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This document (the “Prospectus”), which comprises a prospectus relating to Vedanta Resources plc (the “Company” or “Vedanta”), has been prepared in accordance with the Prospectus Rules of the Financial Services Authority (the “FSA”) made under section 73A of the FSMA in relation to offers of securities to the public and admission of securities to trading on a regulated market (the “Prospectus Rules”), and has been filed with the FSA and has been made available to the public as required by the Prospectus Rules.

If you sell or have sold or otherwise transferred or do sell or transfer all of your ordinary shares of US\$0.10 each in the capital of the Company (the “Ordinary Shares”) you should forward or send this Prospectus as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or the transferee, except that this Prospectus should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to the United States and the restricted territories, which include Canada, Australia, Japan and the Republic of South Africa and any other jurisdiction where the distribution of this Prospectus would breach any applicable laws. If you sell or have sold or otherwise transferred or do sell or transfer part only of your holding of Ordinary Shares you should retain this Prospectus.

The distribution of this Prospectus into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions.

Applications have been made to the FSA for all of the Ordinary Shares to be readmitted to the premium listing segment of the Official List of the FSA (the “Official List”) and to the London Stock Exchange plc (the “LSE”) for such Ordinary Shares to be readmitted to trading on the LSE’s main market for listed securities (together, and upon becoming effective in accordance with, respectively, the rules relating to admission to the Official List made in accordance with section 73A(2) of the FSMA (the “Listing Rules”) and the LSE’s Standards for admission and disclosure for securities admitted or seeking to be admitted to trading, as amended from time to time (the “Admission and Disclosure Standards”)), (the “Readmission”). Admission to trading on the LSE’s main market for listed securities constitutes admission to trading on a regulated market. It is expected that Readmission will become effective, and that dealings will commence in the Ordinary Shares on the LSE, at 8.00 a.m. (London time) on 8 December 2011.

You should read the whole of this document and any documents incorporated herein by reference. In particular, your attention is drawn to the factors described in the “Risk Factors” section of this document.



VEDANTA RESOURCES PLC

(incorporated and registered in England and Wales under the Companies Act 1985 with registered number 4740415)

Readmission of the Ordinary Shares to listing on the Official List and to trading on the London Stock Exchange

Joint Sponsors and Joint Brokers

J.P. Morgan Cazenove

Morgan Stanley

This Prospectus has been prepared solely to apply to the UK Listing Authority (the FSA acting in its capacity as the competent authority for the purpose of Part VI of the FSMA and in the exercise of its functions in respect of admission to the Official List otherwise than in accordance with Part VI of the FSMA (the “UK Listing Authority” or “UKLA”)) and the LSE for the existing Ordinary Shares to be readmitted to the premium listing segment of the Official List and to trading on the LSE’s main market for listed securities. It does not constitute an offer of, or the solicitation of an offer to subscribe for or buy, any Ordinary Shares anywhere in the world.

Any persons (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this Prospectus or any accompanying documents should seek appropriate advice before taking any action. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or under the applicable securities laws of any state, district or other jurisdiction of the United States, Australia, Canada or Japan and no regulatory clearance in respect of the Ordinary Shares has been, or will be, applied for in any jurisdiction other than the United Kingdom. The Ordinary Shares may not be re-offered, resold, delivered or distributed, directly or indirectly, in, into or from the United States, Canada, Australia or Japan or to, or for the account or benefit of, any US persons or resident of the United States, Australia, Canada or Japan absent an exemption from, or not subject to, registration or an exemption under the Securities Act or other relevant securities law.

THE ORDINARY SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, ANY OTHER FEDERAL OR STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER UNITED STATES REGULATORY AUTHORITY, NOR HAVE ANY SUCH AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE READMISSION OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

Dated: 6 December 2011

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SUMMARY INFORMATION

This summary should be read as an introduction to this Prospectus only. Investors should consider this Prospectus as a whole and not just this summary. Under European Union Directive 2003/71/EC, in each member state of the European Economic Area civil liability attaches to those persons who are responsible for the summary, including any translations of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member state of the European Economic Area where such court is located, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Background to and Reasons for the Readmission

On 15 August 2010, the Vedanta Group agreed to acquire up to 60 per cent. of the fully diluted share capital of Cairn India.

As announced on 1 August 2011, Vedanta and Cairn Energy received written notification from the Government of India that consent had been given to the Cairn Acquisition, subject to a number of conditions. All of these conditions have been or will be satisfied by Completion. Following completion of the Petronas Acquisition, the Open Offer and the First Tranche Sale, the percentage of Cairn India Shares to be acquired under the Cairn India Purchase Agreement is 30 per cent. of the fully diluted share capital of Cairn India. Completion is expected to occur by 8 December 2011. Following Completion, the Vedanta Group will hold 58.5 per cent. of the fully diluted share capital of Cairn India and will have paid a total gross consideration of US\$8,723.7 million for such shares.

As the Cairn Acquisition constitutes a reverse takeover of Vedanta under the Listing Rules, Vedanta is required to apply to the FSA and the LSE for the Ordinary Shares to be readmitted to the premium listing segment of the Official List and to trading on the LSE's main market for listed securities, respectively. Vedanta has prepared this Prospectus in connection with its application for Readmission.

Summary Description of the Vedanta Group's Businesses

Vedanta is a Listed FTSE 100 holding company that owns controlling stakes in a diversified portfolio of metals and mining companies. The Vedanta Group's business is principally located in India and the Vedanta Group also has assets and operations in Zambia, Australia, South Africa, Ireland and Namibia.

The Vedanta Group is primarily engaged in copper, zinc, aluminium, iron ore and commercial power generation businesses and is also developing and acquiring a port operation business and infrastructure assets.

Copper—The Vedanta Group's copper business is comprised of operations in India, Zambia and Australia. The Vedanta Group's Indian copper business is principally one of custom smelting and is operated by Sterlite, while its Zambian copper business is owned and operated by KCM. Revenue from the Vedanta Group's copper business in Fiscal 2011 was US\$5,169.5 million.

Zinc—The Vedanta Group's fully integrated zinc business is owned and operated by HZL, India's leading primary producer with an 82 per cent. market share by sale volume in India in Fiscal 2011, according to the ILZDA. In addition, on 9 May 2010, the Vedanta Group agreed to acquire various zinc assets comprising Skorpion, which owns the Skorpion mine and refinery in Namibia, a 74 per cent. stake in Black Mountain, whose assets include the Black Mountain mine and the Gamsberg project in South Africa, and Lisheen, which owns the Lisheen mine in Ireland. Revenue from the Vedanta Group's zinc business in Fiscal 2011 was US\$2,371.7 million (including revenue in respect of Skorpion, Black Mountain and Lisheen following their acquisition).

Aluminium—The Vedanta Group's aluminium business is primarily owned and operated by BALCO and Vedanta Aluminium. BALCO and Vedanta Aluminium are two of the four primary producers of aluminium in India and together had a 36 per cent. market share by sales volume in India in Fiscal 2010, according to the AAI. Revenue from the Vedanta Group's aluminium business in Fiscal 2011 was US\$1,570.1 million.

Iron ore—The Vedanta Group's iron ore business is owned and operated by SGL, India's largest exporter of iron ore in the private sector by volume since 2003, according to the FIMI. Revenue from the Vedanta Group's iron ore business in Fiscal 2011 was US\$1,977.9 million.

Commercial power generation—The Vedanta Group is currently developing a commercial power generation business in India that leverages its experience in building and managing CPPs that support its primary businesses. Revenue from the Vedanta Group's commercial power generation business in Fiscal 2011 was US\$338.0 million.

Summary Description of the Cairn India Group's Business

The Cairn India Group is primarily engaged in the business of surveying, prospecting, drilling, exploring, acquiring, developing, producing, maintaining, refining, storing, trading, supplying, transporting, marketing, distributing, importing, exporting and generally dealing in minerals, oils, petroleum, gas and related by-products and other activities incidental to the foregoing. As at 11 August 2010, the Cairn India Group had the second largest gross oil and gas reserves and resources in India among private sector oil companies. As part of its business activities, the Cairn India Group also has rights to explore and develop oil exploration blocks in the Indian sub-continent and Sri Lanka.

Gross production of the Cairn India Group has grown from approximately 66 kboepd in the fifteen months ended 31 March 2009, to approximately 69 kboepd in the year ended 31 March 2010 and to approximately 149 kboepd in the year ended 31 March 2011. In the three months ended 30 June 2011, average daily gross production was approximately 172 kboepd.

The Cairn India Group's principal production asset is a 70 per cent. participating interest in three contiguous development areas totalling 3,111 square km in the Rajasthan Block pursuant to the Rajasthan Block PSC that runs until 2020. The first phase of development, including the commissioning of the MPT, was completed on 29 August 2009. Sales of crude oil through a heated pipeline for the transportation of crude oil produced at the Rajasthan Block of approximately 590 km commenced on 15 June 2010. As at 31 March 2011, Cairn India was producing approximately 125,000 bopd from the Rajasthan Block. The Rajasthan Block represents a significant resource base with an estimated aggregate 2P hydrocarbon initially in place of 4.03 bboe as at 31 March 2011.

As at 30 June 2011, the gross assets of the Cairn India Group were US\$5,052.5 million. For Fiscal 2010, the Cairn India Group's gain before tax was US\$856 million and for H1 2011, the Cairn India Group's gain before the tax was US\$966.3 million.

Current Trading, Trends and Prospects for the Vedanta Group

The Bond Offering of US\$1.65 billion, which was priced on 26 May 2011 and which closed on 7 June 2011, financed the purchase price for the First Tranche Sale. The US\$125.0 million of remaining proceeds were used to fund the interest rate reserve account under Vedanta's Acquisition Facility Agreement and pay the fees and expenses of the Bond Offering. Following successful completion of the Bond Offering, on 7 June 2011 commitments of up to US\$1.5 billion under the High Yield Bridge Facility Agreement were cancelled.

On 26 August 2011, the Supreme Court passed an order banning mining activities in the Chitradurga and Tumkur districts of Karnataka. In view of this order, SGL's activities at its mine at Chitradurga, Karnataka (which presently has an annual permitted capacity of 6 million tonnes) were stopped with immediate effect, which will adversely affect, to some extent, the performance of SGL. Based on unaudited internal management information, the turnover and EBITDA attributable to SGL's operations at Chitradurga in Fiscal 2011 were INR6,320.28 million (US\$141,551,624) and INR3,333.6 million (US\$74,660,694), respectively.

On 10 November 2011, Vedanta announced its interim financial results for the first half of Fiscal 2012. Vedanta reported revenue for the Vedanta Group of US\$6,553 million for the period, an increase of 43 per cent. from the first half of Fiscal 2011. Vedanta announced production growth in zinc, silver, copper, aluminium and commercial power generation. Plans are on course to increase the Vedanta Group's refined silver capacity through the commissioning of a new silver refinery in the third quarter of Fiscal 2012. Vedanta also announced that HZL's new 100 ktpa Dariba lead smelter had been commissioned and capitalised during the second quarter of Fiscal 2012. In addition, the Vedanta Group fully integrated the zinc international business and SGL acquired iron ore assets in Liberia with an estimated one billion tonnes of potential resources during the first half of Fiscal 2012.

The Cairn Acquisition is expected to be earnings enhancing for Vedanta in the first full financial year following Completion. Despite the global economic uncertainty, the Vedanta Directors believe that the long-term outlook for commodities remains favourable and look forward to delivering good performance

with an increase in volumes across the Vedanta Group's operations and sustainably driving value creation through the Vedanta Group's structurally low-cost operations, strategic acquisitions and organic growth programme. The Vedanta Directors believe that the Cairn Acquisition will benefit Vedanta by enhancing and diversifying the Combined Group's exposure to natural resources, which supply the Indian growth story.

Current Trading, Trends and Prospects for the Cairn India Group

Following the conditional approval of the Government of India of the Cairn Acquisition and a requisition from CUKHL on 21 July 2011 to convene an extraordinary general meeting of Cairn India, the board of Cairn India decided to hold a postal ballot of all Cairn India Shareholders to consider the conditions imposed by the Government of India. In the notice of postal ballot dated 26 July 2011, Cairn India stated that it was of the view that acceding to the Royalty and Cess Conditions would materially and adversely affect the Cairn India Group's revenues and, consequently, profits from the Rajasthan Block under the Rajasthan Block PSC. However, whilst there is no assurance, agreeing to the Royalty and Cess Conditions may enhance the Cairn India Group's ability to further develop the Rajasthan Block given the importance of active support of the Government of India and ONGC. The royalty being cost recoverable led to a decline in the Cairn India Group's revenues and profits after tax for the nine months ended 30 September 2011 of approximately US\$589 million. On 14 September 2011, it was announced that Cairn India Shareholders had passed the ordinary resolution approving the acceptance of the Royalty and Cess Conditions.

Cairn India announced its unaudited consolidated results for Q3 2011 on 20 October 2011. There has been no significant change in the financial or trading position of Cairn India since the end of Q3 2011.

Risk Factors

The risk factors summarised below are considered by the Directors to be material in relation to the Vedanta Group, the Cairn India Group, the Combined Group and the Ordinary Shares:

(i) *Risks relating to the Vedanta Group*

- delays to the Vedanta Group's planned expansions and new projects;
- the Vedanta Group's zinc and iron ore business are substantially dependent upon its Rampura Agucha lead-zinc mine and its Codli mines, respectively;
- the Vedanta Group's iron ore business is largely dependent on export sales of iron ore to China;
- there are uncertainties relating to the operation of the Vedanta Group's commercial power generation business;
- the Vedanta Group is involved in a number of litigation matters, both civil and criminal in nature;
- the Vedanta Group may be liable for additional taxes if the tax holidays, exemptions and tax deferral schemes which it currently benefits from expire without renewal, or if tax laws change; and
- changes in tariffs, royalties, customs duties and government assistance may reduce the domestic premium that the Vedanta Group receives.

(ii) *Risks of the Cairn India Group*

- exploration and production operations by the Cairn India Group or operators of assets in which it has an interest will involve risks normally incidental to such activities;
- the Cairn India Group may encounter interruptions in the availability of exploration, production or supply equipment or infrastructure and/or increased costs;
- the Cairn India Group may incur liabilities as the operators of its assets and other joint venture partners may restrict its activities;
- the Cairn India Group is exposed to risks incidental to licensing, other regulatory requirements and decommissioning;
- plateau production rates from the Rajasthan fields may be less than forecast;
- the waxy nature of the crude oil at the Northern Fields presents flow assurance concerns;

- the development and production plans for the Northern Fields are dependent upon the Cairn India Group obtaining a reliable fuel and water supply for its facilities;
- the Cairn India Group may not be able to use EOR techniques successfully;
- associated gas production may be greater than forecast;
- MPT facilities may become unable to separate associated gas and water from the crude oil;
- the construction, installation and commissioning of additional facilities at the MPT may be more capital intensive than initially forecast and, once completed, may not function as designed;
- additional wells may be required to develop the Bhagyam field;
- current capital expenditure programmes including the pipeline connecting the Bhagyam field to the MPT facilities, the Bhagyam field development and the construction of the Salaya to Bhogat section of the main pipeline and the Bhogat marine terminal may be delayed, not work as designed or incur greater costs than forecast;
- the impact of adverse weather on the Bhogat Marine Loading Facilities may be greater than anticipated;
- ONGC has disputed several cash calls raised by Cairn India relating to operations conducted during exploration, development and production;
- demand for the oil produced from the Rajasthan Block may not exceed supply, and unforeseen disruptions at a major buyer's facilities could adversely impact the Cairn India Group's business;
- exploration activities are capital intensive and inherently uncertain in their outcome;
- inadequate plant operating and maintenance procedures; and
- risk of counterparty default may result in delayed off takes or payout for delivered production volumes.

(iii) *Risks of the Combined Group*

- the Combined Group's stated reserves and resources are only estimates based on a range of assumptions and there can be no assurance that the anticipated tonnages or grades in the case of the Vedanta Group, and/or hydrocarbons in the case of the Cairn India Group, will be achieved;
- hydrocarbon prices are subject to fluctuations in response to a variety of factors beyond the control of the Combined Group;
- commodity prices and the TcRc may be volatile;
- defects in title or loss of any leasehold interests in the Combined Group's properties could limit its ability to conduct operations on such properties or result in significant unanticipated costs;
- the Combined Group's operations are subject to extensive governmental, health and safety and environmental regulations, which require it to obtain and comply with the terms of various approvals, licences and permits;
- Vedanta's growth strategy to pursue business acquisitions entails significant risks;
- the Combined Group depends on the experience and management skill of certain of its key employees;
- the Combined Group is subject to restrictive covenants under its credit facilities that limit its flexibility in managing its businesses;
- a downgrade in Vedanta's credit ratings may adversely affect its ability to access capital;
- the Combined Group's tax treatment depends on the tax residence of the companies forming part of its Group;
- the Combined Group is exposed to competitive pressures in the various businesses in which it operates;
- the Combined Group is exposed to the political, legal, regulatory and social risks of the countries in which it operates;

- a substantial portion of the Combined Group's assets and operations are located in India and the Combined Group is subject to regulatory, economic, social, security and political uncertainties in India and natural disasters and/or environmental conditions in India. A downturn in the rate of economic growth in India will be detrimental to the Combined Group's operating results; and
- all of KCM's assets and operations are located in Zambia and KCM is subject to regulatory, economic, social and political uncertainties in Zambia.

(iv) *Risks relating to the Ordinary Shares*

- the share prices of publicly traded companies can be highly volatile;
- future sales of Ordinary Shares could depress the market price of the Ordinary Shares;
- Vedanta Shareholders outside of the United Kingdom may not be able to exercise their pre-emptive rights; and
- Vedanta cannot assure investors that it will make dividend payments in the future.

RISK FACTORS

Investors should consider carefully the risks set out below and the other information contained in this Prospectus and the information incorporated by reference herein prior to making any investment decision with respect to the Ordinary Shares. A number of factors affect the businesses, operating results, financial condition and/or prospects of the Vedanta Group, which includes the Company, its subsidiaries and subsidiary undertakings from time to time (the “Vedanta Group”), the Cairn India Group (which comprises Cairn India Limited (“Cairn India”), its subsidiaries and subsidiary undertakings (the “Cairn India Group”)) and/or the combined Vedanta Group and Cairn India Group with effect from Completion (as defined below) (the “Combined Group”). Each of the risks highlighted below, or a combination of them, could materially and adversely affect the businesses, operating results, financial condition and/or prospects of the Vedanta Group, the Cairn India Group and/or the Combined Group. This could affect the trading price of the Ordinary Shares and, as a result, investors could lose some or all of their investment. Investors should note that the risks described below are not the only risks the Vedanta Group, the Cairn India Group and/or the Combined Group faces. The Company has described only those risks relating to its businesses and/or operations as well as the Ordinary Shares that it considers to be material. There may be additional risks that it currently considers not to be material, or of which it is not currently aware, and any of these risks could have the effects set out above.

Investors should read the entire Prospectus.

PART A—RISKS RELATING TO THE VEDANTA GROUP

General

If the Vedanta Group’s planned expansions and new projects are delayed, this could have a material adverse effect on the Vedanta Group’s businesses, operating results, financial condition and/or prospects.

The Vedanta Group has a number of significant expansion plans for its existing operations and planned greenfield projects, which involve significant capital expenditure. The timing, implementation and cost of such expansions are subject to a number of risks, including the failure to obtain necessary leases, licences, permits, consents and approvals, or funding for the expansions. The Vedanta Group does not currently have all of the leases, licences, permits, consents and approvals that are or will be required for its planned expansions and new projects. There can be no assurance that the Vedanta Group will be able to obtain or renew all necessary leases, licenses, permits, consents and approvals in a timely manner.

Any failure to obtain the requisite regulatory approvals may delay or prevent the Vedanta Group from commencing commercial operations at certain of these projects. For instance, the Vedanta Group does not currently have all of the required environmental approvals for the proposed expansion and continuance of its business operations at the alumina refinery at Lanjigarh in the State of Orissa, which are subject to the determination of certain legal proceedings pending before the Supreme Court of India (the “Supreme Court”) and the High Court of Orissa. See also the risk factors further below entitled “Petitions have been filed in the Supreme Court and the High Court of Orissa to seek the cessation of construction of Vedanta Aluminium Limited’s (“Vedanta Aluminium”) refinery in Lanjigarh and related mining operations in Niyamgiri Hills” and “The Combined Group’s operations are subject to extensive governmental, health and safety and environmental regulations which require it to obtain and comply with the terms of various approval, licences and permits” and the summary of the litigation in paragraph 13.1(j) of Part X: “Additional Information” of this Prospectus. In addition, the Supreme Court has recently passed an order banning mining activities in the Chitradurga and Tumkur districts of Karnataka, which resulted in Sesa Goa Limited’s (“SGL”) activities at its mine at Chitradurga, Karnataka (which presently has an annual permitted capacity of 6 million tonnes) being stopped with immediate effect. Based on unaudited internal management information, the turnover and EBITDA attributable to SGL’s operations at Chitradurga in Fiscal 2011 were INR6,320.28 million (US\$141,551,624) and INR3,333.6 million (US\$74,660,694), respectively. Further details are set out in paragraph 5.7 of Section A of Part I: “Information on the Vedanta Group, the Cairn India Group and the Combined Group” of this Prospectus.

Any delay in completing planned expansions, revocation of existing clearances, failure to obtain or renew regulatory approvals, non-compliance with applicable regulations or conditions stipulated in the approvals obtained, suspension of current projects or cost overruns or operational difficulties once the projects are commissioned may have a material adverse effect on the Vedanta Group’s businesses, operating results, financial condition and/or prospects. Any delay in completing planned expansions could have a material adverse effect on Vedanta’s credit rating, which may increase its borrowing costs.

The Indian Ministry of Mines has proposed a draft act that could result in holders of mining leases or prospecting licences paying compensation to stakeholders.

The Indian Ministry of Mines has proposed a draft act which provides that, with respect to which minerals vest, the holder of a mining lease or prospecting licence shall be liable to pay reasonable compensation to the stakeholders holding occupation, usufruct or traditional rights of the surface of the land over which the licence and lease has been granted as mutually agreed (failing which the relevant State Government will determine the compensation payable). If the Vedanta Group is affected, directly or indirectly, by the application or interpretation of any such statute, as and when finalised and notified, including any enforcement proceedings initiated under it and any adverse publicity that may be generated due to scrutiny or prosecution, it could have a material adverse effect on its businesses, operating results, financial condition and/or prospects.

Third party interests in Vedanta's subsidiary companies and restrictions due to stock exchange listings of Vedanta's subsidiary companies will restrict Vedanta's ability to deal freely with its subsidiaries which could have a material adverse effect on its businesses, operating results, financial condition and/or prospects.

Vedanta does not wholly own any of its operating subsidiaries, although it holds majority stakes in all of its subsidiary businesses. Although Vedanta has direct or indirect management control of Sterlite Industries (India) Limited ("Sterlite"), Bharat Aluminium Company Ltd. ("BALCO"), Hindustan Zinc Limited ("HZL"), Vedanta Aluminium, Madras Aluminium Company Limited ("MALCO"), SGL, Konkola Copper Mines plc ("KCM") and the Copper Mines of Tasmania Pty Ltd ("CMT") and intends to increase its stake in certain of these subsidiaries, in addition to its interest in Cairn India post-acquisition, each of these companies has other shareholders who, in some cases, hold substantial interests. As a result of the minority interests in Vedanta's subsidiaries and affiliates and the Indian stock exchanges and/or New York Stock Exchange ("NYSE") listings of Sterlite, HZL, SGL and Cairn India post acquisition, and the proposed listings of Sterlite Energy Limited ("Sterlite Energy") and Konkola Resources plc ("Konkola Resources"), these subsidiaries may be subject to additional legal or regulatory requirements, or Vedanta may be prevented from taking certain courses of action without the prior approval of a particular or a specified percentage of shareholders and/or regulatory bodies (under shareholders' agreements, relationship agreements or by operation of law). The existence of minority or other interests in, and stock exchange listings of, Vedanta's subsidiaries may limit Vedanta's ability to increase its equity interests in these subsidiaries, combine similar operations, utilise synergies that may exist between the operations of different subsidiaries, move funds among its different businesses or reorganise the structure of its businesses in a tax efficient manner, which could have a material adverse effect on its businesses, operating results, financial condition and/or prospects.

Further, pursuant to the requirements for the continued listing of the shares of HZL on the National Stock Exchange of India Limited (the "NSE") and the Bombay Stock Exchange Limited (the "BSE"), in the event that Sterlite, through Sterlite Opportunities and Ventures Limited ("SOVL"), successfully exercises its second call option to acquire the Government of India's remaining ownership interest in HZL, Sterlite would have to either divest a portion of its shareholding in HZL within a period of one year from the acquisition such that the minimum public shareholding requirement is complied with or delist HZL's shares from the NSE and the BSE by making an offer to purchase the equity shares held by the remaining HZL shareholders at a price determined by way of a reverse book-build process, which could have a material adverse effect on the Vedanta Group's operating results and financial condition.

Operating Risks

The Vedanta Group's copper and aluminium businesses currently depend upon third-party suppliers for a substantial portion of their copper concentrate and alumina requirements, and their segment results and segment margins depend upon the market prices for such raw materials.

The Vedanta Group sources a majority of its copper concentrate and a substantial proportion of its alumina requirements for its copper and aluminium businesses, respectively, from third parties. For example, in Fiscal 2011, Sterlite sourced 92.9 per cent. of its copper concentrate requirements from third-party suppliers. In addition, in Fiscal 2011, BALCO sourced 29 per cent. of its alumina requirements from external international suppliers. As a result, segment results and segment margins of the Vedanta Group's copper and aluminium businesses depend upon its ability to obtain the required copper concentrate and alumina at prices that are low relative to the market prices of the copper and aluminium products that it sells. The market prices of the copper concentrate and alumina that the Vedanta Group purchases from third parties and the market prices of the copper and aluminium metals that it sells have experienced volatility in the past and any increases in the market price of the raw material relative to the market prices

of the metal that the Vedanta Group sells would adversely affect the segment results and segment margins of the Vedanta Group's copper and aluminium businesses, which could have a material adverse effect on its operating results, financial condition and/or prospects.

The Vedanta Group's zinc and iron ore businesses are substantially dependent upon its Rampura Agucha lead-zinc mine and its Codli mines, respectively, and any interruption in the operations at those mines could have a material adverse effect on its businesses, operating results, financial condition and/or prospects.

The Rampura Agucha lead-zinc mine produced 88.8 per cent. of HZL's total mined metal in zinc and lead concentrate in Fiscal 2011 and its zinc and lead metal content constituted 74.9 per cent. of the Vedanta Group's proved and probable zinc reserves as at 31 March 2011. The Vedanta Group's zinc business provided 55.1 per cent. of its operating profit in Fiscal 2011. The Vedanta Group's operating results have been and are expected to continue to be substantially dependent on the reserves and low cost of production of the Rampura Agucha mine and any interruption in the operations at that mine for any reason could have a material adverse effect on its operating results, financial condition and/or prospects.

Furthermore, the Codli mine in Goa produced 32 per cent. of the Vedanta Group's total iron ore production in Fiscal 2011 and constituted 14 per cent. of its proved and probable iron ore reserves as at 31 March 2011. The operations at the Codli mine are conducted pursuant to four contiguous mining leases, three of which are owned by SGL, and all four of which are in the process of renewal. SGL filed applications for the renewal of these four mining leases in October 2006. The State Government did not dispose of the renewal applications prior to the expiry of the relevant leases. Accordingly, pursuant to Rule 24A of the Mineral Concession Rules 1960 (the "Indian Mineral Concession Rules"), these mining leases are deemed to be renewed for further periods until the State Government passes orders thereon under the deeming provisions of Rule 24A(6) of the Indian Mineral Concession Rules. Vedanta currently has no reason to believe that the State Government will not renew the leases. SGL's operating results have been and are expected to continue to be substantially dependent on the reserves of the Codli mines, and any interruption in the operations at these mines for any reason could have a material adverse effect on the Vedanta Group's operating results, financial condition and/or prospects.

SGL operates certain mines through contracts with third parties, which may not be renewed on the same or otherwise favourable terms or at all.

Currently, SGL conducts mining operations at mines leased by the Government of India to third parties through long-term ore raising contracts. Under the contract, SGL, as contractor, is responsible for extracting the ore which it then purchases back from the relevant third-party owners. During Fiscal 2011, approximately 3.8 million tonnes of SGL's crude iron ore production (or approximately 20 per cent. of its iron ore production) was derived from its operation of third-party mines. As part of SGL's contract arrangements, SGL generally pays such third-party owners royalty on a per tonne of iron ore basis, which is linked to the market price of iron ore.

The contract in respect of the Sonshi mine is scheduled to expire on 31 March 2013 and the contract in respect of the Thakurani mine expired on 30 November 2010 as the renewal terms were not commercially favourable.

There is no assurance that the third-party mine owners will renew SGL's contract on the same or otherwise favourable terms, or at all. There is also no assurance that, where such mine is owned by a third party under a lease, the third party will apply for a renewal of such lease in a timely fashion prior to its expiry, or be successful in obtaining such renewals. Any failure to renew material contracts or significant increases in royalty payments could have a material adverse effect on the Vedanta Group's business, operating results, financial condition and/or prospects.

The Vedanta Group's iron ore business is largely dependent on export sales of iron ore to China. As a result, any downturn in the rate of economic growth in China or negative changes in international relations between India and China or negative changes in Chinese regulatory or trade policies relating to the import of iron ore could have a material adverse effect on its business, operating results, financial condition and/or prospects.

The Vedanta Group's iron ore business is largely dependent on export sales of iron ore to China. For instance, in Fiscal 2011, 89.6 per cent. of SGL's iron ore sales, in terms of volume, were in the export market, of which 85.6 per cent. of the sales in the export market were derived from sales of iron ore to customers in China. As a result, the performance and growth of the Vedanta Group's iron ore business is necessarily dependent on the health of the Chinese economy, which may be materially and adversely affected by political instability, regional conflicts or economic slowdown elsewhere in the world, or otherwise. In addition, any worsening of international relations between India and China, any negative

changes in Chinese regulatory or trade policies relating to the import of iron ore or other limitations, restrictions or negative changes in SGL's ability to export iron ore to China could have a material adverse effect on the Vedanta Group's business, operating results, financial condition and/or prospects.

There are uncertainties relating to the operation of the Vedanta Group's commercial power generation business.

The Vedanta Group's indirectly owned subsidiary, Sterlite Energy, is investing US\$1,900 million to build a 2,400 MW coal-based thermal power facility comprising four units in Jharsuguda in the State of Orissa in India. The first two units are operational, with the remaining two units to be progressively commissioned by the fourth quarter of Fiscal 2012. Talwandi Sabo Power Limited ("TSPL"), a wholly-owned subsidiary of Sterlite Energy, has been awarded another power plant project to construct a 1,980 MW coal-based thermal power plant at Talwandi Sabo in the State of Punjab in India, where the first unit is expected to be commissioned by the fourth quarter of Fiscal 2013 and the remaining two units by the second quarter of Fiscal 2014. In addition, TSPL signed a memorandum of understanding with the Government of Punjab in October 2010 to expand the current capacity of the Talwandi Sabo coal-based thermal power plant by 660 MW, however the plans for this fourth unit are currently on hold due to current coal market conditions and power tariffs in India. Should current coal market conditions change and Indian power tariffs improve, the Vedanta Group will consider re-implementing these plans. The estimated aggregate cost of these 2,640 MW TSPL projects is US\$3,030 million.

Operating power plants involves many operational risks which are unique to the power generation business as compared to the Vedanta Group's metal mining businesses, including the following risks:

- *Dependence on third parties for the construction, delivery and commissioning of the power facilities, the supply and testing of equipment and transmission and the distribution of any electricity the Vedanta Group generates, which will be beyond its control.* For instance, contractors hired may not be able to complete construction and installation on time, within budget, or to the specifications in the contracts with them, or such contractors may otherwise cause delays in meeting project milestones or achieving commercial operation by the scheduled completion date, which could in turn cause forecast budgets to be exceeded or result in delayed payment by customers, invoke liquidated damages or penalty clauses or performance guarantees or result in termination of contracts;
- *The Vedanta Group may not receive the coal block allocations that it expects or may not be allowed to use such allocations for its commercial power generation business.* Any coal block allocations that the Vedanta Group receives may not be sufficient for its planned operations and the Vedanta Group may not be successful in procuring a sufficient supply of coal at economically attractive prices, or at all. Additionally, the coal block allocation letters contain certain restrictive covenants which the Vedanta Group is subject to, including specified end use and submission of mining plans within a certain specified period; and
- *Price volatility and changes in tariff policy.* As the Vedanta Group will sell the power that it generates on the open market (rather than to captive schemes), it will be exposed to spot prices, which are subject to factors beyond the Vedanta Group's control. The Vedanta Group currently has three long-term contracts in place.

Furthermore, the power purchase agreements and other agreements that the Vedanta Group has entered into, or may enter into, may require it to guarantee certain minimum performance standards, such as plant availability and generation capacity, to the power purchasers. If the Vedanta Group's facilities do not meet the required performance standards, the power purchasers may not reimburse the Vedanta Group for any increased costs arising as a result of its plants' failure to operate within the agreed norms, which may in turn have a material adverse effect on the Vedanta Group's operating results and financial condition. In addition, national and state regulatory bodies and other statutory and government mandated authorities may from time to time impose minimum performance standards upon Indian power generation facilities (including the Vedanta Group's facilities). Failure to meet these requirements could expose facility operators to the risk of financial penalties, the quantum of which will depend on the severity of non-compliance and, in severe cases of non-compliance, involve plant shut downs.

In addition, as a result of increased industrial development in India in recent years, the demand for contractors with specialist design, engineering and project management skills and services has increased, resulting in a shortage of and increasing costs of services of such contractors. There can be no assurance that such skilled and experienced contractors will continue to be available at reasonable rates and the Vedanta Group may be exposed to risks relating to the cost and quality of their services, equipment and supplies.

Any of the above events or results could have a material adverse effect on the Vedanta Group's business, operating results, financial condition and/or prospects. Accordingly, there can be no assurance that the Vedanta Group will be successful, realise a profit from or recover its investment in this new business.

Litigation

The Government of India has disputed SOVL's exercise of the call option to purchase its remaining 29.5 per cent. ownership interest in HZL.

The setting up of an arbitration tribunal is awaited in relation to a dispute between the Government of India and SOVL with respect to SOVL's exercise of its second call option, pursuant to the shareholders' agreement between the parties, to acquire the remaining shares in HZL held by the Government of India. The Government of India has refused to act upon the second call option, stating that SOVL's second call option violates the provisions of the Indian Companies Act, 1956 (the "Indian Companies Act") by restricting the right of the Government of India to transfer its shares. See paragraphs 9.2 of Section A of Part I: "Information on the Vedanta Group, the Cairn India Group and the Combined Group" and 13.1(f) of Part X: "Additional Information" of this Prospectus for further details.

There can be no assurance that these arbitral proceedings will result in a favourable outcome for SOVL. In such an event, SOVL may be delayed in its purchase of, or may be unable to purchase, the Government of India's remaining 29.5 per cent. interest in HZL or may be required to pay a purchase price in excess of the market value or fair value of those shares, which could have a material adverse effect on the Vedanta Group's operational flexibility, business, operating results, financial condition and/or prospects.

The Government of India has disputed Sterlite's exercise of the call option to purchase its remaining 49 per cent. ownership interest in BALCO.

Arbitration proceedings have recently concluded in relation to a dispute between the Government of India and Sterlite with respect to Sterlite's exercise of its second call option pursuant to the shareholders' agreement between the parties to acquire the remaining shares of BALCO held by the Government of India. On 25 January 2011, the arbitration tribunal rejected Sterlite's claims on the grounds that the clauses in the shareholders' agreement relating to the call option, the right of first refusal, the tag-along rights and the restriction on the transfer of shares violate the provisions of the Indian Companies Act. On 23 April 2011, Sterlite filed an application in the High Court of Delhi to set aside this award to the extent that it holds these clauses ineffective and inoperative. This application is listed for hearing on 10 March 2012. See paragraphs 9.1 of Section A of Part I: "Information on the Vedanta Group, the Cairn India Group and the Combined Group" and 13.1(g)(i) of Part X: "Additional Information" of this Prospectus for further details.

There can be no assurance that the outcome of Sterlite's challenge of the award will be favourable to Sterlite. In such an event, Sterlite may be unable to purchase the Government of India's remaining 49 per cent. interest in BALCO or may be required to pay a higher purchase price, should it decide to consummate such purchase, which could have a material adverse effect on the Vedanta Group's operational flexibility, business, operating results, financial condition and/or prospects.

SEBI has brought proceedings against Sterlite alleging that Sterlite has violated Indian regulations prohibiting fraudulent and unfair trading practices.

In April 2001, the Securities and Exchange Board of India ("SEBI") ordered prosecution proceedings to be brought against Sterlite relating to alleged violations by Sterlite of Indian regulations prohibiting fraudulent and unfair trading practices.

In addition to the civil proceedings before the Court of the Metropolitan Magistrate in Bombay, SEBI also initiated criminal proceedings in 2001 before the Court of the Metropolitan Magistrate, Mumbai, against Sterlite, Vedanta's Executive Chairman (Mr. Anil Agarwal), Sterlite's Director of Finance (Mr. Tarun Jain) and the Chief Financial Officer of MALCO at the time of the alleged price manipulation. When SEBI's order was overturned in October 2001, Sterlite filed a petition before the High Court of Bombay to defend these criminal proceedings on the grounds that the Securities Appellate Tribunal of India (the "SAT") had overruled SEBI's order on price manipulation. The High Court of Bombay has granted an interim stay of the criminal proceedings.

The then directors and officers were summoned to appear before the Court of the Metropolitan Magistrate on 18 November 2010. The matter has since been adjourned to various dates and is now listed for hearing on 26 December 2011. A memorandum has been filed with the Court of the Metropolitan Magistrate informing the continuation of a stay granted by the High Court of Bombay on the criminal proceedings. The matter is currently listed in the category of "stayed matters". Please see paragraph 13.1(g)(iii) of Part X: "Additional Information" of this Prospectus for further details.

The claim amount in respect of both civil and criminal proceedings is not presently quantifiable.

In the event that any of the above matters are held against Sterlite, it may be prohibited from accessing the Indian capital markets for a period of two years and/or may become liable to pay penalties. If Sterlite and the individuals named in the criminal proceedings do not prevail, this could have a material adverse effect on the Vedanta Group's businesses, operating results, financial condition and/or prospects.

The Vedanta Group is involved in a number of litigation matters, both civil and criminal in nature, which could together have a material adverse effect on the businesses, operating results, financial condition and/or prospects of the Vedanta Group.

The Vedanta Group is involved in a variety of legal and regulatory proceedings, including criminal matters, property disputes, alleged violations of environmental and tax laws, alleged violation of the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997 (the "Indian Takeover Code"), and alleged price manipulation of Sterlite's equity shares on the Indian stock exchanges. The total claims on account of the disputes with sales tax, excise and related tax authorities amounted to US\$296.5 million, of which US\$6.4 million was recorded as current liabilities, as at 31 March 2011. The claims by third-party claimants amounted to US\$287.0 million as at 31 March 2011, none of which were recorded as current liabilities.

The Ministry of Corporate Affairs of the Government of India has ordered an investigation by the SFIO into SGL's affairs in respect of alleged mismanagement, malpractices, financial and other irregularities, which primarily occurred in the period prior to its acquisition by the Vedanta Group.

On 23 October 2009 the Ministry of Corporate Affairs of the Government of India ordered an investigation by the Serious Fraud Investigation Office of India (the "SFIO") into SGL's affairs and that of SGL's former subsidiary, Sesa Industries Limited (which has since been amalgamated with SGL with effect from 14 February 2011) ("SIL"), in respect of alleged mismanagement, malpractices, financial and other irregularities, including the alleged siphoning and diversion of funds, which allegedly occurred primarily in the period prior to the Vedanta Group's acquisition of SGL. Please see paragraph 13.1(e)(v) of Part X: "Additional Information" of this Prospectus for further details.

On 26 May 2011, SGL received a copy of the report by the SFIO on its investigations into SGL's affairs. Certain allegations are made in the SFIO's report relating to under-invoicing in the exporting of iron ore, over-invoicing in the importing of coal, commission to Mitsui & Co Ltd ("Mitsui") and other violations under the Indian Companies Act during the period from 2001 to 2007. The report has recommended that action be taken against the directors of SGL during the aforementioned period. In response to the report received from the SFIO, SGL filed its representation on 21 June 2011 and an additional representation on 1 July 2011 to the secretary of the Ministry of Corporate Affairs with a copy to the SFIO explaining in detail SGL's position on the allegations made in the SFIO's report and denying the allegations made therein. In the event punitive proceedings are initiated by the SFIO or any other regulatory authority or court or tribunal against SGL or any of its past or present directors or executive officers, or an adverse order or judgement is passed against SGL or such directors or executive officers, SGL may be subject to reputational and penal consequences or other sanctions, including significant fines and criminal prosecutions, which may, depending on the severity of the consequences, have a material adverse effect on the Vedanta Group's business, operating results, financial condition and/or prospects.

The Vedanta Group is involved in various litigation proceedings relating to the proposed cancellation of permits and environmental approval as a result of Sterlite's alleged violation of certain air, water and hazardous waste management regulations at its Tuticorin plant.

Various writ petitions were filed before the High Court of Madras sometime between 1996 and 1998 by the National Trust for Clean Environment and certain private citizens alleging that sulphur dioxide emissions from Sterlite's copper smelting operations at Tuticorin are causing air, water and hazardous waste pollution resulting in damage to the marine ecosystem and the lives of people living in and around Tuticorin. On 28 September 2010, the High Court of Madras ordered the closure of the Vedanta Group's copper smelting plant at Tuticorin. Following the Vedanta Group's special leave petition to the Supreme Court, on 1 October 2010 the Supreme Court granted an interim stay on the High Court's order of 28 September 2010. The Supreme Court has in the interim directed the National Environmental Engineering Research Institute of India ("NEERI") to file an independent status report on the operations of the Vedanta Group's copper smelting plant at Tuticorin, after a joint inspection with officials of the

Central Pollution Control Board (“CPCB”), the Tamil Nadu Pollution Control Board (“TNPCB”) and the petitioners. NEERI has filed its report before the Supreme Court. Please see paragraph 13.1(g)(ii) of Part X: “Additional Information” of this Prospectus for further details.

The financial impact, if any, of the writ petitions is not precisely quantifiable.

Petitions have been filed in the Supreme Court and the High Court of Orissa to seek the cessation of construction of Vedanta Aluminium’s refinery in Lanjigarh and related mining operations in Niyamgiri Hills.

In 2004, a writ petition was filed against, among others, Sterlite and Vedanta Aluminium alleging that the proposed grant of the mining lease by Orissa Mining Corporation Ltd. (“OMC”) to Vedanta Aluminium and Sterlite to mine bauxite in the Niyamgiri Hills at Lanjigarh in the State of Orissa would violate the provisions of the Forest (Conservation) Act, 1980 of India (the “Indian Forest Act”). Please see paragraph 13.1(j) of Part X: “Additional Information” of this Prospectus for further details.

Vedanta Aluminium was issued two notices by the Ministry of Environment and Forest of the Government of India (the “MoEF”) dated 31 August 2010 to show cause as to (i) why the environmental clearance of its existing one mtpa alumina refinery should not be revoked and directions should not be issued for closure of its existing refinery and (ii) why the terms of reference issued on 12 March 2008 for the expansion of its alumina refinery from one mtpa to six mtpa should not have been withdrawn.

Vedanta Aluminium has submitted its response to the show cause notices. On 20 October 2010, in respect of the first show cause notice, the MoEF permitted Vedanta Aluminium to carry on its business operations subject to compliance with certain conditions. On 20 October 2010, in respect of the second show cause notice, the MoEF withdrew the terms of reference issued on 12 March 2009 and directed Vedanta Aluminium to cease further construction of the expansion of its alumina refinery from one mtpa to six mtpa. Vedanta Aluminium filed a writ petition in the High Court of Orissa challenging the order dated 20 October 2010 and requesting the reconsideration of the expansion plans under the relevant circular of the MoEF. The High Court of Orissa has heard the matter and has dismissed Vedanta Aluminium’s writ petition and upheld the actions of the MoEF. However, in line with the MoEF’s submissions to the High Court that, if Vedanta makes a fresh application, such application shall be considered (as in other cases), Vedanta Aluminium made a fresh application to the MoEF. As the MoEF has not considered Vedanta Aluminium’s application, Vedanta Aluminium filed a review petition before the High Court on 26 September 2011. On 28 September 2011, the High Court directed that the matter be listed for hearing after the High Court’s holiday period. The matter has not yet been listed for hearing.

In the event that Vedanta Aluminium’s fresh application to the MoEF and the High Court is not successful, Vedanta Aluminium may be restricted in its ability to expand or be forced to close its alumina refinery and, consequently, the Vedanta Group’s business, operating results, financial condition and/or prospects may be materially and adversely affected.

Tax Risks

The Vedanta Group may be liable for additional taxes if the tax holidays, exemptions and tax deferral schemes which it currently benefits from expire without renewal, or if tax laws change.

The Vedanta Group currently benefits from significant tax holidays, exemptions and tax deferral schemes, which apply for limited periods. There can be no assurance that these and other tax holidays or exemptions will be renewed when they expire or that any application the Vedanta Group makes for new tax holidays or exemptions will be successful. The expiry or loss of existing tax holidays, exemptions and tax deferral schemes or the failure to obtain new tax holidays, exemptions or tax deferral schemes will likely increase the Vedanta Group’s tax obligations, which could have a material adverse effect on its businesses, operating results, financial condition and/or prospects.

Changes in tax laws could also result in additional taxes being payable by the Vedanta Group. For example, the Government of India has raised the export duty on iron ore fines several times in the last few years. On 28 February 2011, the Government of India announced that export duty on fines and lumps would be increased to 20 per cent. from the previous rates of 5 per cent. and 15 per cent, respectively, with effect from 1 March 2011.

Industry Risks

Changes in tariffs, royalties, customs duties and government assistance may reduce the domestic premium that the Vedanta Group receives, which would adversely affect its profitability and operating results.

Copper, zinc and aluminium are sold in the Indian market at a premium to the international market prices of these metals due to tariffs payable on the import of such metals. Between March 2003 and June 2009, basic customs duties on imported copper, zinc, lead, alumina and aluminium decreased cumulatively from 25 per cent. to 5 per cent. These duties have remained at 5 per cent. since June 2009. The Government of India may reduce customs duties further in the future, although the timing and extent of such reductions cannot be predicted. As the Vedanta Group sells the majority of the commodities that it produces in India, any further reduction in Indian tariffs on imports will decrease the premiums it receives in respect of those sales. The Vedanta Group's profitability depends in part on the continuation of import duties, any reduction of which would have a material adverse effect on its businesses, operating results, financial condition and/or prospects.

The Vedanta Group pays royalties to the Indian State Governments of Rajasthan, Chhattisgarh, Goa, Karnataka and Tamil Nadu and also to the Government of Zambia and to the State Government of Tasmania in Australia for its mining activities. Any upward revision to the royalty rates being charged currently or payment of any additional royalty for mining of associated minerals may have a material adverse effect on its profitability.

Indian exports of copper, alumina, aluminium and zinc receive assistance premiums from the Government of India, which have been reduced since Fiscal 2002 and may be further reduced in the future. Any reduction in these premiums will decrease the revenue that the Vedanta Group receives from export sales and could have a material adverse effect on its businesses, operating results, financial condition and/or prospects.

PART B—RISKS OF THE CAIRN INDIA BUSINESS

Exploration and production operations by the Cairn India Group or operators of assets in which it has an interest will involve risks normally incidental to such activities, such as natural disasters and geological uncertainties, over which the Cairn India Group has no control.

Exploration and production operations by the Cairn India Group, or the operators of assets in which it has an interest, will involve risks normally incidental to such activities, including blowouts, oil spills, gas leaks, explosions, fires, equipment damage or failure, natural disasters, unexploded ordinance, geological uncertainties, unusual or unexpected rock formations and abnormal pressures. Offshore operations are also subject to natural disasters as well as to hazards inherent in marine operations and damage to pipelines, platforms, facilities and sub-sea facilities from trawlers, anchors and vessels. The Cairn India Group's producing fields are located in areas that can be subject to extreme weather conditions, flooding, earthquake and other natural disasters.

The occurrence of any of these events could result in environmental damage, injury to persons and loss of life, production delays, failure to produce oil or gas in commercial quantities or an inability to exploit fully discovered reserves.

Consequent delays to seismic, drilling or production activities and declines from normal field operating conditions can be expected to lead to increased costs or adversely affect revenue and cash flow levels to varying degrees. The majority of the production of the Cairn India Group is sourced from its interests in a limited number of PSCs or concessions. Problems in any one PSC or concession could have a material adverse impact upon the Cairn India Group's business, operating results, financial condition and/or prospects.

The Cairn India Group may encounter interruptions in the availability of exploration, production or supply equipment or infrastructure and/or increased costs.

The Cairn India Group, or the operators of assets in which it has an interest, may face interruptions or delays in the availability of equipment or infrastructure, including seismic survey vessels, rigs, pipelines and storage tanks, on which exploration and production activities are dependent. Such interruptions or delays could result in disruptions to exploration activities, production, oil and gas off-take arrangements and increased costs and could have a material adverse effect on the Cairn India Group's business, operating results, financial condition and/or prospects.

The Cairn India Group may incur liabilities as the operators of its assets and other joint venture partners may restrict its activities.

The Cairn India Group operates the majority of its assets. Accordingly, any mismanagement of an asset by the Cairn India Group may give rise to liabilities to its joint venture partners in respect of such asset. There is also a risk that other parties with interests in its assets may elect not to participate in certain activities relating to those assets which require that party's consent. In such circumstances, it may not be possible for such activities to be undertaken by the Cairn India Group alone or in conjunction with other participants at the desired time or at all. In addition, other joint venture partners may default in their obligations to fund capital or other funding obligations in relation to the assets. In certain circumstances, the Cairn India Group may be required under the terms of the relevant operating agreement to contribute all or part of any such funding towards the shortfall of the defaulting parties, against lien of participating interest of such defaulting parties which may be forfeited by the Cairn India Group if the default continues pursuant to the provisions of the relevant agreement.

The Cairn India Group is exposed to risks incidental to licensing, other regulatory requirements and decommissioning.

The Cairn India Group's activities in the countries in which it operates or intends to operate are subject to receipt of licences, regulations and approvals of governmental authorities including those relating to the exploration, development, operation, production, marketing, pricing, transportation and storage of oil and gas, taxation and environmental and health and safety matters.

The Cairn India Group has limited or no control over whether or not necessary approvals or licences (or renewals thereof) are granted or maintained, the timing of obtaining (or renewing) such licences or approvals, the terms on which they are granted or the tax regime to which the Cairn India Group or its assets will be subject. For example, the proposed increase in production in the Rajasthan fields is subject to regulatory approval. As a result, the Cairn India Group may in certain circumstances have limited control over the nature and timing of development and exploration of oil and gas fields in which it has or seeks interests.

Changes in regulatory requirements in countries in which the Cairn India Group has existing activities or new countries targeted for future investment could preclude or detrimentally affect the schedule or costs associated with its planned activities.

Upon the expiry of licences, contractors are generally required, under the terms of relevant licences or local law, to dismantle and remove equipment, cap or seal wells and generally make good production sites. There can, however, be no assurance that the Cairn India Group will not in the future incur decommissioning charges in excess of those currently provided for, since local or national governments may require decommissioning to be carried out in circumstances where there is no express obligation to do so, particularly in case of future licence renewals. This could have a material adverse effect on the Cairn India Group's business, operating results, financial condition and/or prospects.

Plateau production rates from the Rajasthan fields may be less than forecast.

The estimates of production rates and field life contained in the field development plans (the "FDPs") for the Mangala, Bhagyam, Aishwariya, Raageshwari and Saraswati fields which were submitted to, and approved by, the management committee of the PSC between the Government of India and a consortium consisting of the Oil and Natural Gas Corporation Limited ("ONGC"), Shell India Production Development B.V. ("SIPD") and Cairn India in relation to three contiguous development areas (the "Development Area") totalling 3,111 square km in Block RJ-ON-90/1 (the "Rajasthan Block"), (the "Rajasthan Block PSC"), are based on the Cairn India Group's estimates of future field performance. Where any estimates of future production rates are in excess of the existing approved field plateau production rates, the consent of the joint venture partner, the appropriate regulatory authorities and the Government of India will be required before any of the fields can produce at these enhanced estimates of future production rates. In the event that consent of the joint venture partner is delayed or not obtained, production would be limited to the rate set out in the FDP, which would have a detrimental impact on the Cairn India Group's operating results. Future field performance is subject to a number of risks that are beyond the control of the Cairn India Group. If the actual amounts of such reserves are less than estimated, the Cairn India Group's business, operating results, financial condition and/or prospects could be materially and adversely affected.

The waxy nature of the crude oil at the Northern Fields presents flow assurance concerns.

The waxy nature of the crude oil at the Mangala, Aishwariya, Bhagyam and Shakti fields in the Rajasthan Block in the state of Rajasthan in northwest India (the “Northern Fields”) requires the Cairn India Group to use hot water injection as the recovery technique at these fields. Injection of hot water requires that the temperature of the water is maintained at a certain level to ensure that the temperature of the crude oil is not reduced by the water used in the injection process to the point where solidification may occur. If the temperature of the injection water is not maintained at the required level, the required injection rate may not be able to be maintained and the overall field production rate and ultimate recovery may be adversely impacted. Any reduction in its crude oil production and/or estimates of ultimate recovery could have a material adverse effect on the Cairn India Group’s business, operating results, financial condition and/or prospects.

The waxy nature of the crude oil requires that the temperature of the crude oil transported through the main 24 inch insulated oil pipeline and connecting spur lines should be kept at a temperature greater than the wax appearance temperature of the crude oil. Maintaining the temperature of the crude oil above this wax appearance temperature has required the installation of a specialised heating system and heating stations at various points along the pipeline. If the specialised heating system does not perform as expected and/or there are problems associated with the performance of the heating stations and/or there are problems supplying fuel to the power generation systems at these heating stations, the crude oil may not be maintained at the required temperature, which would have an adverse impact on the rates at which oil can be transported through the pipeline network. This would have a detrimental impact on the Cairn India Group’s operating results and revenues.

The development and production plans for the Northern Fields are dependent upon the Cairn India Group obtaining a reliable fuel supply for power generation and heating of the Northern Fields facilities.

The reliability of fuel supply for power generation and heating for the Northern Fields processing facilities is essential to ensure the quality of the Cairn India Group’s crude oil production (see the preceding risk factor entitled “The waxy nature of the crude oil at the Northern Fields presents flow assurance concerns”). Currently, the power generation and heating requirements are being supplied by a power plant that has been installed and commissioned at the Mangala Processing Terminal (the “MPT”). The power plant has been designed to use associated natural gas from the Mangala field supplemented as required by natural gas from the Raageshwari Deep gas field which is located in the Rajasthan Block approximately 80 km from the site designated for the power plant.

While the current gas supply is adequate to ensure a sufficient fuel supply for the operation of the power generating plant, there is no guarantee that the current estimates of the future fuel requirements can be supplied from the gas associated with existing and future oil production supplemented by gas supply from the Raageshwari Deep gas field. An alternative energy source would need to be obtained, which could increase the Cairn India Group’s operating costs and have a detrimental impact on its revenues.

The development and production plans for the Northern Fields are dependent upon the Cairn India Group’s ability to provide its own supply of water to its production and servicing facilities.

The Cairn India Group is using hot water injection to maintain reservoir pressure and to optimise crude oil recovery at the Mangala field. The approved FDPs of the Bhagyam and Aishwariya fields also assume that water injection will be used to maintain reservoir pressure and optimise future oil recovery from these fields. The source water for these fields is being, and will continue to be, provided from water production wells drilled in the Thumbli saline aquifer in the Barmer Basin and connected to the MPT. Extraction of saline water also requires the approval of the relevant authority.

There can be no assurance that the Cairn India Group’s modelling of the impact of its expected water extraction from the Thumbli groundwater flow is accurate. A failure to extract the required amount of water during the production life of the existing and currently planned developments, or an inaccurate prediction of the impact on the groundwater flow of its activities, or removal of the authorities’ approval to extract saline water, may require the Cairn India Group to access alternative water sources resulting in increased capital expenditure.

In addition, there can be no assurance that the local community will not seek to hold the Cairn India Group responsible for any invasion of the fresh water supply by saline groundwater from the aquifer. Although the appropriate authority has given its consent for the extraction of saline groundwater from

Thumbli, it is possible that the Cairn India Group will be perceived by the local Barmer community to be directly or indirectly responsible for any shortage of fresh water or a deterioration in water quality. In such an event, local authorities, who have permitted the Cairn India Group to use the saline groundwater, may require the Cairn India Group to access alternative water sources, which could have a material adverse effect on the Cairn India Group's business, operating results, financial condition and/or prospects.

