Agreement, Katanga also agreed to retain a consultant to complete a review of the policies, procedures and effectiveness of: (a) Katanga's metal accounting with respect to its reporting of copper and cobalt metal production; and (b) Katanga's financial accounting with respect to the integration of production statistics, including the calculation of cost of sales and inventory values. On July 15, 2019, the consultant delivered to the Board of Directors and management of the Company, as well as the OSC Staff, its preliminary report following a mine site visit earlier in the year. The report presented the consultant's findings on the Company's policies and procedures for obtaining, recording and reporting metal accounting production statistics, calculations of cost of sales and inventory values reported to the investing public, as well as some recommendations for future steps.

The Company and the consultant have jointly developed and submitted to OSC Staff a timetable for future action including further testing in Q1 2020 of some process upgrades implemented in Q4 2019. The final consultant report is expected to be delivered and submitted to the Company's Board and management, then to the OSC Staff in Q2 2020.

The Company continues to implement appropriate remedial measures to strengthen the Company's corporate governance, compliance and control processes. Senior management is also reinforcing related accounting policies through enhanced formalization of documentation requirements and additional training and procedures across the Company to better ensure compliance with the Company's policies and standards and will continue to emphasize adherence to these policies on an on-going basis. Going forward, senior management is focused on improving processes and controls by completing the following remediation measures:

- Continuing to conduct ongoing compliance, accounting policy and controls training for its accounting and finance staff and continuing to increase awareness and ensure effectiveness of the Company's whistleblower hotline; and
- Continue to re-establish proper oversight within the accounting and finance functions.

Senior management continues to discuss the aforementioned material weaknesses with the Company's Audit Committee, and the Board of Directors will continue to review progress on these remediation activities on a regular and ongoing basis.

Although there have been significant improvements made to the Company's ICFR in relation to the material weaknesses described above, the material weaknesses cannot be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. No assurance can be provided at this time that the actions and remediation efforts the Company has taken or will implement will effectively remediate the material weaknesses described above or prevent the incidence of other significant deficiencies or material weaknesses in the Company's ICFR in the future. The Company does not expect that disclosure controls or ICFR will prevent all errors, even as the remediation measures are implemented and further improved to address the material weaknesses and significant deficiency. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions.

21. Selected Annual Information

		2017	2018	2019
Total revenue	\$'000	25,292	1,265,094	1,386,313
Net loss attributable to shareholders of the company	\$'000	(573,496)	(708,436)	(770,309)
Basic and diluted loss per common share	\$	(0.30)	(0.37)	(0.19)
Total assets	\$'000	5,899,396	6,110,794	6,593,372
Total long-term liabilities	\$'000	(3,701,201)	(6,346,546)	(1,674,035)

As discussed in the summary of quarterly results above in item 6, 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.

22. Forward Looking Statements

This MD&A contains "forward-looking information" within the meaning of Canadian securities legislation concerning the business, operations and financial performance and condition of the Company. Statements containing forward-looking information may include, but are not limited to, statements with respect to:

- anticipated developments in Katanga's operations in future periods;
- estimated production and synergies;
- the adequacy of Katanga's financial resources and other events or conditions that may occur in the future;
- the ability of Katanga to continue to create value for its shareholders;
- the ability of Katanga to meet expected financing requirements;
- the future price of copper and cobalt;
- margin improvements and cash flow generation which may be realized in connection with the Review;
- claims or damages arising from the sales of cobalt;
- the estimation of ore reserves and mineral resources;
- the realization of ore reserve estimates;
- planned ramp-up of processing operations and/or increase of production capacity following completion of the WOL Project;
- the potential construction of the IX Plant;
- the construction and commissioning of the Acid Plant;
- the ongoing impact of the restructuring transactions completed pursuant to the Gécamines Settlement Agreement;
- planned exploration activities and success thereof;
- the timing and amount of estimated future production, costs of production and capital expenditures;
- the timing and effect of the implementation of the Power Project;
- matters relating to the Loan Facilities and other loan transactions with Glencore or its subsidiaries;
- permitting timelines and mining or processing issues;
- the impact of the 2018 Mining Code;
- currency exchange rate fluctuations;
- government regulation of mining operations;
- information concerning the interpretation of drill results;
- environmental risks;
- unanticipated reclamation expenses;
- title disputes or claims; and
- limitations on insurance coverage.

