

# News release

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## **KATANGA MINING PROVIDES UPDATE ON KCC RECAPITALIZATION PROCESS AND NOTES COMMENCEMENT OF DRC LEGAL PROCEEDINGS BY GECAMINES**

**ZUG, SWITZERLAND**, April 22, 2018 – **Katanga Mining Limited** (TSX: **KAT**) ("**Katanga**" or the "**Company**") was notified on April 20, 2018 that its joint venture partner, the Democratic Republic of Congo ("DRC") state-owned La Générale des Carrières et des Mines ("Gécamines"), in the Company's 75% DRC operating subsidiary Kamoto Copper Company ("KCC"), has commenced legal proceedings in DRC to dissolve KCC following KCC's failure to address its previously disclosed capital deficiency or, alternatively, if the Court provides KCC with a period of time within which to regularize the situation, to request the appointment of an expert to assess and report to the Court on KCC's financial position and the recapitalization plan. A court hearing is scheduled to be held in the DRC on May 8<sup>th</sup>, 2018. The court may grant KCC a maximum period of six (6) months to regularize the situation. The Company believes that it has several options to remedy KCC's capital deficiency and avoid KCC's dissolution.

As disclosed in the Company's annual information form for the year ended December 31, 2017, dated March 31, 2018, under DRC corporate law applicable to KCC, KCC was obliged to address a capital deficiency that first arose in 2014 when, as a result of historical losses incurred during the rehabilitation of KCC's assets through, amongst others, the servicing of the inter-company loans to fund such rehabilitation, KCC shareholders' equity fell below half of its authorized capital. In accordance with such laws, the capital deficiency should have been rectified by December 31, 2017, and, as a result of this not having been done, an interested party was entitled to commence legal action for the dissolution of KCC before DRC judicial authorities, which Gécamines has now done.

In 2017 the Company proposed a recapitalization plan to Gécamines in compliance with the provisions of DRC law and the terms of the Joint Venture Agreement between them (the "JV Agreement") that would have rectified the capital deficiency. KCC has made numerous attempts to engage in constructive negotiations with Gécamines regarding the recapitalization plan. However, Gécamines has, instead of meaningfully engaging with the Company, unilaterally commenced the proceeding.

The Company will continue to attempt to engage in discussions with Gécamines and will take all other necessary steps to ensure the continuation of the operations of KCC and protect its rights under the law and the JV Agreement.

The Company is continuing to assess options for regularizing the deficiency, including the conversion of a portion of existing intercompany debt owed by KCC to the Company (which is eliminated on consolidation) into equity or forgiving a portion of such debt. Any such outcome would impact the distribution of future cash flows earned by KCC, which might in turn have a materially adverse impact on the Company but would not be expected to have a material impact on the assets, liabilities and net assets of the Company and would be expected only to result in a shift within equity attributable to shareholders of the Company and non-controlling interests.

The regularization of the capital deficiency can be effected by the Company on its own initiative or through negotiations with Gécamines. If the Company and KCC have taken the necessary steps to regularise the

deficiency and this is confirmed by KCC's statutory auditor on or before the day on which the court renders a judgment on the merits, the court cannot issue a dissolution order.

As a consequence of the completion of the first train of the Whole Ore Leach project (the "WOL Project") and subsequent operational ramp-up, KCC is generating positive operating cash flow. KCC remains liquid due to operating cash flows and its guarantees from its ultimate parent shareholder. As such, all obligations to KCC's creditors are being honoured, and the company is meeting all of its commercial obligations. Based on current projections, cash flows of KCC are expected to be sufficient to allow the repayment of outstanding shareholders debt and to fund distributions to shareholders, including Gécamines.

**For further information contact:**

Longview Communications Inc.

Joel Shaffer (Toronto)  
(416) 649-8006  
[jshaffer@longviewcomms.ca](mailto:jshaffer@longviewcomms.ca)

Alan Bayless (Vancouver)  
(604) 694-6035  
[abayless@longviewcomms.ca](mailto:abayless@longviewcomms.ca)

**About Katanga Mining Limited**

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

**Forward Looking Statements**

*This press release may contain forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or describes a "goal", or variation of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements in this press release include: the Company's belief that it has several options to remedy KCC's capital deficiency and avoid KCC's dissolution; the Company's intention to continue to attempt to engage in discussions with Gécamines and take all other necessary steps to ensure the continuation of the operations of KCC and protect its rights under the law and the JV Agreement; the Company's belief that options for regularizing the deficiency, including the conversion of a portion of existing intercompany debt owed by KCC to the Company (which is eliminated on consolidation) into equity or forgiving a portion of such debt, could impact the distribution of future cash flows earned by KCC, which might in turn have a materially adverse impact on the Company; and the Company's expectation that, based on current projections, cash flows of KCC are expected to be sufficient to allow the repayment of outstanding shareholders debt and to fund distributions to shareholders, including Gécamines.*

*All forward-looking statements reflect the Company's beliefs and assumptions based on information available at the time the statements were made. Actual results or events may differ from those predicted in these forward-looking statements. All of the Company's forward-looking statements are qualified by the assumptions that are stated or inherent in such forward-looking statements, including the assumptions listed below. Although the Company believes that these assumptions are reasonable, this list is not exhaustive of factors that may affect any of the forward-looking statements.*

*Forward-looking statements involve known and unknown risks, future events, conditions, uncertainties, assumptions, and other factors which may cause the actual results, performance or achievements to be materially different from any future results, prediction, projection, forecast, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: unforeseen circumstances that could impact the Company's ability to implement one or more options to remedy KCC's capital deficiency; the outcome of the legal proceedings commenced by Gécamines being subject to the discretion of the Court, which is beyond the control of the Company; the financial implications to the Company of the proceedings being materially different than the Company's current expectations; the Company's ability to achieve expected cash flows; as well as those factors disclosed in the Company's current annual information form and other publicly filed documents. Although Katanga has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results*

*not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.*

*The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events, or otherwise, except in accordance with applicable securities laws.*