The Cairn India Group may not be able to use EOR techniques successfully.

The FDPs for the Northern Fields assume, or are expected to assume, the use of EOR techniques to extract an additional incremental percentage of the estimated oil in place in the reservoirs. EOR screening studies of the Northern Fields have concluded that polymer flooding or alkaline surfactant polymer flooding, two common EOR techniques, are the preferred EOR options. A pilot scheme is underway at the Mangala field.

If the Mangala EOR pilot scheme is successful, Cairn India intends to seek the required approvals from the Government of India, relevant regulators and joint venture partner ONGC to proceed with a revision of the Mangala FDP to expand the EOR scheme across the Mangala field. However, this strategy presents a number of logistical and other challenges. The Cairn India Group will be required to source large quantities of the types of polymer that would be required for the EOR techniques and ensure their efficient transportation to the fields. To date, members of the Cairn India Group have neither entered into any agreements regarding such supplies for full field implementation of EOR nor determined a method of transportation of such material to the fields. There can be no assurance that the Cairn India Group will successfully conclude an agreement to purchase such material or successfully and efficiently transport the quantities that it will require. Further, if the Cairn India Group fails to maintain the polymer at the correct temperature in the reservoir, then it may degrade and not function correctly, thereby reducing the incremental amount of crude oil that the Cairn India Group expects to recover. There is also a risk that polymer fouling of the surface facilities might occur, leading to a deterioration of the operating efficiency of the processing plant.

In addition, the use of such a recovery technique may significantly increase the operational expenditure necessary to extract crude oil. The economic viability of such recovery techniques will be determined by the incremental cost of such techniques compared to the then prevailing price of crude oil in the international markets. There can be no assurance that, at the time the Cairn India Group intends to effect these enhanced recovery techniques, the price of crude oil will allow such techniques to be an economically viable proposition. All of these factors could have a material adverse effect on the Cairn India Group's business, operating results, financial condition and/or prospects.

Associated gas production may be greater than forecast.

The associated gas production from the Northern Fields may be greater than forecast and any such associated gas remaining after satisfying the MPT fuel gas requirements may exceed any environmental limits for the disposal of such associated gas. This could require crude oil production to be reduced to allow such limits to be met, or require the construction of facilities to inject any such excess gas into a suitable reservoir, which would require the construction of additional facilities with the associated additional costs, any of which could have a material adverse effect on the Cairn India Group's business, operating results, financial condition and/or prospects.

MPT facilities may become unable to separate associated gas and water from the crude oil.

The MPT facilities, which are designed to separate gas and water from the produced oil, may not function as designed over the producing life of the fields whose production is processed at the MPT facilities. This may result in the crude oil not meeting pipeline export specifications, which may mean that any such crude oil either cannot be sold or will be sold at a significant discount to the agreed crude oil sales price, which could have a material adverse effect on the Cairn India Group's business, operating results, financial condition and/or prospects.

The ongoing commissioning of additional production facilities at the MPT and further investments to augment processing capacity and infrastructure may be more capital intensive than initially forecast and, once complete, may not function as designed.

Work is continuing on the commissioning of additional production facilities at the MPT to achieve processing capacity beyond 175,000 bopd by March 2012. This considers the processing of crude oil from

the Bhagyam field, which is dependent upon necessary and timely approvals from the Government of India. Further investments are also planned to augment processing capacity and pipeline infrastructure to deliver the currently envisaged basin potential of 240,000 bopd.

These additional production facilities and augmentations to processing capacity and infrastructure may be more capital intensive than initially forecast and, once completed, may not function as designed. This could have an adverse effect on the ability to separate associated gas and water from the produced oil, which in turn could mean that such oil is of a quality such that it cannot be sold or such oil is sold at a significant discount to the agreed sales price for the produced crude oil.

The occurrence of any of the events described above could have a material adverse effect on the Cairn India Group's business, operating results, financial condition and/or prospects.

Additional wells may be required to develop the Bhagyam field.

The results of the Bhagyam development drilling programme may indicate that additional development wells (whether producers or water injectors) may be required in order that the Bhagyam field can produce at the approved Bhagyam field plateau production rate. If additional wells are required, this will mean an increase in the field development costs, which may require the approval of the joint venture partner, the relevant regulatory authorities and the Government of India. This could have a material adverse effect on the Cairn India Group's business, operating results, financial condition and/or prospects.

The pipeline connecting the Bhagyam field to the MPT facilities may not work as designed.

The main export pipeline connecting the Bhagyam field to the MPT facilities is based on the same design as has been used for the main 24 inch oil export pipeline from the MPT to Salaya on the Gujarat coast. This design relies on being able to heat the export pipeline with an externally applied electric current. If this design does not work as expected, there is a risk that the temperature of the crude oil drops below the wax appearance temperature and that the crude oil becomes extremely viscous and difficult to pump, which can ultimately lead to plugging of the pipeline with waxy deposits. Such an occurrence would adversely affect the ability of the Bhagyam field to produce at the currently approved Bhagyam field plateau production rate of 40,000 bopd, which could have a material adverse effect on the Cairn India Group's business, operating results, financial condition and/or prospects.

The costs of the Bhagyam field development may be greater than forecast.

The Bhagyam FDP has been approved by ONGC, the relevant regulatory authorities and the Government of India. The estimated costs were included within the Bhagyam FDP and, although these costs allowed for some increase in costs between the time at which the Bhagyam FDP was approved and the actual awards of the contracts, there is a risk that the estimates of these costs were too low and the costs of developing the Bhagyam field are greater than the approved Bhagyam field development costs. If this occurs, there is a risk that either the development of the Bhagyam field is delayed while approval is sought from the joint venture partner, the relevant regulatory authorities and the Government of India for any increase in costs or that the Bhagyam FDP will have to be modified to allow the development of the Bhagyam field within the approved budgetary costs. Either of these occurrences could result in a delay in the onset of production from the Bhagyam field as well as increasing the risk that some of the Bhagyam field development costs are not allowed for cost recovery purposes, which could have a material adverse effect on the Cairn India Group's business, operating results, financial condition and/or prospects.

The construction of the Salaya to Bhogat section of the main pipeline may take longer than planned, may not work as intended and the costs of construction may be greater than forecast.

While work has commenced on the construction and installation of the Salaya to Bhogat section of the main pipeline using the same pipeline contractor that was used for the installation of the MPT to Salaya section of the main oil pipeline, there is a risk that the construction, installation and commissioning of the Salaya to Bhogat section, which is approximately 80 km long could take longer than planned. Factors that could adversely affect the construction schedule are: (i) inclement weather conditions in Gujarat; (ii) difficulties in obtaining all the required access to pipeline rights of use; (iii) difficulties with local landowners obstructing access to the pipeline routes; (iv) shortages and/or delays in obtaining all the required material; (v) shortages of skilled labour; and (vi) non-compliance with the Cairn India Group's health, safety, environmental and quality policies.

The design of the Salaya to Bhogat section of the main oil pipeline is the same as for the MPT to Salaya section. This design relies on the ability to heat the main oil pipeline using an externally applied electric current to ensure that the temperature of the crude oil passing through the pipeline is maintained above the wax appearance temperature. Failure to maintain the crude oil temperature above the wax appearance temperature will result in wax being deposited with the associated increase in the viscosity of the crude oil, which in turn will result in the loss of pressure required to keep the crude oil moving. If uncorrected, the oil will solidify and the pipeline will have to be shut down while the problems are corrected.

The construction of the additional Salaya to Bhogat section of the main pipeline has been approved by ONGC, the relevant regulatory authorities and the Government of India. The estimated costs of the Salaya to Bhogat section were included as part of the overall cost estimates for construction of the main pipeline and although these costs allowed for some increase in costs between the time at which the construction of the main pipeline was approved and the actual awards of the contracts for the Salaya to Bhogat section, there is a risk that the estimates of these costs were too low and the costs of developing the Salaya to Bhogat section exceeds the currently approved costs. If this occurs, there is a risk that the joint venture partner, the relevant regulatory authorities and the Government of India do not approve the increase in costs. This could increase the risk that some of the costs for constructing, installing and commissioning this section of the main pipeline are not allowed for cost recovery purposes.

The occurrence of any of the above events could have a material adverse effect on the Cairn India Group's business, operating results, financial condition and/or prospects.

The construction of the Bhogat marine terminal and loading facilities may take longer than planned, may not work as planned and the costs of construction may be greater than forecast.

While work has commenced on the construction and installation of the marine terminal and loading facilities using the same oil terminal contractor that was used for the construction of the Radhanpur oil terminal, there is a risk that the construction, installation and commissioning of the marine terminal and loading facilities could take longer than planned. Factors that could adversely affect the construction, installation and commissioning schedule are: (i) inclement weather conditions in Bhogat; (ii) difficulties with local landowners; (iii) shortages and/or delays in obtaining all the required materials; (iv) unforeseen 'sea-bottom' conditions which may adversely affect dredging operations; (v) shortage of skilled labour; and (vi) non-compliance with the Cairn India Group's health, safety, environmental and quality policies. If the completion of the Bhogat terminal and/or marine loading facilities are delayed, this will adversely impact the ability to despatch crude oil to customers who require the marine transportation of the crude oil to their receiving terminals.

The construction of the Bhogat marine terminal and loading facilities has been approved by ONGC, the relevant regulatory authorities and the Government of India. The estimated costs of the Bhogat marine terminal and loading facilities were included and although these costs allowed for some increase in costs between the time at which the construction of the main pipeline was approved and the actual awards of the contracts, the information relating to the costs of constructing the marine terminal and the allied marine loading facilities was at a very early stage, so there is a risk that the estimates of these costs were too low and the costs of developing these facilities exceeds the currently approved costs. If this occurs, there is a risk that the joint venture partner, the relevant regulatory authorities and the Government of India do not approve any increase in these costs. This could increase the risk that some of the costs for developing, installing and commissioning the Bhogat marine terminal and loading facilities are not allowed for cost recovery purposes.

The design of the Bhogat marine loading facilities requires that the crude oil stored in the Bhogat marine storage facilities be sent offshore to a marine loading facility. The distance to the marine loading facility is approximately 14 km and there is a risk that the temperature of the crude oil could drop below the wax appearance temperature which, if uncorrected, could lead to plugging of the line and the consequent impact on the export of the crude oil.

The occurrence of any of the above events could have a material adverse effect on the Cairn India Group's business, operating results, financial condition and/or prospects.

The impact of adverse weather on the Bhogat Marine Loading Facilities may be greater than anticipated.

The storage capacity of the Bhogat storage facilities has been based on analysis of historical environmental data (wind and sea states) relevant to the location of the Bhogat marine loading facilities. If the predictions

of future wind and sea-states have underestimated the periods for which the marine oil tankers will be unable to load their cargoes, then this could mean that the overall Bhogat marine storage facilities are insufficient to store the required quantities of crude oil for a prolonged period of down-time associated with adverse environmental conditions. This could have an adverse impact on the plateau production rates of the Rajasthan fields, which could have a material adverse effect on the Cairn India Group's business, operating results, financial condition and/or prospects.

ONGC has disputed several cash calls raised by Cairn India relating to operations conducted during exploration, development and production.

There are various ongoing disagreements between Cairn India and ONGC relating to the allocation of costs incurred by exploration, development and laying of pipelines in the Rajasthan Block. Specifically, ONGC has withheld payment towards exploration cash calls on the grounds that it is not liable for contribution of costs towards exploration. There can be no guarantee ONGC will fulfil its payment commitments or that Cairn India will be successful in pursuing these disputed payments in any subsequent litigation proceedings. The Ministry of Petroleum and Natural Gas of the Government of India ("MoPNG") has been consulted to elicit whether exploration activities can be continued in the context of these ongoing payment disputes. Should the MoPNG conclude that further exploration is not allowed in the Rajasthan Block, Cairn India may be required to take the matter to arbitration. Although Cairn India believes that further exploration is permitted in the Rajasthan Block and has secured legal opinions supporting that view, there is a risk that an arbitration panel would determine that further exploration is not allowed. Should such an event occur, it could have a material impact on the future cash flows and earnings of the Cairn India Group.

Demand for the oil produced from the Rajasthan Block may not exceed supply, and unforeseen disruptions at a major buyer's facilities could adversely impact the Cairn India Group's business.

The Cairn India Group has in place infrastructure and oil sales agreements with several public sector utilities and private sector refineries for expected levels of crude production from the Mangala Field during the period to March 2012. Stoppage of off-take or supply could result if the buyers fail to take delivery of volumes anticipated by these sales agreements. As production increases there is a risk that buyers will not be able to take all of the available production capacity. Additionally, the majority of production is going to a single buyer and any unforeseen disruption at this buyer's facilities would affect sales volume and therefore revenue generation of the Cairn India Group. Any of these could have a material adverse impact on oil sales and cash flow of the Cairn India Group. Completion of the pipeline from Salaya to Bhogat will provide a longer term solution allowing access to additional coastal refineries.

Exploration activities are capital intensive and inherently uncertain in their outcome.

Exploration activities are capital intensive and inherently uncertain in their outcome. There is a risk that the Cairn India Group or the operators of assets in which it has an interest will undertake exploration activities and incur significant costs in so doing with no assurance that such expenditure will result in the discovery of hydrocarbons, whether or not in commercially viable quantities.

Inadequate plant operating and maintenance procedures may have a material adverse effect on the financial condition or operating results of the Cairn India Group.

The Cairn India Group has in place operating and maintenance procedures to maintain the integrity of its production facilities but there is a risk that unplanned events, inadequate application of these procedures or higher levels of corrosion than expected could cause disruption to production, which would have an adverse impact on oil sales and cash flow of the Cairn India Group and which ultimately could have a material adverse effect on the business, operating results, financial condition and/or prospects of the Cairn India Group.

Risk of counterparty default may result in delayed off takes or payout for delivered production volumes.

The Cairn India Group has entered into agreements with a number of contractual counterparties in relation to the sale and supply of their respective hydrocarbon production volumes and is, therefore, subject to the risk of delayed off takes or payment for delivered production volumes or counterparty default.

In certain cases, the relevant counterparty, either legally or as a result of geographic, infrastructure or other constraints or factors, is in practice the sole potential purchaser of the relevant production output. This is particularly the case for sales of gas which rely upon the availability or construction of transmission and other infrastructure facilities, enabling the supply of gas produced to be supplied to end users. The absence of competitors for the transmission or purchase of gas produced by the Cairn India Group may expose it to offtake and production delays, adverse pricing or other contractual terms or may restrict the availability of transmission or other necessary infrastructure.

Such delays or defaults or adverse pricing or other contractual terms or restricted infrastructure availability could have a material adverse effect on the Cairn India Group's business, operating results, financial condition and/or prospects.

PART C—RISKS OF THE COMBINED GROUP

General

The Combined Group's stated reserves and resources are only estimates based on a range of assumptions and there can be no assurance that the anticipated tonnages or grades in the case of the Vedanta Group, and/or hydrocarbons in the case of the Cairn India Group, will be achieved.

The estimated mine lives for the Vedanta Group's mines and field lives for the Cairn India Group's assets are set out in Part IV: "Ore Reserves and Mineral Resources Information" of this Prospectus. To realise future production growth and/or extraction, extend the lives of its mines and/or fields and ensure the continued operation of its businesses, the Combined Group must continue to realise its existing identified reserves, convert resources into reserves, develop its resource base through the realisation of identified mineral potential, undertake successful exploration and/or acquire new reserves and resources.

The Vedanta Group's mineral reserves and resources described in this Prospectus constitute estimates reported in accordance with the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves dated September 1999, prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (the "JORC Code") or, in the case of KCM, the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (the "SAMREC Code"). The Cairn India Group's reserves and resources described in this Prospectus are prepared in accordance with the Petroleum Resources Management System jointly published by the Society for Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers (the "PRMS"). In respect of these estimates, no assurance can be given that the anticipated tonnages or grades in the case of the Vedanta Group, and/or hydrocarbons in the case of the Cairn India Group, will be achieved, that the indicated level of recovery will be realised or that mineral reserves or resources can be mined, processed, and/or extracted profitably. Actual reserves, resources or mineral potential may not conform to the geological, metallurgical or other expectations and the volume and grade of ore and/or hydrocarbons recovered may be below the estimated levels. In addition, there can be no assurance that further on site drilling or other exploratory work will result in the affirmation of previous estimates. The estimated resources described in this Prospectus should not be interpreted as a statement of the commercial viability, potential or profitability of any future operations. Lower market prices, increased costs of production, reduced recovery rates and other factors may render the Combined Group's reserves or resources uneconomic to exploit and may result in a reduction of its reserve estimates from time to time. Reserves data is not indicative of future operating results. If the Combined Group's actual mineral reserves and resources are less than current estimates or are rendered uneconomic or if the Combined Group fails to develop its resource base through the realisation of new mineral potential, this could have a material adverse effect on the Combined Group's businesses, operating results, financial condition and/or prospects.

Hydrocarbon prices are subject to fluctuations in response to a variety of factors beyond the control of the Combined Group.

Historically, hydrocarbon prices have been subject to large fluctuations in response to a variety of factors beyond the control of the Combined Group. No assurance can be given that hydrocarbon prices will increase, or that existing price levels will be maintained, in the future. Lower hydrocarbon prices may result in a reduction in revenues or net income and could have a material adverse effect on the Combined Group's businesses, operating results, financial condition and/or prospects.

Commodity prices and the TcRc may be volatile, which may have a material adverse effect on the Combined Group's revenue, and operating results.

Historically, the international commodity prices for copper, zinc, aluminium and iron ore and the prevailing market TcRc rates for copper have been volatile and subject to wide fluctuations in response to relatively minor changes in the supply of, and demand for, such commodities, market uncertainties, the overall performance of world or regional economies, the related cyclicity in industries the Combined Group directly serves and a variety of other factors. Commodity prices and the market TcRc rate for copper may continue to be volatile and subject to wide fluctuations in the future. In 2009, the decline in commodity prices was based on a global decline in supply of such commodities. A decline in the prices that the Combined Group receives for its copper, zinc, aluminium or iron metals or in the market TcRc rate for copper would adversely affect the Combined Group's revenue and operating results and a sustained drop would have a material adverse effect on its businesses, operating results, financial condition and/or prospects.

If the Combined Group cannot secure additional reserves of copper, zinc, bauxite and iron ore that can be mined at competitive costs or cannot mine existing reserves at competitive costs, its profitability and operating margins could decline.

If the Vedanta Group's existing copper, zinc and bauxite reserves cannot be mined at competitive costs or if the Combined Group cannot secure additional reserves that can be mined at competitive costs, the Combined Group may become more dependent upon third parties for copper concentrate, zinc concentrate and alumina. If the Vedanta Group's existing iron ore reserves cannot be mined at competitive costs, the Combined Group's iron ore business may become unprofitable. Because the Combined Group's mineral reserves decline as it mines the ore, the Combined Group's future segment results and segment margins depend upon its ability to access mineral reserves with geological characteristics that allow mining at competitive costs. Replacement reserves may not be available when required or, if available, may not be of a quality capable of being mined at costs comparable to the existing or exhausted mines.

The Combined Group may not be able to accurately assess the geological characteristics of any reserves that it acquires, which may adversely affect its operating results and financial condition. Because the value of reserves depends on that part of its mineral deposits that are economically and legally exploitable at the time of the reserve calculation, a decrease in metal prices may result in a reduction in the value of mineral reserves that the Combined Group obtains as less of the mineral deposits contained therein would be economically exploitable at the lower prices. Exhaustion of reserves at particular mines may also have an adverse effect on the Combined Group's operating results that is disproportionate to the percentage of overall production represented by such mines. Further, with the depletion of reserves, the Combined Group may face higher unit extraction costs per mine.

The Combined Group's ability to obtain additional reserves in the future could be limited by restrictions under the Vedanta Group's or the Cairn India Group's existing or the Combined Group's future debt agreements, competition from its competitors, lack of suitable acquisition candidates, government, regulatory and licensing restrictions, difficulties in obtaining mining leases and surface rights or the inability to acquire such properties on commercially reasonable terms, or at all. In addition, the Vedanta Group and the Cairn India Group are and the Combined Group will be subject to various government limitations on their ability to mine. To increase production from the Vedanta Group's existing copper, bauxite, lead-zinc and iron ore mines, the Combined Group must apply for governmental approvals which it may not be able to obtain in a timely manner, or at all.

The results of appraising discoveries and estimating reserves are uncertain.

The results of appraising discoveries are uncertain, which may result in reductions in projected reserves and production declines and may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but uneconomic to develop. Furthermore, as Combined Group's mineral reserves decline as it mines the ore, the Combined Group's future segment results and segment margins depend upon its ability to access mineral reserves with geological characteristics that allow mining at competitive costs and replacement reserves may not be available when required. Appraisal and development activities may be subject to delays in obtaining governmental approvals or consents, shut-ins of connected wells, insufficient storage or transportation capacity or exhaustion and depletion of reserves or other geological and mechanical conditions, all of which may result in a material increase in the Combined Group's costs of operations or delay anticipated revenues.

The Combined Group's operations are subject to operating risks that could result in decreased production, increased cost of production and increased cost of or disruptions in transportation, which could materially and adversely affect its businesses, operating results, financial condition and/or prospects.

The success of each of the Combined Group's businesses is subject to operating conditions and events beyond its control that could, among other things, increase its mining, transportation or costs of production, disrupt or halt operations at its mines and production facilities permanently or for varying lengths of time, or interrupt the transportation of the Combined Group's products to its customers. These conditions and events include:

- *Disruptions in mining, drilling and production due to equipment failures, unexpected maintenance problems and other interruptions.* All of the Combined Group's operations are vulnerable to disruptions. Metal processing plants are especially vulnerable to interruptions, particularly where an event causes a stoppage which necessitates a shut down in operations. Stoppages in certain types of the Combined Group's smelters, even if lasting only a few hours, can cause the contents of furnaces or cells to solidify, resulting in a plant closure for a significant period and necessitating expensive repairs, any of which could materially and adversely affect its operating results and/or financial condition. Drilling may involve unprofitable efforts, not only with respect to dry wells, but also with respect to wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs.
- *Availability of raw materials for energy requirements.* Any shortage of or increase in the prices of the raw materials needed to satisfy the Combined Group's energy requirements may interrupt its operations or increase its cost of production. The Combined Group is particularly dependent on coal which is used in many of its captive power plants ("CPP"). The Combined Group's aluminium business, which has high energy consumption due to the energy intensive nature of aluminium smelting, is significantly dependent on receiving allocations from Coal India Limited, the government owned coal monopoly in India ("Coal India").
- *Availability of water.* The mining operations of the Combined Group's zinc and aluminium businesses and its CPPs depend upon the supply of a significant amount of water. There is no assurance that the water required for these operations will continue to be available for the Combined Group in sufficient quantities or that the cost of water will not increase.
- *Disruptions to or increased costs of transport services.* The Combined Group depends upon seaborne freight, inland water transport, rail, trucking, overland conveyor and other systems to transport bauxite, alumina, zinc concentrate, copper concentrate, iron ore, oil, natural gas, metallurgical coke, pig iron, coking coal and other supplies to its operations and to deliver its products to customers. Any disruption to or increase in the cost of these transport services, including as a result of fuel cost increases, interruptions that decrease the availability of these transport services or increases in demand for transport services from the Combined Group's competitors or from other businesses, or any failure of these transport services to be expanded in a timely manner to support an expansion of the Combined Group's operations, could have a material adverse effect on its businesses, operating results and/or financial condition.
- *Crude oil, natural gas, hydrocarbons and petrochemicals processed and the resulting products are, by their nature, hazardous materials that are, in many cases, highly combustible. The nature of production operations exposes the Combined Group to the heightened risk from accidents involving explosions and fire.* The oil and gas operations are also subject to common operational risk such as interruptions to power supplies, technical facilities, flooding, or other accidents. Such risks and hazards may result in damage or harm to, or destruction of, properties, production, facilities, people and the environment. In addition, if a spill or other contamination results from production, storage, export, shipment or sale of oil or other hydrocarbon products occurs, this could result in significant environmental liabilities.
- *Accidents at mines, smelters, refineries, cargo terminals and related facilities, including as a result of the occurrence of natural disasters.* Any accidents or explosions, including as a result of the occurrence of natural disasters, causing personal injury, property damage or environmental damage at or to the Combined Group's mines, smelters, refineries, cargo terminals and related facilities may result in significant losses, expensive litigation, imposition of penalties and sanctions or suspension or revocation of permits and licences. Injuries to and deaths of workers at the Vedanta Group's mines and facilities have occurred in the past and may occur in the future. Most recently, construction at the Vedanta Group's 1,200 MW power plant at Korba was disrupted following the collapse of a chimney

under construction in September 2009 during heavy rains and lightning. There were 40 fatalities in the accident and Shandong Electric Power Construction Corporation (“SEPCO”), the Vedanta Group’s engineering, procurement and construction contractor, and Gamon Dunkerley and Company Ltd, the sub-contractor, are the subjects of an investigation by the Chhattisgarh government. Consequently, in August 2010, the International Safety Awards for 2009 conferred on BALCO’s Alumina Smelter Plant II and Vedanta Aluminium were withdrawn pending further investigation by the British Safety Council.

- *Strikes and industrial actions or disputes.* The majority of the Combined Group’s workforce is unionised. Strikes and industrial actions or disputes have occurred in the past and may occur in the future, which may lead to business interruptions and halts in production for the Combined Group.

The occurrence of any one or more of these conditions or events could have a material adverse effect on the Combined Group’s businesses, operating results, financial condition and/or prospects.

Defects in title or loss of any leasehold interests in the Combined Group’s properties could limit its ability to conduct operations on such properties or result in significant unanticipated costs.

The Combined Group’s ability to mine the land on which it has been granted mining lease rights and to make use of its other industrial and office premises is dependent on its acquisition of surface rights. Surface rights and title to land are required to be negotiated separately with landowners and there is no guarantee that these rights will be granted. Any delay outside of the ordinary course of business in obtaining or inability to obtain or any challenge to its title or leasehold rights to surface rights could negatively affect the Combined Group’s businesses, operating results, financial condition and/or prospects.

In addition, there may be certain irregularities in title in relation to some of the Combined Group’s owned and leased properties. For example, some of the agreements for such arrangements may not have been duly executed and/or adequately stamped or registered in the land records of the local authorities or the lease deeds may have expired and not yet been renewed. Since registration of land title in India is not centralised and has not been fully computerised, the title to land may be defective as a result of a failure on the Combined Group’s part, or on the part of a prior transferee, to obtain the consent of all such persons or duly complete stamping and registration requirements. The uncertainty of title to land may impede the processes of acquisition, independent verification and transfer of title and any disputes in respect of land title that the Combined Group may become party to may take several years and considerable expense to resolve if they become the subject of court proceedings. Further, certain of these properties may not have been constructed or developed in accordance with local planning and building laws and other statutory requirements, or it may be alleged that such irregularities exist in the construction and development of the Combined Group’s built up properties. Any such dispute, proceedings or irregularities may have an impact on the operations of the Combined Group.

The Combined Group relies upon third-party contractors and providers of equipment, who may not be readily available and whose costs may increase.

In common with many exploration and production companies, the Combined Group and the operators of assets often contract or lease services and equipment from third-party providers. Such services and equipment can be scarce and may not be readily available at the times and places required.

In addition, the costs of third-party services and equipment have increased significantly over recent years and may continue to rise. Scarcity of services and equipment and increased prices may, in particular, result from any significant increase in regional exploration and development activities, which in turn may be the consequence of increased or continued high hydrocarbon or mineral prices. The scarcity of such services and equipment, as well as their potentially high costs, could delay, restrict or lower the profitability and viability of projects which may have a material adverse effect on the Combined Group’s businesses, operating results, financial condition and/or prospects.

The Combined Group’s insurance coverage may prove inadequate to satisfy future claims against it.

The Combined Group maintains insurance which it believes is typical in the respective industries in which it operates and in amounts which it believes to be commercially appropriate. Nevertheless, the Combined Group may become subject to liabilities, including liabilities for pollution or other hazards, against which it has not insured adequately or at all, or cannot insure. The Combined Group’s insurance policies contain certain customary exclusions and limitations on coverage which may result in its claims not being honoured

to the full extent of the losses or damages it has suffered. In addition, the Combined Group's operating entities in India can only seek insurance from domestic insurance companies or foreign insurance companies operating in joint ventures with Indian companies and these insurance policies may not continue to be available at economically acceptable premiums. The occurrence of a significant adverse event, the risks of which are not fully covered or honoured by such insurers, could have a material adverse effect on the Combined Group's businesses, operating results, financial condition and/or prospects.

The Combined Group's operations are subject to extensive governmental, health and safety and environmental regulations, which require it to obtain and comply with the terms of various approvals, licences and permits. Any failure to obtain, renew or comply with the terms of such approvals, licences and permits in a timely manner may have a material adverse effect on its businesses, operating results, financial condition and/or prospects.

Numerous governmental permits, approvals and leases are required for the Combined Group's operations as the industries in which it operates and seeks to operate are subject to numerous laws and extensive regulation by national, state and local authorities in jurisdictions including India, Sri Lanka, Zambia, Australia, Namibia, South Africa, Ireland and any other jurisdictions where the Combined Group may operate in the future. The Combined Group's operations are also subject to laws and regulations relating to employment, the protection of health and safety as well as the environment. For instance, the Combined Group is required to obtain various environmental and labour-related approvals in connection with its operations in India, including clearances from the MoEF, Government of India and from the relevant Pollution Control Boards in the various states in India in which the Combined Group operates and registration under the Factories Act, 1948, as amended (the "Indian Factories Act") in order to establish and operate its facilities. Certain of such approvals are valid for stipulated periods of time and require periodic renewals, such as the consents to operate under the Air (Prevention and Control of Pollution) Act, 1981, as amended (the "Indian Air Act") and the Water (Prevention and Control of Pollution) Act, 1974, as amended (the "Indian Water Act") from the relevant Pollution Control Boards, which are generally granted for a period of one year. See paragraphs 14 and 15 of Section A of Part I: "Information on the Vedanta Group, the Cairn India Group and the Combined Group" of this Prospectus for more information on the regulatory regime and requirement of approvals, permits and consents for the Combined Group's operations. Further, the Combined Group's exploration and mining activities depend on the grant, renewal or continuance in force of various exploration and production licenses and contracts and other regulatory approvals that are valid for a specific period of time. In addition, such licences and contracts contain various obligations and restrictions, including restrictions on assignment or any other form of transfer of a mining lease or on the employment of a person who is not an Indian national. For instance, in connection with the Vedanta Group's mining operations in India, mining leases are typically granted for a period of 20 to 30 years and stipulate conditions including approved limits on extraction.

Furthermore, the Combined Group's ability to mine new areas of land in respect of which it is seeking mining rights is dependent on its separate acquisition of surface rights. While Vedanta expects the Vedanta Group to be able to continue to obtain additional surface rights in its ordinary course of business, any delay or substantial compensation costs in obtaining, or inability to obtain, additional surface rights could have a material adverse effect on its businesses, operating results, financial condition and/or prospects.

The costs, liabilities and requirements associated with complying with existing and future laws and regulations may also be substantial and time-consuming and may delay the commencement or continuation of exploration, mining or production activities.

Failure by the Combined Group to comply with applicable laws, regulations or recognised international standards, or to obtain or renew the necessary permits, approvals and leases may result in the loss of the right to operate its facilities, or continue its operations, the imposition of significant administrative liabilities, or costly compliance procedures, or other enforcement measures that could have the effect of closing or limiting production from its operations. If the Combined Group were to fail to meet environmental requirements or to have a major accident or disaster, it may also be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines, penalties and damages against it as well as orders that could limit or halt or even cause the closure of its operations, any of which could have a material adverse effect on its businesses, operating results, financial condition and/or prospects.

New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws and regulations, may also require the Combined Group or its customers to change operations significantly

or incur increased costs, which could have a material adverse effect on the Combined Group's businesses, operating results, financial condition and/or prospects. For example, due to a recent change in the mining law in Zambia, KCM was required to apply for the renewal of the mining licences for its mines and will be required to obtain an operating permit on an annual basis.

Additionally, Vedanta's listed subsidiaries, Sterlite, HZL and SGL are required to comply with various conditions mandated by SEBI and the relevant stock exchanges, which are amended from time to time. Any inability to comply with the applicable conditions may subject such subsidiaries to regulatory action, including imposition of penalties, and adversely affect their reputation.

Please see paragraphs 13.1(g)(ii) and 13.1(j) of Part X: "Additional Information" of this Prospectus for further information.

Vedanta's growth strategy to pursue business acquisitions entails significant risks.

Vedanta intends to continue to pursue acquisitions to expand its businesses. There can be no assurance that Vedanta will be able to identify suitable acquisition, strategic investment or joint venture opportunities, obtain the financing necessary to complete and support such acquisitions or investments, integrate such businesses or investments or that any businesses acquired will be profitable. If Vedanta's Indian subsidiaries attempt to acquire non-Indian companies, they may not be able to satisfy certain Indian regulatory requirements for such acquisitions and may need to obtain the prior approval of the Reserve Bank of India (the "RBI"), which they may not be able to obtain. The funding of such acquisitions by Vedanta may require certain approvals from regulatory authorities in India.

In addition, acquisitions and investments involve a number of risks, including possible adverse effects on the Combined Group's operating results, diversion of management's attention, loss of goodwill on account of change of ownership, failure to retain key personnel, risks associated with unanticipated events or liabilities, including environmental liabilities, and difficulties in the assimilation of the operations, technologies, systems, services and products of the acquired businesses or investments. Any failure to achieve successful integration of such acquisitions or investments could have a material adverse effect on the Combined Group's businesses, operating results, financial condition and/or prospects.

The Combined Group depends on the experience and management skill of certain of its key employees.

The Combined Group's efforts to continue its growth will place significant demands on its management and other resources and the Combined Group will be required to continue to improve operational, financial and other internal controls, both in and outside India across all locations. The Combined Group's ability to maintain and grow its existing businesses and integrate new businesses will depend on its ability to maintain the necessary management resources and on its ability to attract, train and retain personnel with skills that enable it to keep pace with growing demands and evolving industry standards. The Combined Group is, in particular, dependent to a large degree on the continued service and performance of the executive management team of Vedanta and other key team members in the Combined Group's business units. These key personnel possess technical and business capabilities that are difficult to replace. The loss or diminution in the services of Vedanta's executive management or other key team members, or its failure otherwise to maintain the necessary management and other resources to maintain and grow its businesses, could have a material adverse effect on its businesses, operating results, financial condition and/or prospects. In addition, as the Combined Group's businesses develop and expand, the Combined Group believes that its future success will depend on its ability to attract and retain highly skilled and qualified personnel, which is not guaranteed.

Currency fluctuations among the Indian Rupee, the Australian dollar, the Zambian Kwacha, the Sri Lankan rupee and the US dollar could have a material adverse effect on the Combined Group's operating results.

Although substantially all of the Combined Group's revenue is tied to commodity prices that are typically priced by reference to the US dollar, most of its expenses are incurred and paid in Indian Rupees and, to a lesser extent, the Australian dollar, the Sri Lankan rupee and the Zambian Kwacha. In addition, in Fiscal 2011, 56.9 per cent. of the Vedanta Group's revenue was derived from commodities that it sold to customers outside India. The exchange rates between the Indian Rupee and the US dollar, between the Sri Lankan rupee and the US dollar, between the Australian dollar and the US dollar and between the Zambian Kwacha and the US dollar have changed substantially in recent years and may fluctuate substantially in the future. See paragraph 10.1 of Part V: "Operating and Financial Review Relating to the Vedanta Group" of this Prospectus and paragraph 11.6 of Part VI: "Operating and Financial Review

Relating to the Cairn India Group” of this Prospectus for further details. The Combined Group’s operating results and/or financial condition could be adversely affected if the US dollar depreciates against the Indian Rupee, the Australian dollar, the Sri Lankan rupee or the Zambian Kwacha. The Combined Group seeks to mitigate the impact of short-term movements in currency on its businesses by hedging its short-term exposures progressively based on their maturity. However, large or prolonged movements in exchange rates may have a material adverse effect on the Combined Group’s businesses, operating results, financial condition and/or prospects.

The Combined Group is subject to restrictive covenants under its credit facilities, including term loans and working capital facilities, that limit its flexibility in managing its businesses.

There are restrictive covenants in the agreements that the Combined Group has entered into with certain banks and financial institutions for its existing borrowings and in relation to the financing secured for the acquisition by the Vedanta Group of, in aggregate, 48.1 per cent. of the fully diluted share capital of Cairn India pursuant to the terms of the sale and purchase agreement dated 15 August 2010 among Cairn UK Holdings Limited (“CUKHL”), Cairn Energy plc (“Cairn Energy”), Twin Star Holdings Limited (“Twin Star”) and Vedanta, as amended, (the “Cairn India Purchase Agreement”) and the open offer made by SGL to holders of shares in Cairn India (the “Cairn India Shareholders”) (other than any member of the Cairn Energy Group) to acquire up to 20.01 per cent. of the issued share capital of Cairn India under the Indian Takeover Code which was launched on 11 April 2011 (the “Open Offer”) (together, the “Cairn Acquisition”). These restrictive covenants require the Combined Group to maintain certain financial ratios and seek the prior permission of these banks and financial institutions for various activities, including, among others, any change in its capital structure, issue of equity, preferential capital or debentures, raising any loans and deposits from the public, undertaking any new project, effecting any scheme of acquisition, merger, amalgamation or reconstitution, implementing a new scheme of expansion or creation of a subsidiary. Such restrictive covenants may restrict the Combined Group’s operations or ability to expand and may adversely affect its businesses, operating results, financial condition and/or prospects.

A downgrade in Vedanta’s credit ratings may adversely affect its ability to access capital.

Vedanta’s current long-term debt is rated “BB” on negative outlook, “Ba2” on negative outlook and “BB” on stable outlook, as reported by Standard & Poor’s Ratings Services (“Standard & Poor’s”), Moody’s Investors Service, Inc (“Moody’s”) and Fitch Ratings Limited (“Fitch”), respectively. The debt ratings are based on, among others, the assumption that the Vedanta Group’s expansion projects will progress as planned and may be adversely affected if those projects are subject to significant delays or otherwise affected by regulatory or other constraints. A downgrade may adversely affect the Combined Group’s ability to access capital and would likely result in more stringent covenants and higher interest rates under the terms of any new indebtedness.

The Combined Group’s tax treatment depends on the tax residence of the companies forming part of its Group. Proposed changes to the UK controlled foreign company taxation rules could result in certain profits of the Company’s non-UK subsidiaries being taxable in the UK.

The UK government has been considering and implementing reforms to the UK controlled foreign company (“CFC”) regime. The UK government has announced its intention to introduce a full reform of the CFC rules in the UK Finance Bill 2012. At present, there is insufficient detail in respect of the proposals in order to determine whether the effective tax rate of the Combined Group would be increased by these changes. Should any new regime apply to CFCs within the Combined Group, then depending on the nature of that regime, it could have a material impact on the Combined Group’s effective tax rate on an ongoing basis as profits of subsidiaries in low-tax jurisdictions may become subject to an effective tax rate of 26 per cent. (the UK main rate of corporation tax; the UK government has previously announced its intention to further reduce the main rate by 1 per cent. in each of 2012, 2013 and 2014) by application of that regime to such subsidiaries’ profits, or a higher effective rate if credit is not available for locally paid tax.

The Combined Group is exposed to competitive pressures in the various businesses in which it operates.

The mines and minerals, commercial power generation, and oil and gas industries are highly competitive. The Combined Group will continue to compete with other industry participants in the search for and acquisition of mineral and oil and gas assets and licences. Competitors include companies with, in many cases, greater financial resources, local contacts, staff and facilities than those of the Combined Group.

Competition for exploration and production licences as well as for other investment or acquisition opportunities may increase in the future. This may lead to increased costs in the carrying out of the Combined Group's activities, reduced available growth opportunities and may have a material adverse effect on its businesses, operating results, financial condition and/or prospects.

The Combined Group is exposed to the political, legal, regulatory and social risks of the countries in which it operates.

The Combined Group is exposed to the political, economic, legal, regulatory and social risks of the countries in which it operates or intends to operate. These risks potentially include expropriation and nationalisation of property, instability in political, economic or financial systems, uncertainty arising from underdeveloped legal and regulatory systems, corruption, civil strife or labour unrest, acts of war, armed conflict, terrorism, outbreaks of infectious diseases, prohibitions, limitations or price controls on hydrocarbon exports and limitations or the imposition of tariffs or duties on imports of certain goods.

Countries in which the Combined Group has operations or intends to have operations have transportation, telecommunications and financial services infrastructures that may present logistical challenges not associated with doing business in more developed locales. Furthermore, the Combined Group may have difficulty ascertaining its legal obligations and enforcing any rights it may have.

Once the Combined Group has established operations in a particular country, it may be expensive and logistically burdensome to discontinue such operations should economic, political, physical or other conditions subsequently deteriorate. All of these factors could have a material adverse effect on the Combined Group's businesses, operating results, financial condition and/or prospects.

Risks Relating to Investments in India

A substantial portion of the Combined Group's assets and operations are located in India and the Combined Group is subject to regulatory, legislative, economic, social and political uncertainties in India.

A substantial portion of the Combined Group's assets and employees are located in India and Vedanta intends to continue to develop and expand the Combined Group's facilities in India. Consequently, the Combined Group's financial performance will be affected by changes in exchange rates and controls, interest rates, commodity prices, subsidies and controls, changes in government policies and legislation, including taxation policies, regulatory and leasing or licensing policies, social and civil unrest and other political, social and economic developments in or affecting India.

The Government of India has exercised and continues to exercise significant influence over many aspects of the Indian economy. Since 1991, successive Indian governments have pursued policies of economic liberalisation, including by significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian Central and State Governments in the Indian economy as producers, consumers and regulators has remained significant and there can be no assurance that such liberalisation policies will continue. The present government has announced policies and taken initiatives that support the continued economic liberalisation policies that have been pursued by previous governments for more than a decade. However, the present government is a multi-party coalition and therefore there is no assurance that it will be able to generate sufficient cross-party support to implement such policies. The rate of economic liberalisation could change, and specific laws and policies affecting metals and mining companies, foreign investments, currency exchange rates and other matters affecting investment in India could change as well. Further, government corruption scandals and protests against privatisation, which have occurred in the past, could slow the pace of liberalisation and deregulation. A significant change in India's policy of economic liberalisation and deregulation could adversely affect business and economic conditions in India generally and the Combined Group's businesses in particular if new restrictions on the private sector are introduced or if existing restrictions are increased.

The Indian tax authorities are currently engaged in litigation with third parties in relation to failure to withhold and pay tax in India on the acquisition of shares in entities with investments in Indian companies. Certain share sale transactions have been undertaken between Cairn India and certain subsidiaries of Cairn Energy involving investments in Indian companies. Vedanta understands that the Indian tax authorities have never asserted any claims against Cairn India in respect of any such transactions and that Cairn India would vigorously defend any such claim. Furthermore, there are indemnity provisions in the agreements in favour of Cairn India relating to the share sale transactions covering tax liabilities arising in respect of the share sale transactions which are guaranteed by Cairn Energy. However, in the event that

such a claim were made, relevant members of the Combined Group may become engaged in a dispute with the Indian tax authorities which may result in the Combined Group's management being distracted from the Combined Group's business and may have an adverse effect on the Combined Group's financial position and results of operations.

As the domestic Indian market constitutes a significant source of the Combined Group's revenue, a downturn in the rate of economic growth in India will be detrimental to the Combined Group's operating results.

In Fiscal 2011, 43.1 per cent. of the Vedanta Group's revenue was derived from commodities that were sold in India. The performance and growth of the Combined Group's businesses are necessarily dependent on the health of the Indian economy which may be materially and adversely affected by political instability, regional conflicts or economic slowdown elsewhere in the world. The Indian economy also remains largely driven by the performance of the agriculture sector which depends on the quality of the monsoon, which is difficult to predict. The Indian economy has grown significantly over the past few years. In the past, economic slowdowns in the Indian economy have harmed manufacturing industries, including companies engaged in the copper, zinc, aluminium and iron ore sectors, as well as the customers of manufacturing industries due to a reduction in the demand for industrial production. Any future slowdown in the Indian economy could have a material adverse effect on the demand for the commodities that the Combined Group produces and, as a result, on its businesses, operating results, financial condition and/or prospects.

Terrorist attacks and other acts of violence involving India or other neighbouring countries could adversely affect the Combined Group's operations directly, or may result in a more general loss of customer confidence and reduced investment in these countries that reduces the demand for the Combined Group's products, which would have a material adverse effect on the Combined Group's cash flows, businesses, operating results, financial condition and/or prospects.

Terrorist attacks and other acts of violence or war involving India or other neighbouring countries may adversely affect the Indian markets and the worldwide financial markets. The occurrence of any of these events may result in a loss of business confidence, which could potentially lead to economic recession and generally have a material adverse effect on the Combined Group's cash flows, businesses, operating results, financial condition and/or prospects. In addition, any deterioration in international relations may result in investor concern regarding regional stability, which could adversely affect the price of the Ordinary Shares.

South Asia has also experienced instances of civil unrest and hostilities among neighbouring countries from time to time, especially between India and Pakistan. In recent years, military confrontations between India and Pakistan have occurred in the region of Kashmir and along the India/Pakistan border. There have also been incidents in and near India such as terrorist attacks in Mumbai, Jaipur, Delhi and on the Indian Parliament, troop mobilisations along the India/Pakistan border and an aggravated geopolitical situation in the region. Such military activity or terrorist attacks in the future could adversely affect the Indian economy by disrupting communications and making travel more difficult. Resulting political tensions could create a greater perception that investments in Indian companies involve a high degree of risk. Furthermore, if India were to become engaged in armed hostilities, particularly hostilities that were protracted or involved the threat or use of nuclear weapons, the Combined Group might not be able to continue its operations.

If natural disasters or environmental conditions in India, including floods and earthquakes, affect the Combined Group's mining and production facilities, its revenues could decline.

The Combined Group's mines and production facilities, as well as its sales force, are spread throughout India. Natural calamities such as floods, rains, cyclones and earthquakes could disrupt the Combined Group's mining and production activities and distribution chains and damage the Combined Group's storage facilities. In December 2004 and October 1999, southeast Asia, including the eastern coast of India, experienced tsunamis, in October 2005, the State of Jammu and Kashmir experienced an earthquake, and in 2005 and 2006, Mumbai and other parts of the western coast of India experienced heavy rains and flooding, all of which caused significant property damage and loss of life. Substantially all of the Combined Group's facilities and employees are located in India and there can be no assurance that the Combined Group will not be affected by natural disasters in the future. In addition, if there were a drought or general water shortage in India or any part of India where the Vedanta Group's operations are located, for example, in the State of Rajasthan, where substantially all of the assets of HZL are located, the Government of India or local, State or other authorities may restrict water supplies to HZL and other

industrial operations in order to maintain water supplies for drinking and other public necessities, which would cause the Combined Group to scale down or cease operations.

If India's inflation worsens or the prices of coal, oil or other raw materials continue to rise, the Combined Group may not be able to pass the resulting increased costs to its customers and this may have a material adverse effect on the Combined Group's profitability or cause the Combined Group to suffer operating losses.

India has experienced wholesale price inflation in recent years that reflects an increasing inflation trend compared to historical levels. In addition, international prices of crude oil and natural gas have recently risen to historical highs, increasing transportation costs. Inflation, increased transportation costs and an increase in energy prices generally, which may be caused by a rise in the price of oil or natural gas, or an increase in the price of thermal coal in particular, could cause the Combined Group's costs for raw material inputs required for production of the Combined Group's products to increase, which may have a material adverse effect on its operating results and financial condition if the Combined Group cannot pass these added costs on to customers.

Stringent labour laws in India may adversely affect the Combined Group's profitability.

India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for industrial dispute resolution and employee compensation for injury or death sustained in the course of employment and imposes financial obligations on employers upon employee layoffs. This may make it difficult for the Combined Group to maintain flexible human resource policies, discharge employees or downsize, which may have a material adverse effect on the Combined Group's profitability, businesses, operating results, financial conditions and/or prospects.

Restrictions on foreign investment in India may prevent the Combined Group from making future acquisitions or investments in India, which may have a material adverse effect on the Combined Group's cash flows, businesses, operating results, financial condition and/or prospects.

India regulates ownership of Indian companies by foreigners, as well as external commercial borrowing by Indian companies, although restrictions on foreign investment and external commercial borrowing have been relaxed significantly in recent years. These regulations and restrictions may apply to acquisitions by Vedanta, or other members of the Combined Group who are not resident in India, of shares in Indian companies or the provision of funding by Vedanta or any other non-Indian resident entity to Indian companies within the Combined Group. There can be no assurance that the Combined Group will be able to obtain any required approvals for future acquisitions or investments in India, or that the Combined Group will be able to obtain such approvals on satisfactory terms.

Risks Relating to Investments in Zambia

All of KCM's assets and operations are located in Zambia and KCM is subject to regulatory, economic, social and political uncertainties in Zambia.

KCM's operations in Zambia accounted for 15.2 per cent. of the Vedanta Group's revenue and 12.2 per cent. of its segment result after special items in Fiscal 2011.

All of KCM's assets and operations are located in Zambia and KCM intends to continue to develop and expand its facilities in Zambia. Substantially all of KCM's revenue for Fiscal 2011 was derived from the sale of copper and by-products produced by KCM's mines and processing facilities in Zambia. As with any emerging market, Zambia is subject to certain political, economic and social developments that may, individually or in combination, create risks for investors that may be more difficult to predict or measure than would be the case in certain developed economies. Any political instability could have an adverse impact on the economy as a whole. As a result of changes in exchange rates and controls, changes in Zambian laws and regulations or any other law applicable to KCM's operations, changes in government policies, including policies related to the regulation of mines and mining companies, social and civil unrest and other political, social and economic developments in or affecting Zambia, mining or processing operations at one or more of KCM's mines or facilities could be materially reduced, interrupted or halted and KCM's business and operating results could be materially adversely affected. In addition, the stability period under the development agreement signed by KCM with the Government of Zambia in 2000, which was subsequently amended in 2004 (the "Development Agreement") is no longer in force. As such, there can be no assurance that future changes in Zambian tax policies will not adversely affect KCM's business and operating results. Although there are currently no restrictions on the foreign ownership of mining

companies in Zambia, there can be no assurance that legal requirements as to the foreign ownership and control of mining companies in Zambia will not change. Following the national elections in Zambia in September 2011, the new government has announced that it will increase royalties on the revenues of copper mines from three per cent. to six per cent. and may also make further changes that could impact regulatory and tax policies in Zambia and could have an adverse effect on Zambian mining companies, including KCM. In addition, political disruptions and civil unrest that may occur in any neighbouring countries could also potentially have an adverse effect on Zambian exports and, consequently, on KCM's business.

PART D—RISKS RELATING TO THE ORDINARY SHARES

The share prices of publicly traded companies can be highly volatile.

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, the market price of the Ordinary Shares may prove to be highly volatile. The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, many of which are beyond the Combined Group's control, including:

- commodity price (including oil and gas prices) fluctuations as well as variations in operating results in the Combined Group's reporting periods;
- changes in financial estimates by securities analysts;
- changes in market valuation of similar companies;
- announcements by the Combined Group of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments;
- additions or departures of key personnel;
- any shortfall in revenues or net income or any increase in losses from levels expected by securities analysts;
- future issues or sales of Ordinary Shares; and/or
- stock market price and volume fluctuations.

Any of these events could result in a material decline in the price of the Ordinary Shares.

Future sales of Ordinary Shares could depress the market price of the Ordinary Shares.

Vedanta is unable to predict whether substantial amounts of Ordinary Shares will be sold in the open market. Any sales of substantial amounts of Ordinary Shares in the public market, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Ordinary Shares and could impair the Combined Group's ability to raise capital through the sale of additional equity securities.

Vedanta Shareholders outside the United Kingdom may not be able to exercise their pre-emptive rights.

In the case of an allotment of Ordinary Shares for cash, the existing holders of Ordinary Shares (the "Vedanta Shareholders") are entitled to pre-emptive rights unless waived by a resolution of the Vedanta Shareholders at a general meeting or in certain circumstances as stated in the articles of association of the Company (the "Articles"). If the Company allots Ordinary Shares for cash in the future and pre-emptive rights are not waived, holders of the Ordinary Shares outside the United Kingdom may not be able to exercise their pre-emptive rights to subscribe for Ordinary Shares unless the Company decides to comply with applicable local laws and regulations and, in the case of Vedanta Shareholders in the United States, a registration statement under the Securities Act is effective with respect to such rights and Ordinary Shares, or an exemption from the registration requirements of the Securities Act is available. The Company intends to evaluate at the time of any rights or similar offering the costs and potential liabilities associated with any such registration statement or an exemption from registration, as well as the indirect benefits of enabling holders of the Ordinary Shares in the United States to exercise any pre-emptive rights to subscribe for Ordinary Shares and any other factors considered appropriate at the time, and then to make a decision as to how to proceed. It will also make a similar evaluation in relation to Shareholders resident in other jurisdictions outside the United Kingdom. The Company cannot assure its Shareholders outside

the United Kingdom that steps will be taken to enable them to exercise their pre-emptive rights, or to permit them to receive any proceeds or other amounts relating to their pre-emptive rights.

Vedanta cannot assure investors that it will make dividend payments in the future.

The dividend payments to Vedanta Shareholders from Vedanta will depend upon a number of factors, including the operating results and financial condition, contractual restrictions and other factors considered relevant by the directors of the Company (the “Board of Directors”) as set out in Part III: “Directors, Executive Officers, Significant Employees and Corporate Governance” of this Prospectus. In addition, under English law, any payment of dividends would be subject to the Companies Act 1985 of England and Wales, as amended (the “Companies Act 1985”) and the Companies Act 2006 of England and Wales, as amended (the “Companies Act 2006”) (together the “Companies Acts”), which require, among other things, that Vedanta may pay dividends on Ordinary Shares only out of profits available for distribution determined in accordance with the Companies Acts. Although Vedanta intends to continue paying dividends to Vedanta Shareholders, there is no assurance that Vedanta will declare and pay, or have the ability to declare and pay, any dividends on the Ordinary Shares in the future.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<u>Event</u>	<u>Date</u>
Publication of this Prospectus	6 December 2011
Expected date of Completion	8 December 2011
Date of cancellation of admission of Ordinary Shares and subsequent Readmission	8 December 2011

Each of the times and dates in the above timetable is subject to change without further notice. References to times are to London time unless otherwise stated.

IMPORTANT INFORMATION
FORWARD LOOKING STATEMENTS

Certain statements contained or incorporated by reference in this Prospectus, including those in the sections headed “Summary Information”, “Risk Factors”, “Information on the Vedanta Group, the Cairn India Group and the Combined Group”, “Operating and Financial Review relating to the Vedanta Group” and “Operating and Financial Review relating to the Cairn India Group” constitute “forward-looking statements”. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “expects”, “anticipates”, “contemplates”, “prepares”, “targets”, “plans”, “intends”, “continues”, “budgets”, “estimates”, “may”, “will”, “schedules”, “projects”, “seeks”, “should” or, in each case, their negative or other variations or comparable terminology. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Combined Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Vedanta Group’s and/or the Cairn India Group’s present business strategies, together with the future business strategies for the Combined Group and the environment in which the Combined Group will operate in the future. Such risks, uncertainties and other factors are set out more fully in the section of this Prospectus headed “Risk Factors” and include, but are not limited to:

- the Combined Group’s ability to expand its business, effectively manage its growth and implement its strategies;
- regulatory, legislative and judicial developments and future regulatory actions and conditions in the Combined Group’s operating areas;
- the Combined Group’s ability to retain its executive management team and the management teams running its various businesses and hire and retain sufficiently skilled labour to support its operations;
- the Combined Group’s dependence on obtaining and maintaining mining leases to mining sites;
- inherent uncertainties in the Combined Group’s commercial power generation business, which are different to those in its other businesses;
- the outcome of any pending or threatened litigation in which the Combined Group is involved;
- the continuation of tax holidays, exemptions and deferred tax schemes currently enjoyed by the Vedanta Group and/or the Cairn India Group;
- changes in tariffs, royalties, custom duties and government assistance;
- fluctuations in the price of hydrocarbons;
- interruptions in the availability of exploration, production or supply equipment or infrastructure and/or increased costs;
- construction of pipelines and terminals taking longer than planned, not working as intended or the cost of construction being greater than forecast;
- a decline or volatility in the prices or demand for copper, zinc, aluminium or iron ore or an increase in the supply of copper, zinc, aluminium or iron ore;
- unavailability or increased costs of raw materials for the Combined Group’s products;
- the Combined Group’s economically recoverable copper ore, lead-zinc ore, bauxite or iron ore reserves being lower than estimated;
- political or economic instability in the regions in which the Combined Group operates;
- worldwide economic and business conditions;
- reliance on third-party contractors and providers of equipment which may not be readily available and whose costs may increase;
- compliance with extensive environmental and health and safety regulations;
- ability to successfully consummate and integrate strategic acquisitions;
- currency fluctuations;

- ability to maintain good relations with trade unions and avoid strikes and lock-outs; and
- terrorist attacks and other acts of violence, natural disasters and other environmental conditions and outbreaks of infectious diseases and other public health concerns in the regions in which the Combined Group operates.