Generally, statements containing forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved" or the negative connotation of each. Statements containing forward-looking information are based on the opinions and estimates of management as of the date such statements are made, and they are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Katanga to be materially different from those expressed or implied by such statements, including but not limited to risks related to:

- future prices of copper and cobalt;
- claims or damages arising from the sales of cobalt;
- the timeline to the resumption of full processing operations and ramp-up of production capacity;
- the timely completion and commissioning of the upgrades to the cobalt projects;
- the timeline to the completion of the Acid Plant and availability of reagents and acid supply;
- confirmation of the indications of margin improvements identified by the Review and the timeline to the implementation of any such margin improvements;
- availability and utilization of the plants;
- geological and mining conditions;
- current global financial conditions;
- accidents, labour disputes, the risk of disease among employees and other risks within the mining industry;
- the speculative nature of the mining industry;
- variations in ore grade and tonnes mined;
- variations in the presence and extent of deleterious minerals with the copper or cobalt ore and lack of timely detection thereof;
- political issues in the DRC, such as unrest, corruption, and insurrection;
- general security issues for the operations linked to artisanal mining;
- potential pandemic disease(s) impacting the workforce in the DRC;
- adverse effects on share prices from factors beyond the Company's control;
- lack of infrastructure and logistical risks;
- social and local relations in the DRC;
- the ability to acquire and abide by necessary licenses, permits and government regulations;
- legislation and regulations passed by the DRC, including the impact of the 2018 Mining Code;
- any tax related disputes or claims from DRC competent authorities;
- unforeseen title matters;
- the need for additional financing and its availability on acceptable terms;
- environmental risks and hazards in the country of operation;
- competition for mineral acquisition and difficulties or disagreements with joint venture partners;
- the significant influence of the principal shareholder;
- dependence on relations with third parties, key personnel, skilled workers and key business arrangements;
- possible variations in ore reserves, grade or recovery rate;
- influence of currency fluctuations and credit risks;
- various insured and uninsured risks;
- litigation risks and difficulties with jurisdictional requirements of legal actions;
- potential conflicts of interest of various directors; and
- other factors discussed herein or referred to in the Company continuous disclosure documents filed with certain of the securities regulatory authorities in Canada and available at www.sedar.com.

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All forward-looking information reflects the Company's beliefs and assumptions based on information available at the time the information was provided. Actual results or events may differ materially from those expected in statements containing forward-looking information. All of the Company's forward-looking information is qualified by the assumptions that are stated or inherent in such forward-looking information, 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 information. The key assumptions that have been made in connection with the forward-looking information include the following:

- the ramp-up of production following commissioning of the WOL Project will proceed consistent with management's plans from time to time;
- the expected improvements to the processing circuit from the WOL Project will be realized;
- there will be no significant disruptions affecting the operations of the Company whether due to legal disputes, judicial actions, labour disruptions, supply disruptions, power disruptions, rollout of new equipment, damage to equipment or otherwise;
- permitting, development, operations, expansion and acquisitions at the project will be consistent with the Company's current expectations;
- the Company will be able to confirm any of the margin improvements identified by the Review and then successfully implement any such margin improvements;
- the finalized and adopted 2018 Mining Code (including applicable regulations) will impact the Company's operations and market value of the Company's shares within management's expectations;
- there will be no tax related dispute that may materially impact the financial situation of the Company, its subsidiary and the operations;
- the Company's mining concessions, licenses, permits, rights, titles and other assets and interests in the DRC will continue to be recognized in the DRC;
- the asset sale agreement entered into with Gécamines in December 2019 will be implemented and the lands will be successfully transferred to KCC;
- if applicable, the IX Plant will be completed in the time contemplated, at the expected cost of construction and will serve the purposes for which it is intended;
- the Acid Plant will be completed in the time contemplated, at the expected cost of construction and will serve the purposes for which it is intended;
- the health and safety implications of the uranium detected in the cobalt hydroxide produced are consistent with management's expectations;
- there will be no customer claims against the Company for the cobalt hydroxide produced and already exported by the Company before the suspension of the sales;
- political and legal developments in the DRC will be consistent with management's current expectations;
- there will be no adverse impact on the Company arising out of the designation of Mr. Gertler as an SDN by the US government;
- the Gécamines Settlement Agreement will avert future commercial disputes with Gécamines and other DRC state authorities and associated litigation;
- the settlement deed with Ventora and AHIL will resolve existing and avert future commercial disputes with entities affiliates with Mr. Gertler;
- the provision or procurement of additional funding from Glencore and/or third party lenders for operations will continue;
- the T17 Underground Mine and the Power Project will be completed;
- new equipment will perform to expectations;
- relative to the US dollar, South African rand, British pounds, Canadian dollar, Swiss franc, Congolese franc and Euro will remain approximately consistent with current levels;
- certain price assumptions for copper and cobalt will be consistent with actual levels achieved;

