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Katanga Announces Agreement on Transfer of Mashamba West and Dikuluwe Deposits

Fri Feb 8, 2008 1:32pm EST

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LONDON, UNITED KINGDOM, Feb 08 (MARKET WIRE) -- Katanga Mining Limited (TSX: KAT) ("Katanga") reports that KFL Limited (which is 100 per cent owned by Katanga), Gecamines and Kamoto Copper Company ("KCC") have signed an agreement that sets out compensation, security and payment in exchange for the release to Gecamines of the portion of the KCC concession that represents the Mashamba West and Dikuluwe deposits. These deposits were not scheduled to start producing oxide ores until 2020 and 2023 respectively. KCC is a joint venture between Gecamines, a Democratic Republic of Congo state-owned mining company, and KFL Limited.

The agreement provides for Gecamines to replace these deposits by July 1, 2015 with other deposits having a total tonnage of 3,992,185 tonnes of copper and 205,629 tonnes of cobalt according to international and TSX standards, or pay over time, beginning July 1, 2012, a total of US\$825 million from Gecamines royalties and dividends in KCC. The parties have agreed to fix the equivalent value of the deposits released by reference to the 2006 feasibility study. The agreement set this amount at US\$825 million, subject to a joint review by the parties.

At July 1, 2012, the parties will calculate the proportion of the reserves replaced by Gecamines at that date. Dividends and royalties payable to Gecamines by KCC from this date will be paid into an escrow account to secure future payments by Gecamines. As at July 1, 2015, the parties shall recalculate the amount of reserves transferred to KCC. In the event Gecamines has not completely replaced the deposits, the balance of the amount due shall be paid in cash. Any cash thus remaining due shall be paid to KCC using the funds in the escrow account, and any remaining payments due will be met from Gecamines future revenues from KCC, until full payment has been made.

To assist Gecamines in finding replacement deposits, KCC and Gecamines shall conduct jointly managed exploration to be funded initially by KCC and reimbursed by Gecamines out of its revenues from KCC.

In addition to the agreement reached with Gecamines above, the parties agreed to complete a definitive agreement within the next 90 days addressing transfer of the exploitation permits and mining rights over an agreed area, to encompass the approximate current concession area, from Gecamines to KCC.

In exchange for this transfer, which will result in KCC holding the assets directly, KCC will pay to Gecamines as compensation US\$35 per tonne of remaining copper reserves identified in the feasibility study. This sum, which is approximately US\$135 million, will be paid over time on a basis to be agreed in the definitive agreement and will be based on the cashflows available to KCC. The agreement will also address various other matters relating to the joint venture, including the management of the exploration programme.

To learn more about Katanga Mining Limited, please visit our website at www.katangamining.com.

Katanga Mining Limited operates a major mine complex in the Democratic Republic of Congo. The company has the potential to become Africa's largest copper producer and the world's largest cobalt producer, with a targeted annual output of over 300,000 tonnes of refined copper and over 30,000 tonnes of refined cobalt by 2011. Katanga is listed on the Toronto Stock Exchange under the symbol KAT.

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