Investors are cautioned that forward-looking statements are not guarantees of future performance. Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this Prospectus speak only as at the date of this Prospectus, reflect Vedanta's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the operations, operating results and growth strategy of the respective entities. While management of the respective entities believe that the assumptions on which forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could be materially incorrect.

This statement does not seek to qualify the working capital statement given at paragraph 11 of Part X: "Additional Information" of this Prospectus.

Except as required by the FSA, the LSE, the Prospectus Rules, the disclosure and transparency rules made by the FSA under Part VI of the FSMA (the "Disclosure and Transparency Rules") and the Listing Rules or applicable law, the Company explicitly disclaims any intention or obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this Prospectus that may occur due to any change in the Company's expectations or to reflect events or circumstances after the date of this Prospectus.

PRESENTATION OF INFORMATION

General

No person has been authorised to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Vedanta Group, its directors or any of them. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of the FSMA and PR 3.4.1 of the Prospectus Rules, neither the publication nor the delivery of this Prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Vedanta Group, the Cairn India Group and/or the Combined Group since the date hereof or that the information contained herein is correct as at any time subsequent to its date.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Investors should consult their own lawyers, financial advisers or tax advisers for legal, financial or tax advice in relation to any purchase or proposed purchase of Ordinary Shares.

Apart from the responsibilities and liabilities, if any, which may be imposed on Morgan Stanley & Co. International plc (“Morgan Stanley”) and J.P. Morgan Limited (which conducts its investment banking activities in the UK under the name J.P. Morgan Cazenove) (“J.P. Morgan Cazenove”) (together, the “Joint Sponsors” and the “Joint Brokers”) by the FSMA or the regulatory regime established thereunder or any other applicable regulatory regime, the Joint Sponsors accept no responsibility whatsoever for the contents of this Prospectus or for any other statement made or purported to be made in it by them, or on their behalf, in connection with the Company, the Vedanta Group, the Cairn India Group, the Combined Group, the Ordinary Shares or the Readmission. The Joint Sponsors accordingly disclaim all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of the Prospectus or any such statement.

Presentation of Financial Information

The consolidated financial information for the Vedanta Group for Fiscal 2009, 2010 and 2011, in each case incorporated by reference in this Prospectus, is presented in US dollars and has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, and has been audited in accordance with International Standards on Auditing (UK and Ireland).

The interim consolidated financial information for the period ended 30 September 2011 for the Vedanta Group has been prepared in accordance with IFRS. This interim consolidated financial information is unaudited, but has been reviewed by Vedanta’s auditor.

The consolidated financial information for Cairn India for Fiscal 2008 and 2009, in each case incorporated by reference in this Prospectus, is presented in US dollars and has been prepared in accordance with IFRS as adopted by the EU. The consolidated financial information for Cairn India for Fiscal 2010 included at Section B of Part VII: “Historical Financial Information relating to Cairn India” of this Prospectus is presented in US dollars and has been prepared in accordance with IFRS as adopted by the EU and audited in accordance with International Standards on Auditing (UK and Ireland). Except for certain adjustments to ensure consistency with the accounting policies of Vedanta, the historical financial information has been extracted without material adjustment from the published audited statutory financial statements for Fiscal 2010 of Cairn Energy.

The consolidated financial information for Cairn India for the six months ended 30 June 2011 (“H1 2011”) included at Section B of Part VII: “Historical Financial Information Relating to Cairn India” of this Prospectus has been prepared in accordance with IFRS as adopted by the EU as they apply to financial statements for annual statements beginning 1 January 2011 and on a basis consistent with the accounting policies to be adopted in Vedanta’s annual accounts for the year ended 31 March 2012. In accordance with Indian Companies Act requirements, Cairn India prepares its annual financial statements in accordance with Indian Accounting Standards.

The consolidated financial information for Cairn India for the three months ended 30 September 2011 (“Q3 2011”) included at Section C of Part VII: “Historical Financial Information Relating to Cairn India” of this Prospectus is unaudited and has been prepared for the purposes of this Prospectus on an IFRS basis from the underlying accounting records of Cairn India.

Rounding adjustments have been made in calculating some of the financial information included in this Prospectus. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

References to a particular “Fiscal” year are to a financial year ended or ending 31 March of that year, in the case of Vedanta, and 31 December of that year, in the case of Cairn India. References to a year other than a “Fiscal” year are to the calendar year ended 31 December.

Pro Forma Financial Information

In this Prospectus, any reference to pro forma financial information is to information which has been extracted without material adjustment from the unaudited pro forma financial information contained in Part VIII: “Unaudited Pro Forma Financial Information on the Combined Group” of this Prospectus. The unaudited pro forma statement of net assets of the Combined Group contained in Section B of Part VIII: “Unaudited Pro Forma Financial Information on the Combined Group” illustrates the effect of the Cairn Acquisition as if it occurred on 30 September 2011. It is based on the net assets of the Vedanta Group as at 30 September 2011 and Cairn India’s unaudited balance sheet as at 30 September 2011 and includes certain adjustments. The unaudited pro forma statement of net assets of the Combined Group is not necessarily indicative of what the financial position of the Company or the Combined Group would have been had the Cairn Acquisition occurred on 30 September 2011.

The unaudited pro forma financial information is for illustrative purposes only. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Vedanta Group’s, the Cairn India Group’s or the Combined Group’s actual financial position. Future operating results may differ materially from those presented in the pro forma financial information due to various factors.

Currencies and Conversions

In this Prospectus, references to “US” or the “United States” are to the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia. References to “UK” or “United Kingdom” are to the United Kingdom of Great Britain and Northern Ireland. References to “India” are to the Republic of India. References to “Australia” are to the Commonwealth of Australia, its possessions and territories and all areas subject to its jurisdiction or any political subdivision thereof. References to “Zambia” are to the Republic of Zambia. References to “EU” are to the European Union as established by the Treaty on European Union. References to “Canada” are to Canada, its possessions and territories and all areas subject to its jurisdiction or any political subdivision thereof.

In this Prospectus, references to “US\$”, “dollars” or “US dollars” are to the legal currency of the United States; references to “¢” are to US cents. References to “GBP”, “£”, “pounds” or “pounds sterling” are to the legal currency of the United Kingdom. References to “Rs.”, “Rupees”, “INR” or “Indian Rupees” are to the legal currency of India. References to “AUD”, “Australian dollars” or “A\$” are to the legal currency of Australia. References to “Zambian Kwacha” or “ZMK” are to the legal currency of Zambia. References to “€” or “Euro” are to the legal currency of certain member states of the EU.

References to “lb” are to the imperial pounds (mass) equivalent to 0.4536 kilogrammes and references to “tonnes” are to metric tonnes, a unit of mass equivalent to 1,000 kilogrammes or 2,204.6 lb. In respect of SGL, references to “tonnes” are to dry metric tonnes.

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in US dollars. Unless otherwise stated, the US dollar equivalent information presented in this Prospectus for Australian Dollars has been calculated on the basis of the noon buying rate in New York City for cable transfer of Australian Dollars as certified for customs purposes by the Federal Reserve Bank of New York as at 31 March 2011, which was AUD 1 = US\$1.0358. The US dollar equivalent information presented in this Prospectus for Indian Rupees has been calculated based on the exchange rates certified by the RBI (the “RBI Reference Rate”) as at 31 March 2011, which was INR44.6500 = US\$1.00. The exchange rate between Zambian Kwachas and US Dollars is based on the spot rate provided by Bloomberg L.P. as at 31 March 2011, which was ZMK 4,170=US\$1. The exchange rates presented in this Prospectus may have differed from the exchange rates used in the preparation of financial statements included elsewhere in, or incorporated by reference in, this Prospectus.

Non-IFRS Measures

This Prospectus includes the presentation of certain measures that are not defined by IFRS, including EBITDA, segment result after special items, cash costs per unit, and special items (each as defined below). These measures have been included for the reasons described below. However, these measures are not measures of financial performance or cash flows under IFRS and may not be comparable to similarly titled measures of other companies because they are not uniformly defined. These measures should not be considered in isolation or as a substitute by investors as an alternative to the Vedanta Group's operating results, operating profit or profit on ordinary activities before taxation, or as an alternative to cash flow from operating, investing or financing activities. The Company's management believes that this information, along with comparable IFRS measures, is useful to investors because it provides a basis for measuring the Vedanta Group's operating performance. The Company's management use these financial measures, along with the most directly comparable IFRS financial measures, in evaluating the Vedanta Group's operating performance and value creation. Non-IFRS financial measures should not be considered in isolation from, or as a substitute for, financial information presented in accordance with IFRS. Non-IFRS financial measures as reported by the Vedanta Group may not be comparable to similarly titled amounts reported by other companies. Because of these limitations, the non-IFRS measures should not be considered as measures of discretionary cash available to the Vedanta Group to invest in the growth of its business or as measures of cash that will be available to the Vedanta Group to meet its obligations. Potential investors should compensate for these limitations by relying primarily on the Vedanta Group's IFRS results and using these non-IFRS measures only supplementally to evaluate the Vedanta Group's performance. Furthermore, non-IFRS measures would also be considered a non-GAAP financial measure in the United States.

EBITDA

The Company defines "EBITDA" as operating profit before special items, depreciation and amortisation. The Company's EBITDA may not be comparable to similarly titled measures reported by other companies due to potential inconsistencies in the method of calculation. The Company has included its EBITDA because the Company believes it is an indicative measure of the Company's operating performance and is used by investors and analysts to evaluate other companies in the same industry. The Company's EBITDA should be considered in addition to, and not as a substitute for, other measures of financial performance and liquidity reported in accordance with IFRS. The Company believes that the inclusion of supplementary adjustments applied in its presentation of EBITDA are appropriate because it is a more indicative measure of the Company's baseline performance as it excludes certain charges that the Company's management considers to be outside of the Company's core operating results. In addition, the Company's EBITDA is among the primary indicators that the Company's management uses as a basis for the planning and forecasting of future periods.

Segment result after special items

Vedanta defines segment result after special items as EBITDA less depreciation and special items (as defined below).

Cash Costs per Unit

Cost of production as reported for the Vedanta Group's metal products includes an off-set for any amounts the Vedanta Group receives upon the sale of the by-products from the refining or smelting processes. The cost of production is divided by the daily average exchange rate for the year to calculate the US dollar cost of production per pound (lb) or tonne of metal as reported.

Special Items

Special items are those that management considers, by virtue of their size or incidence, should be disclosed separately to ensure that the financial information also allows an understanding of the underlying performance of the business. The determination as to which items should be disclosed separately requires a degree of judgment. Items classified as special items include, but are not limited to, transaction costs relating to the proposed acquisition of Asarco LLC ("Asarco"), voluntary retirement schemes, acquisition related costs, impairment of mining reserves and losses in respect of obligations to an associate.

No profit forecast

No statement in this Prospectus or incorporated by reference into this Prospectus is intended to constitute a profit forecast or profit estimate for any period, nor should any statement be interpreted to mean that earnings or earnings per Ordinary Share after the Readmission will necessarily be greater or less than the historical published earnings or earnings per Ordinary Share for either the Company or Cairn India, as appropriate.

Credit Rating Agencies

None of the credit rating agencies whose credit ratings are disclosed in this Prospectus in relation to the Vedanta Group and its debt securities, namely Fitch, Moody's and Standard & Poor's is registered in the European Community under the Credit Rating Agencies Regulation (1060/2009/EC).

Basis of Presentation of Reserves

Vedanta Group

The reported reserves are defined as being either ore reserves if reported in accordance with the terms and definitions of the JORC Code or mineral reserves if reported in accordance with the terms and definitions of the SAMREC Code. The meanings and definitions are the same. For convenience, the Vedanta Group has standardised the term ore reserves.

The reported ore reserves of each project are derived following a systematic evaluation of geological data and a series of technical and economic studies by the Vedanta Group's geologists and engineers. The results and procedures used in the majority of these studies have been periodically reviewed by independent consultants. In particular:

- the ore reserves of HZL's lead-zinc mines were audited by SRK Consulting (UK) Limited as at 31 March 2011;
- the ore reserves of BALCO's bauxite mines are derived from management estimates as at 31 March 2011;
- the ore reserves of CMT's mines are derived from management estimates as at 31 March 2011;
- the mineral reserves of KCM's copper mines were reviewed as at 31 March 2011 by SRK Consulting (South Africa) (Pty) Ltd.;
- the reported ore reserves of SGL and SRL are derived following an audit of the results and the reserve methodologies as at 31 March 2011 by Scott Wilson Roscoe Postle Associates Inc. ("Scott Wilson RPA"), an independent consulting firm;
- the ore reserves of MALCO's bauxite mines are derived from management estimates as at 31 March 2011; and
- the ore reserves of Skorpion Mining Company (Pty) Ltd ("Skorpion"), Black Mountain Mining (Pty) Ltd ("Black Mountain") and Lisheen Mine Partnership ("Lisheen") were derived from management estimates as at 31 March 2011.

The estimation of the quantity and quality of the mineral occurrence is defined in two stages. In the first stage, the location, quantity, grade, geological characteristics and continuity of mineral resources are interpreted and estimated from specific geological evidence and knowledge. The geological evidence is gathered from exploration, sampling and testing information through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. Mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories.

In the second stage, the ore reserve is defined. An ore reserve is the economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate that at the time of reporting that extraction could reasonably be justified. Ore reserves are sub-divided in order of increasing confidence into probable ore reserves and proved ore reserves.

The Company retained SRK to conduct independent reviews of its ore reserve estimates (excluding CMT) as at 31 March 2011 at the Rampura Agucha, Rajpura Dariba, Sindesar Khurd and Zawar lead-zinc mines. The Company appointed SRK to conduct independent reviews of its ore reserve estimates as at 31 March 2011 at the Konkola copper mine, the Nchanga open-pit (“NOP”) and Nchanga underground copper mines and the Nampundwe underground pyrite mine.

The Company retained Scott Wilson RPA to conduct independent reviews of its ore reserve estimates as at 31 March 2011 for iron ore at the Goa open-pit iron ore mines, the A. Narrain open-pit iron ore mine and the iron ore mines of SRL. The ore reserve estimates as at 31 March 2011 at the Mainpat and Bodai-Daldali bauxite mines and Sheravoy and Koli Hills bauxite mines have been estimated by management based on the last available independent reviews as depleted by internal production data in the intervening years.

The ore reserve estimates as at 31 March 2011 for the mines operated by Skorpion, Black Mountain and Lisheen have been estimated by management based on the last available independent reviews as depleted by internal production data in the intervening years.

SRK noted that the geological information at Rampura Agucha is modelled using commercial geological modelling software, the information at Rajpura Dariba is modelled on a proprietary modelling system, and the information at Zawar and the bauxite mines is modelled on paper based sections. SRK noted that the geological information at the Konkola copper mine is modelled using the GEMS Software, the NOP copper mine is modelled on Datamine resource models, the Nchanga underground copper mines are modelled on block and computerised analysis (Dynamic Ore Reserves System II) and the Nampundwe underground pyrite mine is modelled manually on paper based sections. Scott Wilson RPA noted that the geological information at the Goa open-pit iron ore mines and the A. Narrain open-pit iron ore mine is modelled on Surpac modelling software. SRK or Scott Wilson RPA, as applicable, conducted a series of checks at each mine to verify that the resulting estimate of the quantity and quality of ore reserves present was appropriate at the time of the review.

As part of the independent reviews, SRK or Scott Wilson RPA, as applicable, also verified that the future projections on the modifying factors were consistent with historic performance and that the cut-off grades used were consistent with operating costs current at the time of the review.

In addition to the ore reserves, the Vedanta Group has identified further mineral deposits as either extensions of or additions to its existing operations that are subject to ongoing exploration and evaluation.

Cairn India Group

Estimates of proved, probable and possible reserves and contingent and prospective resources of Cairn India have been prepared according to the PRMS. The PRMS standard is a referenced standard in published guidance notes of the LSE. The proved, probable and possible oil, condensate, and sales-gas reserves and the contingent and prospective resources of the Cairn India Group were independently estimated by DeGolyer and MacNaughton as at 30 June 2011 and their letter report is contained in Section B of Part IV: “Ore Reserves and Mineral Resources Information” of this Prospectus.

The contingent resources estimated herein are those volumes of oil or gas that are potentially recoverable from known accumulations but which are not currently considered to be commercially recoverable because of either the lack of a market or proper delineation necessary to establish the size of the accumulation for commercial purposes. The prospective resources estimated herein are those volumes of oil or gas that are potentially recoverable from accumulations yet to be discovered. Because of the uncertainty of commerciality and the lack of sufficient exploration drilling, the resources estimated herein cannot be classified as reserves. The resources estimates herein are provided as a means of comparison to other resources and do not provide a means of direct comparison to reserves.

Reserves and Production

In this Prospectus, unless expressly stated otherwise, references to reserves and production are to total reserves and total production, respectively. Total reserves and total production mean that part of the reserves from a mine and that part of the production at mines and operations, respectively, that subsidiaries of the Company have an interest in or rights to. The Company does not wholly-own certain of its subsidiaries and therefore total reserves and total production include reserves and production, respectively, attributable to third-party interests in controlled subsidiaries. Rounding adjustments have been made in calculating some of the reserves and production information included in the Prospectus. As a

result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

There are numerous uncertainties inherent in estimating ore reserves and estimates of ore reserves are based on certain assumptions so changes in such assumptions could lead to reported ore reserves being restated.

Evaluations of oil and gas reserves involve various uncertainties and require exploration and production companies to make extensive judgments as to future events based upon the information available. The crude oil and natural gas reserves data are estimates based primarily on internal technical analyses using standard industry practices. Such estimates reflect Cairn India's best judgment at the time of their preparation, based on geological and geophysical analyses and appraisal work (which are dynamic processes), and may differ from previous estimates. Reserves estimates are subject to various uncertainties, including those relating to the physical characteristics of crude oil and natural gas fields. These physical characteristics are difficult to estimate and, as a result, actual production may be materially different from current estimates of reserves. Factors affecting reserve estimates include: (i) the outcome of new production or drilling activities; (ii) assumptions regarding future performance of wells and surface facilities; (iii) the results of field reviews; (iv) the ability to acquire new reserves from discoveries or extensions of existing fields; (v) the ability to apply improved recovery techniques; and (vi) changed economic conditions.

Certain Conventions

The Company is a holding company that owns controlling stakes in its subsidiary operating companies. See paragraphs 3 and 7 of Section A of Part I: "Information on the Vedanta Group, the Cairn India Group and the Combined Group" of this Prospectus for more information on these companies and their relationships to the Company. Unless otherwise stated in this Prospectus or unless the context otherwise requires, references in this Prospectus to "consolidated group of companies", "Company", "Vedanta", or "the Vedanta Group" mean Vedanta Resources plc, its consolidated subsidiaries and its predecessors, collectively, from time to time, including KCM, Sterlite, MALCO, BALCO, Monte Cello BV ("Monte Cello"), CMT, Thalanga Copper Mines Pty Ltd ("TCM"), Sterlite Energy, SOVL, Vedanta Aluminium, HZL, SGL and SRL. Unless otherwise stated in this Prospectus or unless the context otherwise requires, references in this Prospectus to "the Cairn Energy Group", prior to the Cairn Acquisition, mean Cairn Energy, its consolidated subsidiaries and its predecessors, including Cairn India; and following the Cairn Acquisition, means Cairn Energy, its consolidated subsidiaries and its predecessors, but not including Cairn India. Unless otherwise stated in this Prospectus or unless the context otherwise requires, references in this Prospectus to the "Combined Group" following the Cairn Acquisition mean Vedanta Resources plc, its consolidated subsidiaries and its predecessors as listed above, including Cairn India.

All references to "Executive Directors" in this Prospectus are to Mr. Anil Agarwal, Mr. Navin Agarwal and Mr. Mahendra Singh Mehta. All references to "Non-Executive Directors" in this Prospectus are to Mr. Naresh Chandra, Mr. Euan R. Macdonald and Mr. Aman Mehta. All references to "Directors" in this Prospectus are to the Executive Directors and Non-Executive Directors of the Company.

All references to "management" are to the Company's Directors, executive officers and the other significant employees of the Vedanta Group and the Cairn India Group listed in paragraph 1 of Part III: "Directors, Executive Officers, Significant Employees and Corporate Governance" of this Prospectus (the "Executive Officers" and "Significant Employees", respectively), unless the context otherwise requires, as at the date of this Prospectus, and statements in this Prospectus as to beliefs, expectations, estimates and opinions of the Company or management are those of the Company's management.

In this Prospectus, references to "copper business" are to the business of the Vedanta Group comprising the copper operations as further described in paragraph 8.1 (Copper Business) in Section A of Part I: "Information on the Vedanta Group, the Cairn India Group and the Combined Group" of this Prospectus; references to "zinc business" are to the business of the Vedanta Group comprising the zinc operations as further described in paragraph 8.2 (Zinc Business) in Section A of Part I: "Information on the Vedanta Group, the Cairn India Group and the Combined Group" of this Prospectus; references to "aluminium business" are to the business of the Vedanta Group comprising the aluminium operations as further described in paragraph 8.3 (Aluminium Business) in Section A of Part I: "Information on the Vedanta Group, the Cairn India Group and the Combined Group" of this Prospectus; references to "iron ore business" are to the business of the Vedanta Group comprising the iron ore operations as further described in paragraph 8.4 (Iron Ore Business) in Section A of Part I: "Information on the Vedanta Group, the Cairn

India Group and the Combined Group” of this Prospectus; and references to the “commercial power generation business” are to the business of the Vedanta Group comprising the commercial power generation operations as further described in paragraph 8.5 (Commercial Power Generation Business) in Section A of Part I: “Information on the Vedanta Group, the Cairn India Group and the Combined Group” of this Prospectus. References to the “oil and gas business” are to the business of Cairn India comprising the oil and gas operations as further described in Section B of Part I: “Information on the Vedanta Group, the Cairn India Group and the Combined Group” of this Prospectus.

In this Prospectus, references to the “Cairn Acquisition” are to the acquisition by the Vedanta Group of approximately 48.1 per cent. of the fully diluted share capital of Cairn India pursuant to the Cairn India Purchase Agreement and the Open Offer and, save where expressly stated otherwise, do not include the acquisition by SGL of 200 million shares in Cairn India, amounting to a 10.4 per cent. stake in Cairn India, from Petronas International Ltd. on 19 April 2011 (the “Petronas Acquisition”).

In this Prospectus, references to the London Metal Exchange Limited (“LME”) price of copper, zinc or aluminium are to the cash seller and settlement price on the LME for copper, zinc or aluminium for the period indicated. References to “primary market share” in this Prospectus are to the market that includes sales by producers of metal from copper and zinc, as applicable, and do not include sales by producers of recycled metal or imports.

IsaSmelt™ and IsaProcess™ are trademarks of Xstrata Plc. Ausmelt™ is a trademark of Ausmelt Limited. ISP™ is a trademark of Imperial Smelting Process Ltd.

Market and Other Statistical Data

Market data and certain industry forecasts (where applicable) used throughout this Prospectus have been obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable by the Company, have not been independently verified, and the Company and the Joint Sponsors do not make any representation as to the accuracy of that information. The Company hereby confirms that where the information in this Prospectus has been reproduced from third-party sources, it has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by the aforementioned sources, no facts have been omitted which would render the reproduced information, data and statistics inaccurate or misleading.

Notice to Investors

J.P. Morgan Cazenove, which is authorised and regulated in the United Kingdom by the FSA, is acting exclusively for the Company as Joint Sponsor and Joint Broker and no one else in connection with the Readmission and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Readmission and will not be responsible to anyone other than the Company for providing the protections afforded to its clients nor for giving advice in relation to the Readmission or any transaction or arrangement referred to in this Prospectus.

Morgan Stanley is acting exclusively for the Company as Joint Sponsor and Joint Broker and no one else in connection with the Readmission and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Readmission and will not be responsible to anyone other than the Company for providing the protections afforded to its clients nor for giving advice in relation to the Readmission or any transaction or arrangement referred to in this Prospectus.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Joint Sponsors by the FSMA or the regulatory regime established thereunder or any other applicable regulatory regime, the Joint Sponsors accept no responsibility whatsoever for the contents of this Prospectus or for any other statement made or purported to be made in it by them, or on their behalf, in connection with the Company, the Ordinary Shares or the Readmission. The Joint Sponsors, accordingly, disclaim all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of the Prospectus or any such statement.

**DIRECTORS, COMPANY SECRETARY, REGISTERED AND
HEAD OFFICE AND ADVISERS**

Directors	Anil Agarwal Navin Agarwal Mahendra Singh Mehta Naresh Chandra Aman Mehta Euan R. MacDonald	Executive Chairman Deputy Executive Chairman Chief Executive Officer Non-Executive Director and Senior Independent Director Non-Executive Director Non-Executive Director
Company Secretary	Deepak Kumar	
Registered Office	2 nd Floor, Vintners Place 68 Upper Thames Street London EC4V 3BJ United Kingdom	
Head Office and Directors’ Business Address	16 Berkeley Street London W1J 8DZ United Kingdom	
Joint Sponsors and Joint Brokers	J.P. Morgan Limited 125 London Wall London EC2Y 5AJ United Kingdom	Morgan Stanley & Co. International plc 25 Cabot Square Canary Wharf London E14 4QA United Kingdom
Legal Adviser to the Company as to English law	Latham & Watkins (London) LLP 99 Bishopsgate London EC2M 3XF United Kingdom	
Legal Adviser to the Company as to Indian law	Amarchand & Mangaldas & Suresh A. Shroff & Co 216 Amarchand Towers Okhla Industrial Estate Phase-III New Delhi 110020 India	
Legal Adviser to the Joint Sponsors and Joint Brokers as to English law	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS United Kingdom	
Registered Auditors	Deloitte LLP 2 New Street Square London EC4A 3BZ United Kingdom	

**Reporting Accountants for
Cairn India**

Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom

Mineral Expert

DeGolyer and MacNaughton
5001 Spring Valley Road
Suite 800 East
Dallas, Texas 75244
United States

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgewater Road
Bristol BS99 7NH
United Kingdom

**PART I: INFORMATION ON THE VEDANTA GROUP, THE CAIRN INDIA GROUP
AND THE COMBINED GROUP**

SECTION A: INFORMATION ON THE VEDANTA GROUP

1. Overview

Vedanta is a Listed FTSE 100 holding company that owns controlling stakes in a diversified portfolio of metals and mining companies. The Vedanta Group's business is principally located in India, one of the fastest growing large economies in the world with a 7.2 per cent. increase in real gross domestic product ("GDP") from Fiscal 2009 to Fiscal 2010, according to the Central Statistical Organisation of the Government of India's Ministry of Statistics and Programme Implementation. In addition, the Vedanta Group has assets and operations in Zambia, Australia, South Africa, Ireland and Namibia. The Vedanta Group is primarily engaged in copper, zinc, aluminium, iron ore and commercial power generation businesses and is also developing and acquiring a port operation business and infrastructure assets. The Vedanta Group has experienced significant growth in recent years through various expansion projects for its copper, zinc, aluminium and iron ore businesses. The Vedanta Group reported revenue of US\$11,427.2 million and EBITDA of US\$3,566.8 million in Fiscal 2011. Vedanta believes that its experience in operating and expanding the Vedanta Group's businesses in India will allow it to capitalise on attractive growth opportunities arising from India's large mineral reserves, relatively low cost of operations and large and inexpensive labour and talent pools. Vedanta believes that the Vedanta Group is also well-positioned to take advantage of the significant growth in industrial production and investments in infrastructure in India, China, southeast Asia and the Middle East, which it expects will continue to generate strong demand for metals.

The following tables set out the revenue for each of the Vedanta Group's business segments as a percentage of the Vedanta Group's revenue on a consolidated basis and the operating profit for each of the Vedanta Group's business segments as a percentage of the Vedanta Group's operating profit on a consolidated basis.

	Year ended 31 March		
	2009	2010	2011
Revenue:			
Copper			
—India/Australia	38.5%	34.6%	30.1%
—Zambia	11.8%	13.5%	15.2%
Zinc			
—India	18.4%	20.8%	18.8%
—International ⁽¹⁾	—	—	1.9%
Aluminium	14.2%	11.5%	13.7%
Iron ore	16.3%	15.4%	17.3%
Commercial power generation	0.8%	4.2%	3.0%
Total	100%	100%	100%

	Year ended 31 March		
	2009	2010	2011
Segment result after special items:			
Copper			
—India/Australia	21.9%	4.0%	7.8%
—Zambia	(15.0)%	2.0%	12.2%
Zinc			
—India	49.6%	55.0%	44.1%
—International ⁽¹⁾	—	—	1.9%
Aluminium	10.6%	3.0%	1.2%
Iron ore	31.4%	27.2%	29.9%
Commercial power generation	1.6%	8.9%	4.4%
Elimination/Other	(0.1)%	(0.1)%	(1.5)%
Total	100%	100%	100%

(1) From acquisition during Fiscal 2011.

2. The Vedanta Group's Businesses

2.1 Copper

The Vedanta Group's copper business is comprised of operations in India, Zambia and Australia. The Vedanta Group's Indian copper business is principally one of custom smelting and is operated by Sterlite, while its Zambian copper business is owned and operated by KCM. Sterlite is one of India's largest diversified non-ferrous metals and mining companies. It is one of only two major custom copper smelters, with a 43 per cent. primary market share by sales volume in India in Fiscal 2011, according to the International Copper Promotion Council of India (the "ICPCI"). According to Brook Hunt & Associates Ltd., a metals and mining consulting firm ("Brook Hunt"), Sterlite's Tuticorin smelter was one of the world's largest, in terms of production volumes in 2010. Sterlite's Tuticorin smelter was also among the lowest quartile of cash costs. As at 31 March 2011, the Vedanta Group owned 57.5 per cent. of the share capital of Sterlite, through Twin Star and MALCO, and 79.4 per cent. of the ordinary share capital of KCM.

In addition, Sterlite owns the Mt. Lyell copper mine in Tasmania, Australia, which provides a small percentage of Sterlite's copper concentrate requirements. KCM's Zambian operations comprise various facilities at Konkola, Nchanga, Nkana and Nampundwe including mines, concentrators, smelters, acid plants, a tailings leach plant ("TLP") and a refinery.

The Vedanta Group is constructing a plant to extract copper from the estimated 147.2 million tonnes of probable reserves, as at 31 March 2011, from refractory ore stockpiled at its Nchanga licence area, which Vedanta believes will produce approximately 50 ktpa of additional finished copper from approximately 11.2 mtpa of refractory ore, with such plant expected to be completed by March 2013 and production expected to commence in Fiscal 2014.

Revenue from the Vedanta Group's copper business in Fiscal 2011 was US\$5,169.5 million. The Vedanta Group's copper capacity is expected to increase at a 33 per cent. compound annual growth rate ("CAGR") to 2012 and has a planned capacity extension to 1.2 mtpa by 2013.

2.2 Zinc

The Vedanta Group's fully-integrated zinc business is owned and operated by HZL, India's leading primary zinc producer with an 82 per cent. market share by sales volume in India in Fiscal 2011, according to the India Lead Zinc Development Association ("ILZDA"). In 2010, HZL was the world's largest integrated producer of zinc, was one of the top five lead mining companies based on production volumes and was in the lowest cost quartile in terms of all zinc mining operations worldwide, according to Brook Hunt. In addition, HZL's Rampura Agucha mine was the largest zinc mine in the world on a production basis and its Chanderiya hydrometallurgical zinc smelter was the fourth largest smelter on a production basis worldwide in 2010, according to Brook Hunt. As at 31 March 2011, Sterlite indirectly owned 64.9 per cent. of the share capital of HZL, with the remainder owned by the Government of India (29.5 per cent.) and institutional and public shareholders (5.6 per cent.). Sterlite has exercised its second call option to acquire the Government of India's remaining ownership interest in HZL, although the exercise of this call option is currently being disputed. See paragraphs 9.2 of this section and 13.1(f) of Part X: "Additional Information" of this Prospectus for more information.

HZL's operations include four lead-zinc mines, four hydrometallurgical zinc smelters, one lead smelter, one lead-zinc smelter, four sulphuric acid plants, one silver refinery, five CPPs in northwest India, one hydrometallurgical zinc smelter and a sulphuric acid plant at its Vizag facility in southeast India and one zinc ingot melting and casting plant in northern India. HZL's annual production of zinc and lead for Fiscal 2011 was 712,471 tonnes and 57,294 tonnes, respectively.

In addition, on 9 May 2010, the Vedanta Group agreed to acquire various zinc assets for a total consideration of US\$1,513.1 million. The net cash (being cash and cash equivalents less borrowings) of these entities as at the date of acquisition was US\$359.2 million. These zinc assets comprise Skorpion, which owns the wholly-owned Skorpion mine and refinery in Namibia, a 74 per cent. stake in Black Mountain, whose assets include the Black Mountain mine and the Gamsberg project in South Africa, and Lisheen, which owns the Lisheen mine in Ireland.

Revenue from the Vedanta Group's zinc business in Fiscal 2011 was US\$2,371.7 million (including revenue in respect of Skorpion, Black Mountain and Lisheen following their acquisition).

2.3 Aluminium

The Vedanta Group's aluminium business is primarily owned and operated by BALCO and Vedanta Aluminium. BALCO and Vedanta Aluminium are two of the four primary producers of aluminium in India and together had a 36 per cent. market share by sales volume in India in Fiscal 2010, according to the Aluminium Association of India (the "AAI"). As at 31 March 2011, Sterlite owned 51 per cent. of the share capital of BALCO and has exercised its option to acquire the Government of India's remaining 49 per cent. ownership interest, although the exercise of this call option is currently being disputed. See paragraphs 9.1 of this section and 13.1(g)(i) of Part X: "Additional Information" of this Prospectus for more information. As at 31 March 2011, the Company owned 94.8 per cent. of the share capital of MALCO and 70.5 per cent. of the share capital of Vedanta Aluminium, with Sterlite owning the remaining 29.5 per cent. of Vedanta Aluminium. The Vedanta Group's aluminium business has relatively low costs compared to its industry peers, with its aluminium smelter cash cost in the lower half of the cost curve.

BALCO's operations include two bauxite mines, two CPPs and refining, smelting and fabrication facilities in central India. BALCO's operations benefit from relatively cost effective access to power, the most significant cost component in aluminium smelting due to the power intensive nature of the process. This is due to a considerable extent to BALCO being an energy-integrated aluminium producer. BALCO received a coal block allocation of 211 million tonnes for use in its CPPs in November 2007. BALCO is constructing a 1,200 MW coal-based thermal power facility in the State of Chhattisgarh. The first two units of 300 MW are expected to be synchronised by the third and fourth quarters of Fiscal 2012, respectively, and the remaining two units, progressively, by the second quarter of Fiscal 2013. BALCO's annual production for Fiscal 2011 was 255,298 tonnes.

The Vedanta Group is also expanding its aluminium business through Vedanta Aluminium. Vedanta Aluminium's one mtpa of installed capacity alumina refinery at Lanjigarh was commissioned in March 2010 and produced 706,640 tonnes of alumina in Fiscal 2011.

In addition, Vedanta Aluminium has completed construction of a greenfield 500 ktpa aluminium smelter, together with an associated 1,215 MW coal-based CPP, in Jharsuguda in the State of Orissa. The project has been implemented in two phases of 250 ktpa each. Phase 1 was completed on 30 November 2009 and Phase 2 was substantially completed on 1 March 2010. All nine units of 135 MW have been commissioned. The cast metal production for Fiscal 2011 was 385,363 tonnes including trial run production and the net power generation of the CPP was 7,147 million units. Vedanta Aluminium is also setting up another 1.25 mtpa aluminium smelter in Jharsuguda at an estimated cost of US\$2,920 million. As at 31 March 2011, Vedanta Aluminium has spent US\$6,158.7 million on all projects at Lanjigarh and Jharsuguda.

Revenue from the Vedanta Group's aluminium business in Fiscal 2011 was US\$1,570.1 million.

2.4 Iron Ore

The Vedanta Group's iron ore business is owned and operated by SGL, India's largest exporter of iron ore in the private sector by volume since 2003, according to the Federation of Indian Mineral Industries ("FIMI"). As at 31 March 2011, Vedanta's ownership interest in SGL was 55.1 per cent. The remaining 44.9 per cent. was owned by institutional and public shareholders. SGL is engaged in the exploration, mining and processing of iron ore. On 11 June 2009, SGL completed the acquisition of the entire issued share capital of SRL. As at 31 March 2011, SGL owned or had the rights to reserves and resources consisting of 306.2 million tonnes of iron ore at an average grade of 54.6 per cent.

On 22 March 2011, SGL announced that it had acquired the assets of the uncompleted steel plant unit of Bellary Steels & Alloys Limited ("BSAL") for a cash consideration of US\$49.3 million (INR2,200 million) comprising a 0.5 mtpa steel plant (which was under construction), the freehold land on which the plant is being constructed of approximately 700 acres, existing buildings and structures and plant and machinery. SGL undertook this acquisition as the assets were located in the iron ore rich belt in the State of Karnataka, in close proximity to transportation networks, such as highways and railways, and water sources. Accordingly, Vedanta believes that the acquisition provides an opportunity to set up a value added facility to complement the Vedanta Group's existing businesses.

In Fiscal 2011, SGL produced approximately 18.8 million tonnes of iron ore fines and lumps. SGL intends to expand its production capacity to 36 mtpa by Fiscal 2013 (subject to receipt of environmental clearance) and plans to expand its pig iron capacity from 250 ktpa to 625 ktpa by Fiscal 2012. This capacity expansion of pig iron is expected to cost approximately US\$150 million in total to complete based on SGL's estimates as at 31 March 2011. SGL's mining operations are carried out in the Indian States of Goa and Karnataka. SGL has pursued a number of initiatives to expand the mining capacity at Goa and Karnataka to a combined capacity of 36 mtpa and additional investments in mining equipment, processing plants, barges and other infrastructure, such as loading facilities at railway sidings at an estimated cost of US\$500 million. In addition, SGL manufactures pig iron and metallurgical coke in Goa.

Revenue from the Vedanta Group's iron ore business in Fiscal 2011 was US\$1,977.9 million.

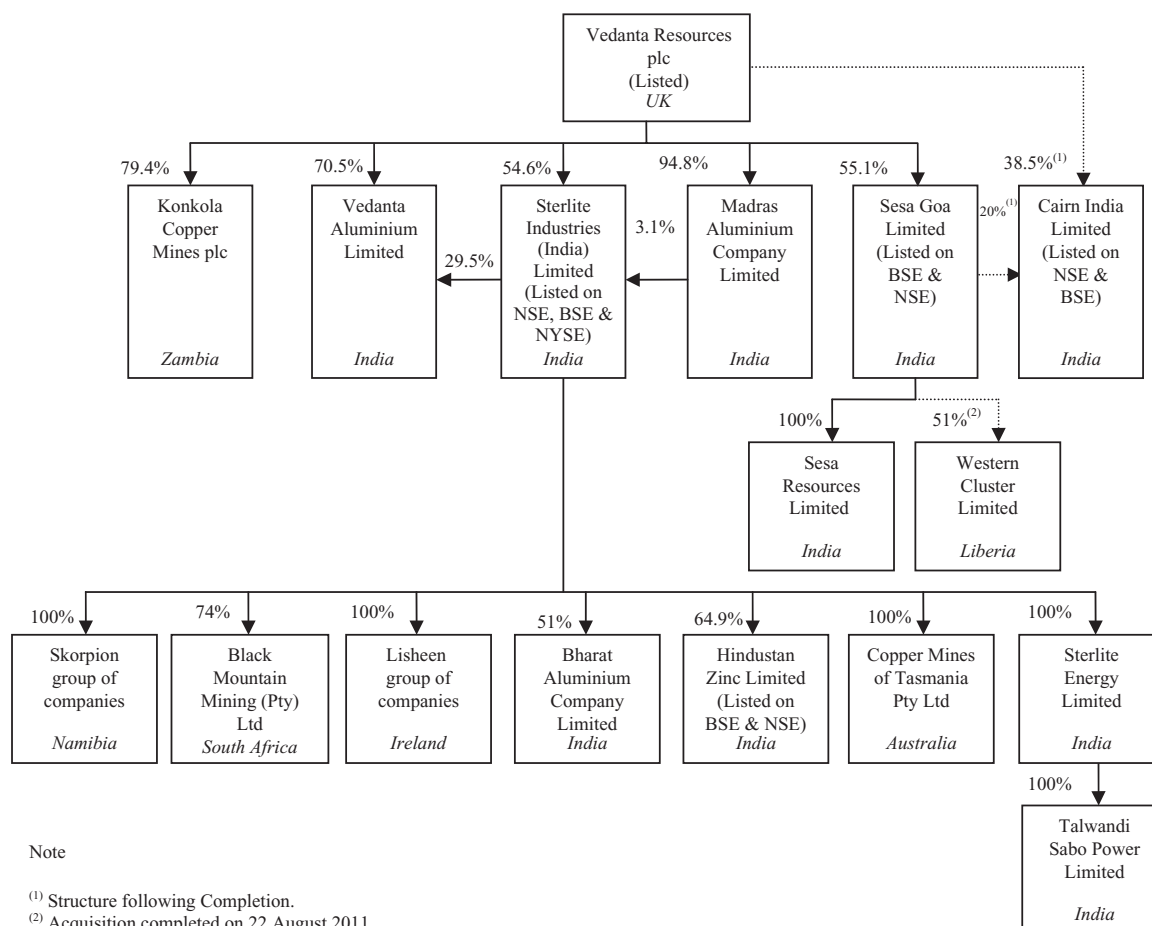
2.5 Commercial Power Generation

The Vedanta Group has been building and managing CPPs since 1997. The Vedanta Group is currently developing a commercial power generation business in India that leverages its experience in building and managing CPPs that support its primary businesses. As at 31 March 2011, the total power generating capacity of the Vedanta Group's thermal power plants and wind power plants was approximately 4,127 MW.

Revenue from the Vedanta Group's commercial power generation business in Fiscal 2011 was US\$338.0 million.

3. Current Vedanta Group Structure

The following diagram summarises the corporate structure of the Vedanta Group showing Vedanta's principal operating subsidiaries as at 31 March 2011. Vedanta also owns certain other subsidiaries that are not material and/or non-operating and are not shown in the organisational chart below.



4. The Cairn Acquisition

4.1 Cairn India Purchase Agreement

On 16 August 2010, Vedanta announced its proposal to acquire 51 per cent. to 60 per cent. of the fully diluted share capital of Cairn India for a total consideration of up to US\$9.6 billion. The Vedanta Group arranged new debt financing facilities of an aggregate amount of US\$6 billion to finance the Cairn Acquisition. As detailed in paragraph 14.6(a) of Part X: "Additional Information" of this Prospectus, the aggregate commitment under these facilities has been reduced to approximately US\$3.01 billion. Vedanta Shareholders approved the entry into of the Cairn Acquisition at an extraordinary general meeting held on 13 December 2010.

4.2 The Open Offer

As a result of entering into the Cairn India Purchase Agreement, the Vedanta Group was required by Indian takeover law to make an open offer to the Cairn India Shareholders (other than members of the Cairn Energy Group). On 6 April 2011, Vedanta announced receipt of SEBI clearance for its subsidiaries, SGL and SRL, to commence the Open Offer. SGL and SRL posted a letter of offer to acquire up to 383,985,368 ordinary INR10 each shares in the capital of Cairn India (the "Cairn India Shares"), equivalent to 20.01 per cent. of Cairn India's fully diluted voting share capital, at a price of INR355 per Cairn India Share. The Open Offer opened on 11 April 2011 and closed on 30 April 2011. A total of approximately 155 million Cairn India Shares, representing approximately 8.1 per cent. of the issued share capital of Cairn India, were tendered in the Open Offer. The total consideration paid by the Vedanta Group for the Cairn India Shares tendered in the Open Offer was approximately US\$1,223 million.

4.3 June 2011 Amendments to Cairn India Purchase Agreement

On 27 June 2011, the Cairn India Purchase Agreement was amended to, among other things, provide for 10 per cent. of the fully diluted share capital of Cairn India, being 191,920,207 Cairn India Shares, to be acquired by the Vedanta Group (the "First Tranche Sale") in advance of satisfaction of the conditions precedent set out in the Cairn India Purchase Agreement. Completion of the First Tranche Sale occurred on 11 July 2011. The gross consideration paid by the Vedanta Group on completion of the First Tranche Sale was US\$1,505.7 million in cash. The amendments to the Cairn India Purchase Agreement also included removal of the non-compete undertakings from Cairn Energy and the associated non-compete fee of INR50 per Cairn India Share payable by the Vedanta Group.

4.4 Government of India Approval

As announced on 1 August 2011, Vedanta and Cairn Energy received written notification from the Government of India providing approval of the Cairn Acquisition subject to the fulfilment of a number of conditions. The conditions were as follows:

- (i) The financial and performance parent guarantees provided by Cairn Energy in respect of the PSCs for seven blocks granted under the Government of India's New Exploration Licensing Policy ("NELP") (being PR-OSN-2004/1 (Palar Pennar Basin), MB-DWN-2009/1 (Mumbai Offshore Basin), KG-OSN-2009/3 (Krishna-Godavari Basin), KG-ONN-2003/1 (Krishna-Godavari Basin), KG-DWN-98/2 (Krishna-Godavari Basin), GS-OSN-2003/1 (Gujarat Saurashtra Offshore) and KK-DWN-2004/1 (Kerala-Konkan Basin) and three pre-NELP blocks (being the Rajasthan Block, the Ravva Block and the Cambay Basin Block) being substituted by financial and performance parent guarantees from Vedanta in a form and substance as set out in the relevant PSC and acceptable to the Government of India.

On 9 November 2011, Vedanta wrote to the MoPNG to confirm that it has accepted the terms of the parent guarantees which the MoPNG had sent to Vedanta on 4 November 2011.

- (ii) Vedanta providing a guarantee that the technical capability of Cairn India is and shall be kept undisturbed and ensuring continued production of oil and gas in accordance with the approved FDPs from time to time. In the event that Vedanta fails to perform as guaranteed, the Government of India will be entitled to stipulate additional conditions as it deems fit, including a change in the operatorship of the blocks.

Vedanta has given the required undertaking to the Government of India.

- (iii) Vedanta giving an undertaking that it shall ensure the adherence to approved FDPs and work programmes.

Vedanta has given the required undertaking to the Government of India.

- (iv) The Cairn India Group obtaining no-objection certificates from its consortium partners for each block (apart from the Ravva Block and the Cambay Basin Block) for the Cairn Acquisition under the relevant PSCs.

Following the passing of the ordinary resolution of the shareholders of Cairn India referred to below, Cairn India sought a no-objection certificate from ONGC in respect of these blocks. This was considered and approved by ONGC's board at a meeting on 27 September 2011. ONGC wrote to Cairn Energy, Cairn India, CEIPL and CEHL on 19 October 2011 confirming that ONGC had decided to accord the requisite no-objection certificate subject to: (i) execution of an agreement by Cairn India, Vedanta, Cairn Energy, CEIPL, CEHL, SGL and Twin Star Energy Holdings Limited ("TSEHL") in the form attached to their letter (the "ONGC Agreement"); (ii) formal withdrawal of the cess arbitration case detailed in sub-paragraph (viii) below; and (iii) remittance of the amount payable by Cairn India to ONGC on account of cost recovery of royalty paid by ONGC until 30 September 2011. The ONGC Agreement was entered into on 30 November 2011 and the no-objection certificate was received by Cairn India on 1 December 2011. As noted in sub-paragraph (viii) below, the cess arbitration was withdrawn on 30 November 2011. The payment on account of cost recovery of royalty will be made within five business days of completion of the Cairn Acquisition ("Completion").

- (v) Vedanta obtaining such other necessary approvals as required from regulatory bodies, including SEBI and submitting these to the Government of India.

The consent of SEBI in respect of the Open Offer was obtained as set out in paragraph 4.2 above and the Open Offer was completed on 15 May 2011, with the completion report being filed with SEBI on 3 June 2011.

- (vi) The Ministry of Home Affairs according the necessary security clearance to Vedanta to acquire the Cairn India Shares.

Vedanta was informed on 2 December 2011 that this security clearance had been accorded to it.

- (vii) The Cairn India Group, Cairn Energy India Pty Limited ("CEIPL"), Cairn Energy Hydrocarbons Limited ("CEHL") and the Vedanta Group agreeing and giving an undertaking that the royalty paid by ONGC in respect of the Rajasthan Block is cost recoverable by ONGC as a contract cost.

The Cairn India Group has a participating interest in 70 per cent. in, and is the operator of, the Rajasthan Block, in which ONGC holds the remaining 30 per cent. participating interest. Under the PSC executed for this block, in the view of the Cairn India Group, all royalty is payable by ONGC as a licensee and is not part of the contract cost for the purpose of cost recovery. However, ONGC and the Government of India contended that the royalty payable under the Rajasthan Block PSC should be a cost recoverable item under the Rajasthan Block PSC and, therefore, borne by the Cairn India Group to the extent of its participating interest. Royalty is currently payable at 20 per cent. of the post well-head value of crude oil produced (on an ex-royalty basis), which translates to approximately 15 per cent. of the value received from the sale of crude oil.

Revenues under the Rajasthan Block PSC are shared between the Cairn India Group and ONGC in the proportion of their unrecovered contract costs. After recovery of all contract costs, the balance revenue, known as "profit petroleum", is shared with the Government of India based on the return on investment made by the Cairn India Group (the higher the return achieved, the higher the percentage taken by the Government of India, subject to a maximum of 50 per cent.). The balance profit petroleum is shared between the Cairn India Group and ONGC in the ratio of their respective participating interests.

Following the passing of the ordinary resolution of Cairn India Shareholders referred to below on 14 September 2011 and pursuant to the ONGC Agreement, this condition was accepted to make royalty cost recoverable with effect from the commencement of production from the Rajasthan Block. On the date of Completion, Cairn India will pay an amount of US\$545.28 million to ONGC on account of cost recovery of royalty paid by ONGC until 30 September 2011.

In accepting ONGC's payment of royalty as being treated as cost recoverable, the revenues for the Cairn India Group from the Rajasthan Block would be reduced to the extent of 70 per cent. of the royalty paid by ONGC. However, the impact on the Cairn India Group's share of revenues would reduce in future years to the extent of the Government of India's share of profit petroleum, as the royalty thus paid would also reduce the profit petroleum being shared with the Government of India. During the year ended 31 March 2011, total revenues from the Rajasthan Block were INR 93,734 million (US\$2,099.3 million) and the royalty payable by ONGC thereon in respect of 100 per cent. of the revenues was INR 18,386 million (US\$411.8 million). The royalty being cost recoverable led to a decline in the Cairn India Group's revenues and profits after tax for the nine months ended 30 September 2011 of approximately US\$589 million. Please see further note 2 to the historical financial information relating to Cairn India in Section B of Part VII: "Historical Financial Information Relating to Cairn India" of this Prospectus.

- (viii) CEIPL and CEHL withdrawing the arbitration case relating to the dispute raised by them on the payment of cess under the Rajasthan Block PSC.

The Cairn India Group had initiated arbitration proceedings against the Government of India and ONGC pursuant to a notice of claim seeking a declaration that it was not liable to pay cess on oil produced from the Rajasthan Block to the extent of the Cairn India Group's participating interest in the block. The Cairn India Group was paying cess at the rate of INR 2,575 (US\$57.7) per metric tonne of crude oil under protest while the arbitration proceedings were ongoing. The total cess paid by the Cairn India Group from commencement of production at the Rajasthan Block to 30 September 2011 was approximately US\$348 million.

Following the passing of the ordinary resolution of Cairn India Shareholders referred to below and the entry into the ONGC Agreement, the cess arbitration proceedings were withdrawn on 30 November 2011. The Cairn India Group will, therefore, be required to continue to pay a 70 per cent. share of the cess on oil produced from the Rajasthan Block. The cess payment is cost recoverable under the Rajasthan Block PSC. Payment of cess has an effect on profit petroleum in much the same way as in the case of royalty described at (vii) above.

Pursuant to a notice dated 26 July 2011 and following a requisition from CUKHL on 21 July 2011 to convene an extraordinary general meeting of Cairn India, Cairn India sent an ordinary resolution by postal ballot to its shareholders to consider, and if thought fit, give assent to the conditions imposed by the Government of India as set out in (vii) and (viii) above (the "Royalty and Cess Conditions") and, amongst other things, to obtain the no-objection certificates referred to at (iv) above. Cairn India announced that the ordinary resolution had been passed on 14 September 2011.

Cairn India stated in the notice of postal ballot dated 26 July 2011 that acceptance of the Royalty and Cess Conditions will materially and adversely affect the Cairn India Group's revenues, and consequently profits, from the Rajasthan Block under the Rajasthan Block PSC. However, Cairn India also stated that whilst there is no assurance, agreeing to the Royalty and Cess Conditions may enhance the Cairn India Group's ability to further develop the Rajasthan Block. Whilst the Cairn India Group is currently producing 125,000 bopd from the Rajasthan Block and has approved FDPs to produce up to 175,000 bopd, Cairn India's current understanding of the resource base in the Rajasthan Block supports a vision to produce 240,000 bopd, subject to further investments and regulatory approvals. Cairn India recognised that without the active support of the Government of India and ONGC it would not be possible for the Cairn India Group to exploit the full potential of the resource base in the Rajasthan Block.

Following Completion, it is expected that Cairn Energy and Vedanta will write to the MoPNG to confirm that the conditions stipulated in the Government of India's approval of the Cairn Acquisition have been satisfied. The Government of India did not stipulate any requirements for further actions to be taken following satisfaction of the conditions and therefore all of the conditions will have been satisfied.

4.5 Completion

All of the conditions specified by the Government of India have been or will be satisfied and all necessary governmental approvals to the Cairn Acquisition have been or will be received by Completion. All of the conditions precedent to the Cairn India Purchase Agreement were satisfied or waived by 6 December 2011 and Completion is expected to occur by 8 December 2011. On Completion, the Vedanta Group will acquire 30 per cent. of the fully diluted share capital of Cairn

India. The gross consideration payable by the Vedanta Group on Completion will be US\$4,517 million in cash. Following Completion, the Vedanta Group will hold 58.5 per cent. of the fully diluted share capital of Cairn India and will have paid a total gross consideration of US\$8,723.7 million for such shares.

5. Recent Developments

5.1 Acquisition of Zinc Assets

On 9 May 2010, the Vedanta Group agreed to acquire various zinc assets for a total consideration of US\$1,513.1 million. The net cash (being cash and cash equivalents less borrowings) of these entities as at the date of acquisition was US\$359.2 million. These zinc assets comprise Skorpion, which owns the Skorpion mine and refinery in Namibia, a 74 per cent. stake in Black Mountain, whose assets include the Black Mountain mine and the Gamsberg project in South Africa, and Lisheen, which owns the Lisheen mine in Ireland. On 3 December 2010, the Vedanta Group announced the completion of the acquisition of Skorpion by Sterlite Infra Limited, a wholly-owned subsidiary of Sterlite. On 4 February 2011, the Vedanta Group announced the completion of the acquisition of the 74 per cent. stake in Black Mountain. The acquisition of Lisheen was completed on 15 February 2011.

5.2 Initial Public Offering of Konkola Resources

On 16 November 2010, Konkola Resources announced its intention to proceed with an initial public offering of its ordinary shares and seek admission of the ordinary shares to the premium listing segment of the Official List and to trading on the LSE's main market for listed securities. Konkola Resources will, on completion of this initial public offering, be the holding company of KCM. Vedanta intends to pursue the proposed initial public offering of Konkola Resources at an appropriate time and subject to market conditions.

5.3 Acquisition of Steel Assets

On 22 March 2011, SGL announced that it had acquired the assets of the uncompleted steel plant unit of BSAL for a cash consideration of INR2,200 million (US\$49.3 million) comprising a 0.5 mtpa steel plant (which was under construction), the freehold land on which the plant is being constructed of approximately 700 acres, existing buildings and structures and plant and machinery. SGL undertook this acquisition as the assets were located in the iron ore rich belt in the State of Karnataka, in close proximity to transportation networks, such as highways and railways, and water sources. Accordingly, Vedanta believes that the acquisition provides an opportunity to set up a value added facility to complement the Vedanta Group's existing businesses.

5.4 Acquisition of Cairn India Shares from Petronas International Corporation Ltd.

On 19 April 2011, SGL acquired 200 million Cairn India Shares, amounting to a 10.4 per cent. stake in Cairn India, from Petronas International Corporation Ltd at a price of INR331 per Cairn India Share, resulting in a total cash consideration of approximately US\$1.5 billion. This acquisition is in addition to the Cairn Acquisition discussed at paragraph 4 above, although the Cairn India Shares acquired pursuant to the Petronas Acquisition do operate to decrease the number of Cairn India Shares to be acquired pursuant to the Cairn India Purchase Agreement.