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- there will be no successful claims or damages arising from prior sales of copper or cobalt;
- prices for diesel, natural gas, fuel oil, electricity and other key supplies will remain approximately consistent with current levels;
- production, operating expenses and cost of sales forecasts for the Company will meet expectations;
- current ore reserve and mineral resource estimates of the Company (including but not limited to ore tonnage and ore grade estimates) will be accurate; and
- labour and material costs will increase on a basis consistent with the Company's current expectations.

Statements containing forward-looking information in this MD&A are made as of the date of this MD&A and, accordingly, are subject to change after such date. Except as otherwise indicated by Katanga, the forward-looking information does not reflect the potential impact of any non-recurring or special items or any potential dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or occur after the date of this MD&A.

Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those expected in statements containing forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such 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 information. Forward-looking information is provided for the purpose of providing information about management's current expectations and plans and allowing investors and others to get a better understanding of the Company's operating environment. Katanga does not undertake to update any forward-looking information that is incorporated herein, except in accordance with applicable securities laws.

23. Non-IFRS Measures

The Company has included the following non-IFRS performance measures:

- adjusted EBITDA (The aggregation of sales, cost of sales (less depreciation and amortization), general and administrative expenses, write-offs/loss on disposal of property, plant and equipment and foreign exchange gains and losses); and
- CI costs, which are the operational costs of production per primary unit of output.

The Company believes that, in addition to conventional measures prepared in accordance with IFRS, these non-IFRS performance 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 non-IFRS performance 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.

Adjusted EBITDA has been calculated as:

		Three months ended			Twelve months ended	
		Dec 31, 2019	Sep 30, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Sales	\$'000	382,572	347,794	344,708	1,386,313	1,265,094
Cost of sales	\$'000	(459,832)	(453,337)	(460,773)	(1,756,418)	(1,251,651)
General and administrative expenses	\$'000	(1,089)	(1,892)	(14,231)	(7,147)	(24,418)
Write-offs / loss on disposal of property, plant and equipment	\$'000	(749)	(555)	(8,088)	(31,945)	(50,237)
Foreign exchange gain (loss)	\$'000	(4,346)	(3,952)	(225)	(5,030)	(233)
Exclude: depreciation and amortization	\$'000	122,804	109,744	85,721	346,270	276,638
Adjusted EBITDA	\$'000	39,360	(2,198)	(52,888)	(67,957)	215,193

		Three months ended			Twelve months ended	
		Dec 31, 2019	Sep 30, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Total CI costs	\$'000	331,173	329,255	277,932	1,340,809	600,326
Total copper production	tonnes	65,402	59,424	49,770	234,516	152,358
CI costs	\$/pound	2.30	2.50	2.53	2.59	1.79
Reconciliation to IFRS						
CI costs	\$'000	331,173	329,255	277,932	1,340,809	600,326
By-product revenue	\$'000	10,191	27,530	73,943	58,354	396,914
Change in metal stocks	\$'000	(34,061)	(36,179)	11,806	(83,210)	(63,355)
Copper royalties	\$'000	27,659	18,329	11,204	88,133	49,199
Concentrate freight and royalties	\$'000	-	-	-	-	178
Depreciation	\$'000	122,804	109,744	85,721	346,270	276,638
Sundry and other	\$'000	2,066	4,658	167	6,062	(8,249)
Cost of sales	\$'000	459,832	453,337	460,773	1,756,418	1,251,651