5.5 Bond Offering

On 27 May 2011, Vedanta announced the pricing of an offering of bonds in the aggregate principal amount of US\$1.65 billion (the "Bond Offering"). The bonds were offered and sold in two tranches, consisting of (i) US\$750 million aggregate principal amount of 6.75 per cent. bonds due 2016 and (ii) US\$900 million aggregate principal amount of 8.25 per cent. bonds due 2021 (together the "Bonds"). The Bond Offering closed on 7 June 2011. The Bonds were rated "Ba2" by Moody's, "BB" by Standard & Poor's and "BB" by Fitch. Vedanta used the proceeds of the Bond Offering to finance the purchase price for the First Tranche Sale and used the remaining US\$125.0 million of proceeds to fund the interest reserve account under its US\$3.5 billion (since reduced to US\$2.97 billion) syndicated term loan facility agreement dated 17 November 2010 ("Acquisition Facility Agreement") and pay fees and expenses for the Bond Offering. The Bonds were admitted to the official list of the Singapore Exchange Securities Trading Limited on 8 June 2011. Following successful completion of the Bond Offering, on 7 June 2011 commitments under the high yield senior secured bridge facility agreement dated 17 November 2010 between Vedanta and others (the "High Yield Bridge Facility Agreement") for a total aggregate amount of up to US\$1.5 billion were cancelled.

5.6 Acquisition of Majority Stake in Western Cluster Limited

On 8 August 2011, Vedanta announced that SGL had signed a share purchase and operation agreement with Elenilto Minerals & Mining LLC (“Elenilto”), pursuant to which a wholly-owned subsidiary of SGL agreed to acquire a 51 per cent. stake in Western Cluster Limited (“WCL”), a Liberian iron ore exploration company which is a wholly-owned subsidiary of Elenilto, for a cash consideration of US\$90 million. Elenilto won a bid tendered by the Government of Liberia in 2010 for the development of Western Cluster, a network of iron ore deposits in west Africa which has a long life potential and access to an estimated one billion tonnes of potential iron ore resources, which WCL will develop. As announced on 24 August 2011, the Legislature of the Republic of Liberia has ratified the mineral development agreement for the Western Cluster project executed with the Government of Liberia. With this ratification, all necessary approvals from the Government of Liberia for the acquisition by SGL of the stake in WCL had been received and the acquisition completed on 22 August 2011.

5.7 Suspension of Mining Operations in Certain Districts of Karnataka

In 2009, a non-governmental organisation called Samaj Parivartan Samudaya filed a civil writ petition in the Supreme Court alleging that the State Governments of Karnataka and Andhra Pradesh had failed to stop the illegal mining of iron ore which had adversely affected the livelihood of local people in these states. In February 2011, the Supreme Court directed the Central Empowered Committee (the “CEC”) to investigate the allegations of illegal mining in the State of Karnataka and submit a report to the Supreme Court. Based on the CEC’s interim report, the Supreme Court passed an order on 29 July 2011 suspending mining operations in Bellary in the State of Karnataka. The Supreme Court passed a further order on 5 August 2011 directing the Indian Council of Forestry Research and Education (the “ICFRE”) to undertake a study of the mining operations in Bellary and to submit a reclamation and rehabilitation plan to the Supreme Court. The CEC filed another interim report on 18 August 2011 with respect to mining operations in the Tumkur and Chitradurga districts in the State of Karnataka. In light of this report, the Supreme Court ordered on 26 August 2011 that all mining operations in the Tumkur and Chitradurga districts be suspended and the ICFRE include the districts of Tumkur and Chitradurga in its study and reclamation and rehabilitation plan to be submitted to the Supreme Court. As SGL has operations in the district of Chitradurga, it has ceased these operations in compliance with the Supreme Court’s order.

The Supreme Court also directed on 26 August 2011 that a total amount of 25 million tonnes of iron ore stock in the districts of Bellary, Tumkur and Chitradurga be sold through an e-auction through Metal Scrap Trading Corporation Limited, a Government of India enterprise, and be made available to the local steel industry. Consequently, SGL has allocated 0.8 million tonnes of its iron ore stock to be sold by e-auction, of which 0.292 million tonnes had already been sold as at 30 September 2011. The mines cleared by the CEC after it completes its survey and submits its report to the Supreme Court will be entitled to receive 80 per cent. of the sales proceeds from the iron ore stock sold in the e-auction. The sale proceeds will be net of any royalty, forest development tax and VAT that is payable.

A joint team under the CEC and ICFRE is currently conducting surveys on the mining operations in the affected districts. The outcome of the ICFRE’s report will determine whether SGL’s operations in the district of Chitradurga may re-commence. The ICFRE is required to submit a report to the Supreme Court by 15 December 2011. The Supreme Court is then expected to review its ban on mining operations in the affected districts and issue appropriate orders (which could include allowing mining operations to re-commence either on an unlimited basis or subject to certain conditions) after considering the reports from the CEC and ICFRE.

The financial impact on the Vedanta Group’s operations is not currently quantifiable as this depends on, amongst other things, the price of iron ore, the price that SGL’s iron ore stock will achieve in the e-auction and whether the Supreme Court will modify the suspension pending its review of reports to be submitted by the CEC and ICFRE. SGL produced 3.43 million tonnes of iron ore from its operations at Chitradurga in Fiscal 2011. Based on unaudited internal management information, the turnover and EBITDA attributable to SGL’s operations at Chitradurga in Fiscal 2011 were INR6,320.28 million (US\$141,551,624) and INR3,333.6 million (US\$74,660,694), respectively.

6. History and Development of the Vedanta Group

- 6.1 In 1979, Mr. Anil Agarwal acquired Shamsher Sterling Corporation, which manufactured polyvinyl chloride power and control cables, overhead power transmission conductors and enamelled copper wire. Sterlite Cables Limited, in which the Agarwal family (consisting of Mr. Anil Agarwal, Dwarka Prasad Agarwal and Agnivesh Agarwal, any of their parents, spouses, children, siblings and their children, and the families of any such person (the “Agarwal Family”)) had a substantial interest, subsequently acquired this business and in 1986 changed its name to Sterlite Industries (India) Limited.
- 6.2 In 1988, Sterlite conducted an initial public offering of its shares and convertible debentures in India to finance in part its first polythene insulated jelly filled copper telephone cables plant.
- 6.3 In 1993, Sterlite Communications Limited, which was merged with Sterlite in 1996, established a plant for the manufacture of optical fibre at Aurangabad. Sterlite entered the aluminium production business in 1995 by acquiring an 80 per cent. interest in MALCO as part of MALCO’s financial restructuring.
- 6.4 In 1997, Sterlite commissioned the first privately developed copper smelter in India at Tuticorin.
- 6.5 In March 2000, to increase its interests in aluminium, MALCO acquired a 38.8 per cent. interest in India Foils Limited (“IFL”).
- 6.6 In July 2000, Sterlite’s telecommunications cables and optical fibre business was spun-off into a new company, Sterlite Technologies Limited (“STL”). The Agarwal Family has substantial interests in STL, although it is not a part of the Vedanta Group.
- 6.7 Sterlite acquired a 51.0 per cent. interest in BALCO from the Government of India on 2 March 2001. On 19 March 2004, Sterlite gave notice to exercise its call option to purchase the Government of India’s remaining 49.0 per cent. shareholding in BALCO at a price determined in accordance with the shareholders’ agreement entered into by Sterlite and the Government of India. The exercise of this option has been contested by the Government of India, see paragraph 9.1 further below.
- 6.8 In April 2002, Sterlite, through its wholly-owned subsidiary, SOVL, acquired a 26 per cent. interest in HZL from the Government of India. On 29 August 2003, SOVL exercised the first call option granted by the Government of India to acquire a further 18.9 per cent. interest in HZL for INR3,239 million (US\$67.42 million as of the date of the acquisition), taking its interest in HZL to 64.9 per cent. In addition, SOVL has a call option, which became exercisable from 11 April 2007, to acquire the Government of India’s remaining ownership interest in HZL subject to the right of the Government of India to transfer up to 3.5 per cent. of the issued share capital to employees. The exercise of this call option has been contested by the Government of India, see paragraph 9.2 further below.
- 6.9 On 22 April 2003, Vedanta was incorporated in the name of Angelchange Limited, a name that was subsequently changed to Vedanta Resources Limited on 26 June 2003. On 20 November 2003, Vedanta was re-registered as public company and its name was changed to Vedanta Resources plc.
- 6.10 On 10 December 2003, Vedanta’s Ordinary Shares were admitted to the Official List and to trading on the LSE’s main market with ISN GB0033277061 (the “Listing”) pursuant to a global offering of 130,000,000 Ordinary Shares, raising approximately £477 million, or US\$825.3 million using the then current exchange rate, net of underwriting commissions and other fees and expenses.
- 6.11 On 5 November 2004, Vedanta, through its wholly-owned subsidiary, Vedanta Resources Holdings Limited (“VRHL”), completed the acquisition of a 51.0 per cent. controlling interest in KCM for a total cash consideration of US\$48.2 million. VRHL subscribed for US\$25 million of new ordinary shares of KCM, representing 51.0 per cent. of the enlarged issued share capital of KCM.
- 6.12 In July 2006, the Vedanta Group’s power transmission conductor business was sold to STL as a going concern together with its associated liabilities.
- 6.13 On 3 October 2006, Sterlite acquired 100 per cent. of Sterlite Energy from Twin Star Infrastructure Limited.
- 6.14 Vedanta acquired its iron ore business on 23 April 2007 through the acquisitions by its wholly-owned subsidiaries of all of the outstanding shares of Finsider International Company Limited (“Finsider”) from Mitsui for US\$981 million. Finsider held a 51.0 per cent. interest in SGL. Under the Indian Takeover Code, an open offer to acquire a further 20 per cent. was made in September 2007 at the

original acquisition price. After completion of the offer, Vedanta, through its subsidiaries, held a 51.2 per cent. ownership interest in SGL.

- 6.15 In June 2007, Sterlite completed an initial public offering of its shares in the form of American depositary shares in the United States and its shares were listed on the NYSE. Vedanta's ownership interest, held through its subsidiaries, decreased to 59.9 per cent.
- 6.16 On 9 April 2008, VRHL, through the exercise of Vedanta's call option, purchased an additional 312,244,138 ordinary shares and 48,000,000 deferred shares of KCM for a cash consideration of US\$213.2 million, increasing its ownership of the ordinary shares to 79.4 per cent.
- 6.17 In December 2008, Vedanta announced a US\$250 million share buy-back programme to purchase up to 10 per cent. of its Ordinary Shares in issue. Subsequently, at a meeting on 19 March 2010, Vedanta's Board of Directors approved a total share repurchase programme of US\$825 million. As at 31 March 2011, Vedanta held a total of 24,206,816 Ordinary Shares in treasury (equal to 8.5% of the issued share capital as at 31 March 2011). Any purchases of Ordinary Shares pursuant to the programme will be effected within certain pre-set parameters and in accordance with both the Company's general authority to repurchase shares and Chapter 12 of the Listing Rules, which requires that the maximum price paid will not exceed 5 per cent. above the average market value of Ordinary Shares for the five dealing days preceding the date of purchase. The Company may from time to time announce new share repurchase programmes or increase its existing share repurchase programme.
- 6.18 In February 2009, Vedanta, through Twin Star, announced the acquisition of additional shares in MALCO through the reverse book-building guidelines of SEBI and, together with Welter Trading Limited ("Welter"), held 94.8 per cent. of the equity shares of MALCO as at 31 March 2011. Approval to delist MALCO's shares from the NSE and BSE stock exchanges has been received and MALCO was delisted with effect from 19 June 2009.
- 6.19 In July 2009, Sterlite completed a follow-on offering of its shares in the form of American depositary shares in the United States where the shares are listed on the NYSE. Vedanta's ownership interest, held through its subsidiaries, decreased to 56.9 per cent.
- 6.20 In Fiscal 2009, Vedanta completed the disposal of its interest in IFL.
- 6.21 On 11 June 2009, SGL acquired the entire issued share capital of SRL, which increased its iron ore reserves and resources by an estimated 101.8 million tonnes including the addition through exploration and drilling in Fiscal 2010.
- 6.22 On 30 October 2009, Sterlite Energy filed a draft red herring prospectus with SEBI for a proposed initial public offering of its equity shares for an issue size of INR51,000 million (US\$1,142.2 million). While the permission from SEBI to proceed with the initial public offering lapsed in April 2011, Vedanta continues to explore various financing options for Sterlite Energy, including an initial public offering.
- 6.23 On 9 May 2010, the Vedanta Group agreed to acquire various zinc assets for a total consideration of US\$1,513.1 million. The net cash (being cash and cash equivalents less borrowings) of these entities as at the date of acquisition was US\$359.2 million. Further details are set out in paragraph 5.1 above.
- 6.24 On 16 August 2010, Vedanta announced its proposal to acquire 51 per cent. to 60 per cent. of the fully diluted share capital of Cairn India for a total consideration of up to US\$9.6 billion. Further details are set out in paragraph 4.1 above.
- 6.25 On 16 November 2010, Konkola Resources announced its intention to proceed with an initial public offering of its ordinary shares and seek admission of the ordinary shares to the Official List and to trading on the LSE's main market for listed securities. Further details are set out in paragraph 5.2 above.
- 6.26 On 22 March 2011, SGL announced that it had acquired the assets of the uncompleted steel plant unit of BSAL. Further details are set out in paragraph 5.3 above.
- 6.27 On 19 April 2011, SGL acquired 10.4 per cent. of Cairn India from Petronas International Corporation Ltd. Further details are set out in paragraph 5.4 above.
- 6.28 On 8 August 2011, Vedanta announced that SGL had acquired 51 per cent. of WCL from Elenilto. Further details are set out in paragraph 5.6 above.

7. Current Group Structure

The principal members of the Vedanta Group as at 31 March 2011 were as set out below.

7.1 Copper Business

(a) Sterlite Industries (India) Limited

Sterlite was incorporated in Kolkata, India, has its registered office in Tuticorin in the State of Tamil Nadu and is headquartered in Mumbai. Sterlite has been a public listed company in India since 1988. Its shares are listed and traded on the NSE and the BSE, and are also listed and traded on the NYSE in the form of American depositary shares. As at 31 March 2011, Vedanta, through Twin Star and MALCO, owns 57.5 per cent. of Sterlite and has management control of the company. The remainder of Sterlite's share capital is held by the Life Insurance Corporation of India (the "LIC") (2.5 per cent.) and other institutional and public shareholders (39.8 per cent.).

(b) Konkola Copper Mines plc

KCM was incorporated in Lusaka, Zambia, and has its registered office in Chingola, Zambia. Vedanta owns 79.4 per cent. of KCM's ordinary share capital through Vedanta's wholly-owned subsidiary, VRHL, and has management control of the company. KCM's other shareholder is ZCCM Investments Holdings Plc. The Government of Zambia has a controlling stake in ZCCM Investments Holdings Plc.

(c) Copper Mines of Tasmania Pty Ltd

CMT was incorporated in Belmont, Australia, and is headquartered in Queenstown, Tasmania. Sterlite, through its wholly-owned subsidiary Monte Cello, owns 100 per cent. of CMT and has management control of the company.

7.2 Zinc Business

(a) Hindustan Zinc Limited

HZL was incorporated in Jaipur, India, and is headquartered in Udaipur in the State of Rajasthan. HZL's equity shares are listed and traded on the NSE and the BSE. Sterlite indirectly owns 64.9 per cent. of the share capital of HZL and has management control. The remainder of HZL's share capital is owned by the Government of India (29.5 per cent.) and institutional and public shareholders and employees of HZL (5.6 per cent.). Through SOVL, Sterlite has a call option to acquire the Government of India's remaining ownership interest, at a fair market value to be determined by an independent appraiser, subject to the right of the Government of India to transfer up to 3.5 per cent. of the issued share capital to HZL's employees, which it exercised on 21 July 2009. The exercise of this call option has been contested by the Government of India. See paragraph 9.2 below for further details.

7.3 Aluminium Business

(a) Bharat Aluminium Company Ltd.

BALCO was incorporated in New Delhi, India, and is headquartered at Korba in the State of Chhattisgarh. Sterlite owns 51 per cent. of the share capital of BALCO and has management control of the company. The Government of India owns the remaining 49 per cent. Sterlite exercised an option to acquire the Government of India's remaining ownership interest in BALCO in March 2004. The exercise of this call option has been contested by the Government of India. Further, the Government of India retains the right and has expressed an intention to sell 5 per cent. of BALCO to BALCO's employees. See paragraph 9.1 below for further details.

(b) Vedanta Aluminium Limited

Vedanta Aluminium was incorporated in Mumbai, India, and is headquartered in Jharsuguda in the State of Orissa. Vedanta, through Twin Star and Welter, owns 70.5 per cent. of the share capital of Vedanta Aluminium and Sterlite owns the remaining 29.5 per cent. of the share capital of Vedanta Aluminium.

7.4 Iron Ore Business

(a) Sesa Goa Limited

SGL was incorporated in Panaji, India, where it is also headquartered. Its equity shares are listed and traded on the NSE and the BSE. As at 31 March 2011, Vedanta owned, through various wholly-owned subsidiaries, 55.1 per cent. of SGL and had management control of the company. The remaining 44.9 per cent. is owned by institutional and public shareholders. A scheme of amalgamation of SIL with SGL was approved by shareholders of both SIL and SGL. On 7 February 2011, the Supreme Court upheld the order of the High Court of Bombay in Goa dated 18 December 2008 approving the scheme of amalgamation of SIL with SGL. The amalgamation is intended to optimise the size of SGL's iron ore business which is essential for better utilisation of available resources in order to ensure long-term economic and financial benefits. With effect from 14 February 2011, all rights, claims, obligations, assets and liabilities of SIL have been transferred to and vested in SGL, with the appointment date being set at 1 April 2005.

(b) Sesa Resources Limited

SRL was incorporated in Goa, India, and is headquartered in Panaji, Goa. SGL owns 100 per cent. of SRL.

(c) Western Cluster Limited

WCL was incorporated in Liberia and its registered office is in Monrovia, Liberia. SGL, through its wholly-owned subsidiary Bloom Fountain Limited ("BFL"), owns 51 per cent. of WCL further to an acquisition that was completed on 22 August 2011. The remaining 49 per cent. is owned by Elenilto.

7.5 Commercial Power Generation Business

(a) Sterlite Energy Limited

Sterlite Energy was incorporated in Mumbai, India, where it is also headquartered. Sterlite Energy's registered office is in Tuticorin. Sterlite owns 100 per cent. of Sterlite Energy and has management control of the company. Sterlite Energy filed a draft red herring prospectus with SEBI for a proposed initial public offering of its equity shares for an issue size of INR51,000 million (US\$1,142.2 million) on 30 October 2009. While the permission from SEBI to proceed with the initial public offering lapsed in April 2011, Vedanta continues to explore various financing options for Sterlite Energy, including an initial public offering.

(b) Madras Aluminium Company Limited

MALCO was incorporated in Mettur, India, where it is also headquartered. MALCO's equity shares were listed and traded on the NSE and BSE. As at 31 March 2011, Vedanta, through Twin Star and Welter, owned 94.8 per cent. of MALCO's share capital and has management control of the company. The remaining 5.2 per cent. ownership interest in MALCO is held by public shareholders. MALCO's equity shares were delisted from the NSE and BSE on 19 June 2009.

8. Description of the Businesses

8.1 Copper Business

(a) Introduction

The Vedanta Group's Indian copper business is owned and operated by Sterlite. It is principally a custom smelting business whose assets include a smelter, refinery, phosphoric acid plant, sulphuric acid plant, copper rod plant and two CPPs at Tuticorin in southern India, a refinery and two copper rod plants at Silvassa in western India and a precious metal refinery at Fujairah in the UAE that produces by-products such as gold and silver. In addition, Sterlite owns the Mt. Lyell copper mine in Tasmania, Australia, which provides a small percentage of its copper concentrate requirements.

As a custom smelter, Sterlite buys copper concentrate at LME-linked copper prices less a TcRc that it negotiates with suppliers. Sterlite sells refined copper at LME-linked prices in domestic and export markets. Sterlite receives a discount from its suppliers in the form of a TcRc, which is influenced by the global copper concentrate demand, supply of copper smelting and refining

capacity, LME trends, LME-linked price participation and other factors. Sterlite sources its concentrate from various global suppliers and its Mt. Lyell copper mine.

In recent years, Sterlite has improved its operating performance by improving operational efficiencies and reducing unit costs, including reducing power costs by constructing a CPP at Tuticorin.

The copper business in Zambia is owned and operated by KCM which is largely an integrated copper producer. KCM's operations at Nchanga include a number of open-pit mines, a large underground mine, TLP with the associated SX-EW facility, a smelter with a cobalt recovery furnace and a sulphuric acid plant, copper concentrators comprising two main processing units and a refractory ore stockpile. At Konkola, KCM operates a large underground mine and a concentrator on site. There is also a refinery at Nkana and a pyrite mine and concentrator at Nampundwe. In Fiscal 2011, the KCM mines provided approximately 52 per cent. of KCM's copper concentrate requirements for its smelting operations, with the remainder of KCM's copper concentrate requirements being obtained from third parties. The mine at Nampundwe and associated concentrator, a smelter and sulphuric acid plant at Nkana and an older concentrator at Konkola are currently under care and maintenance. As at 31 March 2011, KCM had spent US\$1,257.3 million since 1 July 2005 on its capital expenditure projects.

Through VRHL, Vedanta acquired a 51 per cent. interest in KCM in November 2004 and increased its ownership of ordinary shares in KCM to 79.4 per cent. in April 2008 through the exercise of its call option. Since the acquisition of KCM in 2004, various projects and expansions to improve KCM's operating performance have been, or are in the process of being, implemented. These include:

- developing mining infrastructure to access the large copper ore body available at deeper levels at KCM's Konkola mine, which the Company estimates will increase the output of KCM's Konkola underground mine from approximately 1.8 mtpa of ore in Fiscal 2010 to approximately 7.5 mtpa by Fiscal 2017. This project is called the Konkola deep mining project ("KDMP");
- de-bottlenecking the TLP at Nchanga to increase its capacity from 15.1 mtpa to up to an estimated 19.8 mtpa;
- setting up the Chingola Refractory Ore ("CRO") project involving the construction of a plant to extract copper from the estimated 147.2 million tonnes of probable reserves from refractory ore, which Vedanta believes will produce approximately 50 ktpa of additional finished copper from approximately 11.2 mtpa of refractory ore by Fiscal 2014;
- installing a second cobalt recovery furnace at the Nchanga smelter to double cobalt recovery;
- upgrading and modernising the east and west mill processing plants at the Nchanga concentrator, including upgrading the west mill Nchanga underground mine concentrator with a new 3.0 mtpa concentrator and the east mill NOP concentrator with a new 7.5 mtpa concentrator;
- commissioning a 311 ktpa direct-to-blister flash smelter at Nchanga with a cobalt recovery furnace. This smelter is significantly more environmentally friendly and Vedanta believes it has one of the highest sulphur capture rates in the world;
- commissioning a 6 mtpa concentrator at Konkola to enhance mining output, improve recovery and improve the concentrate grade of its copper;
- expanding the Nkana refinery to a production capacity of 300 ktpa of copper cathode; and
- commissioning a 640 ktpa sulphuric acid plant at Nchanga to produce acid for use in the TLP.

KCM intends to further improve its operating performance by:

- substantially developing its open-pit mines at Nchanga, including the opening of additional pits and the mining of cobalt ore at the NOP;
- expanding capacity at, and extending the life of, the existing Nchanga underground mine by extracting as yet unmined ore in the upper ore body of the Nchanga ore deposit;

- improving the de-watering facilities and power infrastructure at the Konkola underground mine to manage expected increases in water inflow and power demand at the mine as a result of the KDMP; and
- purchasing and installing three 8 MW emergency diesel generators at the Konkola underground mine.

(b) Principal Products

(i) Copper Cathode

The Vedanta Group's copper cathodes from the Tuticorin and Nchanga smelters are square shaped with purity levels of 99.99 per cent. copper. These cathodes meet international quality standards and are registered as LME "A" Grade. KCM also produces Kabundi copper cathode, which is marketed as KBC from SX-EW TLP at Nchanga and is in the process of being registered with the LME. The major uses of copper cathodes are in the manufacture of copper rods for the wire and cable industry and copper tubes for consumer durable goods. Copper cathodes are also used for making alloys like brass, bronze and alloy steel, with applications in transportation, electrical appliances and machinery, in defence and construction.

(ii) Copper Rods

The Vedanta Group's copper continuous cast rods meet all the requirements of international quality standards, including the ASTM B 49: 2010 or the BS EN 1977:1998 standards. The Vedanta Group's copper rods are currently used primarily for power and communication cables, transformers and magnet wires.

(iii) Sulphuric Acid

Sulphuric acid produced at the sulphuric acid plants at the Nchanga smelter is used in the TLP to extract oxide copper minerals from the current and old tailings and any surplus sulphuric acid is sold in the region.

(iv) Phosphoric Acid

Sterlite produces phosphoric acid at its phosphoric acid plant by chemical reaction of sulphuric acid and rock phosphate, which Sterlite imports. Phosphoric acid is then sold to fertiliser manufacturers and other industries.

(v) Other By-products

Other by-products of Sterlite's copper smelting operations are gypsum, bismuth and anode slimes, which Sterlite sells to third parties. Copper cobalt alloy is a by-product of KCM's copper mining operations, which KCM also sells to third parties. KCM is also pursuing potential opportunities to extract sales from the slag produced at its Nchanga smelter.

(c) Production

Copper anode is an intermediate product produced by copper smelters and is not sold to customers. It is used for the production of copper cathode by copper refineries. Approximately one tonne of copper anode is required for the production of one tonne of copper cathode. Sulphuric acid is used as a starting material for phosphoric acid. Approximately 2.8 tonnes of sulphuric acid is required for the production of one tonne of phosphoric acid. Copper cathode is produced at the TLP at Nchanga using current tailings from the Nchanga west concentrator and reclaimed tailings sourced from the decommissioned tailings storage facilities. The Nchanga smelter produces copper in the form of copper-cobalt alloy, which accounts for approximately 8 to 10 per cent. of the smelter's total design capacity of 311 ktpa. Nampundwe, which is currently under care and maintenance, produces pyrite concentrate which is blended with copper concentrate at the Nchanga smelter when required. Copper cathode is used as a starting material for copper rods. Approximately one tonne of copper cathode is required for the production of one tonne of copper rods.

The table below sets out the Vedanta Group's total production⁽¹⁾ from the Tuticorin, Silvassa, Nkana, Nchanga and Nampundwe facilities for Fiscal 2009, 2010 and 2011.

Facility	Product	Year ended 31 March		
		2009	2010	2011
			(tonnes)	
Tuticorin	Copper anode	313,284	333,924	304,964
	Sulphuric acid	987,511	1,036,353	968,760
	Phosphoric acid	163,607	205,844	154,232
	Copper cathode	139,705	154,177	141,281
	Copper rods	76,292	55,893	54,006
Silvassa	Copper cathode	173,127	180,024	162,710
	Copper rods	143,587	140,989	133,886
Nkana (refinery and smelter)	Copper anode ⁽²⁾	61,763	—	—
	Copper cathode	83,154	107,969	141,527
	Sulphuric acid ⁽²⁾	50,775	—	—
Nchanga (smelter and TLP) ⁽³⁾	Copper anode	32,052	119,016	152,631
	Copper cathode	49,776	46,348	59,119
	Sulphuric acid	185,544	236,452	283,617
Nampundwe	Pyrite concentrate	60,928	2,888	4,943
Total	Copper anode	407,099	452,940	457,595
	Copper cathode	445,762	488,518	504,637
	Copper rods	219,879	196,882	187,892
	Sulphuric acid	1,223,830	1,272,805	1,252,377
	Phosphoric acid	163,607	205,844	154,232
	Pyrite concentrate	60,928	2,888	4,943

Notes:

- (1) See "Presentation of Information—Reserves and Production" for an explanation of the basis of preparation of production amounts.
- (2) The smelter and acid plant at the Nkana facility are currently under care and maintenance.
- (3) The production numbers for copper cathode excludes the copper in copper cobalt alloy. Copper in copper cobalt alloy production in Fiscal 2009, 2010 and 2011 was nil, 18,511 tonnes and 15,853 tonnes, respectively.

The table below sets out CMT's, TCM's and KCM's total mine production⁽¹⁾ for Fiscal 2009, 2010 and 2011.

Mine (Type of Mine)	Product	Year ended 31 March		
		2009	2010	2011
			(tonnes)	
Mt. Lyell mine (Underground)	Ore mined	2,558,100	1,875,970	1,976,177
	Copper concentrate	98,755	84,227	83,940
	Copper in concentrate	27,421	23,777	22,929
Nchanga mine (Open-Pit and Underground)	Ore mined	6,631,991	6,549,942	8,188,570
	Copper concentrate	120,310	104,910	132,222
	Copper in concentrate	33,049	31,720	42,655
Konkola mine (Underground)	Ore mined	1,928,942	1,815,628	1,788,029
	Copper concentrate	133,500	132,865	136,908
	Copper in concentrate	48,386	47,184	47,096
Nampundwe mine (Underground) ⁽²⁾	Pyrite ore mined	240,538	6,858	—
Total	Copper ore mined	11,119,033	10,241,540	11,952,776
	Copper concentrate	352,565	322,002	353,070
	Copper in concentrate	108,856	102,681	112,680
	Pyrite ore mined	240,538	6,858	—

Notes:

- (1) See "Presentation of Information—Reserves and Production" for an explanation of the basis of preparation of production amounts.
- (2) The Nampundwe mine is currently under care and maintenance.

(i) **Reserve Base**

The figures for the Mt. Lyell mine in the table below show the split between the ore derived from primary in situ ore and secondary ore, which consists of broken fresh ore from previous levels, remnants of ore from the open-pit side wall and pillars remaining from a former mining method together with sub-economic dilution from the mineralised material surrounding the ore body. The quantity and grade of the secondary ore was determined from the analysis of historical production. The estimate of the quantity and grade of the remnant material has been evaluated from previous studies and only uses a small proportion of this source of ore. Consequently, Vedanta believes that this allowance can be sustained for the forecast life of the reserves.

The table below sets out the proved and probable copper reserves⁽¹⁾ at the Mt. Lyell mine as at 31 March 2011.

Source	Proved Reserve		Probable Reserve		Total Proved and Probable Reserves		
	Quantity	Copper Grade	Quantity	Copper Grade	Quantity	Copper Grade	
	(million tonnes)	(%)	(million tonnes)	(%)	(million tonnes)	(%)	
Mt. Lyell mine	In situ ore	3.0	1.34	0.7	1.31	3.7	1.33
	Secondary ore	—	—	6.0	1.13	6.0	1.13
Total		3.0	—	6.7	—	9.7	—

Note:

(1) See “Presentation of Information—Basis of Presentation of Reserves” for an explanation of the basis of preparation of reserve amounts.

The table below sets out the proved and probable copper reserves⁽¹⁾, as applicable, at the Konkola and Nchanga facilities as at 31 March 2011.

	Proved Ore Reserve		Probable Ore Reserve		Total Proved and Probable Ore Reserves	
	Quantity	Copper Grade	Quantity	Copper Grade	Quantity	Copper Grade
	(million tonnes)	(%)	(million tonnes)	(%)	(million tonnes)	(%)
Konkola	1.57	3.04	97.58	3.60	99.14	3.59
Nchanga (Underground)	1.77	1.56	3.06	1.69	4.83	1.64
Nchanga (Open-Pit)	0.43	2.47	67.45	1.26	67.88	1.27
Tailings Dams	66.57	0.68	—	—	66.57	0.68
Refractory Ore	—	—	147.16	0.87	147.16	0.87
Total	70.34	—	315.87	—	385.58	—

Note:

(1) See “Presentation of Information—Basis of Presentation of Reserves” for an explanation of the basis of preparation of reserve amounts.

(d) **Description of Operations**

(i) **Smelters and Refineries**

(A) **Capacity**

The table below sets out the Vedanta Group's total capacities from the Tuticorin, Silvassa, Nkana and Nchanga facilities as at 31 March 2011.

	Capacity					Captive Power Plant (MW)
	Copper Anode ⁽¹⁾	Copper Cathode ⁽²⁾	Copper Rods ⁽²⁾	Sulphuric Acid ⁽³⁾	Phosphoric Acid ⁽³⁾	
Tuticorin	405	205	96	1,300	230	46.5
Silvassa	—	200	172	—	—	—
Nkana	240 ⁽⁴⁾	300	—	123 ⁽⁴⁾	—	—
Nchanga	311	100	—	640	—	—
Total	956	805	268	2,063	230	46.5

Notes:

- (1) Copper anode is an intermediate product produced by copper smelters and is not sold to customers. It is used for the production of copper cathode by copper refineries. Approximately one tonne of copper anode is required for the production of one tonne of copper cathode.
- (2) Copper cathode is used as a starting material for copper rods. Approximately one tonne of copper cathode is required for the production of one tonne of copper rods.
- (3) Sulphuric acid is used as a starting material for phosphoric acid. Approximately 2.8 tonnes of sulphuric acid are required for the production of one tonne of phosphoric acid.
- (4) The smelter and acid plant at the Nkana facility are currently under care and maintenance.

(B) **Tuticorin Facility**

The Tuticorin facility, commissioned by Sterlite in 1997, is located approximately 17 km inland from the port of Tuticorin in the State of Tamil Nadu in southern India. Tuticorin is one of India's largest copper smelters based on production volume. As at 31 March 2011, the Tuticorin facility consists of a 405 ktpa copper smelter, a 205 ktpa copper refinery, a 96 ktpa copper rod plant, a 1.3 mtpa sulphuric acid plant, a 230 ktpa phosphoric acid plant, a 700 tpa doré anode plant and two CPPs with capacities of 22.5 MW and 24 MW, respectively. An interim stay over the order by the High Court of Madras for the closure of Tuticorin's existing 400 ktpa copper smelter was extended by the Supreme Court at a hearing on 6 September 2011. See paragraph 13.1(g)(ii) of Part X: "Additional Information" of this Prospectus for further details.

The CPPs, with a total capacity of 46.5 MW, together with a further 11.2 MW generated from the smelter waste heat boiler, meet most of the facility's power requirements. The remaining power requirements of the facility, which amounted to approximately 30.9 per cent. and 20.6 per cent. of its total power requirements in Fiscal 2011, are obtained from the state power grid and MALCO, respectively. The Vedanta Group's CPPs at Tuticorin operate on furnace oil procured through long-term contracts with various oil companies.

The smelter at the Tuticorin facility utilises IsaSmelt™ furnace technology. The refinery uses IsaProcess™ technology to produce copper cathode and the copper rod plant uses Properzi CCR copper rod technology from Continuous-Properzi S.p.A., Italy to produce copper rods.

Sterlite's board of directors has approved an increase in the existing capacity of the 400 ktpa copper smelter at Tuticorin to 800 ktpa by building a 400 ktpa copper smelter, a CPP of 160 MW and associated facilities. The construction of the 160 MW CPP is in progress and the first unit is scheduled for commissioning in the fourth quarter of Fiscal 2012. MoEF clearance has been received in respect of the 400 ktpa copper smelter expansion project at Tuticorin, but consent from the Indian State Pollution Control Board is still pending. Sterlite proposes to set up the project at an initial estimated cost of INR22,325 million (US\$500 million) in a special economic zone that benefits from certain tax exemptions.

(C) Silvassa Refinery

The Silvassa facility, commissioned in 1997, comprises a refinery and two copper rod plants and is located approximately 140 km from Mumbai in the union territories of Dadra and Nagar Haveli in western India. Its refinery uses IsaProcess™ technology to produce copper cathode and its copper rod plants use Properzi CCR copper rod technology. The refinery has an installed capacity of approximately 200 ktpa of copper cathode and the copper rod plants have a total installed capacity of approximately 172 ktpa of copper rods. Sterlite's Silvassa facility draws on the state power grid to satisfy its power requirements.

(D) Fujairah Precious Metal Refinery

The Fujairah Gold FZE facility is located in Fujairah Free Zone-2. It is strategically located 130 km east of Dubai, on the coast of the Arabian Sea. The precious metals refinery at the Fujairah Gold FZE facility was completed in March 2009 and it began production in April 2009. The precious metals refinery has a capacity of 20 tonnes of gold and 85 tonnes of silver. The technology for the refinery was supplied by Outotec Oyj, Finland, a pioneer in providing technology for the extraction and refining of precious metals. The Fujairah Gold FZE facility has commissioned a copper rod plant at a cost of US\$12.5 million with an annual capacity of 100 ktpa. Production commenced in May 2010. Continuous-Properzi S.p.A., Italy supplied the rod mill equipment for this project and the copper cathode required for the copper rod plant is expected to be sourced from the smelters of KCM.

(E) Nkana Facility

The Nkana facility, commissioned in 1932, comprises a smelter, a refinery and a sulphuric acid plant. The Nkana operations are located in Kitwe approximately 360 km from Lusaka in the Copperbelt Province of Zambia and approximately 55 km from Chingola where the Nchanga facilities are located. The smelter and sulphuric acid plant at this facility are currently under care and maintenance.

The Nkana refinery produces finished copper in the form of cathodes and slime by-products containing varying amounts of metals and precious metals by electrolytic refining. It utilises conventional processes to produce copper cathode, including cathode starter sheets. In addition, the Nkana refinery refines sub-standard cathodes produced by the TLP at Nchanga and produces starter sheets from certain RLEs from the TLP. It utilises conventional processes to produce copper cathode that is LME-registered REC brand which is, at a minimum, 99.99 per cent. pure copper. Capacity at the Nkana refinery has been expanded from approximately 220 ktpa to 300 ktpa and this expansion was completed in November 2009.

(F) Nchanga Facility

The Nchanga facility, initially commissioned in 1971, comprises a TLP and SX-EW facility and a state-of-the-art smelter commissioned in 2008 with a capacity of 311 ktpa in the form of copper in copper anode, copper in copper-cobalt alloy and sulphuric acid plant capacity of 1,850 tonnes per day. It processes reclaimed tailings sourced from the Nchanga SSO and the current tailings from the Nchanga concentrator for the production of copper cathode with an installed capacity of 100 ktpa.

The TLP comprised an acid leach SX-EW circuit which treats both reclaimed tailings and mine tailings from the copper flotation circuits at the west mill.

The Vedanta Group is currently constructing the CRO project to extract copper from the estimated 147.2 million tonnes of probable reserves, as at 31 March 2011, from refractory ore stockpiled at its Nchanga licence area, which Vedanta believes will produce approximately 50 ktpa of additional finished copper from approximately 11.2 mtpa of refractory ore by Fiscal 2014 (the "CRO Project").

(ii) **Mines**

(A) **Mt. Lyell**

The Mt. Lyell mine is located in Queenstown on the west coast of Tasmania, Australia, approximately 164 km south of Burnie and approximately 260 km northeast of Hobart. It comprises an underground copper mine and a copper processing facility and is owned and operated by CMT. Mt. Lyell has well-established infrastructure as mining has been conducted in the area since 1883.

The Mt. Lyell mine is owned and operated under the terms and conditions stipulated in the Mining Leases 1M95 and 5M95 granted by the State Government of Tasmania. Mining Lease 1M95 was granted on 1 January 1995 for a period of 15 years and Mining Lease 5M95 was granted on 1 February 1995 for a period of 14 years and 11 months. Both Mining Leases 1M95 and 5M95 are renewable and are subject to the terms and conditions specified in the Mineral Resources Development Act 1995, as amended, of Australia. Renewal applications for a term of 15 years in respect of Mining Lease 1M95 and Mining Lease 5M95 have been submitted, and are expected to be approved in due course. The mine is also covered by the Copper Mines of Tasmania Pty Ltd (Agreement) Act 1999 which, in conjunction with an agreement between the State Government of Tasmania and CMT entered into pursuant to that Act, limits CMT's environmental liabilities to the impact of current operations, thereby insulating CMT from any historical legacy claims.

The Mt. Lyell mining district was first discovered in 1883 and 15 separate ore bodies have been mined over its life. It is estimated that in excess of 100 million tonnes of ore has been extracted from the district. Monte Cello acquired CMT in 1999 from Mt. Lyell Mining Company Limited when Mt. Lyell Mining Company Limited entered into voluntary administration due to hedging difficulties. Since Monte Cello took over the mine, annual production has increased from 2.2 mtpa in Fiscal 2000 to 2.6 mtpa in Fiscal 2009, decreased in 2010 to 1.9 mtpa and increased to 2.0 mtpa in Fiscal 2011. Sterlite acquired Monte Cello, and with it CMT, from a subsidiary of Twin Star in 2000.

The principal deposits in the Mt. Lyell region are all of the volcanic disseminated pyrite-chalcopyrite type which accounts for approximately 86 per cent. of the known ore in the region. The geology of the Mt. Lyell mine consists of a series of intercalated felsic to mafic-intermediate volcanics. Lithologies are highly altered quartz-sericite-chlorite volcanics with individual units delineated largely by the relative abundance of phyllosilicates. Volcaniclastic and rhyolitic lithologies occur sporadically throughout the sequence, as does pervasive iron mineralisation in the form of haematite, magnetite and siderite.

Chalcopyrite is the principal ore mineral and occurs chiefly in higher grade lenses enveloped by lower grade halos. The overall structure of Mt. Lyell is that of a steeply dipping overturned limb of a large anticline. The hanging wall (stratigraphic footwall) of the ore body consists of weakly mineralised chloritic schists with disseminated pyrite. The footwall is sharply defined by the Great Lyell Fault—Owen Conglomerate contact which truncates the ore body at its southern end.

All mining operations at CMT are undertaken by contractors, while the processing and mill maintenance operations are undertaken by CMT employees. A sub-level caving underground mining method is used at the Prince Lyell ore body. Ore is loaded into trucks by front end loader at draw points and then transported to the underground crusher and skip loading area. Crushed ore is then hauled via the Prince Lyell shaft and unloaded onto a conveyor feeding the ore bin at the Mt. Lyell processing plant. At the processing plant, the ore is crushed and ground prior to processing by flotation to produce copper concentrate, which is then filtered to form a cake and trucked to the Melba Flats railway siding for transport to the port of Burnie. The concentrate is stored at Burnie until it is loaded into ships for transport to the port of Tuticorin in south India from where it is trucked to the Tuticorin smelter.

The tailings dam is a valley-fill type and excess water is discharged via a spillway. The water quality is sampled before the water is released from the site. The tailings are

deposited on beaches some 300 metres from the dam spillway. CMT's accepted closure plan is to flood the tailings which will require CMT to raise the tailings dam wall.

CMT has an active exploration and evaluation programme at Mt. Lyell which involves upgrading resources below the Prince Lyell reserves and testing additional exploration targets on the mining lease. The Western Tharsis deposit lies to the west of the Prince Lyell ore body, but CMT has not yet committed to its development. Additional targets include Tasman & Crown, Glen Lyell, Copper Clays and NW Geophysics.

The processing plant is approximately 30 years old and has been partially refurbished following CMT's acquisition with the addition of crushers, a float cell and a regrind mill at the surface. While the condition of the plant is ageing, maintenance is carried out as required to ensure that the process plant remains in safe and efficient condition.

Power at the mine is supplied through an electricity supply agreement with Aurora Energy Pty Ltd to supply approximately 112 GW per hour at a fixed rate. There is ample supply of mine water and storm water captured on the tailings dam.

The gross value of fixed assets, including capital works-in-progress, was approximately AUD 114.95 million (US\$119.1 million) as at 31 March 2011.

In Fiscal 2011, Mt. Lyell mined and processed 2.0 million tonnes of ore at a grade of 1.23 per cent. copper to produce 83,940 tonnes of copper concentrate which also contained 12,347 ounces of gold and 114,937 ounces of silver. Although the grade of copper at Mt. Lyell is low, it produces a clean concentrate that is valuable in the smelting process. Based on reserves as at 31 March 2011 and anticipated production, the estimated mine life at Mt. Lyell is approximately 3.59 years.

The economic cut-off grade is defined using the metal prices of US\$5,743 per tonne of copper and US\$1,331 per ounce of gold. The cut-off grades are based on copper grades with the gold credit deducted from the operating costs. The reserves are derived from stopes which are designed such that the limits of the stope are defined by a cut-off grade of 0.80 per cent. copper and have an average grade that exceeds 0.80 per cent. copper. The revenue derivation of the cut-off grade includes the gold credit. The break-even cut-off grade of 0.65 per cent. copper is the grade that makes enough margin to cover the fixed and variable costs while the actual or operational cut-off grade used is 0.55 per cent. copper. CMT operates on a 0.80 per cent. copper operational cut-off grade in practice, preferring to take a higher revenue at the expense of a longer mine life.

The reserves at CMT in the proved reserve category are defined by drill holes spaced at 30 metres intervals while the probable reserves are generally defined by drill holes spaced at 60 metres intervals, though some blocks between 1,415 metres and 1,440 metres have a drill-hole spacing of 30 metres and have been classified as probable reserves as there is less certainty of the modifying factors since the detailed mine design has not yet been completed.

CMT does not use a copper equivalent calculation for the determination of stope limits as the relationship between the copper and gold grades is essentially linear, allowing the gold credits to be deducted from operating costs.

The proportion of sub-economic dilution in the reserves varies with the amount of internal dilution and the amount of over-draw. Due to the caving process mixing ore from previous levels, remnant material and material from mineralised halo, it is difficult to determine the level of external dilution, leading CMT to derive the modifying factors from the reconciliation of historical production against the grade and tonnage of the primary ore mined.

In Fiscal 2011, the metallurgical recovery was 93.18 per cent. for copper, 68.58 per cent. for gold and 63.51 per cent. for silver. In Fiscal 2011, the contract mining and milling cost was AUD3,909 (US\$4,048.9) per tonne, administration and environment cost was AUD346 (US\$358.4) per tonne and transportation cost was AUD259 (US\$268.3) per tonne. Correspondingly, the TcRc was AUD350 (US\$362.5) per tonne.

(B) KCM Mines

KCM's mining operations are located in the Copperbelt Province of Zambia and consist of the NOPs and Nchanga underground mines, concentrator and TLP, the Konkola underground copper mine and concentrator, the Nchanga smelter with a cobalt recovery furnace and sulphuric acid plant, and the Nkana smelter and refinery. The Zambian Copperbelt ore deposits lie along a 50 km wide strip of country that extends for 150 km from Chililabombwe in the northwest to Luanshya in the southeast. The Nampundwe pyrite mine and the concentrator are located in the Central Province approximately 50 km from Lusaka.

The geological setting of the Zambian Copperbelt is unusual compared to other worldwide copper deposits in that it occurs in sedimentary host rocks that have high carbonate content. The presence of dolomite in the geological sequence effectively eliminates any risk of acid mine drainage. The dominant structural feature of the Zambian Copperbelt is the Kafue Anticline, a northwest-southeast striking structure, the core of which is comprised of granite, schist and gneiss of the basement complex.

Conversion of the resources to reserves is done by carrying out an economic analysis of the resources. Parameters considered include the dilution factors, metal price, mining costs and rock stability factors. For the Konkola mine, a tonnage factor of 83 per cent. and a grade factor of 83 per cent. have been used to estimate reserves. The Nchanga underground mine resources and reserves have been calculated by DORS II. This system applies a grade factor to the resource based on the percentage of ore drawn and forecasts of the grade to be mined. Optimisation of open-pit mines is carried out using Whittle 4X multi-element optimisation software.

The focus of KCM's exploration has been the maintenance of resources and reserves following mining depletions.

(I) Konkola

The Konkola mine is situated about 26 km north of Chingola and is the most northerly of KCM's Copperbelt mines. These mining operations currently exploit the Kirila Bombwe ore body by underground methods and have historically been focused on two existing shaft systems, the Kirila Bombwe South ore body (the "No. 1 Shaft") and the Kirila Bombwe North ore body (the "No. 3 Shaft"). Additionally, in June 2006, KCM commenced sinking of the No. 4 shaft in the Kirila Bombwe South ore body as part of the KDMP. The No. 4 shaft lies approximately 130 metres due north of the No. 1 Shaft. The mid-shaft loading station of the No. 4 shaft was commissioned in March 2010. The mid-shaft loading facility is located at 1,010 metres below the surface. Construction of the bottom shaft sinking, which includes the continued development of the No. 4 shaft to a design depth of approximately 1.5 km, is expected to be complete by the third quarter of Fiscal 2013.

The Konkola mine commenced production in 1957. Following early exploration in 1923, a company was incorporated in May 1953 to operate the mine. KCM acquired the mine in April 2000 from Zambia Consolidated Copper Mines Limited ("ZCCM"). At Konkola, KCM holds large-scale mining licence ("LML") number 7076-HQ-LML for its operations, which expires on 31 March 2025. The licence permits the mining of copper, cobalt, gold, silver, sulphur, selenium and tellurium within the leasehold area. Due to a recent change in mining law in Zambia, KCM was required to apply for the renewal of the mining licence for the mine and will be required to obtain an operating permit on an annual basis. The current mining licence has been renewed and is valid until 31 March 2025.

As at 31 March 2011, the Konkola mine's operating units employed a total of 3,472 employees and 5,779 contractors. The operating units at the Konkola mine are the underground mine (No. 1 Shaft, No. 3 Shaft and new No. 4 shaft, along with a number of ventilation shafts as well as the pipe shaft) and the Konkola east and west concentrators.

The dominant features of the mine are the Kirila Bombwe Anticline in the southeast and the Konkola Dome in the northwest. The ore body in the No. 1 Shaft area lies on the southern flank of the Kirila Bombwe Anticline and has an average thickness of about nine metres. The No. 1 Shaft ore body generally strikes to the northwest-southeast and dips steeply southwest. It has a strike length of approximately 4 km with an average dip of 50 degrees. The ore body at the No. 3 Shaft lies across the axis of the Kirila Bombwe Anticline and has an average thickness of 13 metres. The dips at the No. 3 Shaft generally range from 15 degrees to 55 degrees. The ore body at the No. 3 area has been traced to a depth of 1.1 km and is open-ended at that depth.

Historically, the No. 1 and No. 3 Shafts have been managed as two separate mines. Underground haulage connections between the two mines were developed mainly for cross tramming and de-watering purposes. The separate treatment of the two mines was due to their ore reserves being physically divided by the presence of a barren gap in the ore body that extended from the surface down to about 720 metres. Below that level the ore body is continuous along a strike length of approximately 10 km and this large ore body forms the basis of the KDMP. The total capacity of the Konkola underground mine is being expanded by the KDMP.

Mine developments consist of primary and secondary developments at both the No. 1 and No. 3 Shafts. Primary developments involve mining haulages, drain drives, access ramps, footwall ventilation raises and rock passes on main levels. Secondary development includes the mining of drives, crosscuts and raises in ore and waste on the sublevel to prepare the ore body for stoping. The mining operations are constrained by the necessity to de-water from both hangingwall and footwall aquifers at an overall pumping rate of approximately 300,000 m³ to 320,000 m³ per day.

The ore body limits are defined by mining as well as diamond drilling on a 30 metres by 30 metres pattern. The stope limits are contained within the ore body defined using a 1 per cent. total copper cut-off. Other stope dimensions are worked out using geomechanical properties of the rocks.

Appropriate actions are taken while designing the blast holes as well as during blasting to minimise dilution from the sub-economic areas outside the ore body limits. However, due to the stratified nature of the rocks some dilution does take place. Dilution generally ranges from 5 per cent. to 40 per cent., depending on the rock condition.

Mining methods employed at the Konkola mine include overcut and bench drift and fill, post pillar cut and fill and longitudinal room and pillar. The total rock hoisting capacity at the Konkola mine is 645 ktpm which comprises 160 ktpm from the No. 1 Shaft, 135 ktpm from the No. 3 shaft and 350 ktpm from the No. 4 shaft. On reaching the surface RoM ore from the No. 1 shaft is conveyed via conveyor belt directly to the Konkola concentrator and the RoM ore from the No. 3 Shaft is transported three km to the Konkola concentrator using 85 tonne off-highway trucks.

The 6 mtpa Konkola concentrator processes RoM ore sourced from the Konkola underground mine using froth flotation to produce copper concentrate for smelting at the smelter in Nchanga. RoM ore hoisted from the new No. 4 shaft, through the mid-shaft loading station is transported to the plant through conveyor belts.

The 6 mtpa concentrator comprises two streams of 3 mtpa. KCM commissioned the first stream of 3 mtpa in October 2008 and the second stream of 3 mtpa in February 2010. The Konkola concentrator utilises SAG & Ball mill comminution and beneficiation by froth flotation processing. The nominal capacity of the milling circuit is 6.6 mtpa, which with a 10 per cent. design allowance yields a maximum milling capacity of 7.3 mtpa. In order to achieve the planned ramp-up to 7.5 mtpa throughput, further augmentation of the facilities will be needed at an estimated cost of US\$15 million to US\$20 million.

The crushed RoM ore is fed directly into the concentrator's SAG mill with final milling being performed in the Ball mill prior to flotation. The concentrates are thickened and filtered to produce a final concentrate with a grade of approximately 36 per cent. to 40 per cent. The concentrates are then transported 30 km southwest of Chililabombwe by road to the Nchanga smelter in Chingola. Approximately 60 per cent. of the residual tailings from the concentrator are thickened and pumped straight to the Lubengele tailings dam situated approximately 4.5 km north of the plant, while approximately 40 per cent. of the tailings are pumped to the backfill plant to produce backfill for underground mining operations.

During Fiscal 2011, Konkola mined and processed approximately 2.35 million tonnes of ore, including some ore from the Chingola open-pits D and F, at a grade of approximately 2.5 per cent. of total copper to produce 136,879 tonnes of copper concentrate containing 47,096 tonnes of copper. Based on reserves and resources as at 31 March 2011 and anticipated production, the estimated mine life of the Konkola mine is over 24 years from 1 April 2011. The total capacity of the Konkola underground mine is being expanded by the KDMP.

Power at the mine is supplied by Copperbelt Energy Corporation plc ("Copperbelt Energy") with fixed rates subject to index adjustment based on the US Producer Price Indices until 2020. The maximum demand for Konkola is currently 100 MW, but Vedanta estimates that it will rise to 120 MW by 2013 as a result of increased production from the mine primarily due to the KDMP. On-site emergency power is available from two 10 MW diesel generators owned and operated by Copperbelt Energy. This power is mainly utilised for running the de-watering pumps underground. Water pumped from underground is utilised for the plant. The power infrastructure at Konkola is being upgraded to meet the enhanced requirements of the KDMP. In addition, in anticipation of any power failure, KCM has installed three diesel generator sets of 8 MW each to meet the power requirements of its Konkola mining operations and the KDMP.

Mine water as well as water from the nearby Kafue river is utilised for domestic requirements. Mulonga Water and Sewerage Company handles the domestic water supply.

(II) Nchanga

The Nchanga mine is situated in the Copperbelt Province of Zambia, in the vicinity of the town of Chingola. As at 31 March 2011, Nchanga operating units employed approximately 4,499 employees and 5,500 contractors. Nchanga's operating units comprise four operational open-pit mines, a large underground mine, a TLP with the associated SX-EW facility, a sulphuric acid plant, copper concentrators comprising two main processing units and a recently commissioned direct blister flash smelter. At Nchanga, KCM holds LML number 7075-HQ-LML for its operations which expires on 31 March 2025. The licence allows KCM to mine copper, cobalt, gold, silver, sulphur, selenium and tellurium within the leasehold area. Due to a change in the mining law in Zambia, KCM was required to apply for the renewal of the mining licence for the mine and is now required to obtain an operating permit on an annual basis. The current mining licence has been renewed and is valid until 31 March 2025.

Following exploration in 1923, development in 1927 and the cessation of operations due to flooding and low copper prices in 1931, mining at the Nchanga underground mine recommenced in 1937. Surface mining operations from NOP commenced in 1957.

Access to the underground operations is by a series of vertical and inclined primary and sub-vertical shafts. The combined rock hoisting capacity is 292 ktpm. The current operations are projected to extend to 920 metres below the surface. Mine de-watering at Nchanga requires pumping approximately 75,000 m³ of water per day, a component of which is derived from inflow through the open-pit during the wet months.

The Nchanga deposit is situated on the northern end of the southwest margin of the Kafue Anticline in the vicinity of Chingola. The mineralisation is hosted within two stratigraphic horizons being the Lower Ore Body and Block A. Block A lies to the southwest of the Lower Ore Body and has a similar deposit with a slightly more gentle dip of about 20 degrees. The underground resources are defined using an assay footwall and an assay hanging wall with a cut-off grade of 1.5 per cent. total copper.

The Nchanga mining licence areas also have stockpiles of CRO with a high refractory material content in mica which is not treatable by conventional methods. These stockpiles add up to approximately 147.2 million tonnes of probable reserves with an average grade of 0.9 per cent. total copper and 0.6 per cent. acid soluble copper. KCM is currently developing a process to extract copper from the CRO through a contract with Outotec Oyi, a third-party contractor, to develop a CRO plant for extracting copper from the CRO. The CRO plant is expected to consist of various processes, including crushing, grinding, de-watering, acid leaching, counter current decantation, clarification of pregnant leach solution, SX-EW facilities and neutralisation of washed tailings and raffinate bleed. The plant will use acid from the Nchanga main acid plant in its processing. The CRO Project is in its final engineering phase and is expected to be at full production by Fiscal 2014.

The mining method currently employed at Nchanga is block caving using a continuous advancing long wall caving method. The ore body and the rocks above the areas where the long wall caving method is used are very weak and as a result no development takes place within it. Ore body limits are primarily defined by diamond drilling from the access established below the ore body. The drill holes are located on a 30 metres by 30 metres pattern. Extreme care is taken to ensure that core recovery from diamond drilling remains high (in excess of 85 per cent.) and contamination is avoided by use of double or triple tube core barrels. Logging, sampling and assaying are carried out in accordance with quality assurance/quality control procedures. An external cut-off of 1.5 per cent. total copper is taken to define the ore body limits. The cut-off is reduced to 1 per cent. total copper where the ore body is thin and richly mineralised. For the NOP ore bodies, a cut-off grade of 0.5 per cent. total copper is used.

Sub-economic dilution is practically zero at the initial stages, but it increases as the extraction increases. Depending upon the in situ grade, a dilution in excess of 50 per cent. may be recorded at the time when the grade of material from a finger raise has fallen below 1 per cent. Exhausted finger raises are barricaded with timbers.

Open-pit mining has historically been exploited near surface ore bodies, including the Lower Ore Body, Upper Ore Body, River Lode, Luano and Chingola Ore Bodies. The mining operations are heavily mechanised using surface drilling techniques, electric shovel loading and 60 tonnes/300 tonnes off-highway rear dump trucks. The majority of the mining operations at Nchanga have been outsourced to specialised mining contractors to improve overall mining efficiency, recovery factors and cost efficiency.

The Nchanga concentrator comprises two main processing units; the east mill and the west mill. The east mill is a conventional comminution circuit with a RoM capacity of 6.6 mtpa which treats copper ore from the open-pits to produce a thickened product which is pumped to the west mill situated approximately two km away for further processing. The west mill comprises three distinct circuits: the copper comminution circuit for underground ore, the copper flotation circuit for open-pit and underground ore and the cobalt milling-flotation circuit for open-pit cobalt ore. The copper comminution circuit crushes and mills ore from the Nchanga underground mine ahead of the flotation circuit and has a RoM capacity of approximately 3.0 mtpa. The copper flotation circuit treats milled ore from the Nchanga underground mine (copper comminution circuit) and milled ore from NOP (east mill) to produce concentrates with a rated capacity of approximately 264

ktpa. Residues from the concentrator are pumped to the TLP for hydrometallurgical processing. The cobalt milling flotation circuit treats RoM cobalt ore from the NOP and includes a conventional crushing, milling and flotation with a rated RoM operating capacity of approximately 0.8 mtpa. The concentrates are transported to the Nchanga smelter except bulk copper-cobalt concentrates which are sold in the market.

During Fiscal 2011, the Nchanga underground mine mined and processed approximately 2.05 million tonnes of ore at a grade of 1.59 per cent. copper and the NOP mines mined and processed approximately 1.82 million tonnes of cobalt ore at a grade of 1.24 per cent. copper and 0.33 per cent. total cobalt. During Fiscal 2011, the NOPs and underground mine concentrators processed ore to produce 132,222 tonnes of copper concentrates containing 42,654 tonnes of copper.

Power at the mine is supplied by Copperbelt Energy with fixed rates subject to index adjustment based on the US Producer Price Indices until 2020. KCM agreed to a 33 per cent. increase in the tariff under its agreement with Copperbelt Energy. This increase became effective on 1 January 2008. Nchanga's maximum demand is 97 MW.

Based on proved and probable reserves as at 31 March 2011, the estimated mine life for the NOP is 11 years from 1 April 2011. Based on proved and probable reserves and resources and inferred reserves as at 31 March 2011, the estimated mine life for the Nchanga underground mine is approximately seven years from 1 April 2011. Vedanta expects the mining of the UOB to extend the life of the Nchanga underground mine to approximately 2021. Vedanta also believes that the life of the Nchanga underground mine will be further extended beyond 2021 if KCM is successful in upgrading the 41.8 million tonnes of additional inferred resources in the UOB to measured or indicated resources.

(III) Nampundwe

The Nampundwe mining operating assets are the Nampundwe pyrite underground mine and concentrator. These are located in the Central Province of Zambia, approximately 50 km west of Lusaka. Nampundwe exploits iron pyrite rich ore bodies containing 16 per cent. in situ sulphur and has capacity to produce 60 ktpa of pyrite concentrate that is blended with copper concentrate for smelting. As at 31 March 2011, the Nampundwe operating unit employed 91 employees and 47 contractors. Currently, the Nampundwe mine is under care and maintenance.

(e) Principal Raw Materials

The principal inputs of the Vedanta Group's copper business are copper concentrate, rock phosphate, power, fuel and sulphuric acid. Other inputs include coke, lime, reagents and oxide ore. The Vedanta Group has in the past been able to secure an adequate supply of the principal inputs for its copper production.

(i) Copper Concentrate

Copper concentrate is the principal raw material of Sterlite's copper smelters. As at 31 March 2011, Sterlite sourced 92.92 per cent. of its copper concentrate requirements from third-party suppliers, either through long-term contracts or on spot markets, and sourced only 7.08 per cent. of its copper concentrate requirements from its mine in Australia. Sterlite purchases copper concentrate at the LME price less a TcRc that it negotiates with its suppliers, but which is influenced by the worldwide prevailing market rate for the TcRc. Vedanta expects the percentage that Sterlite will purchase from third-party suppliers to increase in future periods as the reserves of the Mt. Lyell copper mine are expected to be exhausted by Fiscal 2014.

As at 31 March 2011, KCM sourced approximately 49 per cent. of its copper concentrate requirements (in terms of copper content) from third-party suppliers and sourced approximately 51 per cent. of its copper concentrates requirements (in terms of copper content) from its own mines in Zambia. KCM purchases copper concentrate at the LME price less a TcRc that KCM negotiates with its suppliers, but which is influenced by the

worldwide prevailing market rate for the TcRc. Assuming the current production rate continues for the remainder of the mine life, KCM estimates that the reserves from the Konkola mine, Nchanga underground mine and NOP will be exhausted in 2035, 2021 and 2021, respectively.

Sterlite expects the percentage of copper concentrate that it purchases from third-party suppliers to also increase in future periods to the extent it seeks to increase its copper smelting and refining capacity.

In general, Sterlite's long-term agreements run for a period of three to five years and KCM's agreements run for a period of one year, and are renewable at the end of each period. The quantity of supply for each contract year is fixed at the beginning of the year and terms like TcRc and freight differential are negotiated each year depending upon market conditions. As at 31 March 2011, Sterlite and KCM sourced approximately 71.27 per cent. and 49 per cent., respectively, of their copper concentrate requirements through long-term agreements.

Sterlite also purchases copper concentrate on a spot basis to fill any gaps in its requirements based on production needs for quantity and quality. These deals are struck on the best possible TcRc during the period and are specific for short-term supply. As at 31 March 2011, Sterlite sourced approximately 28.73 per cent. of its copper concentrate requirements through spot purchases.

(ii) Rock Phosphate

Sterlite's rock phosphate is sourced primarily from Jordan pursuant to long-term supply contracts. Sterlite also utilises other sources in Egypt and Algeria to procure additional rock phosphate as required.

(iii) Power

The electricity requirements of Sterlite's copper smelter and refinery at Tuticorin are primarily met by the on-site CPPs. Sterlite's CPPs at Tuticorin operate on furnace oil that is procured through long-term contracts with various oil companies. Sterlite has outsourced the day-to-day operation and maintenance of its CPPs at Tuticorin. Sterlite's Silvassa facility relies on the state power grid for its power requirements.

KCM's Nkana, Nchanga and Konkola operations receive their electricity requirements pursuant to a long-term agreement with Copperbelt Energy. KCM also has an agreement with the national utility company of Zambia, Zambia Electricity Supply Corporation Limited ("ZESCO"), to provide power to Nampundwe on substantially the same terms as its agreement with Copperbelt Energy. ZESCO transmits power from hydroelectric generating stations at Kariba North, Kafue Gorge and Victoria Falls to the central switching station in Kitwe and at the Luano substation outside Chingola at 330 KV, which is stepped down to 220 KV before being sold to Copperbelt Energy. ZESCO also supplies electricity directly to the mining operations at Nampundwe in the Central Province of Zambia. In addition, in anticipation of any power failure, KCM has installed a diesel generator set of 24 MW to meet the power requirements of its Konkola mining operations and the KDMP.

KCM agreed to a 33 per cent. increase in its tariff under the terms of its electricity supply agreement with Copperbelt Energy. This increase became effective on 1 January 2008 and will remain fixed for a period of one year. A 35 per cent. increase in the tariff under KCM's agreement with ZESCO has been proposed, but no amendment has been made to this agreement as at the date of this Prospectus.

(iv) Fuel

KCM's fuel supply is completely dependent on imports. In the past, Zambia has faced fuel shortages. KCM has addressed these fuel shortages by entering into a light fuel supply agreement with BP Zambia Limited on 1 September 2010, which expires on 31 December 2013. In addition to the light fuel supply agreement with BP Zambia Limited, KCM is also party to a heavy fuel oil supply agreement with Kobil Zambia Limited.

(v) Sulphuric Acid

The sulphuric acid for KCM's TLP is largely supplied by the new Nchanga smelter.

(f) Distribution, Logistics and Transport

Copper concentrate from the Mt. Lyell processing facility is transported by road to a rail head and then transported by rail to the port of Burnie, Tasmania, from which it is shipped to the port of Tuticorin in India. Copper concentrate sourced from both the Mt. Lyell processing facility and from third parties is received at the port of Tuticorin and then transported by road to the Tuticorin facility.

Once processed at the Tuticorin facility, copper anodes are either refined at Tuticorin or transported by road to Silvassa. Copper cathodes, copper rods, sulphuric acid, phosphoric acid and other by-products are shipped for export or transported by road to customers in India.

KCM's finished copper in the form of copper cathodes are mainly sold to overseas markets in the Middle East, southeast Asia and the Far East with very little copper being sold locally in Zambia. The metal is transported to these markets by road and rail to the Indian Ocean ports of Dar-es-Salaam in Tanzania and Durban in South Africa and, more recently, Beira in Mozambique. During Fiscal 2011, approximately 40 per cent. of KCM's copper cathode exports (by volume) went through Dar-es-Salaam, primarily via rail, and the remaining exports went through Durban.

(g) Sales and Marketing

The 10 largest customers of the Vedanta Group's copper business accounted for approximately 31.5 per cent., 30.5 per cent. and 41.4 per cent. of the Vedanta Group's revenue from the copper business in Fiscal 2009, 2010 and 2011, respectively. Save for Ambrian Metals (which accounted for 11 per cent. of revenue from the copper business in Fiscal 2011), no customer accounted for greater than 10 per cent. of the Vedanta Group's copper business revenue in the last three Fiscal years.

Sterlite's copper sales and marketing head office is located in Mumbai and it has field sales and marketing offices in most major metropolitan centres in India. KCM does not maintain any significant sales offices as sales are effected mainly through contracts executed at its corporate offices in Chingola, Zambia. Sterlite sells its copper rods and cathodes in both domestic and export markets. KCM primarily sells its products in export markets. Domestic sales in Zambia form an insignificant portion of KCM's sales. In Fiscal 2009, 2010 and 2011, exports accounted for approximately, 53.9 per cent., 61.1 per cent. and 61.9 per cent. of the revenue from the Vedanta Group's copper business, respectively. The Vedanta Group's export sales were primarily to China, Japan, the Philippines, Singapore, South Korea, Taiwan, Thailand and various countries in the Middle East. Sterlite also sells phosphoric acid and other by-products in both domestic and export markets. The Vedanta Group's exports of copper anode slimes are predominately sold to Europe.

Domestic sales by Sterlite in India are broadly based on the LME spot price plus regional premiums, as well as domestic supply and demand conditions. A majority of the Vedanta Group's sales are made pursuant to existing supply agreements. The price for the copper Sterlite sells in India is normally higher than the price it charges in the export markets due to the tariff structure on costs, smaller order sizes that domestic customers place and the packaging, storing and truck loading expenses that it incurs when supplying domestic customers.

Sterlite's export sales of copper are made on the basis of both long-term sales agreements and spot sales. The prices of Sterlite's copper exports include the LME price plus a producer's premium. Sterlite does not enter into fixed price long-term copper sales agreements with its customers. Ninety-one per cent. of KCM's sales are through long-term contracts priced on the monthly average LME price plus a premium.

(h) Market Share and Competition

According to the ICPCI, Sterlite is one of only two major custom copper smelters in India and had a 43 per cent. primary market share by sales volume in India in Fiscal 2011. The other major custom copper smelter in India is Hindalco Industries Limited, which had a primary market share by sales volume of approximately 41 per cent. in Fiscal 2011. In the Indian copper market, the Vedanta Group also competes against Hindustan Copper Limited and imports.

KCM is expected to account for 22 per cent. of total national copper mine production in Zambia in 2011 and grow to 28 per cent. by 2013, driven by a ramp-up of the Konkola operation. KCM operates the largest single site copper smelter in Africa in terms of smelting capacity at its facilities in Nchanga, according to Brook Hunt.

Copper is a commodity product and Sterlite competes primarily on the basis of price and service, with price being the most important consideration when supplies of copper are abundant. Sterlite's metal products also compete with other materials, including aluminium and plastics that can be used in similar applications by end-users. Copper is sold directly to consumers or on terminal markets such as the LME. Prices are established based on the LME price, though as a regional producer Sterlite is able to charge a premium to the LME price which reflects the cost of obtaining the metal from an alternative source.

(i) Projects and Developments

(i) Sterlite Expansion Projects

Sterlite has ongoing expansion projects costing US\$500.0 million to increase its total copper capacity to 800 ktpa with a 160 MW coal-based thermal CPP. The 400 ktpa copper smelter expansion project at Tuticorin is being rescheduled pending consent from the State Pollution Control Board and is targeted for completion in Fiscal 2013. Sterlite has incurred US\$155.9 million on these projects as at 31 March 2011. The funding for these projects is mainly from the proceeds of the convertible senior notes issued by Vedanta in Fiscal 2010.

(ii) Konkola Deep Mining Project

The KDMP was approved by KCM's board of directors in July 2005, at a total initial capital outlay of approximately US\$357 million. This project is expected to contribute to the productivity of KCM's underground copper deposit. All governmental approvals for the KDMP have been received. The mid-shaft loading station of the No. 4 shaft was commissioned in April 2010 and completion of the sinking of this shaft to its ultimate depth occurred in the first quarter of Fiscal 2012. Shaft equipping work for bottom shaft loading is on track for completion by the third quarter of Fiscal 2013. The project is expected to be financed substantially from KCM's internal resources, medium term foreign currency loans with banks and related parties and supplemented with additional debt as required. The KDMP was originally planned to increase the ore production of the Konkola mine from 1.8 mtpa of ore to approximately 6 mtpa, and its scope and configuration was subsequently revised. This revised scope and configuration plans an increase in target output of up to an estimated 7.5 mtpa by Fiscal 2017, an increase of 37.5 per cent. over the earlier announced expansion. The increase in target output, changes in commodity prices and other project work have resulted in an increase in the estimated project cost from approximately US\$400 million to US\$674 million. The cost has since been revised upward to US\$973 million primarily due to an increase in the scope of the project and consequent extra time required, weak ground conditions at the site resulting in additional engineering costs, commodity price increases and appreciation of the South African rand to the US dollar.

Work on the KDMP is progressing on schedule.

(iii) Nchanga Smelter

KCM installed and began commissioning a new smelter at Nchanga in October 2008. The total approved capital outlay for the smelter was approximately US\$470 million, and it has the capacity to produce 311 ktpa of copper anode and 640 ktpa of sulphuric acid. Vedanta intends to increase KCM's finished copper production from approximately 216.5 ktpa in Fiscal 2011 to over 400 ktpa in Fiscal 2014.

(j) Seasonality

The Vedanta Group's copper business is not subject to seasonality.

8.2 Zinc Business

(a) Introduction

The Vedanta Group's fully-integrated zinc business is owned and operated by HZL. HZL's fully-integrated zinc operations include four lead-zinc mines, four hydrometallurgical zinc smelters,

one lead smelter, one lead-zinc smelter, four sulphuric acid plants, one silver refinery in the State of Rajasthan in northwest India, five CPPs in northwest India, one hydrometallurgical zinc smelter and one sulphuric acid plant at the Vizag facility in the State of Andhra Pradesh in southeast India and one zinc ingot melting and casting plant at Haridwar in the State of Uttarakhand in northern India. HZL's mines supply all of its concentrate requirements and allow HZL to also export surplus zinc and lead concentrates.

Sterlite acquired its interest in HZL in April 2002. Since then, its operating performance has been significantly improved through expansion, by improving operational efficiencies and reducing unit costs. There was also an increase in reserves and resources at HZL's mines to 313.18 million tonnes as at 31 March 2011 (excluding the reserves at the Skorpion mine, the Lisheen mine and the Black Mountain mine) as a result of further exploration efforts. HZL improved its operating performance further by:

- benefiting from low-cost production available from its two hydrometallurgical smelters with capacity of 210 ktpa each at Chanderiya commissioned in May 2005 and December 2007, and expanded in April 2008 together with associated CPPs at Chanderiya;
- benefiting from low-cost production available from one of its hydrometallurgical zinc smelters with capacity of 210 ktpa at the Rajpura Dariba smelting complex, which was commissioned in March 2010;
- increasing the percentage of concentrates being sourced from its Rampura Agucha mine as compared to its other mines to lower its cost of obtaining zinc concentrate;
- continuing its initiatives to improve operational efficiencies at its existing operations;
- reducing power costs by building on-site CPPs rather than relying on State power grids;
- reducing the size of its workforce including through a voluntary retirement plan; and
- increasing productivity and upgrading existing technology.

HZL has signed a mining lease for the Kayar mine in the State of Rajasthan, which expires on 27 February 2018. In January 2009, HZL obtained environmental clearance for an annual production of 350,000 tonnes. The Kayar mine is currently in the detailed surface exploration stage. HZL has obtained surface land rights over most of the mine area and such rights are in the process of being obtained in respect of the remaining mine area. HZL has commenced mine development activities. As at 31 March 2011, the total estimated measured and indicated mineral resources were 6.27 million tonnes containing 0.68 million tonnes of zinc content at a grade of 10.83 per cent. and 0.096 million tonnes of lead content at a grade of 1.53 per cent.

HZL pays royalties to the State Government of Rajasthan based on its extraction of lead-zinc ore in Rajasthan, where all of HZL's mines are located. The royalties payable by HZL are subject to change. With effect from 13 August 2009, the royalty rate increased from 6.6 per cent. to 8.4 per cent. of the LME zinc metal price payable on the zinc metal contained in the concentrate produced and from 5 per cent. to 12.7 per cent. of the LME lead metal price payable on the lead metal contained in the concentrate produced. The Vedanta Group also pays royalties in connection with its zinc operations in Namibia, Ireland and South Africa.

(b) Principal Products

(i) Zinc

HZL produces and sells zinc ingots in all three international standard grades: SHG (99.994 per cent.), HG (99.95 per cent.) and PW (98 per cent.). HZL sells most of its zinc ingots to Indian steel producers for galvanising steel to improve its durability. Some of its zinc is also sold to alloy, dry cell battery, die casting and chemical manufacturers.

(ii) Lead

HZL produces and sells lead ingots of 99.99 per cent. purity primarily to battery manufacturers and, to a small extent, to chemical manufacturers.

(c) **By-products**

(i) **Sulphuric Acid**

HZL sells sulphuric acid to fertiliser manufacturers and other industries.

(ii) **Silver**

HZL produces and sells silver ingots primarily to industrial users and traders of silver.

(d) **Production**

The following table sets out HZL's total production⁽¹⁾ from its Chanderiya, Dariba, Debari and Vizag facilities for each of Fiscal 2009, 2010 and 2011.

Facility	Product	Year ended 31 March		
		2009	2010	2011
		(tonnes, except for silver which is in kgs)		
Chanderiya:				
ISP ^(TM) pyrometallurgical lead-zinc smelter	Zinc	79,569	93,480	90,298
	Lead ⁽²⁾	18,938	21,550	20,562
Silver refinery	Silver	105,055	138,550	148,082
Hydrometallurgical zinc smelters	Zinc	333,888	343,429	334,120
Ausmelt ^(TM) lead smelter	Lead	41,385	42,769	36,733
Sulphuric acid plants	Sulphuric acid	611,871	641,313	600,753
Dariba:				
Hydrometallurgical zinc smelter ⁽³⁾	Zinc	—	—	164,551
Sulphuric acid plant	Sulphuric acid	—	29,143	218,483
Debari:				
Hydrometallurgical zinc smelter	Zinc	85,191	87,347	84,839
Sulphuric acid plant	Sulphuric acid	267,463	290,188	306,949
Vizag:				
Hydrometallurgical zinc smelter	Zinc	53,076	54,184	38,663
Sulphuric acid plant	Sulphuric acid	74,935	74,945	66,514
Total	Zinc	551,724	578,440	712,471
	Lead	60,323	64,319	57,294
	Silver	105,055	138,550	148,082
	Sulphuric acid	954,268	1,035,589	1,192,699

Notes:

- (1) See "Presentation of Information—Reserves and Production" for an explanation of the basis of preparation of production amounts.
- (2) Excludes lead containing a high content of silver produced from the pyrometallurgical lead-zinc smelter for captive use, which was 7,308 tonnes and 5,898 tonnes, in Fiscal 2010 and 2011, respectively.
- (3) The hydrometallurgical zinc smelter was commissioned in March 2010.

The following table sets out HZL's total ore, zinc concentrate and lead concentrate production⁽¹⁾ for each of Fiscal 2009, 2010 and 2011.

Mine (Type of Mine)	Product	Year ended 31 March		
		2009	2010	2011
		(tonnes, except percentages)		
Rampura Agucha (Open-pit)	Ore mined	4,953,110	5,135,625	6,149,165
	Ore grade—Zinc	13.1%	12.9%	13.1%
	Lead	1.9%	1.8%	2.2%
	Recovery—Zinc	92%	92.1%	88.4%
	Lead	60.6%	59.3%	54.6%
	Zinc concentrate	1,114,048	1,155,849	1,319,245
	Lead concentrate	92,151	89,205	117,272
Zawar (Underground)	Ore mined	944,300	1,020,250	240,550
	Ore grade—Zinc	3.3%	3.1%	3.7%
	Lead	2.0%	1.9%	0.9%
	Recovery—Zinc	89.4%	90.8%	88.0%
	Lead	87.3%	90.8%	70.7%
	Zinc concentrate	29,257	—	—
	Lead concentrate	15,049	—	—
	Bulk concentrate ⁽²⁾	29,924	73,048	55,265
Rajpura Dariba (Underground) ⁽³⁾	Ore mined	783,288	945,997	1,150,284
	Ore grade—Zinc	4.9%	5.4%	5.6%
	Lead	1.8%	1.9%	1.8%
	Recovery—Zinc	81.8%	82.2%	82.4%
	Lead	74.3%	76.2%	76.7%
	Zinc concentrate	59,671	74,872	93,364
	Lead concentrate	17,744	20,827	26,896
	Bulk concentrate ⁽²⁾	8,687	15,535	14,265
Total	Ore mined	6,680,698	7,101,872	7,539,999
	Zinc concentrate	1,202,976	1,230,721	1,412,609
	Lead concentrate	124,944	110,032	144,168
	Bulk concentrate⁽²⁾	38,611	88,583	69,530

Notes:

- (1) See “Presentation of Information—Reserves and Production” for an explanation of the basis of preparation of production amounts.
- (2) Bulk concentrate is concentrate that contains both zinc and lead.
- (3) Includes mining operations at the Sindesar Khurd mine.

(e) **Reserve Base**

The following table sets out the Vedanta Group's proved and probable zinc and lead reserves⁽¹⁾ as at 31 March 2011.

	Proved Ore Reserve			Probable Ore Reserve			Total Proved and Probable Ore Reserves		
	Quantity	Zinc Grade	Lead Grade	Quantity	Zinc Grade	Lead Grade	Quantity	Zinc Grade	Lead Grade
	(million tonnes)	(%)	(%)	(million tonnes)	(%)	(%)	(million tonnes)	(%)	(%)
Rampura Agucha	6.16	12.37	1.75	63.55	14.47	1.98	69.71	14.28	1.96
Rajpura Dariba	7.37	6.87	1.80	1.67	6.47	1.65	9.05	6.80	1.77
Zawar Group	3.53	4.07	2.05	4.34	3.32	2.01	7.87	3.66	2.03
Sindesar Khurd	1.91	5.44	2.60	8.19	4.82	2.82	10.10	4.93	2.78
Skorpion Mine	1.5	9.4	—	4.9	10.4	—	6.4	10.2	—
Black Mountain Mine	3.3	2.7	3.7	3.5	3.3	2.8	6.8	3.0	3.2
Lisheen Mine	5.0	11.2	1.9	0.7	9.0	1.5	5.7	10.9	1.8
Total	28.77	—	—	86.85	—	—	115.63	—	—

Note:

- (1) See “Presentation of Information—Reserves and Production” for an explanation of the basis of preparation of reserve amounts.

(f) **Description of Operations**

(i) **Smelters and Refineries**

The following table sets out the total capacities⁽¹⁾ as at 31 March 2011 at the Vedanta Group's Chanderiya, Debari, Vizag, Dariba, Zawar and Skorpion facilities.

Facility	Capacity				
	Zinc (ktpa)	Lead (ktpa)	Silver (million oz)	Sulphuric Acid (tpa)	Captive Power Plant (MW)
Chanderiya ⁽²⁾	525	85	5.9	828,500	248.8
Debari	88	—	—	419,000	14.8
Vizag	56	—	—	91,000	—
Dariba	210	—	—	306,000	160.0
Zawar	—	—	—	—	86.0
Skorpion	150	—	—	—	—
Total	1,029	85	5.9	1,644,500	509.6

Notes:

- (1) See "Presentation of Information—Reserves and Production" for an explanation of the basis of preparation of production amounts.
- (2) The Haridwar plant melts and casts zinc ingots from zinc cathodes produced in the Chanderiya smelter and therefore its production capacity does not increase the total production capacity of HZL's facilities.

The Vedanta Group's potential lead capacity increased from 85 ktpa to 185 ktpa in the first half of Fiscal 2012 following the commissioning of the new 100 ktpa Dariba lead smelter. In addition, Vedanta is seeking to increase the Vedanta Group's silver capacity from the current 8 million ounces to 16 million ounces by the end of Fiscal 2012 and is aiming to become one of the largest silver producers in the world.

(A) **Chanderiya**

The Chanderiya facility is located approximately 120 km east of Udaipur in the State of Rajasthan in northwest India. The Chanderiya zinc smelter is the fourth largest smelter on a production basis worldwide in 2010, according to Brook Hunt. The facility contains four smelters, two associated CPPs, two sulphuric acid plants and one silver refinery, as follows:

- (1) an ISPTM pyrometallurgical lead-zinc smelter with a capacity of 105 ktpa of zinc ingots and 35 ktpa of lead ingots that was commissioned in 1991;
- (2) two hydrometallurgical zinc smelters with 210 ktpa capacity each that were commissioned in May 2005 and December 2007 and expanded in April 2008, together with associated CPPs;
- (3) an AusmeltTM lead smelter with a capacity of 50 ktpa that was commissioned in February 2006;
- (4) associated 154 MW and 80 MW coal-based CPPs commissioned in May 2005 and April 2008, respectively;
- (5) a 14.5 MW CPP which was commissioned at Debari in March 2003 and transferred from Debari to Chanderiya in March 2009;
- (6) two sulphuric acid plants with a total capacity of 828.5 ktpa; and
- (7) a silver refinery with a capacity of 180 tpa silver ingots.

A 154 MW CPP and a 80 MW CPP were commissioned in 2005 and 2008, respectively. In March 2009, a 14.5 MW CPP was transferred from Debari to Chanderiya. These power plants provide all of the power for the Chanderiya facilities. The CPP requires approximately 155,000 metric tonnes of coal per month. Out of this monthly requirement, around 65 per cent. is imported mainly from Indonesia through long-term

and spot contracts and shipped predominantly using geared supramax shipments of approximately 50,000 metric tonnes each. The balance requirement is catered for by indigenous coal procured mainly through long-term fuel supply agreements with South Eastern Coalfields Limited.

In addition, HZL secured in January 2006, as part of a consortium with five other partners, the award of a coal block from the Ministry of Coal of the Government of India (the “Ministry of Coal”), which is expected to help meet the coal requirements of HZL’s CPPs in the future. HZL’s share of the coal block is approximately 31.5 million tonnes which, according to the Ministry of Coal, are proved reserves with ash content ranging from 28.7 per cent. to 47 per cent. and with gross calorific value ranging from 3,865 Kcal/kg to 5,597 Kcal/kg. On 16 June 2008, the Ministry of Coal approved the consortium’s plan for mining the coal block. The coal block is located in the Hasdev Arand coal field of Chhattisgarh which is under moderate to dense forest. The environmental clearance and approval for the forest diversion was rejected by the MoEF and accordingly, a letter of rejection was issued by the State Government on 20 January 2010. HZL will continue to import coal from third-party suppliers as it currently does or pursue alternative sources. HZL has also been awarded 2.43 million tonnes of coal linkage by the Ministry of Coal, which will enable it to source coal from mines of Coal India. HZL’s remaining operations source their required power from liquid fuel-based CPPs or from local power companies. The liquid fuel is sourced from third-party suppliers on yearly contracts.

(B) Debari

The Debari hydrometallurgical zinc smelter is located approximately 12 km east of Udaipur in the State of Rajasthan. The hydrometallurgical zinc smelter was commissioned in 1968, uses RLE technology and has a capacity of 88 ktpa. The Debari facility also includes a 419 ktpa sulphuric acid plant. A majority of the power requirements of the facility is sourced from the coal-based CPP at Chanderiya and the balance is sourced from an on-site liquid fuel-based 14.5 MW CPP commissioned in March 2003. The liquid fuel is procured from domestic oil-producing companies through a tender process for a yearly contract.

(C) Vizag

The Vizag hydrometallurgical zinc smelter is located approximately 17 km from the Vizag inner harbour on the Bay of Bengal in the State of Andhra Pradesh in southeast India. The hydrometallurgical zinc smelter was commissioned in 1977, uses older RLE technology and has a capacity of 56 ktpa. The Vizag facility also includes a 91 ktpa sulphuric acid plant. HZL obtains approximately 50 per cent. of the facility’s power requirements from Andhra Pradesh Gas Power Corporation Limited in which HZL holds an 8 per cent. equity interest. The remaining power requirements are obtained from the Transmission Company of Andhra Pradesh Limited, a government-owned enterprise.

(D) Haridwar

The 210 ktpa zinc ingot melting and casting plant in Haridwar in the State of Uttarakhand was commissioned in July 2008. This plant melts and casts zinc ingots from zinc cathodes produced in the Chanderiya smelter and therefore its production capacity does not increase the total production capacity of HZL’s facilities. After the start of the second stream, the capacity of Haridwar zinc plant will be 292 ktpa.

(E) Zawar

The Zawar facility does not have a smelter. The CPP at this facility provides power to the mine.

(F) Dariba

The Dariba hydrometallurgical zinc smelter is located approximately 75 km northeast of Udaipur in the Rajsamand district of Rajasthan. This hydrometallurgical zinc smelter was commissioned in March 2010 and is now operating at its capacity of 210 ktpa. The

Dariba facility also includes a 306 ktpa sulphuric acid plant. A majority of the power requirements of the facility is sourced from the coal-based CPP at Dariba.

(ii) **Mines**

(A) **Rampura Agucha**

The Rampura Agucha lead-zinc mine is located in Gulabpura, District Bhilwara in the State of Rajasthan. It can be accessed by paved road from the major centres of Udaipur, approximately 225 km to the south, and Jaipur, the capital of the State of Rajasthan, which lies approximately 235 km to the north. The nearest railway to the mine lies approximately five km to the west. This railway provides access to Jaipur in the north and Chittorgarh in the south where the Chanderiya lead-zinc smelting facility is located.

The Rampura Agucha mine was the largest zinc mine in the world on a production basis in 2010, according to Brook Hunt. It is a sediment-hosted zinc deposit which lies within gneisses and schists of the Precambrian Mangalwar Complex. The main ore body is approximately 1.5 km long and has a width ranging from five metres to 120 metres with an average of approximately 58 metres. It extends from the surface with recent exploration intersecting up to 15 metre wide mineralised zones at depths of over 900 metres. The southern boundary of the ore body is sharp and steeply dipping while the northern margin is characterised by a thinning mineralised zone. Grades remain relatively consistent with depth. The ore body consists of sphalerite and galena, with localised concentrations of pyrite, arsenopyrite, pyrrhotite and tetrahedrite-tennantite.

The Rampura Agucha mine was India's largest producer of zinc ore and one of the largest producers of lead ore in the world in 2010, according to Brook Hunt. The ore body is mined by open-pit methods. The capacity of the mine and concentrator was expanded between 2003 and 2010 from 2.4 mtpa to 6.15 mtpa for mine and 6.5 mtpa for mill.

The 12 square km mining lease was granted by the State Government of Rajasthan and will run until March 2020. Mining leases are governed in accordance with the Indian Mineral Concession Rules and the Mineral Conservation and Development Rules, 1988 of India. HZL has also obtained consents under various environmental laws to operate the mine. HZL has applied for a reconnaissance permit over 408.65 square km covering the surrounding area as the ore body is dipping towards the eastern limit of the mining lease and the deepest intersection is approaching the current leasehold boundary. The reconnaissance permit has been granted and executed on 25 February 2010 for a period of three years. HZL commenced production at the Rampura Agucha mine in 1991. Since then, approximately 47.2 million tonnes of ore, with an ore grade of 12.85 per cent. zinc and 1.93 per cent. lead, have been extracted from the open-pit mine up to 31 March 2011.

Mining at Rampura Agucha is a drill and blast, load and haul sequence using 240 tonne trucks and 34 metre³ excavators. Ore is trucked to the primary crusher at the mill and waste is trucked to the waste dump. The mining equipment is owner-operated. The processing facility is a conventional crushing, milling and differential lead-zinc flotation plant which was commissioned in 1991. Ore from the open-pit is crushed in a series of three crushing circuits and then milled in three identical milling circuits, comprising a rod mill in open circuit and a ball mill in closed circuit. The milled ore is then sent to the lead flotation circuit which includes roughing, scavenging and three stages of cleaning. The lead concentrates are thickened and filtered ahead of storage and transport to the Chanderiya lead smelter. The lead flotation tails proceed to zinc flotation which comprises roughing, scavenging and four stages of cleaning. Zinc concentrates are thickened and filtered ahead of storage and transport to all three of the HZL zinc smelters. Zinc flotation tails are thickened ahead of disposal to the tailings dam.

At Rampura Agucha, a total of 149 holes (approximately 88 km) have been drilled since 2004 which has resulted in significant resource addition in depth. Following open-pit re-optimisation and underground mine feasibility studies completed during 2009 and 2010, a significant part of resources was upgraded to reserves. As at 31 March 2011, the estimated reserves were 69.7 million tonnes with an average grade of 14.3 per cent. zinc

and 2.0 per cent. lead after depletion. The drill spacing for the definition of proved reserves was approximately 50 metres by 50 metres while for probable reserves was 100 metres by 100 metres in the open-pit.

The Rampura Agucha open-pit mine was commissioned in 1991 by HZL and operated as a state-owned enterprise until 2002 when it was acquired by the Vedanta Group. The low strip ratio and good ore minerology of the mine provide a high metal recovery ratio and a low overall cost of production for zinc concentrate extracted from the mine. An on-site concentrator is used to produce zinc and lead concentrates which are shipped mainly to HZL's smelters though surplus concentrates are exported through the port of Kandla. The mining and processing facilities are modern and in good condition.

In Fiscal 2011, 6.15 million tonnes of ore at 13.1 per cent. zinc and 2.2 per cent. lead were mined from Rampura Agucha, which produced 1.3 million tonnes of zinc concentrate at 51.3 per cent. zinc and 117,272 tonnes of lead concentrate at 58.6 per cent. lead. Approximately 77,066,151 tonnes of waste were removed giving a strip ratio of 12.53 tonnes of waste per tonne of ore mined. The expansion of the mine from 5 mtpa to 6.15 mtpa has resulted in a significant increase in the strip ratio as there is dimensional change in the pit with an ultimate depth of mine of 372 metres. Rampura Agucha mine has initiated a number of steps to optimise the strip ratio. Approximately 88.4 per cent. of the zinc was recovered to the zinc concentrate, while 54.6 per cent. of the lead and 64.1 per cent. of the silver was recovered from the metal contained in the ore mined.

The gross book value of the Rampura Agucha mine's fixed assets and mining equipment was INR16,749.60 million (US\$375.1 million) as at 31 March 2011.

Power is supplied from two 234 MW and 80 MW CPPs at Chanderiya and Zawar with two backup 5 MW generators on-site. Water to the site is pumped 57 km from radial wells in the Banas River. A water extraction permit has been granted, which provides sufficient water for a production rate of approximately 6 mtpa.

HZL estimates the remaining mine life at Rampura Agucha based on reserves and resources as at 31 March 2011 at current and anticipated production to be over 25 years. In 2004, HZL commissioned the first exploration programme since the mine opened and since then has increased the reserves at Rampura Agucha by approximately 60 per cent. after depletion. HZL also believes that additional mineralisation exists in an extension in the depth and breadth of the established resource boundary and exploration drillings and is continuing to evaluate the potential of this deeper mineralisation.

An economic feasibility study was carried out in September 2008 based on an industry standard Lerch Grossman open-pit optimisation algorithm using the Whittle 4X multi-element optimisation software. The treatment charges considered were US\$270 per tonne of zinc concentrate and US\$210 per tonne of lead concentrate. A dilution factor of three per cent. and a mining recovery factor of 96 per cent. were also applied.

Additionally, a sensitivity analysis was carried out which determined that an ultimate pit shell of 372 metres is optimal. The base metal prices used in the sensitivity analysis were US\$1,650 per tonne for zinc and US\$1,190 per tonne for lead.

In Fiscal 2011, 55,954 dmt of zinc concentrate at a grade of 49.9 per cent. was sold to third parties from the Rampura Agucha mine. The revenue realised from zinc concentrate sales was INR2,215.6 million (US\$49.6 million). In Fiscal 2011, 30,305 dmt lead concentrate at a grade of 54.0 per cent. was sold to third parties from the Rampura Agucha mine. The revenue realised from lead concentrate sales was INR2,638.3 million (US\$59.1 million).

HZL commissioned a one mtpa concentrator at the Rampura Agucha mine in March 2010.

(B) Rajpura Dariba

Rajpura Dariba is a medium-sized underground lead-zinc mine and processing facility located approximately 75 km by paved road northeast of Udaipur in the Rajsamand district of Rajasthan in northwest India. Roads to Chittorgarh and Udaipur are used to transport concentrates to the HZL smelters at Chanderiya and Debari. The railway is used to transport concentrate to the HZL smelter at Vizag on the east coast of India.

The ore at Rajpura Dariba occurs in the north, south and east lenses which are typically 15 metres to 50 metres thick, are conformable with the stratigraphy and dip approximately 65 degrees to the east. The lenses have strike lengths of over 900 metres, 500 metres and 600 metres, respectively. They lie within a synclinal structure with a north-south axis which is overturned to the west with steep easterly dips. The lead and zinc mineralisation is hosted within silicified dolomites and graphite mica schists. The main ore minerals are galena and sphalerite with minor amounts of pyrite, pyrrhotite and silver bearing tetrahedrite-tennantite.

Mining at Rajpura Dariba commenced in 1983 and is carried out using the Vertical Crater Retreat method and the Blast Hole Mining method with mined out stopes backfilled with cemented classified mill tailings. In certain areas the ground conditions adversely affect slope stability and dilution. These ground conditions are the result of the weak graphitic nature of the shear zone combined with the dissolution of fractured and sheared dolomites by percolating acidic groundwater derived from overlying adjacent oxidised zones. HZL's Rajpura Dariba mine permit was valid until May 2010 and it submitted an application to renew this permit on 18 December 2008. The mine is currently being operated on the basis of deemed approval. The environmental clearance was obtained on 4 November 2009.

The mine is serviced by two vertical shafts approximately 600 metres deep. The main shaft is six metres in diameter and the auxiliary shaft is 4.5 metres in diameter. The main shaft has the capacity to hoist 0.9 mtpa of ore by counterbalancing two skips each with six tonnes of capacity and is equipped with a modern multi-rope Koepe winder. All personnel and materials are hoisted in a large counter-balanced cage which also operates by Koepe winder. The surface infrastructure includes ventilation fans, compressors and ore loading facilities.

The ore is crushed underground before being hoisted to the surface. It is then crushed again and milled before undergoing a lead flotation process incorporating roughing, scavenging and three stages of cleaning. A facility exists at the mine to direct lead rougher concentrate to multi-gravity separators in order to reduce the graphite levels in the final concentrate as required. The final lead concentrate is thickened and filtered and subsequently stored and sent to HZL's Chanderiya lead smelters.

Lead flotation tails are sent to the zinc flotation process which comprises roughing, scavenging and three stages of cleaning. The facility is able to direct zinc rougher concentrate to column flotation cells to reduce silica levels in the final concentrate if required. Zinc concentrates are thickened, filtered and stored prior to dispatch to HZL smelters. Zinc flotation tails proceed to a backfill plant where they are cycloned with the underflow proceeding to intermediate storage where cement is added in preparation for use as underground fill. The cyclone overflow is thickened to recover water ahead of disposal in the tailings dam.

In Fiscal 2011, 989,634 tonnes of ore at a grade of 5.6 per cent. zinc and 1.8 per cent. lead ore (percentages are for ore mined at the main Rajpura Dariba and Sindesar Khurd mines) was mined which produced 93,364 tonnes of zinc concentrate at 47.8 per cent. zinc, 26,896 tonnes of lead concentrate at 54.0 per cent. lead and 2,972 grams per tonne silver, and 14,265 tonnes of bulk concentrate at 37.5 per cent. zinc and 10.6 per cent. lead with 82.4 per cent. of the zinc being recovered in the zinc concentrate and 76.7 per cent. of the lead (percentages are for ore mined at the main Rajpura Dariba and Sindesar Khurd mines) and 81.0 per cent. of the silver being recovered in the lead concentrate.

The gross book value of the Rajpura Dariba mine's fixed assets, including the Sindesar Khurd mine, was approximately INR7,799.6 million (US\$174.7 million) as at 31 March 2011.

Power for the mine is supplied largely from HZL's 160 MW CPP at Rajpura Dariba. Water is sourced via a 22 km long pipeline from the Matri Kundia Dam on the seasonal Banas River as well as from underground. Water supply has been erratic in the past requiring supplemental supplies to be delivered by truck.

HZL estimates the remaining life at Rajpura Dariba including Sindesar Khurd, based on reserves and resources as at 31 March 2011 at current and anticipated production, to be over 40 years. An exploration programme is also underway to identify new resources with the potential to be upgraded to reserves, and has been and continues to be focused on maintaining the reserve position after annual mining depletion. The drill spacing for proved reserves was some 30 metres while for probable reserves it was less than 60 metres.

The average grade for each individual stope was defined using standard parameters for internal waste and dilution and a geological cut-off grade of 3 per cent. combined lead and zinc, though the mineralisation generally has a sharp natural contact. The economic cut-off grade was then calculated based on a zinc price of US\$1,000 per tonne and a lead price of US\$700 per tonne, treatment charges of US\$130 per tonne for zinc concentrate and US\$140 per tonne for lead concentrate and Fiscal 2006 cost and performance levels. The in situ quantities and qualities were adjusted by applying a mining loss factor of 10 per cent., a dilution factor of between 12 per cent. and 20 per cent. depending on ground conditions, with a further grade adjustment of 0.2 per cent. for lead, 0.3 per cent. for zinc and five grams per tonne silver. These parameters are based on a reconciliation of historical production. This analysis showed that at these prices the diluted in situ cut-off grade should be 5.4 per cent. combined lead and zinc. Stopes with average grades below this economic cut-off grade were excluded from the reserve estimate. The final reserve estimate is the sum of the stopes with an average grade above the economic cut-off limit. As the stopes are all accessed using the existing infrastructure and as there is sufficient capacity on the tailings dam, the capital expenditure was limited to the replacement of mining equipment and was therefore considered not to have a material impact on the cut-off grade.

The latest addition to the Rajpura Dariba mining operation is the Sindesar Khurd underground mine deposit that was explored from 1992 to 1995. Mine production at Sindesar Khurd began in April 2006 and HZL's mining permit is valid until 2029.

The Sindesar Khurd mine is an underground mine. The deposit lies five km north of, and is on the same geological belt as, the Rajpura Dariba mine. Ore from the mine is fed to the Rajpura Dariba mill and processing plant. The two mines are connected by all-weather gravel road. The proved and probable reserves for the Sindesar Khurd mine as at 31 March 2011 consist of 10.1 million tonnes at 4.9 per cent. zinc and 2.8 per cent. lead.

The Sindesar Khurd ore body is conformable with the host stratigraphy. The mineralisation lies within silicified dolomite and graphite mica schist which are overlain by quartzite. The deposit has been drilled to a depth of approximately 800 metres below the surface and the ore body is traced over approximately two km along the strike with an 800 metres vertical extension. While the deposit is still open in depth in the southern extension of the present mine block, the area below the mine block and towards the north extension only has narrow and low to moderate grade mineralisation intersected.

Access to the mine is through an incline shaft and ramp from the surface while ore is hauled up the inclined shaft through the ramp. The ore body is accessed via horizontal drives on three levels. The long-hole open stoping mining method is used.

Exploration at Sindesar Khurd has been ongoing since March 2005 with a drilling programme aimed at increasing the size of the resource. As at 31 March 2011, a total of 193 holes have been drilled, the deepest being 1.1 km below surface.

In Fiscal 2011, 10,004 dmt of zinc concentrate at a grade of 48.5 per cent. was sold to third parties from the Rajpura Dariba mines. The revenue realised from zinc concentrate sales was INR369.2 million (US\$8.27 million). In Fiscal 2011, 8,152 dmt of lead concentrate at a grade of 50.5 per cent. was sold to third parties from the Rajpura Dariba mines including Sindesar Khurd. The revenue realised from lead concentrate sales was INR1,365.4 million (US\$30.6 million).

(C) Zawar

Zawar consists of four separate mines, namely, Baroi, Zawarmala, Mochia and Balaria. The deposit is located approximately 45 km south of the city of Udaipur in the State of Rajasthan. Ahmedabad, the capital of the State of Gujarat is located about 215 km to the south of the deposit. The deposits lie within a 36.2 square km mining lease granted by the State Government of Rajasthan, which expired on 29 March 2010. HZL submitted to the Government of Rajasthan an application to renew this lease on 25 November 2008. At present, operations at certain parts of the Balaria mine are carried out pursuant to consents to operate under the Indian Air Act and the Indian Water Act, which are valid until 28 February 2013. The mine plan for enhanced quantity was approved by the Indian Bureau of Mines (the "IBM") on 21 August 2009. The environmental clearance from the MoEF for the renewal of the lease and capacity enhancement of 1.5 million tonnes was obtained on 30 October 2009. Due to the lack of forest clearance, mining activities at the Mochia, Zawarmala and Baroi mines ceased after 29 March 2010.

The four deposits at Zawar are hosted by low grade metamorphosed sediments consisting of greywackes, phyllites, dolomites and quartzites that unconformably overlay the Pre-Cambrian basement. The lead-zinc-pyrite mineralisation is strata bound and occurs as vein-stringers reflecting the high level of fractures within the more competent dolomites. There are multiple ore bodies that are complex in some areas as the lenses split and enclose waste rock. The ore bodies are steeply dipping.

Zawar uses the sub-level open stoping mining method and its variants for the majority of its production with shrinkage stopping being used where the ore body geometry dictates.

Ore processing is carried out in a conventional comminution and flotation plant having facility for differential as well as bulk flotation of zinc and lead metals. The ore is primarily crushed underground and then hoisted to the surface. Thereafter, the ore is crushed to 15 mm in size before being milled to 74 microns. In the differential flotation process, milled ore is conveyed separately to two lead flotation circuits and undergoes a process incorporating roughing, scavenging and cleaning. Final lead concentrate is thickened and filtered and then stored before dispatch to the Chanderiya lead smelter. Lead flotation tails proceed to two zinc flotation circuits comprising roughing, scavenging and cleaning. Zinc concentrate is thickened and filtered, then stored and dispatched to the Debari and Chanderiya smelters. Zinc flotation tails are disposed in slurry form in a designated tailings disposal area.

In the bulk flotation process milled ore is conveyed to the flotation circuit and undergoes a process incorporating roughing, scavenging and cleaning. Final bulk concentrate is thickened and filtered, and then stored before dispatch to the Chanderiya lead zinc smelter. Bulk flotation tails are disposed in slurry form in a designated tailings disposal area.

In Fiscal 2011, approximately 240,550 tonnes of ore at 3.7 per cent. zinc and 0.9 per cent. lead were mined which produced 55,265 tonnes of bulk concentrate at 44.9 per cent. zinc and 6.4 per cent. lead. The recovery of zinc and lead during Fiscal 2011 was 88.0 per cent. and 70.7 per cent., respectively.

The gross book value of the Zawar fixed assets and mining equipment was approximately INR1,551.86 million (US\$34.8 million) as at 31 March 2011 and of the new 80 MW coal-based thermal CPP at Zawar was INR3,134.27 million (US\$70.2 million).

Power is supplied through a combination of an 80 MW coal-based thermal CPP commissioned in December 2008 and a six MW CPP. Power from the 80 MW coal-based thermal CPP is supplied to HZL's Debari hydrometallurgical zinc smelter and the excess power is sold to third parties. Water consumption is controlled by an active water conservation programme with supplemental water supplies sourced from a dedicated 300 million cubic foot dam. The process plant is in a reasonable structural, electrical and mechanical condition and a planned maintenance programme is in place.

Based on reserves and resources as at 31 March 2011 and annual production levels, HZL estimates the remaining life of the Zawar operation to be over 17 years from 31 March 2011. The focus of mine exploration at Zawar is to replenish the reserves that are being depleted through exploration activities and to look for new mineralised areas to enhance production capacity. A surface drilling programme is underway to locate deeper resources below -100 MRL up to -500 MRL. Underground exploratory drilling is carried out on a grid of between 25 metres and 30 metres which is then infilled to 12 metres and 15 metres after completing the development for final delineation of ore bodies. Past exploration has outlined additional in-mine mineral resources which require further delineation to add to reserves and further extend the mine life.

Two approaches were used to determine the reserves. For some of the proved reserves, the stope limits had been designed and the mineable quantities were then derived by applying a mining recovery factor of 90 per cent. and a dilution factor of 10 per cent. For the remaining proved resources and all of the probable reserves, the mineable quantities were adjusted further by applying an additional mining recovery factor of 60 per cent. to reflect the impact of leaving pillars and an additional dilution factor of 15 per cent. to reflect the effect of internal waste.

The average grade for each individual stope was defined using standard parameters for internal waste and dilution and a geological cut-off grade of three per cent. for combined lead and zinc. The economic cut-off grade was then calculated based on a zinc price of US\$1,000 per tonne, a lead price of US\$700 per tonne, treatment charges of US\$130 per tonne for zinc concentrate and US\$140 per tonne for lead concentrate and Fiscal 2006 cost and performance levels. This analysis showed that at these prices, the diluted cut-off grade should be 3.6 per cent. zinc. Stopes with average grades below this economic cut-off grade were excluded from the reserve estimate. The final reserve estimate is the sum of the stopes with an average grade above the economic cut-off limit. As the stopes are all accessed using the existing infrastructure and as there is sufficient capacity on the tailings dam, the capital expenditure was limited to the replacement of mining equipment and was therefore considered not to have a material impact on the cut-off grade. In Fiscal 2011, no zinc, lead or bulk concentrate was sold to third parties from the Zawar mine.

(g) Principal Raw Materials

The principal inputs of HZL's zinc smelting business are zinc and lead concentrates and power. HZL has in the past been able to secure an adequate supply of the principal inputs for its business.

(i) Zinc and Lead Concentrates

Zinc and lead concentrates are the principal raw material of HZL's smelters. HZL's lead-zinc mines have provided all of its requirements for zinc and lead concentrates in the past. Vedanta expects HZL's mines to continue to provide all of HZL's zinc and lead concentrate requirements for the foreseeable future.

(ii) Power

Most of HZL's operations are powered by the coal-based CPP at Chanderiya for which HZL imports the necessary thermal coal from a number of third-party suppliers. HZL has outsourced the day-to-day operation and maintenance of its CPPs at Chanderiya, Debari and Zawar.

HZL has also been awarded 2.43 million tonnes of coal linkage by the Ministry of Coal, which will enable it to source coal from mines of Coal India. HZL's remaining operations source their required power from liquid fuel-based CPPs or from local power companies. The liquid fuel is sourced from third-party suppliers on yearly contracts.

(iii) Metallurgical Coke

In addition, HZL's pyrometallurgical smelter at Chanderiya requires metallurgical coke that is used in the smelting process. HZL currently sources its metallurgical coke requirements from third parties under long-term contracts and the open market.

(h) Distribution, Logistics and Transport

Zinc and lead concentrates from HZL's lead-zinc mines are transported to the Chanderiya and Debari smelters by road. Zinc concentrate from HZL's mines is also transported by road, or a combination of road and rail, to the Vizag smelter which is located approximately 1,200 km southeast of the mines. Zinc concentrate may also be shipped for export. Zinc and lead ingots, silver and sulphuric acid by-products are transported by road to customers in India.

(i) Sales and Marketing

HZL's 10 largest customers accounted for approximately 23.1 per cent., 32.3 per cent. and 36.2 per cent. of its revenue in Fiscal 2009, 2010 and 2011, respectively. No customer accounted for greater than 10 per cent. of HZL's revenue in Fiscal 2009, 2010 or 2011.

HZL's marketing office is located in Mumbai, and it has field sales and marketing offices in most major metropolitan centres in India. In Fiscal 2011, HZL sold approximately 61 per cent. of the zinc and lead metal it produced in the Indian market and exported approximately 39 per cent.

Approximately 98 per cent. of the zinc metal that HZL produced in Fiscal 2011 was sold under annual contracts in the domestic market. In some of the contracts, a premium over the LME price is fixed while in other contracts, sales take place at a price equal to HZL's list price less an agreed discount. HZL's list prices are based on the LME prices, the prevailing market premium, tariffs and logistics costs. HZL periodically revises its list prices based on LME price trends. Thus, the price that HZL receives for its zinc is dependent upon, and subject to fluctuations in, the LME price.

(j) Projects and Developments

HZL has various expansion projects amounting to US\$900 million to increase its total lead-zinc capacity to 1.064 mtpa with fully integrated mining and captive power generation capacities and US\$190 million (INR8,650 million as at the date of announcement) to increase its total wind power generation capacity from 123.2 MW to 273.2 MW.

These projects include:

- successfully commissioning a 210 ktpa hydro zinc smelter at Dariba and one mtpa concentrator at Rampura Agucha in the fourth quarter of Fiscal 2010, which was three months ahead of schedule;
- establishing one brownfield lead smelter which is expected to increase the production capacity of lead by approximately 100,000 tonnes at HZL's Rajpura Dariba complex in the State of Rajasthan which was commissioned and capitalised during the second quarter of Fiscal 2012;
- successfully commissioning an associated CPP with a capacity of 160 MW at Rajpura Dariba;
- expanding ore production capacity at the Sindesar Khurd mine from approximately 0.3 mtpa to 1.5 mtpa, which is expected to reach full capacity by the end of Fiscal 2012. The new ramp from surface to underground workings is now fully operational and being used for hauling. Further additional resources have been mobilised to achieve accelerated mine development;
- commencement of mining activity at the Kayar mine, with the mine expected to have a production capacity of 360 ktpa;

- increasing its silver production from the current levels of approximately 180 tpa to approximately 500 tpa in large part from additional production at the Sindesar Khurd mine; and
- expanding its existing wind power generation capacity from the existing 123.2 MW to 273.2 MW. The first phase of 105 MW has been completed and the second phase of 45 MW is scheduled to be completed by the third quarter of Fiscal 2012.

These projects are being financed from internal sources.

(k) Market Share and Competition

HZL is the only integrated zinc producer in India and had a market share by sales volume of the Indian zinc market of 82 per cent. in Fiscal 2011, according to the ILZDA. Binani Zinc Limited is the only other zinc producer in India, but it is not integrated and it depends on imports of zinc concentrate. Binani Zinc Limited had a market share of 6 per cent. of the Indian market in terms of sales volume in Fiscal 2011, according to the ILZDA. Imports accounted for the remaining 12 per cent. market share in terms of sales volume in Fiscal 2011, according to the ILZDA.

Zinc is a commodity product and HZL competes primarily on the basis of price, time of delivery and location. Zinc metal also faces competition as a result of substitution of materials, including aluminium, stainless steel and other alloys, plastics and other materials being substituted for galvanised steel and epoxies, paints and other chemicals being used to treat steel in place of galvanising in the construction market.

HZL is one of the primary lead producers in India, with competition coming from imports which provide a substantial majority of the lead consumed in India. Lead is a commodity product and HZL competes primarily on the basis of price, time of delivery and location.

(l) Seasonality

The Vedanta Group's zinc business is not subject to seasonality.

(m) Recent Developments—Acquisition of Various Zinc Assets

On 9 May 2010, the Vedanta Group agreed to acquire various zinc assets for a total consideration of US\$1,513.1 million. The net cash (being cash and cash equivalents less borrowings) of these entities as at the date of acquisition was US\$359.2 million. These zinc assets comprise Skorpion, which owns the Skorpion mine and refinery in Namibia, Lisheen, which owns the Lisheen mine in Ireland and a 74 per cent. stake in Black Mountain, whose assets include the Black Mountain mine and the Gamsberg project in South Africa. On 3 December 2010, Vedanta announced the completion of the acquisition of Skorpion by Sterlite Infra Limited, a wholly-owned subsidiary of Sterlite. On 4 February 2011, Vedanta announced the completion of the acquisition of the 74 per cent. stake in Black Mountain. The acquisition of Lisheen was completed on 15 February 2011.

(n) Principal Products

Skorpion produces SHG zinc ingots and there is a committed off-take agreement for three years commencing 1 January 2010 covering the sale of all zinc ingots produced at the Skorpion integrated mine and refinery. Skorpion does not produce any material by-products.

Lisheen produces zinc and lead in concentrate. There are market priced off-take concentrate sales contracts in place with international customers for part of the production in Fiscal 2012 and Fiscal 2013, with the balance of concentrate to be sold in the spot market.

Black Mountain produces zinc and lead in concentrate and all the zinc concentrate is shipped to a refinery owned by Exxaro Base Metals. Copper and silver are also produced as a by-product.

(o) Production

The total zinc production from the Skorpion mine for each of the three years ended 31 December 2008, 2009 and 2010 was 145,000 tonnes, 150,000 tonnes and 152,000 tonnes, respectively.

The following table sets out the total ore, zinc and lead concentrate production⁽¹⁾ at the Skorpion mine, the Lisheen mine and the Black Mountain mine for each of the three years ended 31 December 2008, 2009 and 2010.

Mine (Type of Mine)	Product	Year ended 31 December		
		2008	2009	2010
		(tonnes, except percentages)		
Skorpion (Open-pit)	Ore mined	1,390,000	1,496,000	1,553,000
	Ore grade—Zinc	12.2%	11.8%	11.1%
	Recovery—Zinc	89.1%	90.3%	90.3%
Lisheen (Underground)	Ore processed (DMT) ⁽²⁾	1,517,000	1,526,000	1,588,000
	Ore grade—Zinc	12.1%	12.4%	12.2%
	Ore grade—Lead	1.6%	1.8%	1.9%
	Recovery—Zinc	91.1%	90.6%	90.5%
	Recovery—Lead	64.0%	68.4%	67.2%
	Zinc concentrate	313,000	322,000	326,000
	Lead concentrate	25,000	31,000	34,000
Black Mountain (Underground)	Ore mined	1,205,000	1,293,000	1,379,000
	Ore grade—Zinc	3.0%	2.8%	3.3%
	Ore grade—Lead	4.3%	4.0%	4.2%
	Recovery—Zinc	77.2%	78.6%	79.9%
	Recovery—Lead	91.8%	94.6%	88.2%
	Zinc concentrate	56,000	56,000	72,000
	Lead concentrate	65,000	69,000	71,000
Total	Ore mined	2,595,000	2,789,000	2,932,000
	Ore processed	1,517,000	1,526,000	1,588,000
	Zinc concentrate	369,000	378,000	398,000
	Lead concentrate	90,000	100,000	105,000

Notes:

- (1) See “Presentation of Information—Reserves and Production” for an explanation of the basis of preparation of production amounts. These production amounts are for before and after the acquisition of Skorpion, Lisheen and Black Mountain by the Vedanta Group.
- (2) Includes 19,000 tonnes and 73,000 tonnes of ore purchased in Fiscal 2009 and Fiscal 2010, respectively.

The following table sets out the proved and probable zinc and lead reserves⁽¹⁾ of the Skorpion mine, the Lisheen mine and the Black Mountain mine as at 31 March 2011.

	Proved Reserve			Probable Reserve			Total Proved and Probable Reserves		
	Quantity	Zinc Grade	Lead Grade	Quantity	Zinc Grade	Lead Grade	Quantity	Zinc Grade	Lead Grade
	(million tonnes)	(%)	(%)	(million tonnes)	(%)	(%)	(million tonnes)	(%)	(%)
Skorpion	1.5	9.4	—	4.9	10.4	—	6.4	10.2	—
Lisheen	5.0	11.2	1.9	0.7	9.0	1.5	5.7	10.9	1.8
Black Mountain ⁽²⁾	3.3	2.7	3.7	3.5	3.3	2.8	6.8	3.0	3.2
Total	9.8	—	—	9.1	—	—	18.9	—	—

Notes:

- (1) See “Presentation of Information—Basis of Presentation of Reserves” for an explanation of the basis of preparation of reserve amounts.
- (2) Black Mountain mine also contains proved copper and silver reserves of 3.3 million tonnes at 0.33 per cent. and 41.1 g/t and probable copper and silver reserves of 3.5 million tonnes at 0.43 per cent. and 47.5 g/t, respectively.

(p) **Description of Operations**

(i) **Total Capacity**

The total zinc capacity of the facility at Skorpion as at 31 March 2011 was 150 ktpa.

(A) Skorpion

The Skorpion mine is located in the Karas region of southern Namibia, comprising an open pit mine with a mine life up to Fiscal 2016 based on reserves and an attached electrolytic refinery producing approximately 150,000 tonnes of SHG zinc ingots annually. Further opportunities to extend the life of the mine are currently being evaluated.

According to Brook Hunt, the Skorpion mine has consistently been one of the largest zinc producing mines in the world and, in 2010, it was ranked thirteenth in the world in terms of production volume with a cost base in the lowest-cost half of the zinc industry cost curve. The Skorpion mine produces only high-grade, high purity SHG zinc ingots that are registered in the LME.

The mineral rights over the Skorpion zinc deposit are currently held under exclusive prospective licence 2229, originally issued by the Government of Namibia to Erongo Mining and Exploration Company, which covered 33,192 hectares. An extension to the south was subsequently granted, which increased the exclusive prospective licence area to 98,683 hectares. Mining licence number 108 of July 2000 is valid for 25 years to July 2025. The licence covers 951 hectares and includes the site for the refinery. Skorpion is also the holder of another mining licence covering the limestone mining area, ML 127, which is valid until February 2026.

The Skorpion deposit occurs within the volcano-sedimentary rocks of the late proterozoic port nolloth zone of the pan-African Gariep Belt. The ore body consists of secondary oxide zinc mineralisation, including silicates, clays and carbonates. It is covered by a 10 to 20 km thick layer of sand, calcrete, boulder beds and silcrete and is hosted by weakly metamorphosed, quartz-rich clastic sediments. Commonly, mineralisation occurs in the lower portion of the sedimentary package immediately overlying a unit of impure limestone and calcareous sandstone. A steep dipping zone of sheared sericite schist cuts through the ore and the surrounding host rocks, roughly following the long axis of the mineralised body. This unit is commonly not, or is very poorly, mineralised and reaches a width of up to a few tens of metres. Quartz-sericite schist, believed to be a weathered product of a felsic volcanic unit, occurs in the north-eastern portion of the open pit. Towards the west, black shale, amphibolite and quartz-biotite schist underlies the body. Down hole geophysical logging indicates that the water table lies at about 175 metres below the surface.

Although the geology of the deposit is complex and the ore, limestone and arkose interface requires careful separation, the mine has managed this with accurate grade control and selective mining.

The processing at the Skorpion mine is unique, using solvent-extraction/ electrowinning from zinc oxide ore. In this process, mined ore is crushed, homogenised and milled before acid leaching in agitated tanks at the refinery. Clarified liquor is purified by solvent extraction and zinc is electrolytically plated on to aluminium cathodes. Zinc is periodically stripped from these cathodes before being melted and cast as ingots for export.

Zinc at the Skorpion mine is cast into ingots for export and transported from the refinery to the port of Luderitz, approximately 300 km away, by trucks each having a maximum capacity of 35,000 tonnes.

The maximum power demand of the Skorpion mine is 85 MW and power is supplied from South Africa and is governed by a trilateral US dollar-denominated fixed price contract between Namibia Power Corporation (Proprietary) Limited, Eskom Holdings Limited and the Skorpion mine, that currently links the annual increases in power costs to a US inflationary index.

The Skorpion mine uses 80,000 tonnes of sulphur per year, of which 80 per cent. is imported in bulk from Germany and shipped to Namibia through the port of Luderitz while the remaining sulphur is brought in from South Africa in molten form via road.

During the year ended 31 December 2010, 1.55 million tonnes of ore at 11.1 per cent. zinc were mined from the Skorpion mine, which produced approximately 152,000 tonnes of zinc metal. Approximately 9.21 million tonnes of waste were removed giving a strip ratio of six tonnes of waste per tonne of ore mined.

Prior to its acquisition by the Vedanta Group, Skorpion had a financial year end of 31 December.

(B) Lisheen

The Lisheen mine is located in County Tipperary, approximately 160 km southwest of Dublin, Republic of Ireland and consists of an underground mine, concentrator and backfill plant, producing approximately 170,000 tonnes of zinc in concentrate annually with an expected mine life until Fiscal 2015. The Lisheen mine also produces approximately 25,000 tonnes of lead concentrate annually.

According to Brook Hunt, the Lisheen mine was the tenth largest zinc mine by production volume in the world in 2010.

The Lisheen mine is operated pursuant to state mining lease ML 140 issued by the Exploration and Mining division of the Department of Communications, Energy and Natural Resources of the Republic of Ireland in 1997. This lease is valid until October 2027. Lisheen also holds an integrated pollution control licence; these licences are in the process of being phased out across Europe and the Lisheen licence will be superseded in due course by a licence under the new regime. Lisheen also holds two prospecting licenses, PL 3262 and PL 2258, relating to areas immediately south and north of the existing mine. In addition, Lisheen has entered into a joint venture agreement which allows it to conduct exploration drilling in areas to the east of the existing mine.

The Lisheen zinc deposit is located in the Rathdowney trend, which comprises sedimentary rocks (mainly limestone). The Lisheen ore bodies occur as three principal zones, main zone, Derryville zone and bog zone. The ore is largely hosted within fault associated hydrothermal breccias, known as the Black Matrix Breccia, which is developed at or proximal to the base of a massive, fine grained dolomitised limestone unit, termed the Waulsortian Formation. This unit is underlain by the argillaceous bioclastic limestone, a dark shaly limestone which forms the lithological footwall to the mineralisation. The ore bodies are at an average depth of 170 metres and are predominantly stratiform or flat lying, ranging in thickness from one to 14 metres. Close to faults, mineralisation may be substantially thicker. The deposit is high grade, with a zinc to lead ratio of 6:1.

The crushed ore from the Lisheen mine is stored in a surface stockpile from which it is conveyed to a two-stage wet grinding circuit as the first processing set in the concentrator. The slurried product from the grinding mills then passes directly to the two flotation circuits, where the lead concentrate and the zinc concentrates are floated off sequentially. The zinc concentrates are leached with sulphuric acid to remove dolomite to bring the product to smelter requirements. The concentrates are dewatered to shipment requirements by thickening and subsequent pressure filtration. The dewatered concentrates are then trucked to the port of Cork and shipped to international smelters.

The power requirements at the Lisheen mine are provided by a 22 KV power substation on site.

During the year ended 31 December 2010, 1.59 million tonnes of ore at 12.2 per cent. zinc and 1.9 per cent. lead were mined from the Lisheen mine, which produced approximately 326,000 tonnes of zinc concentrate and 34,000 tonnes of lead concentrate, containing 175,000 tonnes and 21,000 tonnes of zinc and lead, respectively.

Prior to its acquisition by the Vedanta Group, Lisheen had a financial year end of 31 December.

(C) **Black Mountain**

The zinc mine at Black Mountain is an underground operation, mining a polymetallic ore body, with an attached concentrator producing approximately 28,000 tonnes of zinc, 50,000 tonnes of lead, 2,000 tonnes of copper and 55 tonnes of silver in concentrate, annually. Exxaro Resources (through its wholly owned subsidiary, Exxaro Base Metals) holds the remaining 26 per cent. interest in Black Mountain.

The Black Mountain mine is operated pursuant to mining right 58/2008 MR granted pursuant to the Mineral and Petroleum Resources Development Act, 28 of 2002 of South Africa which entitles Black Mountain to mine for lead, copper, zinc and associated minerals in, on and under an area in the district of Namaqualand measuring 24,195 hectares for a period of 30 years from 2008 to 2038.

Four major stratiform exhalative sediment-hosted base metal deposits are located in a 10 by 30 km area, centred on Aggeneys. The deposits are situated in the supracrustal rocks of the mid-Proterozoic age Bushmanland group of the Namaqualand metamorphic complex. The deeps ore body, which is currently being mined, is considered to start at 166 metres above mean sea level, with a down plunge extent of 1.1 km with the deepest position of the ore body being 1,680 metres below the surface. Mineralisation in the deeps is hosted by iron formations, massive sulphide and sulphide quartzite. The massive sulphide rock is either banded, massive or occurs as fine grained mylonite. Banding is expressed as 1-5 mm thick sulphide bands alternating with quartz rich bands of similar thickness.

Underground drilling of the deeps ore body was started in December 2000.

The predominant mining method is ramp in stope cut and fill. The planned production rate is 1.56 mtpa plant feed and the share hoisting capacity is approximately 150 ktpa. All production stopes are backfilled and waste filled, integrated into the mining sequence.

The mining process includes primary crushing underground before being hoisted to surface coarse ore silos for stockpile. Coarse ore is screened before secondary and tertiary crushing, from where it is fed into a milling plant. The slurry product from the grinding mills passes directly to the flotation circuits from which copper concentrates, lead concentrates and finally zinc concentrates are floated off. The concentrates are dewatered by thickening and subsequent pressure filtration to reduce moisture content to shipment requirements. The dewatered concentrates are discharged onto conveyors before being transferred to separate copper, lead and zinc concentrate stockpiles. From the stockpiles, the concentrates are hauled by truck to a dedicated railway siding, where they are loaded onto rail cars for outbound shipping.

Power at the zinc mine at Black Mountain is supplied from two 40 MVA transformers at the Eskom Aggeneys substation. Water is supplied by the Pelladrift Water Board, which supplies potable water to the mine from the Orange river for both human consumption and industrial water requirements.

Zinc concentrate is transported via road and rail to Exxaro Base Metals' Zincor Refinery in Springs, Gauteng which is approximately 1,200 km away from the mine. Lead and copper concentrate from the mine is road-hauled to a dedicated railway siding along a 150 km gravel road, which is owned by the provincial authorities but maintained by Black Mountain. The concentrate is then transported by train to Saldanha on the Sishen-Saldanha railway with delivery terms to export customers on a cost, insurance and freight basis.

During the year ended 31 December 2010, 1.38 million tonnes of ore at 3.3 per cent. zinc and 4.2 per cent. lead were mined from Black Mountain, which produced approximately 72,000 tonnes of zinc concentrate and 71,000 tonnes of lead concentrate, containing 36,000 tonnes of zinc and 51,000 tonnes of lead, respectively. In addition, Black Mountain also produced 2,500 tonnes of copper in concentrate and 57 tonnes of silver in concentrate.

Prior to its acquisition by the Vedanta Group, Black Mountain had a financial year end of 31 December.

(D) Gamsberg Project

The Gamsberg project comprises two main areas of mineralisation, Gamsberg North, a near surface mineral resource of approximately 154 million tonnes at 6.3 per cent. zinc, and Gamsberg East, with a mineral resource of approximately 32 million tonnes at 9.8 per cent. zinc, which requires underground mining.

Black Mountain is the holder of a mining right pursuant to the Mineral and Petroleum Resources Development Act, 28 of 2002 of South Africa which entitles Black Mountain to mine for zinc and lead ore in, on and under an area in the district of Namaqualand measuring 9,506 hectares for a period of 30 years from 2008 to 2038.

The Gamsberg Inselberg preserves a large sheath fold structure developed within the meta-sedimentary rocks of the Bushmanland Sequence. Zinc mineralisation is hosted within the Gams iron formation, a composite sedimentary package ranging up to 100 metres in thickness comprising a lower meta-pelitic unit and an upper banded-iron formation unit. Stratiform zinc mineralisation has been identified within this meta-sedimentary package and a sedimentary exhalative genetic model has been invoked to account for the association of sulphide mineralisation with shales and chemical sedimentary rocks. Generally, three main ore types are recognised within the mineralised interval; the lowermost pyrite zone is developed above a narrow pyritic quartzite unit, the pyrite unit is overlain by the pyrrhotite unit, which in turn is overlain by the upper magnetite unit. The magnetite unit is hosted within the banded iron formation, whereas the pyrite and pyrrhotite units are hosted by meta-pelites.

According to Brook Hunt, the Gamsberg project is expected to be one of the world's largest zinc producers, with operating costs in the third quartile of the cost curve.

The Gamsberg deposits are favourably distinguished from other large undeveloped zinc deposits for reasons including the following:

- the deposits have large open-pittable resource, supported by higher grade underground resource;
- the deposits belong to the class of mineralisation characterised by metamorphosed, re-crystallised sulphide mineralisation which can have important by-products such as lead and silver;
- there is potential to upgrade the mineralisation using ore-sorting technology due to the magnetic nature of the non-ore mineral such as magnetite and pyrrhotite; and
- the deposits are located adjacent to a well-established mining district with modern infrastructure and is locally in a politically stable country with a mild climate.

Vedanta believes that the Gamsberg project will be capable of producing in excess of 400 ktpa of SHG zinc metal and is expected to comprise an open pit, an underground mine, a concentrator and a refinery.

The estimated power requirement for the Gamsberg project is 350 MVA for the production of 400 ktpa of SHG zinc metal.

8.3 Aluminium Business

(a) Introduction

The Vedanta Group's aluminium business is primarily owned and operated by BALCO and Vedanta Aluminium. In Fiscal 2010, the combined market share of BALCO and Vedanta Aluminium was approximately 36 per cent. of the primary market share by sales volume in India, according to the AAI.

BALCO's partially integrated aluminium operations consist of two bauxite mines and the Korba facility which includes one alumina refinery, one aluminium smelter, two CPPs and a fabrication facility, all of which are located in the State of Chhattisgarh in central India. One of BALCO's aluminium smelters at Korba with an installed capacity of 100 ktpa was shut down in June 2009

pursuant to the terms of the memorandum of understanding dated 8 August 2007 with the State Government of Chhattisgarh to phase out the old VSS technology smelter.

Sterlite acquired its interest in BALCO in 2001 and has since worked to improve BALCO's operating performance through expansion and by improving operational efficiencies and reducing unit costs of production. BALCO currently sources the alumina required for its smelters from third-party suppliers on both the Indian and international markets, including from Vedanta Aluminium. BALCO's bauxite mines provide all of the bauxite required for BALCO's alumina refinery. BALCO intends to further improve its operating performance by continuing to reduce unit operating costs at the Korba facility, including by lowering power consumption and improving the operating efficiency of the CPP. BALCO also intends to focus on the production of fabricated products with higher margins.

MALCO's aluminium operations consist of two bauxite mines and the Mettur Dam alumina refining and aluminium smelting complex which includes a CPP and fabrication facility, all of which are located in the State of Tamil Nadu in southern India. In November 2008, MALCO ceased production of aluminium and is currently engaged in the generation of power to the state grid and other industrial consumers. Since Vedanta acquired its interest in MALCO in 1995, MALCO has improved its operating performance by setting up a coal-based CPP to provide power at reduced cost.

Vedanta Aluminium started with a one mtpa, expandable to 1.4 mtpa, of installed capacity subject to government approvals, alumina refinery at Lanjigarh in the State of Orissa in eastern India, with an associated 75 MW CPP, expandable to 90 MW. The alumina refinery at Lanjigarh produced 706,640 tonnes of alumina in Fiscal 2011. In addition, Vedanta Aluminium has completed construction of a greenfield 500 ktpa aluminium smelter, together with an associated 1,215 MW coal-based CPP, in Jharsuguda in the State of Orissa. The project was implemented in two phases of 250 ktpa each. Phase 1 was completed on 30 November 2009 and Phase 2 was completed on 1 March 2010. All nine units of 135 MW have been commissioned. The Vedanta Group pays royalties to the State Government of Chhattisgarh based on its extraction of bauxite. Vedanta Aluminium currently has 500 ktpa of aluminium capacity and one mtpa of alumina capacity.

Vedanta Aluminium is currently undergoing several large projects which, once completed, will add to its alumina refinery and aluminium smelter capacities. See "Projects and Developments" in paragraph 8.3(i) below.

(b) Principal Products

(i) Primary Aluminium

Primary aluminium is produced from the smelting of metallurgical grade alumina. The Vedanta Group produces primary aluminium in the form of ingots and wire rods for sale. Ingots are used extensively for aluminium castings and fabrication in the construction and transportation industries. Wire rods are used in various electrical applications especially in the form of electrical conductors and cables. Vedanta Aluminium also produces aluminium billets.

(ii) Rolled Products

Rolled products, namely coils and sheets, are value-added products that BALCO and Vedanta Aluminium produce from primary aluminium. Rolled products are used for a variety of purposes in different industries, including aluminium foil manufacturing, printing, transportation, consumer durables, building and architecture, electrical and communications, packaging and general engineering industries.

(iii) By-products

Vanadium sludge is a by-product of the alumina refining process and is primarily used in the manufacture of vanadium-based ferrous alloys.

(c) **Production**

The following table sets out the Vedanta Group's total aluminium production⁽¹⁾ from its Korba⁽²⁾, Mettur Dam⁽³⁾, Lanjigarh and Jharsuguda facilities for Fiscal 2009, 2010 and 2011.

Facility	Product	Year ended 31 March		
		2009	2010	2011
Korba	Alumina ⁽⁴⁾	197,947	42,893	—
	Ingots	172,340	51,098	26,460
	Billets	—	2	30
	Busbar	—	3,073	1,438
	Rods	127,042	148,279	160,665
	Rolled products	57,399	65,973	66,706
Mettur Dam	Alumina ⁽⁴⁾	43,377	—	—
	Ingots	684	—	—
	Rods	17,621	—	—
	Busbar	4,919	—	—
Lanjigarh	Alumina ⁽⁴⁾	585,597	762,195	706,640
Jharsuguda	Ingots ⁽⁵⁾	82,061	250,356	288,150
	Rods	—	4,142	58,971
	Billets	—	9,200	37,525
	Busbar/Slab	—	617	717
Total	Alumina⁽⁴⁾	826,921	805,088	706,640
	Ingots	255,085	301,454	314,610
	Rods	144,663	152,421	219,636
	Rolled products	57,399	65,973	66,706
	Billets	—	9,202	37,555
	Busbar/Slab	4,919	3,690	2,155

Notes:

- (1) See “Presentation of Information—Reserves and Production” for an explanation of the basis of preparation of production amounts.
- (2) BALCO ceased operations at one of its 100 ktpa smelters at Korba in June 2009.
- (3) MALCO suspended production of aluminium in November 2008 and currently only operates the power plant and sells the power generated to the state grid and to other industrial consumers.
- (4) Alumina is used for the production of aluminium and rolled products. Approximately two tonnes of alumina is required for the production of one tonne of aluminium. Additional alumina needed for the production of aluminium is purchased from third parties and is not reflected in alumina production numbers.
- (5) Production fully capitalised.

The following table sets out the total bauxite ore production⁽¹⁾ for each of the Vedanta Group's mines for Fiscal 2009, 2010 and 2011.

Mine (Type of Mine)	Product	Year ended 31 March		
		2009	2010	2011
		(tonnes, except percentages)		
Mainpat (Open-pit)	Bauxite ore mined	571,422	486,429	564,608
	Ore grade	44.7%	46.4%	45.8%
Bodai-Daldali (Open-pit)	Bauxite ore mined	300,250	300,000	506,108
	Ore grade	49.1%	46.1%	45.8%
Shevaroy (Open-pit)	Bauxite ore mined	101,418	—	—
	Ore grade	41.5%	—	—
Koli Hills (Open-pit)	Bauxite ore mined	161,480	—	—
	Ore grade	39.4%	—	—
Total	Bauxite ore mined	1,134,570	786,429	1,070,716

Note:

- (1) See "Presentation of Information—Reserves and Production" for an explanation of the basis of preparation of production amounts.

(d) **Reserve Base**

The table below sets out BALCO's and MALCO's proved and probable bauxite reserves⁽¹⁾ as at 31 March 2011.

		Proved Reserve		Probable Reserve		Total Proved and Probable Reserves	
		Quantity	Oxide	Quantity	Oxide	Quantity	Oxide
		(million tonnes)	(%)	(million tonnes)	(%)	(million tonnes)	(%)
BALCO	Mainpat	2.4	46.8	—	—	2.4	46.8
	Bodai-Daldali	2.6	45.8	0.4	46.0	3.0	45.8
MALCO ⁽²⁾	Shevaroy	—	—	—	—	—	—
	Koli Hills	—	—	—	—	—	—
Total		5.0	—	0.4	—	5.4	—

Notes:

- (1) See "Presentation of Information—Reserves and Production" for an explanation of the basis of preparation of reserve amounts.
- (2) Operations at these mines are currently suspended. Reserves as at 31 March 2011 are estimated to be 0.04 million tonnes in the case of Shevaroy and 0.1 million tonnes in the case of Koli Hills.

(e) **Description of Operations**

(i) **Smelters and Refineries**

The following table sets out the total capacities as at 31 March 2011 at BALCO's Korba, MALCO's Mettur Dam and Vedanta Aluminium's Lanjigarh and Jharsuguda facilities.

	Capacity		
	Alumina ⁽¹⁾	Aluminium	Power
	(ktpa)		(MW)
Korba	200	245	810
Mettur Dam	88 ⁽²⁾	40 ⁽²⁾	100
Lanjigarh	1,000	—	75 ⁽³⁾
Jharsuguda	—	500	1,215
Total	1,288	785	2,200

Notes:

- (1) Alumina is used for the production of aluminium and rolled products. Approximately two tonnes of alumina is required for the production of one tonne of aluminium.
- (2) MALCO suspended production of aluminium in November 2008 and currently only operates the power plant and sells the power generated to the state grid and other industrial consumers.
- (3) The Lanjigarh CPP is expandable to 90 MW, subject to government approvals.

(A) Korba Aluminium Complex

BALCO's aluminium complex is located at Korba in the State of Chhattisgarh in central India. The Korba alumina refinery was commissioned in 1973, uses the conventional high pressure Bayer process and has a capacity of 200 ktpa of alumina. There are two aluminium smelters at Korba of which only one is operational. The older smelter was commissioned in 1975, used the VSS technology to produce aluminium from alumina and had a capacity of 100 ktpa. Operations at the older 100 ktpa aluminium smelter were partially suspended from February 2009 and ceased on 5 June 2009. The newer aluminium smelter, which uses pre-baked GAMI technology and has a capacity of 245 ktpa, was fully commissioned in November 2006. BALCO is in the process of constructing a new 325 ktpa aluminium smelter using pre-baked GAMI technology along with an associated 1,200 MW CPP to increase production capacity and lower costs of production. The first unit of the 1,200 MW CPP is now expected to be synchronised in the third quarter of Fiscal 2012 and work on the other units is progressing as planned. The 325 ktpa aluminium smelter at Korba is progressing well and first metal tapping is expected in the fourth quarter of Fiscal 2012.

The fabrication facility at Korba has two parts, a cast house and a sheet rolling shop. The cast house uses Properzi CCR copper rod technology and has a foundry which has twin-roll continuous casters with a SNIF degasser and hydraulically driven semi-continuous ingot casting machine to produce ingots and wire rods. The sheet rolling shop has three parts; a hot rolling mill with a capacity of 75 ktpa, an older cold rolling mill with a capacity of 30 ktpa and a newer cold rolling mill commissioned in 2004 with a capacity of 36 ktpa. Molten metal is cast into slabs and then either hot-rolled and sold as hot-rolled sheets or converted into cold-rolled sheets in the cold rolling mills. Alternatively, molten metal is directly used in strip casting and then fed to the cold rolling mills to be converted into cold-rolled sheets or coils. BALCO has ceased operations at one of the smelters at Korba and is selling the surplus power generated by the CPP at this complex.

Smelting requires a substantial continuous supply of power and interruptions can cause molten metal to solidify and damage or destroy the pots. Power for the Korba facility is, for the most part, provided by the coal-based 540 MW CPP commissioned in March 2006. The older coal-based 270 MW plant is not being used for captive purposes at present due to the closure of operations at the 10,000 ktpa aluminium smelter. Thermal coal is a key raw material required for the operation of BALCO's CPP. In April 2008, BALCO entered into two five year coal supply agreements with South Eastern Coalfields Limited and a subsidiary of Coal India, for the supply of thermal coal by South Eastern Coalfields Limited to BALCO, representing approximately 68 per cent. of its thermal coal requirements, with the remainder obtained through open market purchases and imports of coal. In November 2007, BALCO received a coal block allocation of 211 million tonnes for use in its CPP. At the time of the allocation, the Ministry of Coal estimated that the coal block allocated to BALCO contained proved reserves of 211 million tonnes of coal. These allocated coal blocks are currently in the post-exploration but pre-development stage.

(B) Mettur Dam Aluminium Complex

MALCO's integrated aluminium complex is located at Mettur Dam in the Mettur region of the State of Tamil Nadu in southeast India and was commissioned in 1965. The complex consists of a Bayer alumina refinery, a VSS technology aluminium smelter, a 100 MW CPP and a fabrication facility. MALCO has suspended aluminium operations at the Mettur Dam facility since November 2008 and is selling the power generated by the CPP.

(C) Lanjigarh Alumina Refinery

The Lanjigarh alumina refinery is located in the Lanjigarh district in the State of Orissa in India, which is located approximately 450 km from BALCO's Korba facility in the State of Chhattisgarh. In March 2007, Vedanta Aluminium began the progressive commissioning of a one mtpa greenfield alumina refinery, expandable to 1.4 mtpa of

installed capacity and an associated 75 MW, expandable to 90 MW, CPP. As at 31 March 2011, the one mtpa of installed capacity alumina refinery was operational and it produced 706,640 tonnes of alumina in Fiscal 2011. The CPP was fully operational to meet the power requirements of the refinery. The second production stream of the Lanjigarh alumina refinery was commissioned in March 2010. The total estimated cost to expand Vedanta Aluminium's alumina refining capacity at Lanjigarh to five mtpa (which is currently on hold pending litigation in the Supreme Court and the High Court of Orissa regarding the cessation of construction of the Lanjigarh refinery and Vedanta Aluminium's related mining operations in Niyamgiri Hills) is US\$1,720 million. It proposes to increase the current alumina refinery's capacity from 1.4 mtpa to two mtpa by de-bottlenecking and then further expand the refinery by constructing a second alumina refinery with a refining capacity of three mtpa with an associated 210 MW CPP. The expansion at Lanjigarh is being put on hold in light of the MoEF's direction to Vedanta Aluminium to cease further construction of the expansion of its alumina refinery. See paragraph 13.1(j) of Part X: "Additional Information" of this Prospectus for further details.

(D) Jharsuguda Aluminium Smelter

The Jharsuguda aluminium smelter is located in Jharsuguda in the State of Orissa in India. Operations at the Jharsuguda facility are being implemented in two phases. The first phase has a production capacity of 250 ktpa and was completed in November 2009. It produced 264,315 tonnes and 385,363 tonnes of aluminium in Fiscal 2010 and 2011, respectively. The second phase was commissioned in June 2010. A total of nine units of the associated 1,215 MW coal-based thermal CPP of 135 MW each have been commissioned. The CPP units are expected to meet the power requirements of the Jharsuguda smelter and all other power requirements of this facility. Vedanta Aluminium is also investing an estimated US\$2,920 million to set up a 1.25 mtpa aluminium smelter.

(ii) Mines

(A) Chhattisgarh

BALCO has two captive bauxite mines, namely the Mainpat bauxite mines and the Bodai-Daldali bauxite mines, located in the State of Chhattisgarh in central India. Mainpat is an open-pit bauxite mine located approximately 170 km from the Korba facility in the Surguja district of the State of Chhattisgarh. The Mainpat mine has been in production since 1993 and has a leasehold area of 6.39 square km. The Mainpat mining lease is valid up to 8 July 2012 and is renewable. BALCO has applied for renewal of the mining lease for a further period of 10 years from 9 July 2012 and renewal is currently pending. The bauxite extraction limit for the mine as granted by MoEF is 750 ktpa. The Bodai-Daldali deposits are located approximately 260 km from Korba in the Kawardhha district of the State of Chhattisgarh. Bodai-Daldali was commissioned in 2004 by BALCO with a leasehold area of 6.3 square km. The mining lease is valid until 26 March 2017 and is renewable. The bauxite extraction limit for the Bodai-Daldali mine approved by the IBM is 1.25 mtpa.

The Chhattisgarh bauxite deposits are situated over a plateau with steep scarps on both sides, at an elevation of approximately one km above sea level, for Mainpat, and approximately 940 metres above the surrounding land, for Bodai-Daldali. The bauxite is generally one metre to three metres thick and lies within a laterite sequence overlying thick tertiary basalts of the Deccan Traps. The cover of laterite and thin topsoil is up to five metres thick but is generally less than two metres. The bauxite outcrops around much of the plateau rims.

A typical profile of the Chhattisgarh deposits comprises topsoil and soft overburden above the laterite. The upper laterite consists of hard, loose or indurated bauxite pebbles and boulders, with a clear contact with the underlying hard bauxites. The bauxite occurs in discontinuous lenses up to four metres in thickness with laterite infilling joints and fractures with the bauxite. The contact with the softer lower laterite is usually gradational and irregular.

The bauxite is hard to very hard with a natural moisture content of five per cent. to 10 per cent., with an in situ density of 2.3 tonnes per metre³ to 2.4 tonnes per metre³. It comprises primarily gibbsite with boehmite and minor diasporite. The reactive silica content is low and iron is present in the form of hematite and aluminous goethite. The average grade of the bauxite is, at present, approximately 47 per cent. aluminium oxide and silica levels of less than 4 per cent.

All mining and transportation at both mines are undertaken by contractors. One thin topsoil layer is removed by an excavator and is either transported to an adjacent storage point or an area that is being backfilled. The laterite layer is drilled and blasted. The overburden is then removed by backhoe excavators and 15 tonne dumpers. Broken ore is hand sorted, leaving waste material behind. Ore productivity is around two to three tonnes per person per day in the dry season, which decreases to around 1.25 tonnes per person per day to 1.75 tonnes per person per day in the wet season.

The ore pile is loaded by hand into non-tipping 16 tonne to 25 tonne trucks. Loaded trucks undertake a one-way trip of approximately 210 km via public roads to the respective railway siding or intermittent storage yard. The journey takes around six to seven hours depending upon the truck and road conditions, which are highly variable, ranging from seven-metre wide, drained, cambered, smooth bitumen highways to non-surfaced, ungraded, three-metre wide dirt tracks. At Mainpat's processing site, the trucks are unloaded manually and the bauxite is bulldozed onto an armoured pan feeder conveyor, where it is fed into the crusher.

The current exploration drilling programme is based on a 50-metre square pattern and is reduced to 25-metre centres for detailed mine planning. Sampling is normally in 0.40 metre lengths and core is currently split and retained for future reference. Bauxite samples are tested for silica and aluminium oxide at laboratories situated on site and at the Korba plant. Selected samples are re-assayed as part of a quality control programme.

Since commencing operations, the Mainpat mine has produced approximately 6.56 million tonnes of bauxite to 31 March 2011, with production in Fiscal 2011 amounting to 564,608 tonnes at 44.33 per cent. aluminium oxide and therefore being less than the bauxite extraction limit for the mine fixed by the IBM. The potential consequences of this deviation include cancellation of the associated mining lease and a restriction from removing the mined ore from the mining site. See the risk factor entitled "The Combined Group's operations are subject to extensive governmental, health and safety and environmental regulations, which require it to obtain and comply with the terms of various approvals, licences and permits" in the section headed "Risk Factors" in this Prospectus.

Power and water requirements at Mainpat are minimal and can be supplied by small on-site diesel generators and from boreholes in the mine.

BALCO estimates the proved and probable reserves at Mainpat to be 2.4 million tonnes as at 31 March 2011. Based on current and anticipated production rates, BALCO expects that the mine will continue to operate for approximately 3.3 years from 31 March 2011.

Total production at the Bodai-Daldali mine since the commencement of production to 31 March 2011 was 2.03 million tonnes of bauxite, with production in Fiscal 2011 of 506,108 tonnes at 49.9 per cent. aluminium oxide. At the Mainpat mine, manual sorting and sizing of ore is carried out due to the bauxite occurring as boulders but trials for mechanised crushing and screening on-site are planned. Power is supplied by on-site diesel generators and ground water provides the water requirements for the mine.

BALCO estimates the proved and probable reserves at Bodai-Daldali to be 3.0 million tonnes as at 31 March 2011. Based on these proved and probable reserves and current production levels, BALCO estimates that the remaining life of the Bodai-Daldali mine is three years from 31 March 2011.

A cut-off grade of 44 per cent. alumina was used to define the reserves at BALCO's mines, as this cut-off limit was primarily fixed by IBM for reserve estimation for the metallurgical use of bauxite. As the bauxite is hand-sorted and the mining recovery adjustment factor is based on reconciliation studies, BALCO's management has a high degree of confidence in the cut-off limits.

The reserves as at 31 March 2011 at BALCO's mines at Mainpat and Bodai-Daldali were determined by verifying that the integrated operation was economic at an aluminium price of US\$2,120 per tonne, which was the average metal price checked for the three Fiscal years ended 31 March 2011.

A drilling hole spacing of 50 metres by 50 metres is used to determine the proved reserves while a drill hole spacing of 100 metres by 100 metres is used to determine the probable reserves.

The mining dilution and mining recovery factors applied to determine the reserves at the Mainpat mine are 6.4 per cent. and 62 per cent., respectively, while the factors applied at the Bodai-Daldali mine are five per cent. and 65 per cent., respectively. The parameters for Mainpat are derived from the reconciliation of actual production against the geological model, while the parameters for Bodai-Daldali are based on estimates.

In Fiscal 2011, all mining and transportation of the bauxite was done by contractors and the total cost for this was INR1,935 (US\$43.34) per tonne of bauxite.

In Fiscal 2011, the stripping ratio at the Mainpat mine was 1: 3.25 with 4.25 tonnes of waste overburden being removed to mine one tonne of ore, while the stripping ratio at the Bodai-Daldali mine was 1: 3.96 with 4.96 tonnes of waste overburden being removed to mine one tonne of ore. The strip ratio for the remaining reserves at Mainpat is 3.7 tonnes of waste per tonne of ore, while at the Bodai-Daldali mine, it is 3.5 tonnes of waste per tonne of ore.

(B) Shevaroy

The Shevaroy bauxite mine is located eight km northeast of Yercaud town in the State of Tamil Nadu in India, which is approximately 85 km east of the Mettur Dam complex. The open-pit mine is operated by private mining contractors. However, work at the Shevaroy mine is currently suspended in connection with the suspension of operations at the Mettur Dam smelter. MALCO estimates the balance reserves of the portion of the Shevaroy mine which MALCO is permitted to mine to be 0.04 million tonnes as at 31 March 2011. The life of the Shevaroy mine is estimated by MALCO to be approximately three months from the time when mining re-commences at this mine. MALCO's mining leases have expired and, therefore, the mines are being operated under deemed consent. MALCO has applied for renewal of these mining leases, and renewal is currently in process.

(C) Koli Hills

The Koli Hills bauxite mine is located in the State of Tamil Nadu in India, approximately 150 km southeast of the Mettur Dam complex. Operations at the Koli Hills mine are currently suspended in connection with the suspension of operations at the Mettur Dam smelter. MALCO estimates the balance reserves of the portion of the Koli Hills mine which MALCO is permitted to mine to be 0.11 million tonnes as at 31 March 2011. The life of the Koli Hills mine is estimated by MALCO to be approximately seven months from the time when mining re-commences at this mine. MALCO's mining leases have expired and, therefore, the mines are being operated under deemed consent. MALCO has applied for renewal of these mining leases but over a reduced portion of the Koli Hills mine which still has reserves. The renewal is currently in process.

(f) Principal Raw Materials

The principal inputs for the Vedanta Group's aluminium operations are bauxite, alumina, power, water, carbon, caustic soda and certain other raw materials. In the past, the Vedanta Group has been able to secure an adequate supply of the principal inputs for its aluminium business.

(i) **Bauxite**

Bauxite is the primary raw material used in the production of alumina. BALCO supplies bauxite to the Lanjigarh refinery on a per job basis and receives alumina produced from the supplied bauxite. The Vedanta Group's Lanjigarh refinery also purchases bauxite from various other sources in India.

(ii) **Alumina**

Alumina is the primary raw material used in the production of aluminium. BALCO currently sources most of its alumina from third-party suppliers in both India and the international markets, including from Vedanta Aluminium. Vedanta Aluminium sources some of its alumina requirement from its refinery at Lanjigarh and the remaining from third-party suppliers in international markets. The alumina sourced externally is metallurgical grade calcined alumina with a minimum alumina content of 98.6 per cent. on a dry basis. In Fiscal 2009, 2010 and 2011, the Vedanta Group purchased approximately 138,267 tonnes, 326,440 tonnes and 499,283 tonnes of alumina from international markets at an average price of US\$339, US\$321 and US\$410 per tonne, respectively, on a cost, insurance and freight basis at the port of Vizag in India.

(iii) **Power**

Smelting primary aluminium requires a substantial, continuous supply of electricity. A reliable and inexpensive supply of electricity, therefore, significantly affects the viability and profitability of aluminium smelting operations. As a result, power is a key input at BALCO's Korba facility and Vedanta Aluminium's Jharsuguda facility, where it is provided primarily by the older 270 MW CPP together with a new coal-based 540 MW CPP and nine coal-based CPPs of 135 MW each, respectively. BALCO's CPP had historically been dependent upon coal allocations from Coal India. If such allocations are not available, BALCO imports coal from third parties. In November 2007, BALCO received a coal block allocation of 211 million tonnes for use in its CPPs. At the time of the allocation, the Ministry of Coal estimated that the coal block allocated to BALCO contains proved reserves of 211 million tonnes of coal. These allocated coal blocks are currently in the post-exploration but pre-development stage. BALCO expects mine development activities to commence upon the receipt of all regulatory approvals. Power for BALCO's mines is provided by on-site diesel generators.

(iv) **Water**

Water is also an important input for BALCO's and Vedanta Aluminium's CPPs. BALCO sources its water requirements at Korba from a nearby canal, with the water being transported by pipelines. BALCO is currently in a dispute with National Thermal Power Corporation Limited regarding the right of way for its water pipeline that supplies water to its 270 MW CPP, which has been built through National Thermal Power Corporation Limited's premises. Arbitration proceedings commenced on 18 May 2009 and are ongoing. Vedanta Aluminium sources its water requirements for its operations at Jharsuguda from the Hirakud reservoir which is approximately 35 km from the plant through a pipeline and its water requirements for its operations at Lanjigarh from the Tel river located at Kesinga which is approximately 66 km from the plant through a dedicated pipeline.

(v) **Carbon**

Carbon is an important raw material to the aluminium smelting process. Carbon is used in the process of electrolysis, in the form of cathodes and anodes, with the latter being the biggest component of BALCO's and Vedanta Aluminium's carbon costs. Anodes are made up of carbonaceous material of high purity. For pre-baked anodes, green carbon paste made of calcined petroleum coke and coal tar pitch is compacted or pressed into the required form. These anodes are baked before their use in electrolytic cells or pots.

BALCO and Vedanta Aluminium have in-house facilities to manufacture carbon anodes to meet their entire carbon anode requirements. Calcined petroleum coke, coal tar pitch and fuel oil, which are the key ingredients for the manufacture of carbon anodes, are sourced primarily from the Indian market. There is an adequate supply of these raw materials in India, though their prices are generally determined by movements in global prices.

(vi) **Caustic Soda**

Caustic soda is a key raw material used to dissolve the bauxite in the alumina refining process. The caustic soda requirement varies significantly depending on the silica content of the bauxite and the technology employed.

(vii) **Other Raw Materials**

BALCO and Vedanta Aluminium use other raw materials such as fluorides and other chemicals. For these raw materials, there are several sources of supplies in the domestic Indian markets and the Vedanta Group does not currently foresee any difficulty in securing supplies when needed.

(g) **Distribution, Logistics and Transport**

Bauxite mined from the Mainpat and Bodai-Daldali mines is transported by road to the nearest dispatch point for onward transportation to Vedanta Aluminium's refinery at Lanjigarh. Alumina purchased from third-party suppliers is obtained from a combination of domestic sources and imports, and is transported to the Korba facility and the Jharsuguda facility by road from domestic third-party suppliers or ports. BALCO's and Vedanta Aluminium's aluminium products are transported from the Korba facility and the Jharsuguda facility to domestic customers through a combination of road and rail and shipped for export.

(h) **Sales and Marketing**

The Vedanta Group's aluminium business's 10 largest customers accounted for 42 per cent., 42 per cent. and 38 per cent. of its revenue from the aluminium business in Fiscal 2009, 2010 and 2011, respectively. Save for STL (which is a related party and accounted for 11 per cent. and 18 per cent. of revenue from the aluminium business in Fiscal 2009 and 2010, respectively), no customer accounted for greater than 10 per cent. of the Vedanta Group's aluminium business revenue in the last three Fiscal years.

The Vedanta Group's aluminium sales and marketing head office is located in Mumbai and it has field sales and marketing offices in most major metropolitan centres in India. Currently, the Vedanta Group sells its aluminium products in both the Indian and international markets. However, with the commissioning of BALCO's new 325 ktpa aluminium smelter and Vedanta Aluminium's 1.25 mtpa smelter at Jharsuguda, a significant part of the additional production may be sold in the export market. The Vedanta Group's key customers in the aluminium segment include conductor manufacturers, state road transport corporations, railways, defence contractors and electrical equipment and machinery manufacturers.

Domestic sales are normally conducted on the basis of a fixed price for a given month that BALCO and Vedanta Aluminium determine from time to time based on the LME spot prices plus regional premiums, as well as domestic supply and demand conditions. The price for the aluminium which BALCO and Vedanta Aluminium sell in India is normally higher than the price it charges in the export markets due to the Indian tariff structure, smaller order sizes that domestic customers place and the packaging, storing and truck loading expenses incurred when supplying domestic customers.

BALCO's and Vedanta Aluminium's export sales of aluminium are currently on a spot basis at a price based on the LME price plus a premium.

(i) **Projects and Developments**

(A) **Lanjigarh Alumina Refinery and Bauxite Mines**

Sterlite entered into a memorandum of understanding with the Government of Orissa for the setting up of a alumina refinery on 7 June 2003 and this was subsequently assigned to Vedanta Aluminium. The memorandum of understanding was further revised to include the aluminium smelter at Jharsuguda in the State of Orissa on 4 April 2007. On 5 October 2009, Vedanta Aluminium also entered into an agreement with OMC for the supply of 150 million tonnes of bauxite to the alumina refinery at Lanjigarh from the Lanjigarh bauxite mine and nearby mines. In November 2007, the Supreme Court directed Sterlite to enter into an agreement with OMC to operate the bauxite mines in place of Vedanta Aluminium. Accordingly, OMC and Sterlite formed a joint venture company to extract bauxite from the

mines in the name of South West Orissa Bauxite Mining Pvt. Ltd with 74 per cent. and 26 per cent. shareholding rights for Sterlite and OMC, respectively.

Apart from the formation of the joint venture company for mining bauxite, OMC and Sterlite jointly agreed to the rehabilitation package as suggested by the Supreme Court when it granted clearance to the mines project. Accordingly, Sterlite has filed the necessary affidavits accepting the rehabilitation package in compliance with the Supreme Court's interim judgment dated 23 November 2007.

In accordance with the Supreme Court order, the Government of Orissa formed a special purpose vehicle on 6 October 2009 called Lanjigarh Project Area Development Foundation for the purposes of the Lanjigarh area development. Mine development has not commenced as OMC is awaiting forest clearance from the MoEF. Vedanta Aluminium started with a one mtpa capacity, expandable to 1.4 mtpa of installed capacity, subject to government approvals, and an alumina refinery at Lanjigarh in the State of Orissa in eastern India, with an associated 75 MW CPP, expandable to 90 MW. The second stream of the 1.4 mtpa of installed capacity alumina refinery at Lanjigarh was commissioned in March 2010 and it produced 706,640 tonnes of alumina in Fiscal 2011.

In addition, Vedanta Aluminium is investing an estimated INR76,798 million (US\$1,720 million) to expand its alumina refining capacity at Lanjigarh to five mtpa, subject to government approvals, by increasing the capacity of the current alumina refinery from one mtpa to two mtpa through de-bottlenecking and by constructing a three mtpa alumina refinery and an associated 210 MW CPP.

On 8 August 2008, the Supreme Court granted clearance to the forest diversion proposal for the conversion of 660.7 hectares of forest land from forestry use to mining use, allowing the sourcing of bauxite which has been mined on the Niyamgiri Hills in Lanjigarh. Pursuant to the Supreme Court order, Sterlite was required to pay, from April 2007, the higher of 5 per cent. of annual profits before tax and interest from the Lanjigarh project and INR100 million (US\$2,239,642) per annum, as a contribution for scheduled area development, as well as INR122 million (US\$2,732,363) towards tribal development and INR1,055.3 million (US\$23,634,938) plus expenses towards a wildlife management plan for the conservation and management of wildlife around the Lanjigarh bauxite mine. As at 31 March 2011, an amount of INR1,211.8 million (US\$27,139,978) has been remitted to the Compensatory Afforestation Fund in compliance with the Supreme Court order. On 11 December 2008, the MoEF granted in-principle approval under the Indian Forest Act. The stage one approval for the conveyor corridor was granted on 15 March 2009.

On 28 April 2009, the MoEF granted environmental clearance for the mining of bauxite. Thereafter, in a statement issued on 24 August 2010, the MoEF refused the final approval to the OMC proposal for the bauxite mining at Niyamgiri Hills. On 8 March 2011, OMC challenged the order of the MoEF by way of a special leave petition to the Supreme Court. On 1 April 2011, the Supreme Court admitted OMC's plea against the MoEF. Upon direction of the Supreme Court, the application has been converted into a writ petition and was listed before the Supreme Court on 21 April 2011. On this date, the Supreme Court directed the MoEF and other parties to file their replies within four weeks and list thereafter. The matter will be listed for hearing in January 2012.

In view of the ongoing delay in approval of the Niyamgiri mining, Vedanta Aluminium is actively pursuing alternative sources of bauxite to its alumina refinery from the State of Orissa. Accordingly, the expansion at Lanjigarh is being put on hold in light of the MoEF's direction to Vedanta Aluminium to cease further construction of the expansion of its alumina refinery.

(B) Jharsuguda Aluminium Smelter

Vedanta Aluminium has completed the construction of a greenfield 500 ktpa aluminium smelter, together with an associated 1,215 MW coal-based CPP, in Jharsuguda in the State of Orissa. The project was implemented in two phases of 250 ktpa each. Phase 1 was completed on 30 November 2009. Phase 2 was commissioned on 1 March 2010. All nine units of 135 MW have been commissioned. The smelter production for Fiscal 2011 was 385,363 tonnes including trial run production, whereas the net generation of CPP was 7,147 million units.

Vedanta Aluminium is also setting up another 1.25 mtpa aluminium smelter in Jharsuguda at an estimated cost of US\$2,920 million, which is in the final stages of completion. Vedanta continues to evaluate the option of selling power rather than producing aluminium at this smelter.

As at 31 March 2011, Vedanta Aluminium had spent US\$6,158.7 million on all of the projects at Lanjigarh and Jharsuguda.

Vedanta Aluminium received formal approval to set up a special economic zone in a portion of the area on 27 February 2009. This special economic zone is a designated duty-free enclave approved by the Government of India which is treated as foreign territory for the purposes of trade operations, duties and tariffs. For the import or procurement of capital goods, raw materials, consumables, spares and other products into the special economic zone, there is no customs duty or excise duty. There is a 100 per cent. income tax exemption for a period of five years, a 50 per cent. income tax exemption for a further period of five years and an exemption for up to 50 per cent. of profits that are reinvested into the zone for a further period of five years under section 10-AA of the Income Tax Act, 1961 of India (the "Indian Income Tax Act").

(C) Chhattisgarh Aluminium Smelter

On 8 August 2007, BALCO entered into a memorandum of understanding with the State Government of Chhattisgarh for a potential investment to build an aluminium smelter with a capacity of up to 650 ktpa at Chhattisgarh at an estimated cost of INR81,000 million (US\$1,814.1 million). The first of two phases of this project has commenced. Work at this project is progressing well and BALCO is targeting first metal tapping in the fourth quarter of Fiscal 2012.

(j) Market Share and Competition

According to the AAI, BALCO and Vedanta Aluminium are two of the four primary producers of aluminium in India and together had a 36 per cent. market share by sales volume in India in Fiscal 2010. Other primary producers of aluminium are Hindalco Industries Limited and National Aluminium Company Limited with a 39 per cent. and 25 per cent. market share by sales volume in India in Fiscal 2010, respectively, according to the AAI.

Aluminium ingots, wire rods and rolled products are commodity products and BALCO and Vedanta Aluminium compete primarily on the basis of price and service, with price being the most important consideration when supplies are abundant. Aluminium competes with other materials, particularly plastic, steel, iron, glass, and paper, among others, for various applications. In the past, customers have demonstrated a willingness to substitute other materials for aluminium.

(k) Seasonality

The Vedanta Group's aluminium business is not subject to seasonality.

8.4 Iron Ore Business

(a) Introduction

The Vedanta Group's iron ore business is owned and operated by SGL, India's largest exporter of iron ore in the private sector by volume since 2003, according to FIMI. In April 2007, Vedanta acquired 51 per cent. of the share capital of SGL which, as at 31 March 2011, owned 100 per cent. of the share capital of SRL. As at 31 March 2011, Vedanta owned 55.1 per cent. of the share capital of SGL. SGL engages in the exploration, mining and processing of iron ore. In Fiscal 2011, SGL exported approximately 16.3 million tonnes of iron ore. In Fiscal 2011, SGL produced approximately 18.8 million tonnes of iron ore fines and lumps.

SGL's mining operations are carried out in the Indian states of Goa and Karnataka. Ore from SGL's mine at Karnataka is exported mainly through the ports at Goa and Mangalore while ore from Orissa was mainly exported through the ports of Haldia and Paradeep. In the early 1990s, SGL diversified into the manufacturing of pig iron and metallurgical coke. SGL directly operates a metallurgical coke plant with an installed capacity of 280 ktpa and operates a pig iron plant with an installed capacity of 250 ktpa. SGL manufactures pig iron through the blast furnace route.

SGL has a patent for the technology for the manufacture of metallurgical coke by the non-recovery method.

SGL intends to further leverage its position in the iron ore sector on the basis of the following strengths:

- As at 31 March 2011, SGL owns or has the rights to reserves consisting of 175.6 million tonnes of iron ore at an average grade of 56.6 per cent. and resources consisting of 130.6 million tonnes of iron ore at an average grade of 51.9 per cent.
- The opportunity to expand through consolidation of the fragmented Indian iron ore industry.
- Experienced personnel with technical skills in Indian mining and resource development.
- Well positioned to capitalise on the fact that in 2010 India had the world's seventh largest iron ore reserves according to the US Geological Survey of 2011 and in 2005 had resources of approximately 25 billion tonnes according to the IBM.
- Strong growth potential, with additional prospecting and mining licences and de-bottlenecking operations.
- Robust balance sheet.
- Vertically integrated pig iron and metallurgical coke operations with patented in-house technology.

On 22 March 2011, SGL announced that it had acquired the assets of the uncompleted steel plant unit of BSAL for a cash consideration of US\$49.3 million (INR2,200 million) comprising a 0.5 mtpa steel plant (which was under construction at the time of acquisition), the freehold land on which the plant is being constructed of approximately 700 acres, existing buildings and structures and plant and machinery. The Vedanta Group undertook this acquisition as the assets were located in the iron ore rich belt in the State of Karnataka, in close proximity to transportation networks such as, highways and railways, and water sources. Accordingly, Vedanta believes that the acquisition provides an opportunity to set up a value added facility to complement the Vedanta Group's existing businesses.

On 3 November 2011, SGL announced that it had agreed to acquire the entire issued share capital of Goa Energy Private Limited ("GEPL") for INR537.2 million (US\$12,031,355) subject to certain conditions precedent including approvals from lenders and power purchasers. GEPL owns a 30 MW waste heat recovery power plant in Goa which generates power from the waste gases of SGL's metallurgical coke plant and blast furnace. The acquisition is expected to complete by the end of December 2011.

(b) Principal Products

(i) Iron Ore

SGL's iron ore reserves consist of both lump and fine ore. The percentage of lump ore in the reserves is approximately 12 per cent. and 20 per cent. in Goa and Karnataka/Orissa, respectively. While SGL's Goan ore contains average iron content deposits of 55.7 per cent., the mines in Karnataka are of higher grade deposits with an average iron content of 57.8 per cent. SGL sells all lump ore with less than 64 per cent. of iron content from its mines in Karnataka to domestic pig iron/steel producers; the other iron ore produced by SGL's mines is sold to purchasers in China.

(ii) Pig Iron

SGL produces basic, foundry and nodular grade pig iron in various grades for steel mills and foundries.

(iii) Metallurgical Coke

SGL also produces metallurgical coke, the majority of which is consumed internally.

(c) **Production**

The table below sets out SGL's total production⁽¹⁾ for each of Fiscal 2009, 2010 and 2011.

Mine/Mine Type	Product	Year ended 31 March		
		2009	2010	2011
		(million tonnes)		
Goa (Open-Pit)	Iron ore	9.9	10.6	10.3
A. Narrain (Open-Pit)	Iron ore	2.5	3.7	3.0
Thakurani (Open-Pit)	Iron ore	1.8	1.7	1.4
SRL (Open-Pit)	Iron ore	—	3.2	4.1
Total Iron Ore	Iron ore	14.2	19.2	18.8
Amona plant	Metallurgical coke	0.22	0.26	0.26
	Pig iron	0.22	0.28	0.28

Note:

(1) See "Presentation of information—Reserves and Production" for an explanation of the basis of preparation of production amounts.

In Fiscal 2011, SGL produced approximately 18.8 million tonnes of iron ore fines and lumps. In addition, as at 31 March 2011, SGL had total production capacities of 250 ktpa of pig iron and 280 ktpa of metallurgical coke. SGL plans to expand its pig iron and metallurgical coke capacity from 250 ktpa to 625 ktpa and from 280 ktpa to 560 ktpa, respectively, by Fiscal 2012, for which applications seeking the necessary approvals have been filed. This capacity expansion is expected to cost approximately US\$150 million in total to complete based on SGL's estimates as at 31 March 2011.

The table below sets out proved and probable iron ore reserves⁽¹⁾ as at 31 March 2011 at the mines that SGL owns or has rights to.

	Proved Reserve		Probable Reserve		Total Proved and Probable Reserves	
	Quantity (million tonnes)	Iron Grade (%)	Quantity (million tonnes)	Iron Grade (%)	Quantity (million tonnes)	Iron Grade (%)
Goa:						
Codli Group	14.76	55.13	9.61	56.53	24.37	55.68
Sonshi Group	8.98	59.67	10.48	59.19	19.46	59.42
Other:	4.78	55.40	12.69	56.13	17.47	55.93
A. Narrain	19.92	55.55	24.30	61.58	44.22	58.86
SRL	33.77	55.21	36.32	54.41	70.09	54.80
Total	82.21	—	93.4	—	175.61	—

Note:

(1) See "Presentation of Information—Basis of Presentation of Reserves" for an explanation of the basis of preparation of reserve amounts.

(d) **Description of Operations**

(i) **Production Facilities**

The total rated capacities for metallurgical coke and pig iron at SGL's Amona facility were 280 ktpa and 250 ktpa, respectively, as at 31 March 2011.

(A) **Amona Plant**

SGL's then subsidiary SIL (which has since amalgamated with SGL with effect from 14 February 2011 and with the appointment date being set at 1 April 2005) commenced operations at its Amona plant in Goa in 1992 and has been engaged in the manufacture and sale of pig iron since then. SGL's metallurgical coke plant at Amona produces a range of coke fractions from over 70 mm for foundries, 20 mm to 60 mm for blast furnaces and six mm to 25 mm for the ferrous alloy industry. Approximately 65 per cent. of the total production of metallurgical coke is consumed by SGL for its pig iron

production and the remainder is sold to customers primarily located in India. The cost of the input coal blend is the single most important cost component for the production of coke. SGL's production consists mainly of low ash coking coal and it imports 100 per cent. of low ash coking coal each year. In order to ensure a stable raw material supply, SGL has long-term supply contracts for the procurement of such coal. Electric power for SGL is supplied by GEPL, a power producer in India, under an agreement among Sesa Kembla Coke Company Limited (which has since merged with SGL) ("Sesa Kembla"), Videocon International Limited, GEPL and SGL. On 3 November 2011, SGL announced that it had agreed to acquire the entire issued share capital of GEPL.

(ii) **Mines**

(A) **Goa Mines**

SGL's Goa operations consist of two major iron ore mining areas, one in Codli village (in the South Goa District) and the other in Sonshi village (in the North Goa District). In addition, SGL derives ore production from several satellite mines in North Goa. SGL's Goa leases were originally granted as mining concessions by the government during the Portuguese regime from 1955 onwards and in 1987 these concessions were converted to mining leases. SGL now operates a total of 13 mining leases in Goa representing an area of approximately 863 hectares as well as three third-party leases on contract, representing an area of approximately 169 hectares. The lease periods for SGL's 13 mining leases in Goa have expired and are in the process of being renewed and are currently being operated under deemed consent. SGL applied to the State of Goa for the renewal of these mining leases within the applicable statutory period, and the renewal is in process. Under applicable law, a leaseholder can continue mining while its application is pending with the State of Goa. Furthermore, under applicable law every person seeking renewal of a mining lease for the mining of a mineral that is used in its own industry is generally entitled to renewal of its mining lease for a period not exceeding 20 years. All renewal applications by SGL for leases which have expired were submitted on a timely basis and SGL has no reason to believe that any of these leases will not be renewed.

SGL generally carries out exploration in grid patterns of 100 metres by 100 metres at the initial stage of exploration, followed by grid patterns of 50 metres by 50 metres. Core samples are analysed and used to interpret the ore body for the preparation of geological cross sections and the classification of the ore as either crude ore or sub-grade ore. Drill core sampling is undertaken on entire holes and the drill core material is sampled at drill core sheds.

(B) **Codli Mines**

The Codli group of mines is situated in South Goa, approximately 600 km south of Mumbai and 50 km east of Panaji, the capital of Goa. It is an open-pit operation. The nearest railway stations, Sanvordem and Margao, are approximately 13 km and 40 km, respectively, from the mine. There is an airport 55 km from the mine at Dabolim. The river loading points at Sanvordem and Capxem are approximately 12 km and 14 km, respectively, from the Codli mines while the port is approximately 40 nautical miles from the river loading point.

The Codli mines cover an area of approximately 340 hectares and are operated under the terms and conditions stipulated in four contiguous leases, three of which are owned by SGL, with the remaining lease being owned by a third party. SGL owns two additional mining leases covering an area to the northwest of the current Codli mine operations where exploration is being undertaken. All of these leases expired in November 2007 and are in the process of being renewed.

SGL's leases were originally granted as mining concessions by the government during the Portuguese regime, and SGL acquired these mining leases in 1958. Exploration at the Codli mines began in 1966 and the mine first commenced production in 1973. Production at the mine reached three mtpa by 1995. The mines have been granted environmental clearance by the MoEF for a production of seven mtpa.

At the Codli mines, the lower grade iron formation is folded and subsequently eroded into basinal areas amenable to open-pit mining. Economically mineable material occurs over an area of about 3.1 km by 1.6 km and is located between 84 metres above sea level and 50 metres below sea level. The formations show a general northwest-southeast trend with shallow to moderate dips towards the northeast with local reversals. The footwall is comprised of manganiferous clay and decomposed quartzites and the stratigraphy of the ore body is cross cut by late dolerite dykes and sills which are manifested by pink clayey zones in the mine area.

The Codli mines are multi-pit, multi-lease, fully mechanised mining units. The open-pits have a bench height of seven metres, haulage roads of 25 metres width and an overall pit slope of 26 degrees. The Codli mines have 14 basins, of which five pits have been exhausted. The lateritic overburden is removed either by ripping or dozing, and loaded by excavators and/or wheel loaders into heavy earth moving machinery such as rigid dumpers and articulated dumpers. Hauling within the mine is also done by rigid and articulated dumpers. An ore stockpile is maintained at all times to continuously feed the processing plants.

SGL has extensive ore processing facilities for upgrading the ore, which include crushing, dry screening, scrubbing, log washing, classifying, hydrocycloning, and magnetic separation with ultra fines recovery. The four Codli processing plants are between nine and 16 years old and throughput capacity of the four Codli processing plants is 10 mtpa. The processed ore is transported by road to a riverhead jetty by 10 tonne tipper trucks and then further transported by barges to the Goa ports or transhipper for onward shipment. SGL has a captive fleet of 16 barges and a transhipper based at the Mormugao port. The transhipper is a large panamax size vessel (82,000 dwt) with gears, capable of picking up ore from barges and loading into ocean-going vessels at the maximum rate of 30,000 tonnes per day. One plant is provided with a dry circuit to process high grade ore, while the remaining three wet plants process low grade ores. The Codli processing plants undergo regular maintenance and annual repairs are conducted during the monsoon season.

SGL has an extensive exploration and evaluation programme at the Codli mines, which involved, as at 31 March 2011, drilling a total of 66,038 metres in depth in 1,041 holes. As at April 2011, the Codli mine deposits are extensively sampled in vertical and inclined holes at a minimum of eight metres and a maximum of 222 metres in length. The resource estimation at the Codli mines is done using Surpac software.

Power at the Codli mines is supplied through a government grid supply network with a maximum contracted demand of 5,000 kVA. There are also generator sets with an aggregate of 5,190 kVA available to supply power. The site's full water requirements are met from the rainwater accumulated in exhausted pits.

In Fiscal 2011, the Codli mines produced 6.1 million tonnes of iron ore.

The economic cut-off grade at the Codli mines is determined by the requirement to meet various sales contracts. SGL operates on a 50 per cent. iron operational cut-off grade in practice, as compared to the statutory cut-off grade of 55 per cent. iron. Ore containing less than 55 per cent. iron is saleable after processing.

The reserves at the Codli mines have been defined by drill holes spaced at 50 metre intervals. As the area is drilled at approximately 50 metres by 50 metres grids, the physical continuity of the ore is well demonstrated.

SGL has been operating the Gauthona Dusrifal mine, the lease of which is held by M/s Timblo Private Limited, as an ore raising contractor since 1989. This mining concession was granted in 1958 to M/s Timblo Private Limited, which owned and operated the mine until 1988. Since 1983, SGL has had a common boundary working agreement with M/s Timblo Private Limited and, in 1989, SGL acquired control of 40.8 hectares of the leasehold area. This mine is contiguous to the Codli mines. The mine has environmental clearance from the MoEF for 0.7 mtpa. The mining method at the Gauthona Dusrifal mine is the same as that of the Codli mines described above. Current ore production of the Gauthona Dusrifal mine is approximately 0.2 mtpa to 0.3 mtpa.

(C) Sonshi Mine

The Sonshi mine is situated in the North Goa District, approximately 34 km from Panaji and approximately 40 km north of the Codli mines. It comprises an open-pit mine. The area is well connected by metalled roads and the nearest railway station is at Tivim, approximately 25 km from the Sonshi mine. The river loading point, Amona, is nine km from the site and the port is approximately 35 nautical miles from the river loading point. The airport is approximately 50 km from the Sonshi mine.

The leasehold area of the Sonshi mine is 62 hectares. The lease expired in October 2007 and is in the process of being renewed. The leaseholder submitted timely renewal applications and no rejections have been notified. The Sonshi mine is currently operating under deemed consent. Due to the narrow width of the leasehold area, SGL has entered into common boundary working agreements with adjoining lessees to facilitate mining operations. The original mining concession was granted in 1953 to Cosme Costa & Sons. SGL has not acquired the lease, but has been operating the Sonshi mine as an ore raising contractor since 1958. Production at the mine commenced in 1958. The agreements entered into by SGL with Cosme Costa & Sons for the raising and sale of iron ore are valid until March 2013. The Sonshi mine has been granted environmental clearance for a production of 3.0 mtpa from the MoEF.

The area surrounding the Sonshi mine is covered with laterite capping underlain by lumpy ore zone. The ore deposit at the Sonshi mine forms the northern limb of the northwest-southeast trending syncline. The formations dip 50 degrees to 60 degrees northeast. The principal deposit of the Sonshi mine comprises three distinct ore bodies that are folded into a syncline. The youngest ore body has a width of 50 metres, while the other ore bodies dip steeply to the northeast and have widths of approximately 20 metres to 25 metres. The intervening parting between the ore bodies comprised 50 metres of manganiferous clay and a 30 metre wide limonitic zone separating one ore body from the footwall phyllite. The depth extent of these bands has been outlined with deep drilling. Hematite is the major economic mineral in each of the bands.

The open-pit mining operations at the Sonshi mine are fully mechanised. The hard laterite capping is loosened either by drilling, blasting or ripping/dozing. The soft sub-lateritic zone is excavated and transported to respective laterite, clay and ore stacks. The material is then reloaded into smaller 10 tonne trucks and transported to the plants for processing and beneficiation, which involves crushing, scrubbing, log washing, classifying, double stage cycloning and thickening. The waste is transported to a dump stockpile six to seven km away. Processing operations for the Sonshi mine are similar to those of the Codli mines described above. The processed ore is transported to the Amona jetty, loaded in barges and sent to Mormugao port approximately 35 nautical miles away.

There is no processing plant on-site. The extracted ore is transported by a fleet of contractors with 10 tonne trucks to the processing plants at Amona (approximately nine km away) and at Cudnem (approximately six km away). The combined throughput capacity of the processing plants is 4.2 mtpa. The plants undergo regular maintenance and annual repairs are carried out during the monsoon season.

The Sonshi mine has been extensively sampled in vertical and inclined drill holes with a total of 47,392 metres drilled in 562 holes as at 31 March 2011.

Power at the mine is supplied through a government grid supply and the maximum contracted demand is 1,000 kVA. A 625 kVA diesel generator is also available to supply power.

In Fiscal 2011, the Sonshi mine produced 2.4 million tonnes of ore.

The economic cut-off grade at the Sonshi mine is determined by the requirement to meet various sales contracts and the need to maintain stockpiles to meet the contracts. SGL operates on a 50 per cent. iron operational cut-off grade in practice, as compared to the statutory cut-off grade of 55 per cent. iron. Any ore containing less than 55 per cent. iron is saleable after processing.

Geological understanding of the nature of bedded mineralisation and confidence in the reasonableness and variation in forecasts is used to classify tonnages as either measured resources (mine's internal proved), indicated resources (mine's internal probable) or inferred resources (mine's internal possible), depending on drill spacing, drill density and/or continuity.

SGL acquired an adjoining mining lease for the Mareta Sodo mine in 2004 from Pandurang Timblo Industries. This mining concession was granted in 1955 and was operated intermittently until the mine was transferred to SGL in November 2004. This mine has been granted environmental clearance for a production of 0.5 mtpa from the MoEF. As at 31 March 2011, 12,253 metres have been drilled in 87 boreholes on the leased area. The mining method of the Mareta Sodo mine is the same as that of the Sonshi mine described above.

(iii) Other Leases/Mines

In addition to the Codli mines and right to the third-party mining lease at the Sonshi mine, SGL has 10 additional mining leases, of which four are non-operative leases. The operative mines are the Sanquelim mines with three contiguous leases with an environmental clearance of 0.2 mtpa, the Orasso Dongor mine (0.2 mtpa) and the Botvadeacho Dongor mine (0.2 mtpa). The non-operative leases are under exploration.

The economic cut-off grade at these other mines is determined by the requirement to meet various sales contracts and the need to maintain stockpiles to meet the contracts. SGL operates on a 50 per cent. iron operational cut-off grade in practice, as compared to the statutory cut-off grade of 55 per cent. iron. Ore containing less than 55 per cent. iron is saleable after processing.

(A) Karnataka

SGL's main operations in Karnataka are at the A. Narrain mine which is located approximately 200 km northwest of Bangalore. The open-pit mine is operated by SGL and is well connected by rail, with the nearest stations, Sasalu and Amruthapura, located 16 km and 17 km, respectively, from the A. Narrain mine. The nearest port at Mangalore is approximately 430 km from the mine and the nearest airport is located at Bangalore, approximately 230 km from the mine.

The leasehold area of the mine is 163.5 hectares, which is classified into two blocks, namely the South block, which is 123.5 hectares and the North block which is 40 hectares. These two blocks are joined by a narrow stretch of land 40 metres in width and 665 metres in length along the eastern side of the leasehold area. SGL has operated the mine since 1994 and the MoEF granted to SGL the requisite permission for enhanced production to 6.0 mtpa in 2009. SGL's lease is due to expire in 2012.

The A. Narrain mine began its operations in 1952 when a mining lease was granted in favour of A.K. Madhav Narrain for a period of 20 years, and was subsequently renewed twice for a period of 10 years each. Upon expiry of the lease in 1992, the present mining lease was granted in favour of A. Narrain Mines Private Limited for a period of 20 years. In 1994, SGL obtained access to mine iron ore, and the mine was subsequently acquired by SGL.

The geological formation of this region belongs to the Archean-Proterozoic age. The geology of the A. Narrain mine consists of Archean formations locally termed "Dharwars" which contain rich and large iron ore deposits. The leasehold area forms part of the Chitradurga-Tumkur schist belt and part of a regional isoclinal fold. The strike direction of the ore body dips westerly at an angle of about 60 degrees to 70 degrees.

Hematite is the principal ore mineral and limonite, goethite and magnetite constitute the associated minor minerals of the mine. The mineralised horizon extends over a length of about two km. The footwall is comprised of decomposed quartzite and phyllite, and the stratigraphy is cross cut by late dolerite dykes and sills which are manifested by pink clayey zones in the mine area.

Currently, the North and the South block of the A. Narrain mine have fully mechanised mining operations. The open-pit mines have a bench height of seven metres, haulage roads of 12 metres to 15 metres in width and an overall pit slope of less than 30 degrees. The A. Narrain mine is equipped with dry process facilities for processing all grades of ore.

The lateritic overburden is removed either by blasting or ripping/doing, loaded onto and transported by 30 tonne trucks. The ore mined is processed at the mine's processing facilities, which involves crushing and dry screening processes. The processed ore is then transported by road to the railway yard, for onward transport to Goa or to Mangalore port for shipment and export. Ore produced in Karnataka ranges from 50 per cent. to 65 per cent. iron content and comprises of 80 per cent. fines and 20 per cent. lumps of 10 to 30 mm in size. A portion of the ore is directly transported by road to Goa or to Mangalore for shipment as well as to the Amona plant for processing.

The two processing plants at the A. Narrain mine have a combined capacity of 1,150 tonnes per hour.

Since the mine was taken over by SGL, exploration at the A. Narrain mine involved the drilling of a total of 39,770 metres in 487 boreholes as at 31 March 2011. The A. Narrain deposit is extensively sampled in vertical and inclined drill hole grid intervals of between 50 metres and 100 metres in length, with most of the holes covering a depth of 50 metres to 200 metres.

Power at the mine is supplied by a 725 kVA and 320 kVA generator. All power supplied to the mines and plants is through generators.

In Fiscal 2011, the A. Narrain mine produced approximately 3.0 million tonnes of ore.

The economic cut-off grade at the A. Narrain mine is determined by the requirement to meet various sales contracts and the need to maintain stockpiles to meet the contract specifications.

The reserves in the proved reserve category at the Karnataka mines are estimated based on drilled boreholes spaced at 50 metres along predefined section lines and occasionally off of the section lines, the probable reserves are estimated based on drilled boreholes spaced at 50 metres from the proved reserves and the possible reserves are estimated based on drilled boreholes spaced at 25 metres from the probable reserves. As the area is drilled at approximately 50 metres by 50 metres grids, the physical continuity of the ore is well demonstrated.

On 26 August 2011, the Supreme Court passed an order banning mining activities in the Chitradurga and Tumkur districts of Karnataka. In view of this order, SGL's activities at this mine were stopped with immediate effect. See also paragraph 5.7 of this section for further details regarding the Supreme Court's ban on mining activities in the Chitradurga and Tumkur districts of Karnataka.

(B) Orissa

The Thakurani mine is situated at Barbil within the State of Orissa, approximately 400 km from Kolkata airport. The Thakurani mine has been operated by SGL as an ore raising contractor since 1999 and the lease expired on 30 November 2010. Production at this mine has ceased.

In Fiscal 2011, the Thakurani mine produced approximately 1.4 million tonnes of ore.

(C) Goa

SRL extracts iron ore from 11 mining leases spread across a total of approximately 979.8 hectares in Goa. SRL's operations consist of two major iron ore mining areas, one in Bicholim and the other in Surla, both located in North Goa and which together account for approximately 88 per cent. of SRL's total estimated iron ore reserves.

The Bicholim mine consists of five contiguous mining leases covering an area of 479.3 hectares in North Goa. The Surla mine consists of three contiguous mining leases covering an area of 253.4 hectares in the recognised iron ore belt of Pale-Velguem-

Bicholim-Shirgao in North Goa. Mining operations started at the Bicholim mine and the Surla mine in 1958. Processed ore from the Bicholim and Surla mines is transported by SMC and SRL, respectively, to loading jetties at Sarmanas and Surla/Sinori in North Goa, and then loaded into barges and sent to Mormugao port in Goa where it is then shipped to customers. SRL's mining assets include processing plants, barges, jetties, transhippers and loading capacities at the Mormugao port.

In Fiscal 2011, SRL produced 4.1 million tonnes and sold 4.0 million tonnes of iron ore. SRL's major customer base is in Japan and China.

(iv) Ship Building Division

SGL also has a ship building division which commenced operations in 1984 for the construction and repair of inland mini bulk carriers owned by SGL as its primary activity as well as to support SGL's core activities including the export of iron ore and the import of coke and coal.

The ship building division has since developed into a medium sized yard with the capability of building sophisticated vessels. The facilities of the ship building division comprises a slipway, several sheds, cranes, a quayside with water depth of three metres, gas manifold system and docking equipment.

The ship building division has designed and built various types of vessels such as barges, pusher tugboats, oil recovery vessels and landing crafts. In 1996, the ship building division was awarded a national award for excellence in indigenisation of defence equipment from the Department of Defence Production and Supplies, Ministry of Defence of India for designing and constructing two landing crafts for the Indian army. The ship building division was also the first to design and build hatch covers for barges in Goa for the shipment of fines during the monsoon season. As at 31 March 2011, the ship building division was certified International Standards Organisation ("ISO") 9001-2000 Quality Management System in 2000, ISO 14001-2004 Environment Management System ("ISO 14001") in 2004 and Occupational Health and Safety Assessment Series 18001 for Occupational Health Management System.

(e) Principal Raw Materials

(i) Iron Ore Operations

There are no direct raw materials used in SGL's iron ore mining and processing operations. Indirect raw materials include power, fuel and lubricants. SGL procures these indirect materials from various vendors. The electricity required for its operations is supplied by the government grid and supplemented by SGL's owned and hired diesel generator sets. The prices of fuel and necessary lubricants are volatile and the price of power is dependent on tariffs imposed by State Governments.

(ii) Pig Iron Operations

The principal raw materials for the manufacture of pig iron are iron ore, metallurgical coke, limestone and dolomite.

Iron ore is largely sourced from mines in Karnataka and Goa. The iron ore is transported from Karnataka by truck and railway rakes and from Goa by truck. Iron ore requirements are met by SGL's own mines from Karnataka and purchased from other mines in Karnataka and Goa. SGL's metallurgical coke requirements are met by its metallurgical coke division. Limestone and dolomite are purchased from mines in Karnataka and transported to SGL's pig iron plant by truck.

(iii) Metallurgical Coke

The principal raw materials for the manufacture of metallurgical coke are hard and semi-soft coking coals. These raw materials are imported from various international suppliers mainly from Australia. SGL is currently negotiating with its suppliers of coking coal to renew the long-term contracts which expired on 31 March 2011.

(iv) **Power**

Electricity for SGL's metallurgical coke and pig iron manufacturing operations is primarily supplied from GEPL under an agreement between GEPL and SGL.

(f) **Distribution, Logistics and Transport**

SGL's mining operations are advantageously located in Goa and are complemented by an efficient transportation network. In order to achieve higher volume and loading capacities and vessels with higher drafts, SGL and SRL each own and operate a transfer vessel, which are used for mid-stream loading at Goa. In addition, SRL owns 50 per cent. of a transhipper vessel, MV Goan Pride, at Goa, which is also used for mid-stream loading. SGL ships its products from ports on both the east and west coasts of India so although the annual monsoon season shuts down shipping services on the west coast of India from the Mormugao port in Goa from June to September, iron ore mined in Karnataka can still be shipped out from the ports of Mangalore and Krishnapatnam and the ports at Haldia and Paradeep, respectively.

SGL maintains a network of rail cars, barges and transhippers that are primarily used to facilitate the export of its ore to foreign customers. SGL's fleet includes 29 barges with a total floating capacity of 60,000 dwt and a transfer vessel which is based at the ports in Goa and has the ability to load vessels as large as 300,000 dwt.

(g) **Sales and Marketing**

Currently, the majority of the pig iron produced by SGL is sold within India to foundries and steel mills. The sale of pig iron is generally done on a spot basis with prices valid for a month. The prices of pig iron are fixed on a delivered basis, with material generally being sent on a freight-to-pay basis.

Currently, all of the metallurgical coke produced by SGL is sold primarily within India to foundries, pig iron producers, ferrous alloys producers and cement plants. Approximately 65 per cent. of SGL's total metallurgical coke production is used for its production of pig iron. The balance is sold in the domestic Indian market.

The sale of metallurgical coke to other customers is done on a spot basis with prices valid for a month. Contracts with some ferrous alloy producers are generally on a monthly or bi-monthly basis, where the quantity, grade and price are fixed.

SGL sold 89.6 per cent. of its iron ore by volume in the export market in Fiscal 2011, with its domestic sales being 10.4 per cent. The geographical distribution of the exports of SGL by volume in Fiscal 2011 was China (85.6 per cent.), Japan (7.7 per cent.), South Korea (3.3 per cent.), The Netherlands (2.7 per cent.), Pakistan (0.5 per cent.) and Thailand (0.4 per cent.). The 10 largest customers of SGL's iron ore business accounted for 57.1 per cent. of its free on board ("FOB") business revenue in Fiscal 2011. About 88 per cent. of the exports of SGL by volume in Fiscal 2011 were linked to spot prices. The remainder of SGL's sales are priced based on long-term contracts which are linked to international benchmark prices that are negotiated quarterly.

SGL has a marketing office at Panaji in Goa with indenting agents to sell its pig iron and metallurgical coke products. SGL manages its iron ore sales in China through its own representative offices in China. The remaining sales and chartering needs of SGL are managed from the office in Goa.

(h) **Projects and Developments**

(i) **Iron Ore**

A number of initiatives are being undertaken to expand mining capacity and logistics at Goa and Karnataka. The goal is to increase production at Goa and Karnataka to 36 million tonnes. These include additional investment in mining equipment, processing plants, barges, land and infrastructure at an estimated capital expenditure of US\$500.0 million. SGL has made substantial progress on the logistics capacity, with a new railway siding already commissioned in Karnataka and work progressing on widening of the existing roads and building dedicated road corridors in both Karnataka and Goa. SGL is also adding capacity in river and port logistics, with five new barges already on stream.

The Vedanta Group remains committed to this expansion programme. However, in light of the Supreme Court's ban on mining activities in the Chitradurga and Tumkur districts of Karnataka (please see paragraph 5.7 of this section for further details) and the ongoing Shah Commission enquiry referred to below, Vedanta foresees possible delays in obtaining the necessary regulatory approvals.

In September 2011, the Indian Ministry of Mines set up a commission headed by Justice M. B. Shah to inquire into allegations of illegal mining operations in Goa (the "Shah Commission"). The Vedanta Group's mining activities are carried on in compliance with existing mining laws and the Vedanta Group has not received any formal notification or allegation relating to the Shah Commission's enquiry. In addition, the Vedanta Group has not received any indication that any necessary regulatory approvals for its expansion projects in Goa will not be forthcoming. However, until the Shah Commission has delivered its report (which is expected in early 2012) there is some uncertainty in the regulatory environment and ongoing approval applications may be delayed.

Please also refer to the risk factor entitled "A substantial portion of the Combined Group's assets and operations are located in India and the Combined Group is subject to regulatory, legislative, economic, social and political uncertainty in India".

(ii) Pig Iron

SGL is also undertaking a pig iron capacity expansion project, after which the rated capacity of the pig iron plant will increase from 0.25 mtpa to 0.625 mtpa, along with expansion of the metallurgical coke plant by 0.28 mtpa to 0.56 mtpa, a new sinter plant and a 30 MW power plant based on waste heat recovery. Commissioning is expected in the third quarter of Fiscal 2012.

(i) Market Share and Competition

SGL has been India's largest exporter of iron ore in the Indian private sector by volume since 2003, according to FIMI. In Fiscal 2011, SGL exported approximately 16.3 million tonnes of iron ore. SGL's primary competitors in both the public and private sectors in India include National Mineral Development Corporation, MMTC India Limited, Rungta Mines Ltd., MSPL Limited and Essel Mining & Industries Limited. In addition, SGL competes with a number of international producer-exporters of iron ore.

(j) Seasonality

The Vedanta Group's iron ore mining operations are affected by changes in weather conditions, particularly heavy rains. Goa, where the majority of the Vedanta Group's iron ore mining operations are located, experiences monsoon seasons, which usually occur from early June to early October. During the monsoon season, restricted barge movements result in significantly lower exports through the Mormugao port in Goa, where the Vedanta Group's iron ore is shipped to customers. The Vedanta Group attempts to mitigate the effects of the monsoon season by concentrating on mine development and extracting larger quantities of overburden waste during the monsoon season in order to permit speedier extraction of iron ore during the dry season. In addition, during the monsoon season, the Vedanta Group typically conducts annual maintenance at its processing plants and its other mining machinery.

8.5 Commercial Power Generation Business

(a) Introduction

The Vedanta Group has been building and managing CPPs in India since 1997. As at 31 March 2011, the total power generation capacity of its thermal power plants and wind power plants was approximately 4,127 MW, of which approximately 3,874 MW was from coal-based thermal CPPs.

Sales of units of power increased from 3,279 million units in Fiscal 2010 to 4,782 million units of power in Fiscal 2011. The increase in sales drove revenue from the Vedanta Group's commercial power generation business from US\$330.7 million in Fiscal 2010 to US\$338.0 million in Fiscal 2011.

The following table sets out information relating to the Vedanta Group's existing power plants as at 31 March 2011.

<u>Year Commissioned</u>	<u>Capacity</u> (MW)	<u>Location</u>	<u>Type</u>	<u>Fuel Used</u>
1988 ⁽¹⁾	270.0	Korba	CPP	Thermal coal
1997	24.0	Tuticorin	CPP	Liquid fuel
1999	75.0	Mettur	CPP	Thermal coal
2003	14.8	Debari	CPP	Liquid fuel
2003	6.0	Zawar	CPP	Liquid fuel
2003	14.8	Chanderiya ⁽²⁾	CPP	Liquid fuel
2005	22.5	Tuticorin	CPP	Liquid fuel
2005	154.0	Chanderiya	CPP	Thermal coal
2006	540.0	Korba	CPP	Thermal coal
2007	75.0 ⁽³⁾	Lanjigarh	CPP	Thermal coal
2007	107.2	Gujarat and Karnataka	WPP ⁽⁴⁾	Wind
2008	80.0	Chanderiya	CPP	Thermal coal
2009	80.0	Zawar	CPP	Thermal coal
2009	16.0	Gujarat and Karnataka	WPP ⁽⁴⁾	Wind
2009	25.0	Mettur	CPP	Thermal coal
2010 ⁽⁵⁾	1,215.0	Jharsuguda	CPP	Thermal coal
2011	160.0	Dariba	CPP	Thermal coal
2011	1,200.0	Jharsuguda	IPP ⁽⁶⁾	Thermal coal
2011	48.0	Rajasthan and Karnataka	WPP ⁽⁴⁾	Wind
Total	<u>4,127.3</u>			

Notes:

- (1) Commissioned by BALCO prior to Vedanta's acquisition of BALCO in 2001.
- (2) Transferred from Debari to Chanderiya in March 2009.
- (3) Expandable up to 90 MW, subject to Government of India approval.
- (4) The Vedanta Group's wind power plants are not used for captive use.
- (5) Nine units of 135 MW each were commissioned from 2009 to 2010.
- (6) One of the 600 MW units included in this 1,200 MW was operational as at 31 March 2011.

The Vedanta Group has the following power plants under construction:

- HZL's 160 MW coal-based CPP at the Rajpura Dariba mines, of which the first 80 MW unit was commissioned in the first quarter of Fiscal 2011 and the second unit was commissioned in the fourth quarter of Fiscal 2011;
- Sterlite's 160 MW coal-based thermal CPP at Tuticorin where the first unit of 80 MW is scheduled for commissioning in the fourth quarter of Fiscal 2012;
- BALCO's 1,200 MW thermal coal-based power plant in the State of Chhattisgarh where the first unit of 300 MW is expected to be synchronised in the third quarter of Fiscal 2012 and work on the remaining units is progressing as planned;
- Sterlite Energy's 2,400 MW thermal coal-based power plant in Jharsuguda in the State of Orissa. The first unit was lighted on 30 June 2010 and commercial operation commenced in November 2010. The second unit was operational on 30 March 2011 and the remaining two units are expected to be progressively commenced in the third and fourth quarters of Fiscal 2012, respectively.
- Sterlite Energy's 1,980 MW thermal coal-based power plant at Talwandi Sabo in the State of Punjab, where the first unit is expected to be commissioned by the fourth quarter of Fiscal 2013 and the remaining two units by the second quarter of Fiscal 2014. Piling has been completed and construction of the boiler foundation, coal handling plant, switchyard and other areas is in progress. In addition, TSPL has also signed a memorandum of understanding with the Government of Punjab in October 2010 for the establishment of another unit of 660 MW. The aggregate capacity for the project would be 2,640 MW,

however due to the current coal market conditions and power tariffs in India plans for the fourth unit of 660 MW have been put on hold; and

- Vedanta Aluminium's 210 MW coal-based CPP at its three mtpa alumina refinery which is expected to be commissioned in Fiscal 2012.

The Vedanta Group has been successful in building CPPs at reasonable cost through its partnerships with a number of established suppliers.

(b) The Vedanta Group's Plans for Commercial Power Generation

(i) Sterlite Energy—Orissa

In August 2006, Sterlite's shareholders approved its entry into the commercial power generation business in India. Sterlite Energy is investing approximately US\$1,900 million to build a 2,400 MW thermal coal-based power facility (comprising four units of 600 MW each) in Jharsuguda in the State of Orissa. As at 31 March 2011, US\$1,515.6 million has been spent on the project. The first unit has been commissioned and the second unit is under trial with the remaining two units to be progressively commissioned by the fourth quarter of Fiscal 2012. This project is expected to be financed by internal sources and/or debt financing. Sterlite Energy is building this power facility in the State of Orissa which has abundant coal resources estimated at 66.31 billion tonnes as at 1 April 2010, according to the Geological Survey of India 2010.

According to the U.S. Energy Information Administration, the statistical agency within the United States Department of Energy, India had the sixth largest coal reserves in the world, as at 1 January 2008. According to the Geological Survey of India, in 2009 the State of Orissa had approximately 24.4 per cent. of India's total coal resources of 267.21 billion tonnes, as at 1 April 2009. The facility would require approximately 12.49 mtpa of coal. Sterlite Energy applied to the Ministry of Coal for allocation of coal blocks for its captive use. In January 2008, the Ministry of Coal allocated to six companies, including Sterlite Energy, coal blocks in the Rampia Dipside in the State of Orissa for the captive mining of coal and Sterlite Energy has been allocated a proportionate share of 112.2 million tonnes. These six companies have entered into an agreement to jointly promote a new company called Rampia Coal Mine and Energy Private Limited, which is expected to develop the coal mines over a period of three to five years for the purposes of mining these allocated coal blocks. At the time of the allocation, the Ministry of Coal estimated that the coal block contains reserves of 645.26 million tonnes of coal. In addition, Sterlite Energy received a letter of assurance in June 2008 from Mahanadi Coalfields Limited that it would supply 2.57 million tonnes of coal per annum in order to meet the coal requirements of the first unit of 600 MW. In July 2010, a further letter of assurance was issued to Sterlite Energy for the supply of coal through a coal linkage of 6.94 mtpa for the Jharsuguda project from Mahanadi Coalfields Limited to meet the coal requirements of the three remaining units.

The process of making arrangements for a water reservoir, railway marshalling yard, coal stockpile, ash pond and other required facilities is currently underway. The power generated from the 2,400 MW power plant is expected to be sold to entities including state electricity boards, state-owned utility companies, power trading companies, private entities and the 1.25 mtpa smelter of Vedanta Aluminium.

In September 2006, Sterlite Energy entered into a power purchase agreement with Grid Corporation of Orissa Limited, a nominee of the State Government of Orissa ("GRIDCO"), which was amended in August 2009, in which GRIDCO was granted the right to purchase up to 25 per cent. of the installed capacity of the power plant after adjustments for auxiliary consumption by Sterlite Energy, i.e. approximately up to 561 MW from this project. Further, GRIDCO would at all times have the right on behalf of the State Government of Orissa to receive from the Jharsuguda power project seven per cent. of the power generated (after adjustments for auxiliary consumption by Sterlite Energy), i.e. approximately 157 MW of power at variable cost, as determined by the Orissa Electricity Regulatory Commission. Further, Sterlite Energy is required to make available to GRIDCO the entire power generated from the first unit of the Jharsuguda power project after meeting its own requirement. GRIDCO will have the right to purchase an aggregate 718 MW of power from Sterlite Energy once in every five years, for a period of 25 years from the date of commercial

operation of the last unit. This right is an option to purchase rather than a binding commitment of GRIDCO. The power purchase agreement is subject to the approval of the Orissa Electricity Regulatory Commission. Power from the power plant to be purchased by GRIDCO will be evacuated by GRIDCO from the bus bar of the project. For the evacuation of the remaining power, Sterlite Energy has constructed a 400 KV transmission line to connect to the transmission line being developed by Power Grid Corporation India Limited near Jharsuguda. Sterlite Energy entered into an agreement to build the dedicated transmission system required for evacuating power from the power plant to the pooling units of Power Grid Corporation India Limited and to dispatch power to beneficiaries.

In July 2008, Sterlite Energy was awarded a project for the construction of a 1,980 MW coal-based thermal power plant at Talwandi Sabo in the State of Punjab in India at an estimated cost of INR93,200 million (US\$2,087 million). This project is expected to be commissioned in stages and completed in the second quarter of Fiscal 2014. Sterlite Energy also completed the acquisition of TSPL for a purchase price of INR3,868.4 million (US\$86.6 million) on 1 September 2008.

In October 2010, TSPL signed a memorandum of understanding with Punjab State Power Corporation Limited to construct an additional unit of 660 MW in line with the State of Punjab's 2010 power generation policy. The estimated cost for the additional unit is INR25,000 million (US\$559.9 million) and is expected to be completed in the fourth quarter of Fiscal 2014.

In May 2008, Sterlite Energy entered into an on-shore and offshore engineering, procurement and construction agreement with SEPCO for Sterlite Energy's Talwandi Sabo thermal power project consisting of an offshore supply contract and an offshore services agreement for US\$1,023.66 million and an onshore supply contract and an onshore services agreement for INR20,063.54 million (US\$449.35 million). The contracts were subsequently amended to include an additional unit of 660 MW. The revised cost of the offshore contracts was US\$1,336.50 million and the onshore contracts was INR26,050.40 million (US\$583.44 million).

SEPCO's obligations under the contract include testing and delivery of plant and equipment, system design and engineering of plant and equipment as per technical specifications, supervision of civil, structure and manufacturing work, custom clearance, port clearance, inland transportation of offshore as well as onshore plant and equipment, unloading, storage and preservation for all equipment and material required, ash disposal among others within the period specified in the contracts. The fixed contract price is payable in multiple instalments according to a fixed payment schedule. SEPCO has provided performance guarantees with respect to various parameters, for instance, net unit heat rate of 2,222.80 kwph/kcal and net unit electric output of 614 MW. If there is a delay in completion or failure to meet performance guarantees, liquidated damages may be imposed on SEPCO in accordance with the terms of the contract.

Sterlite Energy intends to participate in projects relating to the generation of coal-based thermal power and ancillary activities, including Ultra Mega Power Projects of India ("UMPPs") or other projects announced by the Government of India or any State Government. An initiative of the Ministry of Power of the Government of India (the "MoP") offers private developers an opportunity to establish a number of UMPPs. Private developers will be selected on the basis of competitive bidding and under the initiative will have the benefit of the assured purchase of power generated and payment security mechanisms. Nine of such UMPPs had been awarded as at 31 March 2011.

On 30 October 2009, Sterlite Energy filed a draft red herring prospectus with SEBI for a proposed initial public offering of its equity shares for an issue size of INR51,000 million (US\$1,142.2 million). While permission from SEBI to proceed with the initial public offering lapsed in April 2011, Vedanta continues to explore various financing options for Sterlite Energy, including an initial public offering.

(ii) **HZL—Wind Power Plants**

HZL had wind power plants with a combined capacity of 123.2 MW as at 31 March 2011. The establishment of additional wind power plants with an additional 150 MW of combined capacity was announced by HZL in January 2011. Of the 150 MW, plants with a combined capacity of 105 MW has been completed and Vedanta expects the balance of 45 MW to be completed by the end of 2011.

The electricity from these wind power plants is proposed to be sold to state electricity boards in India. This project is anticipated to be funded through internal resources and benefits from the various tax incentives available under the Income Tax Act.

(c) **Other Opportunities in Commercial Power Generation**

Vedanta Aluminium entered into an agreement on 1 October 2007 with GRIDCO for the sale of excess power from its CPP at Lanjigarh.

The Vedanta Group also intends to sell any excess power generated from its CPP to third parties.

(d) **Seasonality**

The Vedanta Group's commercial power business is not subject to seasonality.

8.6 Other Activities

The Vedanta Group's other activities include:

(a) **Paradip Port**

The Vedanta Group has a 74 per cent. interest in a consortium between Sterlite and Leighton Welspun Contractors Pvt Ltd, which won the bid to build, own and operate a new berth at Paradip port situated in the Jagatsinghapur District of the State of Orissa on the east coast of India.

The new multi-purpose berth is expected to facilitate the movement of cargo such as aluminium ingots, steel and containers and to have a capacity to handle up to 5.0 mtpa of cargo. Upon receipt of environmental approval by the port authority, Paradip Port Trust and the consortium will enter into an agreement with Paradip Port Trust to operate the berth on a build-operate-transfer basis for 30 years commencing on the date of award of concession. Paradip Port Trust will receive a share of the revenue earned from the berth.

The expected cost for the project is US\$87.8 million and construction has yet to commence.

(b) **Vizag Port**

Sterlite has a 74 per cent. interest in Vizag General Cargo Berth Pvt Limited, a joint venture between Sterlite and Leighton Welspun Contractors Pvt Ltd, which won the bid to mechanise the coal handling facilities and upgrade the general cargo berth for handling coal at the outer harbour of Vishakhapatnam port on the east coast of India.

The initial capacity of the upgraded berth will be 10.2 mtpa with flexibility to upgrade to 12.5 mtpa. Vizag General Cargo Berth Pvt Limited entered into an agreement on 10 June 2010 with the port authority, Vishakhapatnam Port Trust, to mechanise the coal handling facilities and upgrade the general cargo berth on a build-operate-transfer basis for 30 years commencing on the date of award of concession (which was 8 October 2010). Vishakhapatnam Port Trust will receive a share of the revenue earned from the berth.

The expected cost for the project is US\$150 million and construction has commenced with completion of the berth expected in Fiscal 2013.

(c) **Infrastructure**

The Vedanta Group actively considers on an ongoing basis investment opportunities in port and infrastructure. Any future transactions will be publicly announced by Vedanta at the appropriate time in accordance with applicable law and stock exchange rules and regulations.

9. Options to Increase Interests in HZL and BALCO

9.1 BALCO Call Option

On 2 March 2001, Sterlite acquired a 51 per cent. interest in BALCO from the Government of India for a cash consideration of INR5,533 million (US\$115.2 million at the time of acquisition). On the same day, Sterlite entered into a shareholders' agreement with the Government of India and BALCO to regulate, among other things, the management of BALCO and dealings in BALCO's shares. The shareholders' agreement provides that as long as Sterlite holds at least 51 per cent. of the share capital of BALCO, it is entitled to appoint one more director to the board of BALCO than the Government of India and is also entitled to appoint the managing director. There are various other matters reserved for approval by both the Government of India and Sterlite under the shareholders' agreement, including amendments to BALCO's articles of association, the commencement of a new business, non-pre-emptive issues of shares or convertible debentures and the provision of loans or guarantees or security to other companies under the same management as BALCO.

Under the shareholders' agreement, if either the Government of India or Sterlite wishes to sell its shares in BALCO to a third party, the selling party must first offer the shares to the other party at the same price at which it is proposing to sell the shares to the third party. The other party shall then have the right to purchase all, but not less than all, of the shares so offered. If a shareholder does not exercise its right of first refusal, it shall have a tag along right to participate in the sale pro rata and on the same terms as the selling party, except that if the sale is by the Government of India by way of a public offer, the tag along right will not apply. However, a transfer of shares representing not more than 5 per cent. of the equity share capital of BALCO by the Government of India to the employees of BALCO is not subject to such right of first refusal by Sterlite.

The Government of India also granted to Sterlite an option to acquire the remaining shares in BALCO held by the Government of India at the time of exercise. The exercise price is the higher of:

- the fair value of the shares on the exercise date, as determined by an independent valuer; and
- the original sale price (INR49.01 per share) (US\$1.1 per share) together with interest at a rate of 14 per cent. per annum compounded half yearly from 2 March 2001 to the exercise date, less all dividends received by the Government of India from 2 March 2001 to the exercise date.

On 19 March 2004, Sterlite exercised its option to acquire the remaining 49 per cent. of BALCO's issued share capital held by the Government of India at that time. Thereafter, the Government of India sought several extensions to complete the sale of the shares as well as its interest during these additional time periods. On 7 June 2006, the Government of India contended that the clauses of the shareholders' agreement relating to Sterlite's option violated the provisions of section 111A of the Indian Companies Act by restricting the right of the Government of India to transfer its shares and that as a result the shareholders' agreement was null and void. The Government of India has also expressed an intention to exercise its right to sell 5 per cent. of BALCO to BALCO employees.

Sterlite has filed a petition before the High Court of Delhi seeking that the High Court direct the Government of India to deposit with it at least 44 per cent. of the equity shares in BALCO and that the High Court further grant an injunction to restrain the Government of India from selling, transferring, pledging or mortgaging or in any other way disposing of or encumbering its shareholding in BALCO in favour of any third party. The Government of India retains the right to sell its shares representing 5 per cent. of BALCO to BALCO employees.

Subsequently, the Government of India notified Sterlite that it would require Sterlite to amicably negotiate or, if that fails, commence informal mediation as provided for under the terms of the shareholders' agreement. On 7 August 2006, the High Court of Delhi directed that the parties settle the dispute by way of mediation. As negotiations for an amicable resolution were unsuccessful, on 17 May 2007, Sterlite filed a petition requesting that the court appoint an arbitrator as provided for under the terms of the shareholders' agreement.

At a hearing on 10 July 2007, the High Court directed the parties to conduct mediation proceedings failing which arbitration would proceed. The mediation process failed to resolve the dispute and the High Court directed the arbitrators appointed by the parties to constitute the arbitration tribunal. Consequently all applications before the High Court were discontinued. Arbitration proceedings commenced on 16 February 2009 and concluded on 29 August 2010. On 25 January 2011, the arbitration tribunal rejected the claims of Sterlite on the ground that the clauses in the shareholders'

agreement relating to the call option, the right of first refusal, the “tag-along” rights and the restriction on the transfer of shares violate section 11A(2) of the Indian Companies Act. On 23 April 2011, Sterlite filed an application under section 34 of the Arbitration and Conciliation Act 1966, of India (the “Indian Arbitration Act”) in the High Court of Delhi to set aside the award of the arbitration tribunal dated 25 January 2011 to the extent that it holds these clauses ineffective and inoperative. The application is listed for hearing on 10 March 2012.

9.2 HZL Call Options

On 11 April 2002, Sterlite acquired a 26 per cent. interest in HZL from the Government of India through its subsidiary, SOVL. At the time of the acquisition, Sterlite owned 80 per cent. of SOVL and STL owned the remaining 20 per cent. In February 2003, STL transferred its 20 per cent. interest in SOVL to Sterlite and SOVL became Sterlite’s wholly-owned subsidiary. SOVL subsequently acquired a further 20 per cent. interest in HZL through an open market offer. The total cash consideration paid by SOVL for the acquisition of the 46 per cent. interest in HZL was INR7,776 million (US\$161.9 million at the time of acquisition).

Upon SOVL’s acquisition of the 26 per cent. interest in HZL, the Government of India and SOVL entered into a shareholders’ agreement to regulate, among other things, the management of HZL and dealings in HZL’s shares. The shareholders’ agreement provides that as long as SOVL holds at least 26 per cent. of the share capital of HZL SOVL is entitled to appoint one more director to the board of HZL than the Government of India and is also entitled to appoint the managing director. In addition, as long as the shareholders’ agreement remains in force, the Government of India has the right to appoint at least one director to the board of HZL.

There are also various other matters reserved for approval by both the Government of India and SOVL, including amendments to HZL’s articles of association, the commencement of a new business, non-pre-emptive issues of shares or convertible debentures, a discounted rights issue and the granting of loans or the provision of guarantees or security to other companies under the same management as HZL.

Under the shareholders’ agreement, the Government of India also granted SOVL two call options to acquire all the shares in HZL held by the Government of India at the time of exercise. SOVL exercised the first call option on 29 August 2003 and acquired an additional 18.9 per cent. of HZL’s issued share capital at a cost of INR3,239 million (US\$72.5 million) on 12 November 2003, taking Sterlite’s interest in HZL to 64.9 per cent.

The shareholders’ agreement provides that prior to selling shares in HZL to a third party, either party must first issue a sale notice offering those shares to the other party at the price it intends to sell them to the third party. However, a transfer of shares, representing not more than 5 per cent. of the equity share capital of HZL, by the Government of India to the employees of HZL is not subject to such right of first refusal by SOVL. The Government of India has transferred shares representing 1.5 per cent. of HZL’s share capital to the employees of HZL. The shareholders’ agreement also provides that if the Government of India proposes to make a sale of its shares in HZL by a public offer prior to the exercise of SOVL’s second call option, then SOVL shall have no right of first refusal.

The second call option gives SOVL a right to acquire the Government of India’s remaining 29.5 per cent. shareholding in HZL, subject to the right of the Government of India to transfer up to 3.5 per cent. of the issued share capital of HZL to employees of HZL, in which case the number of shares that SOVL may purchase under the second call option will be reduced accordingly. This call option became exercisable on 11 April 2007 and remains exercisable for as long as the Government of India has not sold its remaining interest pursuant to a public offer of its shares. Under the shareholders’ agreement, upon the issuance of a notice of exercise of the second call option by SOVL to the Government of India, SOVL shall be under an obligation to complete the purchase of the shares, if any, then held by the Government of India within a period of 60 days from the date of such notice. The exercise price for the second call option will be equal to the fair market value of the shares as determined by an independent appraiser. In determining the fair market value of the shares, the independent appraiser may take into consideration a number of factors including, but not limited to, discounted cash flows, valuation multiples of comparable transactions, trading multiples of comparable companies, SEBI guidelines and principles of valuation, the minority status of the shares, the contractual rights of the shares and the current market price of the shares. Based solely on the market price of HZL’s shares on the NSE on 31 March 2011 of INR137.42 (US\$3.1) per share, and

not including the other factors that the independent appraiser may consider, one possible estimation of the exercise price to acquire all of the Government of India's 1,247,950,590 shares in HZL would be INR171,656 million (approximately US\$3.8 billion). If the Government of India sells its remaining ownership interest in HZL through a public offer, Sterlite may look into alternative means of increasing its ownership interest in HZL.

By a letter dated 21 July 2009, SOVL exercised the second call option. The Government of India has stated that the clauses of the shareholders' agreement relating to Sterlite's option violate the provisions of section 111A of the Indian Companies Act by restricting the right of the Government of India to transfer its shares and that as a result the shareholders' agreement was null and void. As such, the Government of India has refused to act upon the second call option. Consequently, SOVL commenced arbitral proceedings under the terms of the shareholders' agreement and has appointed its arbitrator. Under the terms of the shareholders' agreement, the Government of India is required to nominate an arbitrator, but the Government of India has not as yet made such a nomination. As a result, SOVL has filed an arbitration application pursuant to section 11(6) of the Indian Arbitration Act in the High Court of Delhi petitioning the court to constitute an arbitral tribunal. On 18 May 2010, the High Court ordered the parties to appoint mediators to mediate the dispute and, if mediation fails, arbitration proceedings are to commence. The mediation process was unsuccessful and setting up of the arbitration tribunal is now awaited.

In addition, it has been reported in the Indian media from time to time that the Government of India is considering asserting a breach of a covenant by Sterlite's subsidiary SOVL and may seek to exercise a put or call right with respect to its shares in HZL. If the Government of India makes such an assertion, Sterlite intends to contest it and believes that it has meritorious defences.

10. Other Opportunities

In line with Vedanta's strategy, Vedanta actively considers on an ongoing basis a range of potential opportunities in India and internationally to acquire underperforming assets where Vedanta's management believes that it can generate superior returns. There can be no certainty as to whether the Vedanta Group will acquire any of the assets in which it has expressed an interest. In addition, Vedanta actively considers on an ongoing basis a range of potential opportunities to simplify the Vedanta Group's corporate structure and create additional value for its shareholders. In this regard, any future transaction will be publicly announced by Vedanta at the appropriate time in accordance with applicable law and stock exchange rules and regulations.

Vedanta will also consider opportunities to diversify the Vedanta Group's portfolio of base metals where management believes that this will be beneficial.

11. Employees

As at 31 March 2011, the Vedanta Group had approximately 31,952 employees, as follows:

<u>Company</u>	<u>Location</u>	<u>Primary Company Function</u>	<u>Total Employees</u>
Copper			
Sterlite	India	Copper smelting and refining	1,172
CMT	Australia	Copper mining	102
KCM	Zambia	Copper smelting and refining	9,362
Zinc			
HZL	India	Zinc and lead production	6,742
Skorpion	Namibia	Zinc production	684
Black Mountain	South Africa	Zinc and lead production	795
Lisheen	Ireland	Zinc and lead production	377
Aluminium			
BALCO	India	Aluminium production	4,292
Vedanta Aluminium	India	Aluminium production	3,353
Iron Ore			
SGL	India	Iron ore production	3,105
SRL	India	Iron ore production	1,494
Commercial Power Generation			
Sterlite Energy	India	Commercial power generation	196
TSPL	India	Commercial power generation	61
MALCO	India	Commercial power generation	87
Others	Various	Corporate/others	130
Total			<u>31,952</u>

Additionally, the Vedanta Group employs contract labour which accounts for 60 per cent. to 70 per cent. of its total workforce at any given time. In Fiscal 2011, the total number of contract employees of the Vedanta Group was, on average, 62,454.

The majority of the Vedanta Group's workforce is unionised. Employees of HZL, BALCO and SGL are members of registered trade unions such as the Hindustan Zinc Workers Federation for HZL, Bharat Aluminium Mazdoor Sangh for BALCO and Sesa Goa Workers Union, Sesa Goa Limited Employees Union (R) Chitradurga and United Bargemens Association for SGL, and are affiliated with national trade unions such as the Indian National Trade Union Congress. Employees of KCM are members of the Mineworkers Union of Zambia and the National Union of Miners and Allied Workers. Vedanta believes that relations with its employees and unions are good, though the Vedanta Group has in the past and may in the future experience strikes and industrial actions or disputes. See the paragraph entitled "The Combined Group's operations are subject to operating risks that could result in decreased production, increased cost of production and increased cost of or disruptions in transportation, which could materially and adversely affect its businesses, operating results, financial condition and/or prospects" in the section headed "Risk Factors" for further details.

The Vedanta Group has a strong ongoing institutional commitment to the health and safety of its employees and achieving sustainable development in harmony with the communities and environments in which the Vedanta Group operates. Proactively complying with and exceeding the requirements of regulatory guidelines, utilising environmentally friendly technologies in its expansions and modernisations and implementing programmes to support communities around its facilities are core to the Vedanta Group's business strategy. Most of Sterlite's mines, refineries and smelters in India and Zambia have received both ISO 14001 and Occupational Health and Safety Assessment Series 18001 certifications, which are internationally recognised environmental and occupational health and safety management systems certifications. Sterlite has renewed its Tuticorin ISO 14001 certification which is valid until May 2013. SGL and SIL are both certified with ISO 9001, ISO 14001 and Occupation Health and Safety Assessment Series 18001 certifications. The Vedanta Group is committed to providing a healthy and safe working environment, to promoting empowerment, commitment and accountability of its employees and to being an equal opportunity employer. The Vedanta Group actively initiates and participates in a variety of programmes to contribute to the health, education and livelihood of the people in the local communities in which it operates, including through the support of schools, educational programmes and centres,

women empowerment programmes, hospitals and health centres. The Vedanta Group constantly seeks out and invests in new technologies and operational improvements to minimise the impact of its operations on the environment, including through energy conservation measures, reductions in sulphur dioxide gas and other air emissions, water conservation and recycling measures, reductions in wastewater discharges and proper waste management. The Vedanta Group also invests in programmes to promote reforestation and better agricultural practices.

12. Insurance

The Vedanta Group maintains property insurance which protects against certain losses relating to its assets arising from fire, earthquakes, terrorism, breakdown of equipment, business interruption and freight insurance which protects against losses relating to the transport of its equipment, finished and semi-finished products, stores and spares, other consumables and concentrates. However, the Vedanta Group's insurance does not cover other potential risks associated with its operations. In particular, the Vedanta Group does not have insurance for certain types of environmental hazards, such as pollution or other hazards arising from its disposal of waste products. The occurrence of a significant adverse event, the risks of which are not fully covered by insurance, could have a material adverse effect on the Vedanta Group's financial condition or operating results. Moreover, no assurance can be given that the Vedanta Group will be able to maintain existing levels of insurance in the future at the same rates. The Vedanta Group's operating entities in India can only seek insurance from domestic insurance companies. See the risk factor entitled "The Combined Group's insurance coverage may prove inadequate to satisfy future claims against it" in the section headed "Risk Factors".

13. Intellectual Property

The Vedanta Group, through SGL, owns one patent in India and another in Europe that relates to a system for producing metallurgical coke. SGL also has a patent in the USA relating to the reduction of sulphur-based gases during the production of iron ore. The Vedanta Group, through Sterlite, owns an additional patent in India that relates to a system for enhancing the quality of cathodes. The Vedanta Group also has a number of patents in the process of being granted in India related to mining, refining and smelting processes. The Vedanta Group owns a number of trademarks that are used to identify its businesses and products.

The Vedanta Group's patents, licences and trademarks constitute valuable assets. However, Vedanta does not regard any single patent, licence or trademark as being material to its sales and operations viewed as a whole.

14. Indian Regulatory Matters

14.1 Mining Laws

The Indian Mines and Minerals (Development and Regulations) Act, 1957 (the "Indian MMDR Act"), the Mines Act, 1952 (the "Indian Mines Act"), the Indian Mineral Concession Rules and the Mineral Conservation and Development Rules, 1988 govern mining rights and the operations of mines in India. The Indian Mines Act and Indian MMDR Act provide for the development and regulation of mines and minerals in India and regulate the grant, renewal and termination of reconnaissance, permits, mining leases and prospecting licences. The IBM established in March 1948, is a subordinate office under the Indian Ministry of Mines and the principal Government agency for compiling exploration data and mineral maps. The IBM also performs regulatory functions, including the enforcement of the Indian MMDR Act, the Indian Mineral Concession Rules and the Mineral Conservation and Development Rules, 1988.

The Government of India announced a National Mineral Policy in March 2008 (for non-fuel and non-coal minerals) to sustain and develop mineral resources so as to ensure their adequate supply for the present needs and future requirements of India in a manner which ensures sustainable development, takes account of bio-diversity issues and provides for measures for restoration of the ecological balance.

(a) Grant of a Mining Lease

The Indian MMDR Act empowers State Governments to develop and regulate mines and minerals, including in relation to the granting of reconnaissance permits (for preliminary prospecting of a mineral through regional, aerial, geophysical or geochemical surveys and

geological mapping), prospecting licences (for undertaking operations for exploring, locating or proving mineral deposits) and mining leases (for undertaking operations for mining any mineral). The mining lease governs the terms on which a lessee may use the land for the mining operations. If the land on which the mines are located belongs to private parties, the lessee must acquire the surface rights relating to the land from such private parties. If such land belongs to the Government of India or a State Government, such government may grant surface rights on application.

If mining operations result in the displacement of persons, the consent of such affected persons, and their resettlement and rehabilitation as well as payment of benefits in accordance with the guidelines of the applicable State Government, including payment for the land acquired from displaced persons, need to be settled before commencement of mining. In respect of minerals listed in the First Schedule of the Indian MMDR Act, prior approval of the Government of India is required to be obtained by the State Government for entering into the mining lease. The approval of the Government of India is granted on the basis of the recommendations of the State Governments, although the Government of India has the discretion to overlook the recommendations of the State Governments. On receiving the clearance of the Government of India, the State Government grants the mining lease or prospecting licence. The lease can be executed only after obtaining mine plan approval from the IBM, which is valid for a period of five years. No person can acquire one or more mining leases for any mineral or prescribed group of associated minerals in a state covering a total area of more than 10 square km. However, the Government of India may relax this requirement, if necessary in the interest of development of any mineral.

The maximum term of a mining lease is 30 years and the minimum term is 20 years. A mining lease may be renewed for further periods of up to 20 years at the option of the lessee. Renewals are subject to the lessee not being in default of applicable laws. The Indian Mineral Concession Rules provide that if a lessee uses the minerals for its own industry, then such lessee is generally entitled to a renewal of its mining lease for a period of 20 years, unless it applies for a lesser period. The lessee is required to apply to the relevant State Government for the renewal of the mining lease at least one year prior to its expiration. Delay in applying for a renewal of a mining lease may be waived by the State Government if the application for renewal is made prior to expiry of the mining lease. If the State Government does not make orders relating to an application for renewal prior to the expiration of the mining lease, the mining lease is deemed extended until such time that the State Government makes the order on the application for renewal.

(b) Protection of the Environment

The Indian MMDR Act also deals with the measures required to be taken by the lessee for the protection and conservation of the environment from the adverse effects of mining. The Mineral Conservation and Development Rules, 1988 require every lessee to take all possible precautions for the protection of the environment and control of pollution while conducting mining operations. The required environmental protection measures include prevention of water pollution, measures in respect of surface water, total suspended solids, ground water pH, chemicals and suspended particulate matter in respect of air pollution, noise levels, slope stability and impact on flora and fauna and the local habitation.

The Government of India's national mineral policy emphasises that no mining lease will be granted to any party without a proper mining plan, including an environmental plan approved and enforced by statutory authorities and which provides for controlling environmental damage and restoration of mined areas and for planting trees according to prescribed norms.

(c) Labour Conditions

Working conditions of mine labourers are regulated by the Indian Mines Act which sets out standards of work, including the number of hours of work, leave requirements, medical examination, weekly days of rest, night shift requirements and other requirements to ensure the health and safety of workers employed in mines.

(d) **Royalties**

Royalties on minerals extracted or a dead rent component, whichever is higher, are payable to the relevant State Government in India by the lessee in accordance with the Indian MMDR Act. The mineral royalty is payable in respect of an operating mine from which minerals are removed or consumed and is computed by a prescribed formula. The Government of India has broad powers to modify the royalty scheme under the Indian MMDR Act, but may not do so more than once every three years.

In addition, the lessee must pay the occupier of the surface land over the mining lease an annual compensation determined by the State Government. The amount depends on whether the land is agricultural or non-agricultural.

(e) **Laws Relating to Coal Mines**

The Coal Mines (Nationalisation) Act, 1973, Coking Coal Mines (Nationalisation) Act, 1972, Coal Mines (Taking Over of Management) Act, 1973, Coking Coal Mines (Emergency Provision) Act, 1971, Coal Bearing Areas (Acquisition and Development) Act, 1957 and Coal Mines (Conservation and Development) Act, 1974 govern the mining rights of coal mines and coal mining operations in India. Under the Coal Mines (Nationalisation) Act, 1973 on and from 1 May 1973, the right, title and interest of the owners of coal mines were transferred to the Government of India and the Government of India is required to pay a specified amount for such transfer to the owner. The Coal Mines (Nationalisation) Act, 1973 prohibits any person from carrying on coal mining operations in India, except for: (a) the Government of India or a Government company including corporations owned, managed or controlled by the Government of India; (b) a person to whom a sub-lease has been granted by the Government of India or such company or corporation mentioned in (a) above; or (c) a company which is engaged in the production of iron and steel, generation of power, washing of coal obtained from a mine, or such other end use as the Government of India may notify.

(f) **Distribution of Coal**

The New Coal Distribution Policy, 2007 was issued by the Ministry of Coal to regulate the distribution of coal. This policy removes the classification of consumers into core and non-core sectors, and requires verification of consumers of erstwhile non-core sector consumers and cancellation of allocation to such consumers not found to be bona fide. This policy also deals with distribution and pricing of coal to different consumers or sectors like the defence sector, railways, power utilities, and integrated steel plants, provides for an exclusive distribution policy for consumers in the small and medium sector, replacement of the linkage system with enforceable fuel supply agreements, policies for new consumers and a fresh scheme for e-auction of coal.

(g) **Draft Mining Act**

The Indian Ministry of Mines has prepared the draft Mines and Minerals (Development and Regulation) Act, 2010, which seeks to decentralise powers to the State Governments and increase revenues to the Government of India, including through rationalisation of royalties, taxes and cesses, and the offer of mining blocks on an auction basis pursuant to promotional regional exploration by the State Government. This draft act mandates that with respect to the land in which minerals vest, the holder of a mining lease or prospecting licence is to be liable to pay reasonable compensation to the stakeholders holding occupation, usufruct or traditional rights of the surface of the land over which the licence and lease has been granted, as mutually agreed (failing which the relevant State Government will determine compensation payable). The proposal includes the formation of a National Mineral Royalty Commission consisting of representatives of the Government of India, the State Governments and the mining industry to review the existing royalty payable. This draft act needs to be passed by the Indian Parliament before it comes into effect.

(h) **Mining Bill**

The Indian Mines (Amendment) Bill, 2011 was introduced in the upper house of the Indian Parliament and proposes several amendments to the Indian Mines Act, including significant enhancement to the monetary penalties and terms of imprisonment for violations under the Indian Mines Act.

14.2 Power Sector

(a) Licensing Requirements

Under the Electricity Act, 2003 (the “Indian Electricity Act”), transmission and distribution of, and trading in, electricity require licences from the appropriate Central or State Electricity Regulatory Commissions (respectively, “CERC” and “SERCs”, and collectively, “ERCs”), unless exempted in accordance with the Indian Electricity Act. CERC has jurisdiction over generating companies owned or controlled by the Government of India or which have a composite scheme for generation and sale in more than one State. SERCs have jurisdiction over generating stations within State boundaries, except those under CERC’s jurisdiction. The respective ERC determines the tariff for supply of electricity from a generating company to a licensee, transmission, wheeling, and retail sale of electricity. The Indian Electricity Act was amended in 2007 to exempt captive power generation plants from licensing requirements.

(b) Generation

Currently, any generating company in India can establish, operate and maintain a generating station if it complies with the technical standards relating to connectivity with the grid. Generating companies are permitted to sell electricity to any licensee and, where permitted by the respective SERCs, to consumers. The respective ERCs determine the tariff for supply of electricity from a generating company to any distribution licensee, transmission of electricity, wheeling of electricity and retail sale of electricity. CERC has jurisdiction over generating companies owned or controlled by the Government of India and those generating companies who have entered into or otherwise have a composite scheme for generation and sale in more than one State. SERCs have jurisdiction over generating stations within State boundaries, except those under CERC’s jurisdiction.

In order to qualify as a captive generating plant, the Electricity Rules, 2005 require that not less than 26 per cent. of the ownership of the plant be held by a captive user and not less than 51 per cent. of the aggregate electricity generated in such plant, determined on an annual basis, be consumed for captive use. If the minimum percentage of captive use is not complied with in any year, the entire electricity generated is treated as supplied by a generating company and benefits available to a captive generating plant (such as exemption from payment of certain levies and surcharges) will not apply in such year.

(c) Transmission

The Indian Electricity Act allows generating companies open access to transmission lines. The provision of open access is subject to the availability of adequate transmission capacity as determined by the Central or State Transmission Utility. CERC amended its rules in 2009, permitting any captive generating plant using 25 per cent. of its own power to sell electricity through an open access system without requiring a separate licence. The balance may be sold through the Indian Energy Exchange, also without requiring a separate licence.

(d) Tariff Principles

Under the Indian Electricity Act, ERCs determine tariffs for the supply of electricity by a generating company (as well as for transmission, wheeling and retail sale of electricity). In case of shortage of electricity supply, the ERC may fix the minimum and maximum tariff for sale or purchase of electricity, pursuant to an agreement entered into between a generating company and licensee or between licensees, for up to one year. Under guidelines issued by the MoP, the determination of the tariff for a particular power project depends on the mode of participation in the project, i.e. (i) the memorandum of understanding route, based on tariff principles prescribed by CERC (cost plus basis, comprising capacity charge, energy charge, unscheduled interchange charge and incentive payments) or (ii) the competitive bidding route, where the tariff is market-based.

(i) Bidding Route

The Guidelines for Determination of Tariff by Bidding Process for Procurement of Power by Distribution Licensees, 2005 envisage two types of bids: Case I bids, where location, technology and fuel are not specified by the procurers, i.e., the generating company is free to choose the site and technology for the generation plant; and Case II bids, where

procurement is location and fuel specific. The guidelines envisage a two-step process—pre-qualification and final bid. For long-term procurement (for seven or more years), a two-stage process featuring separate request for qualification and request for proposal stages is required. Bidders are required to submit a technical and financial bid at the request for proposal stage. For medium-term procurement (for up to seven years but exceeding one year), the procurer may, at its option, adopt a single-stage tender process (combining the request for proposal and request for qualification processes). Individual power producers may typically bid at two parameters: fixed or capacity charge; and variable or energy charge, which comprises fuel cost for electricity generated. Bidders are typically permitted to quote a base price and an acceptable escalation formula. The MoP has issued guidelines for competitive bidding as well as draft documentation in the form of model power purchase agreements.

(ii) **Memorandum of Understanding Route**

The memorandum of understanding route involves negotiation between the State power utility and developer. Cost determination under the memorandum of understanding route involves determination of receivables of capital cost and approval of capital costs by the Central Electricity Authority of India, approval of interest rates and local and foreign debt by the Central Electricity Authority, finalising the term of any loans and/or other debt, finalising the extent of foreign exchange protection, fixing operating parameters within prescribed ceilings, identifying deemed generation provisions, evaluating the extent of dispatchability, evaluating the level of incentive payments, identifying any change in law in terms of tax or any other matter, identifying the extent of working capital permissible, evaluating the premium on fuel prices for assured supply, identifying fuel supply and transportation risks and issues, evaluating escalations in operations and maintenance and insurance expenses permissible, evaluating the extent of maintenance of spares permissible, and rebates in respect of prompt payment.

The Tariff Policy, 2006 requires all procurement of power after 6 January 2006 to be through the bidding route. Certain State Governments in India have continued to purchase power under the memorandum of understanding route, with the view that the Tariff Policy is indicative and not binding.

The CERC (Terms and Conditions of Tariff) Regulations, 2009 apply where the tariff for a generating station or unit (other than those based on non-conventional energy sources) and transmission system is yet to be determined by CERC. Tariffs for the supply of electricity from a thermal generating station comprises two parts: capacity charge (for recovery of annual fixed cost) and energy charge (for recovery of primary fuel cost and limestone cost where applicable). Tariffs in respect of a generating station may be determined for the whole generating station, or a stage, unit, or block of the generating station. The generating company may apply for determination of a tariff in respect of the units of the generating station completed or projected to be completed within six months from the date of application.

(e) **National Electricity Policy**

In compliance with the Indian Electricity Act, the Government of India announced the National Electricity Policy in February 2005. The National Electricity Policy aims at achieving the following objectives:

- access to electricity—available for all households by 2010;
- availability of power—demand to be fully met by 2012 and energy and peaking shortages to be overcome and adequate spinning reserve to be available;
- supply of reliable and quality power of specified standards in an efficient manner and at reasonable rates;
- per capita availability of electricity to be increased to over 1,000 units by 2012;
- minimum lifeline consumption of 1 unit/household/day as a merit good by year 2012;
- financial turnaround and commercial viability of electricity sector; and

- protection of consumers' interests.

(f) National Electricity Plan

The Indian Electricity Act requires the Central Electricity Authority of India to frame a National Electricity Plan once in five years and revise such plan from time to time in accordance with the National Electricity Policy. The Central Electricity Authority released a National Electricity Plan in April 2007 which includes:

- short-term and long-term demand forecast for different regions;
- suggested areas/locations for capacity additions in generation and transmission keeping in view the economics of generation and transmission, losses in the system, load centre requirements, grid stability, security of supply, quality of power including voltage profile and environmental considerations including, rehabilitation and resettlement;
- integration of such possible locations with transmission system and development of national grid including type of transmission systems and requirement of redundancies;
- different technologies available for efficient generation, transmission and distribution; and
- fuel choices based on economy, energy security and environmental considerations.

(g) Mega Power Projects

Under the Mega Power Policy introduced by the MoP on 10 November 1995 and amended on 14 December 2009, power projects which meet the following criteria are eligible to be classified as mega power projects:

- a thermal power plant with capacity of 1,000 MW or more;
- a thermal power plant with capacity of 700 MW or more in the States of Jammu and Kashmir, Sikkim, Arunachal Pradesh, Assam, Meghalaya, Manipur, Mizoram, Nagaland and Tripura;
- a hydro electricity power project with capacity of 500 MW or more; or
- a hydro electricity power plant with capacity of 350 MW or more in the States of Jammu and Kashmir, Sikkim, Arunachal Pradesh, Assam, Meghalaya, Manipur, Mizoram, Nagaland and Tripura.

Mega power projects are eligible for certain concessions and benefits, including waiver of customs duty for import of capital goods for setting up such projects and certain income tax benefits. Mega Power Policy benefits have been extended to brownfield projects where the size of the expansion unit would not be less than that provided in the earlier phase of the project certified as a mega power project.

(h) Ultra Mega Power Projects

With the aim of meeting India's significant power requirements, the Government of India proposed the construction of UMPPs in 2006. The award of the projects is based on competitive bidding processes, with the amount of normalised tariff for 25 years being a significant factor in their selection. UMPPs will be awarded to developers on a build-own-operate basis. Each UMPP will provide power generation capacity of 4,000 MW and use coal as fuel. The Government of India will facilitate land and environmental clearances, off-take agreements, payment security mechanisms and fuel linkages in some cases, to ensure efficient implementation of the UMPPs.

14.3 Environment Laws

(a) Environment (Protection) Act, 1986

The Environment (Protection) Act, 1986 is an umbrella legislation in respect of the various environmental protection laws in India. The Act vests in the Government of India the power to take any measure it deems necessary or expedient for protecting and improving the quality of the environment and preventing and controlling environmental pollution. Penalties for violation of the Act include fines up to INR100,000 (US\$2,240) or imprisonment of up to five years, or both. The MoEF, in exercise of powers conferred under the Act, issued a notification on 6 January 2011

declaring coastal stretches as coastal regulation zones and thereby imposing restrictions on industries, operations and processes in a coastal regulation zone.

(b) Environment Impact Assessment Notification No. 1533(E) 2006

The Environment Impact Assessment Notification No. 1533(E), 2006 (the “EIA Notification”) issued under the Environment (Protection) Act, 1986 and the Environment (Protection) Rules, 1986 requires prior MoEF approval if any new project in certain specified areas is proposed to be undertaken. To obtain environmental clearance, a no-objection certificate must first be obtained from the applicable regulatory authority. This is granted after a notified public hearing, submission and approval of an environmental impact assessment report that sets out the operating parameters such as the permissible pollution load and any mitigating measures for the mine or production facility and an environmental management plan. Under the Environment (Protection) Act, 1986 and the Environment (Protection) Rules, 1986, as amended, the Government of India has issued the EIA Notification, which requires that prior approval of the MoEF, Government of India, or State Environment Impact Assessment Authority (“SEIAA”), as the case may be, be obtained for the establishment of any new project and for expansion or modernisation of existing projects specified in the EIA Notification (including power projects). An application for environment clearance is made after identification of the prospective site for the project or activity to which the application relates, but prior to commencing construction activity or preparation of land at the site. Certain projects which require approval from a SEIAA may not require an environmental impact assessment report. For projects that require preparation of an environmental impact assessment report, public consultation involving public hearing and written responses is conducted by the State Pollution Control Board, prior to submission of a final report. The environment clearance (for commencement of the project) is valid for up to 30 years for mining projects and five years for all other projects and activities. This period of validity may be extended by the concerned regulator for up to five years. The EIA Notification states that obtaining of prior environment clearance includes four stages, i.e., screening, scoping, public consultation and appraisal.

The MoEF has, by circular (No. J-11013/41/2006-IA.II(I)) dated 1 November 2010, decided that proposals for obtaining environment clearance for projects that rely on the availability of coal as a raw material, including thermal power projects, will be considered only after the availability of firm coal linkage and the status of environment and forestry clearances of the source of the coal, i.e. the linked coal mine or block, are known. If a project is dependent on coal sourced from outside India, a copy of a signed memorandum of understanding between the foreign coal supplier and project proponent is required to be submitted to the MoEF prior to environment clearance being granted. All proposals for environment clearance that are currently pending either before the MoEF or SEIAA, will be deferred and delisted until the conditions of the circular are complied with by the project proponents.

The MoEF has, by office memorandum (No. J-11013/41/2006-IA.II(I)) dated 16 November 2010, requested State Governments to initiate action against projects where substantial progress relating to construction has been made and significant investments have been made without obtaining requisite prior environmental clearance. The memorandum prescribes the procedure for rectifying instances of non-compliance with the EIA Notification. Prior to environmental clearance being granted, the concerned entity would be required to mandatorily highlight the violation before its board of directors/managing director/chief operating officer for consideration of its environmental policy or plan of action, and provide written commitment in the form of a formal resolution, to the MoEF or SEIAA within 90 days from receiving the communication from the MoEF or SEIAA, which will be uploaded on the websites of the MoEF or SEIAA. If the project proponent does not file a response with the MoEF or SEIAA within 90 days, it will be assumed that the project proponent is no longer interested in pursuing the project and the project file will be closed, after which the procedure for obtaining environment clearance will be required to be initiated afresh if the project proponents are desirous of pursuing the project.

(c) Forest (Conservation) Act, 1980 and the Forest Conservation Rules, 2003

The Indian Forest Act requires consent from the relevant authorities prior to clearing forests by felling trees. Final clearance in respect of both forests and the environment is given by the Government of India, through the MoEF. However, all applications must be made through the respective State Governments who recommend the application to the Government of India.

Penalties for non-compliance may include closure of the mine or prohibition of mining activity, stoppage of the supply of energy, water or other services and monetary penalties on and imprisonment of persons in charge of the conduct of the business of the company.

(d) Water (Prevention and Control of Pollution) Act, 1974

The Indian Water Act aims to prevent and control water pollution and to maintain or restore the wholesomeness of water. The Indian Water Act provides for a Central and various State Pollution Control Boards to be constituted to implement its provisions. The Indian Water Act debar any person from establishing any industry, operation or process or any treatment and disposal system likely to discharge sewage or trade effluents into a water body, without prior consent of the State Pollution Control Board.

(e) Air (Prevention and Control of Pollution) Act, 1981

The Indian Air Act aims to prevent, control and abate air pollution, and stipulates that no person shall, without prior consent of the State Pollution Control Board, establish or operate any industrial plant which emits air pollutants in an air pollution control area. The CPCB and State Pollution Control Board constituted under the Indian Water Act perform similar functions under the Indian Air Act as well. All provisions of the Indian Air Act do not automatically apply to all parts of India, and the State Pollution Control Board must notify an area as an 'air pollution control area' before the restrictions under the Indian Air Act apply.

(f) Hazardous Waste (Management, Handling and Transboundary Movement) Rules, 2008

The Hazardous Waste (Management, Handling and Transboundary Movement) Rules, 2008 regulate the collection, reception, treatment, storage and disposal of hazardous waste by imposing an obligation on every occupier and operator of a facility generating hazardous waste to dispose of such waste without adverse effect on the environment. Every occupier and operator of a facility generating hazardous waste must obtain approval from the applicable State Pollution Control Board. The occupier is liable for damages caused to the environment resulting from the improper handling and disposal of hazardous waste and any fine that may be levied by the respective State Pollution Control Board.

(g) Water (Prevention and Control of Pollution) Cess Act, 1977

Under the Water (Prevention and Control of Pollution) Cess Act, 1977, a lessee carrying on any industry specified under the Act is required to pay a surcharge calculated on the amount of water consumed and purpose for which the water is used. Penalties for non-compliance include a penalty not exceeding the cess in arrears, imprisonment up to six months or fine, or both.

14.4 Employment and Labour Laws

(a) Industrial Disputes Act, 1947

The Industrial Disputes Act, 1947 seeks to pre-empt industrial tensions in an establishment and provide the mechanics of dispute resolution, collective bargaining and investigation and settlement of industrial disputes between trade unions and companies. While the Act provides for voluntary reference of industrial disputes to arbitration, it also empowers the appropriate government agency to refer industrial disputes for compulsory adjudication and prohibit strikes and lock-outs during the pendency of conciliation proceedings before a board of conciliation or adjudication proceedings before a labour court.

(b) Factories Act, 1948

The Indian Factories Act regulates occupational safety, health and welfare of workers of industries in which 10 or more workers are employed in a manufacturing process being carried out with the aid of power. The Indian Factories Act includes provisions as to the approval of factory building plans before construction or extension, investigation of complaints, maintenance of registers and the submission of yearly and half-yearly returns. Penalties for non-compliance include imprisonment of the occupier and manager for up to two years or a fine, or both and further fines for each day of continued contravention.

(c) Contract Labour (Regulation and Abolition) Act, 1970

The Contract Labour (Regulation and Abolition) Act, 1970 regulates the employment of workers hired on the basis of individual contracts in certain establishments. The Act applies to every establishment in which 20 or more workmen are employed or were employed on any day of the preceding 12 months as contract labour. The Act vests the responsibility with the principal employer of an establishment to register as an establishment that engages contract labour. Likewise, every contractor to whom the Act applies must obtain a licence and may not undertake or execute any work through contract labour except in accordance with the licence issued. Penalties, including both fines and imprisonment, may be levied for contravention of the Act. Penalties for non-compliance include imprisonment up to three months or fine, or both.

(d) Minimum Wages Act, 1948

The Minimum Wages Act, 1948 provides for a minimum wage payable by employers to employees. Under the Act, every employer is required to pay the minimum wage to all employees, whether for skilled, unskilled, manual or clerical work, in accordance with the minimum rates of wages that have been fixed and revised under the Act. Workmen are to be paid for overtime at overtime rates stipulated by the appropriate State Government. Contravention may result in imprisonment for up to six months or fine or both. State Governments may stipulate a higher penalty for contravention if it deems fit to do so.

(e) Payment of Wages Act, 1936

The Payment of Wages Act, 1936 regulates payment of wages to certain classes of employees and makes every employer responsible for payment of wages to persons employed by such employer. No deductions are permitted from, nor is any fine permitted to be levied on, wages earned by a person employed except as provided under the Act. Penalties under the Act include fines.

(f) Workmen's Compensation Act, 1923

The Workmen's Compensation Act, 1923 makes every employer liable to pay compensation if injury, disability or death is caused to an employee (including those employed through a contractor) due to an accident arising out of or in the course of his employment. If the employer fails to pay the compensation due under the Act within a month from the date it falls due, the commissioner may direct the employer to pay the compensation along with interest and impose a penalty for non-payment. The maximum gratuity payable to an employee is INR5,000 (US\$112).

(g) Employee State Insurance Act, 1948

The Employee State Insurance Act, 1948 requires the provision of certain benefits to employees or their beneficiaries in the event of sickness, maternity, disability or employment injury. Every employee, including casual and temporary employees, whether employed directly or through a contractor, who is in receipt of wages up to INR10,000 (US\$224) per month, is entitled to be insured under the Act. The Act contemplates payment of a contribution by the principal employer and each employee to the Employee State Insurance Corporation of India. Penalties for failure to make contributions under the Act include imprisonment for a term which may extend to three years and which shall not be less than one year, in case of failure to pay the employee's contribution which has been deducted by him from the employee's wages and which shall not be less than six months, in any other case and shall also be liable for a fine.

(h) Employees' Provident Funds and Miscellaneous Provisions Act, 1952

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 institutes provident funds for the benefit of employees in factories, industrial undertakings, and other establishments notified by the Government of India from time to time. Contributions are required to be made by employers and employees to a provident fund and pension fund established and maintained by the Government of India.

(i) Payment of Gratuity Act, 1972

Under the Payment of Gratuity Act, 1972, an employee who has been in continuous service for five years is eligible for gratuity on retirement, resignation, death or disablement due to accident or disease. Entitlement to gratuity in the event of superannuation or death or disablement due to

accident or disease is not contingent on an employee having completed five years of continuous service. The maximum gratuity payable to an employee is INR1,000,000 (US\$22,396).

(j) Payment of Bonus Act, 1965

The Payment of Bonus Act, 1965 provides for payment of a minimum annual bonus to all employees regardless of whether the employer has made a profit or a loss in the accounting year in which the bonus is payable. Contravention of the Act by a company is punishable by imprisonment up to six months or fine, or both, against persons in charge of, and responsible to the company for, the conduct of the business of the company at the time of contravention.

14.5 Land Acquisition Laws

Under the Land Acquisition Act, 1984, the Government of India or appropriate State Government may acquire any land from private persons for 'public purpose' subject to payment of compensation to the persons from whom land is so acquired. The Act prescribes the manner in which such acquisition may be made. Any person having an interest in such land has the right to object to such proposed acquisition. The penalties under the Act for wilfully obstructing any person in any acts authorised by the Act is liable to imprisonment of up to one month or fine, or both.

In the case of land owned by the central or any State Government, the surface right to operate in a mining lease area or otherwise use such land for any industrial purpose may be granted by the relevant government on application.

14.6 Oil and Gas Related Laws

(a) New Exploration Licensing Policy

In keeping with the liberalised policy of the Government of India for attracting private investments in the oil and gas sector, the Government of India formulated the NELP, which came into effect in February 1999. The Director General of Hydrocarbons of India (the "DGH") is the nodal agency for implementation of NELP. The key features of NELP are that there would be no mandatory state participation, exploration acreages and mining blocks would be awarded on a competitive basis instead of the earlier system of nomination, there would be freedom to contractors for the marketing of crude oil and gas in the domestic Indian market, companies would be exempt from payment of import duty on the goods imported for petroleum operations, a seven year tax holiday from the date of commencement of commercial production would be available, and contractors would be allowed full cost recovery with unlimited carry forward on contract area basis, unlike the previous regime in which exploration cost was recovered on contract area basis and development and production cost on field basis. Under NELP, the first round of offer for exploration of oil and natural gas was in 1999 and the second to ninth rounds were in 2000, 2002, 2003, 2005, 2006, 2008, 2009 and 2011, respectively. As per the report of the DGH on Hydrocarbon Exploration and Production Activities, 2009-10, the intention of the Government of India is to move from NELP to an Open Acreage Licensing Policy. Under this policy, companies can choose any block for offer at any time without waiting for bid rounds under NELP. The blocks will be awarded to the party giving the best bid at any time of the year. The DGH is taking steps to implement this policy.

(b) Oilfields (Regulation and Development) Act, 1948

The Oilfields (Regulation and Development) Act, 1948 empowers the Government of India to make rules for the grant of mining leases in respect of any mineral oil. The holder of a mining lease is required to pay royalty in respect of any mineral oil mined, excavated or collected.

(c) The Oil Industry (Development) Act, 1974

The Oil Industry (Development) Act, 1974 provides for the establishment of the Oil Industry Development Board for the development of the Indian oil industry and to levy excise duty on crude oil and natural gas, including through financial and other assistance. The Oil Industry Development Board may apply to courts for relief, including transfer of the management of the oil industrial concern to the Oil Industry Development Board, in case an oil industrial concern or other persons default on repayments of loans or violate the terms of the assistance agreement.

(d) Oil Mines Regulations, 1984

The Oil Mines Regulations, 1984 prescribe the duties of persons employed in oil mines, such as workers, managers, installation managers, safety officers and fire officers, including with respect to examination of equipment, usage of safeguards, safety devices and other appliances. The Regulations regulate production activities in oil mines, transportation of oil through pipelines, machinery, plant and equipment apart from laying down requirements for protection measures against gases and fires and general safety provisions.

(e) Petroleum and Natural Gas (Safety in Offshore Operations) Rules, 2008

The Petroleum and Natural Gas (Safety in Offshore Operations) Rules, 2008 require operators of offshore installations to obtain consent from the competent authority and to inform the competent authority within 30 days of commencement or cessation of operations. The operator is also responsible for providing health-related resources, establishing a strategy for environmental preparedness and a safety management system, carrying out risk assessment, maintaining information and records for petroleum activities, accidental pollution, recovery, rescue and remedial actions taken, and environment reporting.

(f) Petroleum Act, 1934 and Petroleum Rules, 2002

The Petroleum Act, 1934 and Petroleum Rules, 2002 regulate import, transport, storage, production, refining and blending of petroleum. Only the holder of a storage licence issued under the Petroleum Rules, 2002 or his authorised agent or a port authority or railway administration or a person authorised under the Petroleum Act, 1934 to store petroleum without a licence may deliver or dispatch petroleum in India.

(g) Petroleum and Natural Gas Rules, 1959

The Petroleum and Natural Gas Rules, 1959 regulate prospecting and mining of petroleum and natural gas. Prospecting for petroleum is permitted only on receiving a petroleum exploration licence (“PEL”) under the Rules, and mining petroleum is permitted only on receiving a petroleum mining lease (“PML”) granted under the Rules. A PEL or a PML in respect of any land or mineral underlying the ocean within the territorial waters or continental shelf of India is granted by the Government of India. In respect of any land vested in a State Government, a PEL or a PML is granted by the State Government with previous approval of the Government of India. The Rules require the payment of royalty on petroleum in case a PML is granted. The PEL and PML may be cancelled by the Government of India or the State Government if the licensee or lessee fails to fulfil or contravenes any terms, covenants and conditions contained therein, fails to use the land covered by it for the purposes for which it has been granted, or uses such land for a purpose other than that for which it has been granted.

(h) Petroleum and Natural Gas Regulatory Board Act, 2006

The Petroleum and Natural Gas Regulatory Board Act, 2006 provides for the establishment of the Petroleum and Natural Gas Regulatory Board to regulate refining, processing, storage, transportation, distribution, marketing, import, export and sale of petroleum, petroleum products and natural gas excluding the production of crude oil and natural gas. Every entity desirous of marketing any notified petroleum or petroleum products or natural gas, or establishing or operating a liquefied natural gas terminal, or establishing storage facilities for petroleum, petroleum products or natural gas exceeding such capacity as may be specified by regulations and fulfilling eligibility conditions is required to apply to the Board for its registration. The functions of the Board include registration of entities in accordance with the Act, declaring pipelines as common or contract carriers, receiving complaints, adjudication of certain disputes, and such other functions as entrusted to it by the Government of India to implement the Act. The Board may notify regulations consistent with the Act and rules thereunder to implement the Act.

(i) PNGR Board (Codes of Practices for Emergency Response and Disaster Management Plan) Regulations, 2010

The PNGR Board (Codes of Practices for Emergency Response and Disaster Management Plan) Regulations, 2010 cover the identification and classification of emergencies, pre-emergency planning and preparedness to develop plans for actions when disaster or emergencies occur, responses that mobilise necessary emergency services and post disaster recovery, mitigation

measures and implementation schedules to reduce or eliminate risk or disaster. These regulations apply to hydrocarbon processing installations, natural gas pipelines, commercial petroleum storage facilities and any other installation notified by the Petroleum and Natural Gas Regulatory Board referred to in the paragraph above.

(j) **MoPNG Guidelines**

In June 2008, the MoPNG issued guidelines for the sale of natural gas by NELP contractors. The guidelines apply for an initial period of five years. Contractors are permitted to sell to consumers in accordance with marketing priorities determined by the Government of India on the basis of an approved pricing formula. If consumers in a particular higher priority sector are not in a position to take gas when it becomes available, it will go to the sector next in the order of priority. The priority for supply of gas from a particular source would apply only among customers not connected to an existing and available pipeline network connected to a source.

15. Zambian Regulatory Matters

15.1 The Zambian Mines and Minerals Act

The principal act regulating mining activities in Zambia is the Mines and Minerals Development Act No. 7 of 2008 (the “Zambian Mines and Minerals Act”). The Zambian Mines and Minerals Act repealed the previous Mines and Minerals Act, Chapter 213, Volume 13 of the Laws of Zambia (the “Old Zambian Mines and Minerals Act”). The Zambian Mines and Minerals Act has introduced several changes to the Old Zambian Mines and Minerals Act, including, among other things:

- (a) development agreements, which had been given the status of being above legislation in the Old Zambian Mines and Minerals Act, have been revoked under the provisions of Section 160 of the Zambian Mines and Minerals Act. Please see the risk factor entitled “All of KCM’s assets and operations are located in Zambia and KCM is subject to regulatory, economic, social and political uncertainties in Zambia” in the section headed “Risk Factors” and paragraph 3.5 of Part V: “Operating and Financial Review Relating to the Vedanta Group” of this Prospectus for further details; and
- (b) section 13 of the Zambian Mines and Minerals Act makes it mandatory, as far as is possible, for a holder of a mining right and mineral processing licence to give preference to: (a) materials and products manufactured in Zambia; (b) services agencies located in Zambia and owned by Zambian-owned companies; and (c) Zambian employees in granting employment, and makes it mandatory for the holder of the mining right or mineral processing licence to conduct advancement training programmes to enable employees to qualify for advancement.

The above changes tie in with the provisions of the Citizens Economic Empowerment Act of 2006 (the “Zambian Citizens Economic Empowerment Act”), which was established to set out a legislative framework for the economic participation of Zambian citizens and companies in the Zambian economy. The Zambian Citizens Economic Empowerment Act aims to achieve this through policies on employment opportunities, grants of licences and concessions and award of public tenders and contracts in various sectors including, in particular, the mining sector. The Citizens Economic Empowerment Commission, which was established under the Zambian Citizens Economic Empowerment Act, is tasked with setting out codes and guidelines and monitoring compliance with the Zambian Citizens Economic Empowerment Act.

The licence and permit regime has essentially remained the same under the Zambian Mines and Minerals Act as under the Old Zambian Mines and Minerals Act, since no new rights or licences have been introduced and no old rights or permits have been revoked.

The right to explore for and extract minerals is authorised by licences and/or permits that are granted by the Ministry of Mines and Minerals Development, headed by the Director of Mines pursuant to the provisions of the Zambian Mines and Minerals Act. The Zambian Mines and Minerals Act provides for such rights as secure title to mining rights, the right to renewal of mining and minerals licences upon satisfaction of licence conditions, the right to remedy licence defaults, the deferment of royalties in certain instances, the right to assign licence interests, the confidentiality of mining information, and international arbitration of disputes. The Zambian Mines and Minerals Act also provides for the registration of mining rights in a register maintained by the Zambian Minister of Mines and Minerals Development (the “Zambian Minister”), which registration secures the rights of the holder.

The *Zambian Mines and Minerals Act* requires that the consent of the *Zambian Minister* be obtained before the transfer of a large-scale mining licence can be effected and also before any change in the control of a company holding a mining licence. The consent of the *Zambian Minister* must, however, not be unreasonably withheld.

The process of obtaining the *Zambian Minister's* consent is triggered by way of an application letter for consent addressed to the *Zambian Minister* giving the *Zambian Minister* pertinent details of the transaction for which the consent is being sought. Upon such application, the *Zambian Mines and Minerals Act* allows the *Zambian Minister* to call for and obtain such information as is reasonably necessary. The *Zambian Minister's* response is given by way of a letter granting consent.

15.2 Environmental Law

The legislative framework for environmental regulation of the mining industry in Zambia is primarily regulated by the provisions of the *Zambian Mines and Minerals Act*. Mining operations are also regulated by the provisions of the *Environmental Management Act No. 12 of 2011* (the “*EMA Act*”) which was enacted in April 2011 and repeals and replaces the provisions of the *Environmental Protection and Pollution Control Act* (the “*EPPC Act*”), Chapter 204, Volume 12 of the *Laws of Zambia*. The various regulations under the *EPPC Act* remain in force. The new *EMA Act*, among other things, governs emissions, waste and general pollution control by mining companies.

The *EMA Act* requires a person to be licenced for emissions likely to cause pollution, waste management activities and hazardous waste management, for the use of pesticides and toxic substances, allowing excessive noise emission and the mining or processing of radioactive ores. The *Minister* is empowered to attach conditions to the licences and to prescribe procedures for the grant, modification, refusal, renewal, transfer or revocation of licences.

A mining company must comply with the regulations under the *EPPC Act* and Part IX of the *Zambian Mines and Minerals Act* relating to safety, health and environmental protection. Compliance with these regulations is taken into account by the *Director of Mines* when deciding whether or not to grant any mining right or mineral processing licence.

The relevant regulations still in force under the repealed *EPPC Act* are as follows:

- the *Pesticides and Toxic Substances Regulations 1994*;
- the *Waste Management (Licensing of Transporters of Wastes and Waste Disposal Sites) Regulations 1993*;
- the *Water Pollution Control (Effluent and Waste Water) Regulations 1993*;
- the *Air Pollution Control (Licensing and Emission Standards) Regulations 1996*; and
- the *Environmental Protection and Pollution Control (Environmental Impact Assessment) Regulations 1997*.

The *Zambian Mines and Minerals Act* requires that an applicant for a large-scale mining licence submit, along with its application, an environmental management plan, including proposals for the treatment of waste, protection and reclamation of land and water resources and for eliminating or minimising the adverse effects on the environment of mining operations.

Part IX of the *Zambian Mines and Minerals Act* also regulates schemes on the environment, health and safety in Zambia.

15.3 The *Zambian Lands Act*

The ownership of land is governed by the *Lands Act of 1995*, Chapter 184, Volume 12 of the *Laws of Zambia* (the “*Zambian Lands Act*”). Under the *Zambian Lands Act*, all land in Zambia is vested in the *President of Zambia* who holds the land in perpetuity for, and on behalf of, the people of Zambia. However, the *President*, pursuant to the provisions of the *Zambian Lands Act*, delegates this responsibility to the *Commissioner of Lands*, who administers all land in the name of the *President*.

Land in Zambia is divided into land held under leasehold tenure (known as “*State Land*”) and land held under customary tenure. Land held under leasehold tenure is administered directly by the *Commissioner of Lands* acting on behalf of the *President*, while land held under customary tenure is administered by local chiefs according to local customary laws of the area where the land is located. The *Zambian Lands Act* recognises customary tenure and allows for the conversion of land held

under customary tenure to leasehold tenure. However, the law does not allow the reversion of leasehold tenure back to customary tenure. The *Zambian Lands Act* empowers the Commissioner of Lands to issue title to land on a leasehold basis for a term of 99 years.

Ownership of land and property in general is protected by the Bill of Rights under the Constitution of Zambia, Chapter 1, Volume 1 of the Laws of Zambia. A referendum is required to amend the Bill of Rights.

Further, under the *Lands Acquisition Act* of 1970, Chapter 189, Volume 12 of the Laws of Zambia, the compulsory acquisition of land by the State is proscribed except in limited circumstances and then only upon payment of adequate compensation for the land.

The *Zambian Mines and Minerals Act* and the *Lands and Deeds Registry Act* of 1995, Chapter 185, Volume 12 of the Laws of Zambia provide that the holder of a prospecting licence may exercise prospecting rights on third party-owned land held under customary tenure.

SECTION B: INFORMATION ON THE CAIRN INDIA GROUP

1. Overview

The Cairn India Group is primarily engaged in the business of surveying, prospecting, drilling, exploring, acquiring, developing, producing, maintaining, refining, storing, trading, supplying, transporting, marketing, distributing, importing, exporting and generally dealing in minerals, oils, petroleum, gas and related by-products and other activities incidental to the foregoing. As at 11 August 2010, the Cairn India Group had the second largest gross oil and gas reserves and resources in India among private sector oil companies. As part of its business activities, the Cairn India Group also has rights to explore and develop oil exploration blocks in the Indian sub-continent and Sri Lanka.

Gross production of the Cairn India Group has grown from approximately 66 kboepd in the fifteen months ended 31 March 2009, to approximately 69 kboepd in the 12 months ended 31 March 2010 and to approximately 149 kboepd in the 12 months ended 31 March 2011. In the three months ended 30 June 2011, average daily gross production was approximately 172 kboepd.

The Cairn India Group's principal production asset is a 70 per cent. participating interest in three contiguous development areas totalling 3,111 square km in the Rajasthan Block pursuant to the Rajasthan Block PSC that runs until 2020. The first phase of development, including the commissioning of the MPT, was completed on 29 August 2009 and sales of crude oil through a heated pipeline of approximately 590 km for the transportation of crude oil produced at the Rajasthan Block (the "Pipeline") commenced on 15 June 2010. As at 31 March 2011, Cairn India was producing approximately 125,000 bopd from the Rajasthan Block. The Rajasthan Block represents a significant resource base with an estimated aggregate 2P hydrocarbon initially in place of 4.03 bboe as at 31 March 2011.

Cairn India was incorporated in India on 21 August 2006 and was listed on the BSE and the NSE in January 2007. As at 4 December 2011, being the latest practicable date prior to publication of this Prospectus, Cairn India had a market capitalisation of more than US\$11.8 billion.

The following table sets forth information relating to the assets in which the Cairn India Group has an interest and includes its percentage interest, its partner(s), each partner's percentage interest and the operator of the relevant asset.

Block	Interest of Cairn India Group (%)⁽¹⁾	Partner(s) and Interest(s) of Partner(s)⁽¹⁾	Operator
Production			
Block PKGM-1 (the Ravva Block)	22.5	ONGC (40%), Videocon (25%) ⁽²⁾ , Ravva Oil (12.5%) ⁽³⁾	Cairn India
Block CB/OS-2 (the Cambay Basin Block) . . .	40 ⁽⁴⁾	ONGC (50%), Tata (10%) ⁽⁴⁾	Cairn India
Production and Development			
Block RJ-ON-90/1 (the Rajasthan Block)	70	ONGC (30%)	Cairn India
Exploration			
PR-OSN-2004/1	35	ONGC (35%), Tata (30%)	Cairn India
SL 2007-01-001	100	—	CLPL
KG-ONN-2003/1	49	ONGC (51%)	Cairn India
MB-DWN-2009/1	100	—	Cairn India
KG-OSN-2009/3	100	—	Cairn India
Non-Operated Block			
KG-DWN-98/2	10	ONGC (90%)	ONGC
KK-DWN-2004/1	40	ONGC (45%), Tata (15%)	ONGC

Notes:

- (1) Interest is shown on a net participating interest basis pursuant to the relevant PSC.
- (2) Videocon Industries Limited ("Videocon") was formerly a separate corporate entity called Petrocon India Limited, previously called Videocon Petroleum Limited.
- (3) Ravva Oil (Singapore) Pte Ltd ("Ravva Oil") is a wholly-owned subsidiary of Marubeni Corporation, Japan.
- (4) The Cairn India Group has a 40 per cent. participating interest in the Lakshmi, Gauri and CB-X development areas. The rights of CEIPL elsewhere in the Cambay Basin Block have otherwise been relinquished as required by the Cambay Basin Block PSC.

As at 30 June 2011, the gross assets of the Cairn India Group were US\$5,052.5 million. For Fiscal 2010, the Cairn India Group's gain before tax was US\$856 million. For H1 2011, the Cairn India Group's gain before tax was US\$966.3 million.

DeGolyer and MacNaughton estimates that, as at 30 June 2011, the aggregate proved and probable reserves at the Rajasthan Block, the Ravva Block and the Cambay Basin Block were 499,203 10³bbl of oil, 2,283 10³bbl of condensate and 93,509 10⁶ft³ of gas. The Cairn India Group's net participating interest in these reserves is 327,091 10³bbl of oil and condensate and 25,157 10⁶ft³ of gas.

In addition, as at 31 March 2011, Cairn India estimates that the deep water block KG-DWN-98/2, where Cairn India has a 10 per cent. participating interest, contains gross proved and probable resource of 353 mmboc.

2. DeGolyer and MacNaughton's Independent Estimates of Hydrocarbons Initially in Place, Reserves and Contingent Resources in Respect of Areas under Development and/or Production

DeGolyer and MacNaughton, independent petroleum engineering consultants, were engaged by Cairn Energy and Vedanta to prepare estimates of the proved, probable and possible oil, condensate, and sales gas reserves and the contingent and prospective resources contained within the areas under development and/or production of the Cairn India Group as at 30 June 2011. DeGolyer and MacNaughton's letter report on those estimates is contained in Section B of Part IV: "Ore Reserves and Mineral Resources Information" of this Prospectus.

The table below lists the original oil in place ("OOIP") and the original gas in place ("OGIP") estimates that were used in the estimation of reserves by field.

	OOIP and OGIP Used in Estimating Reserves					
	Proved		Proved plus Probable ⁽¹⁾		Proved plus Probable plus Possible ⁽¹⁾	
	OOIP (10 ³ bbl)	OGIP (10 ⁶ ft ³)	OOIP (10 ³ bbl)	OGIP (10 ⁶ ft ³)	OOIP (10 ³ bbl)	OGIP (10 ⁶ ft ³)
CB/OS-2 PSC						
CB-X	—	7,657	—	7,657	—	7,657
Gauri	16,676	149,977	16,676	149,977	16,676	155,084
Lakshmi	54,161	234,970	61,389	242,236	84,165	250,647
CB/OS-2 Total	70,837	392,604	78,065	399,870	100,841	413,388
RJ-ON-90/1 PSC						
Aishwariya	315,495	—	334,563	—	388,133	—
Bhagyam	529,791	—	552,892	—	569,682	—
Mangala	1,220,192	—	1,283,323	—	1,283,323	—
Raageshwari Shallow	35,925	—	55,721	—	90,849	—
Raageshwari Deep	—	324,411	0	429,323	—	547,045
Saraswati	8,237	—	14,452	—	23,054	—
RJ-ON-90/1 Total	2,109,640	324,411	2,240,951	429,323	2,355,041	547,045
PKGM-1 License Area						
Ravva	—	—	—	—	—	—
Grand Total	2,180,477	717,015	2,319,016	829,193	2,455,882	960,433

Note:

(1) Probable and possible in place volumes have not been adjusted for risk.

3. Summary of Cairn India's Estimates of Hydrocarbons Initially in Place, Reserves and Contingent Resources in Respect of Blocks KG-DWN-98/2 and KG-ONN-2003/1

Cairn India uses various measures of hydrocarbons to make decisions regarding exploration priorities and investment in field developments. In the exploration phase, estimates of hydrocarbons initially in place, and the associated estimate of prospective resources are essentially speculative and subject both to a binary risk (probability of success or failure) and considerable uncertainty of volumetric magnitude. Following successful exploration and appraisal work, and as a field matures technically and commercially through development work and actual production, it becomes possible for Cairn India to make estimates, which

may change over time, of the volumes of hydrocarbons or reserves that, in varying degrees of certainty or uncertainty, will ultimately be recoverable.

Cairn India relies primarily on estimates of proved plus probable (“2P”) reserves for the purposes of significant capital investment decisions. For the purposes of financial accounting under IFRS, Cairn India depletes expenditure on property, plant and equipment—development/producing assets, depletes on a unit-of-production basis, based on 2P reserves on a field-by-field basis. In certain circumstances, fields within a single development area may be combined for depletion purposes.

Finally, as a further measure of the potential commerciality of known accumulations of hydrocarbons in Cairn India’s areas, estimates of contingent resources are also used. The estimation of these resources, and the likelihood that they may in the future be reclassified as reserves, depends on Cairn India’s ability to prove commercial and technical viability of recovery within a reasonable timeframe. Cairn India employs reserves and resources definitions according to the Society of Petroleum Engineers and the World Petroleum Council International Standards which provide detailed descriptions for each category of reserves and resources.

Set forth in the table below is certain data regarding Cairn India’s estimates of gross hydrocarbons initially in place, gross and net participating interest reserves and gross contingent resources from fields within blocks KG-DWN-98/2 and KG-ONN-2003/1 as at 31 March 2011.

	Gross Proved plus Probable Hydrocarbons Initially in place (mmboe)	Gross Proved plus Probable Reserves and Resources (mmboe)	Net Participating Interest Proved plus Probable Reserves and Resources (mmboe)
KG-DWN-98/2	650	353	35
KG-ONN-2003/1	<u>57</u>	<u>11</u>	<u>5</u>
Total (including EOR)	<u>707</u>	<u>364</u>	<u>40</u>

4. Rajasthan Block

4.1 Overview

The majority of the estimated hydrocarbons in place, 2P reserves and contingent resources attributable to fields in which Cairn India has an interest are contained in the Rajasthan Block. The Cairn India Group’s primary asset is a 70 per cent. participating interest in the Development Area, which is located in a former exploration area that was originally approximately 11,000 square km. On 16 January 2004, the Mangala field in the Development Area was discovered.

As at 30 June 2011, DeGolyer and MacNaughton estimates that the Mangala field had proved and probable reserves of 295,034 10³bbl of oil, with the Cairn India Group’s net participating interest in those reserves being 206,524 10³bbl. Cairn India is currently producing 125,000 bopd from the Mangala field and it believes that the Mangala field has the potential to produce 150,000 bopd based on results from the ongoing development drilling campaign.

As at 30 June 2011, DeGolyer and MacNaughton estimates that the Bhagyam field had proved and probable reserves of 118,634 10³bbl of oil, with the Cairn India Group’s net participating interest in those reserves being 83,043 10³bbl. As at 30 June 2011, DeGolyer and MacNaughton estimates that the Aishwariya field had proved and probable reserves of 27,799 10³bbl of oil, with the Cairn India Group’s net participating interest in those reserves being 19,460 10³bbl. Cairn India believes that the Bhagyam field has the potential to produce 40,000 bopd and the Aishwariya field another 10,000 bopd. Cairn India estimates that, due to an increase of STOIP in the Aishwariya field, the peak rate could further increase.

As at 31 March 2011, Cairn India had made 25 discoveries in the Rajasthan Block. The fields are at different stages of understanding and evaluation and many are still subject to significant appraisal. As at 31 March 2011, Cairn India estimates that the aggregate gross 2P hydrocarbons initially in place attributable to the existing discovered fields in the Rajasthan Block accumulations were approximately 4 bboe. In addition, the Rajasthan Block has further exploration potential and the prospective resource base is currently estimated by Cairn India to be 2.5 bboe, resulting in an aggregate of 6.5 bboe in the Rajasthan Block.

The second phase of the development of the Rajasthan Block, including the development of the Bhagyam and Aishwariya fields and the construction and installation of the 80 km Salaya to Bhogat section of the Pipeline (“Phase II”), is underway. While there are increased execution challenges, construction work is ongoing on the remaining Salaya to Bhogat section of the Pipeline, including the Bhogat terminal and marine facility. This is expected to be completed during the second half of 2012.

The Rajasthan Block comprises three contiguous development areas as follows:

- Mangala, Aishwariya, Raageshwari and Saraswati fields;
- Bhagyam and Shakti fields; and
- Kaameshwari West fields.

Currently, the Bhagyam, Shakti, Aishwariya, Saraswati and Raageshwari oil fields are all under active development planning. The Mangala, Bhagyam and Aishwariya fields (collectively, the “MBA Fields”) are the largest in the Rajasthan Block. The Mangala field was the first to be developed and commenced production of commercial crude oil in August 2009. The Bhagyam field is expected to commence production in the fourth quarter of 2011, subject to Government of India approval, and the Aishwariya field is expected to commence production in the second half of 2012. Cairn India is the operator in each of the MBA Fields. EOR studies are currently ongoing in the Mangala field and Cairn India expects that the probable reserves and resources will increase by 308 mmboc.

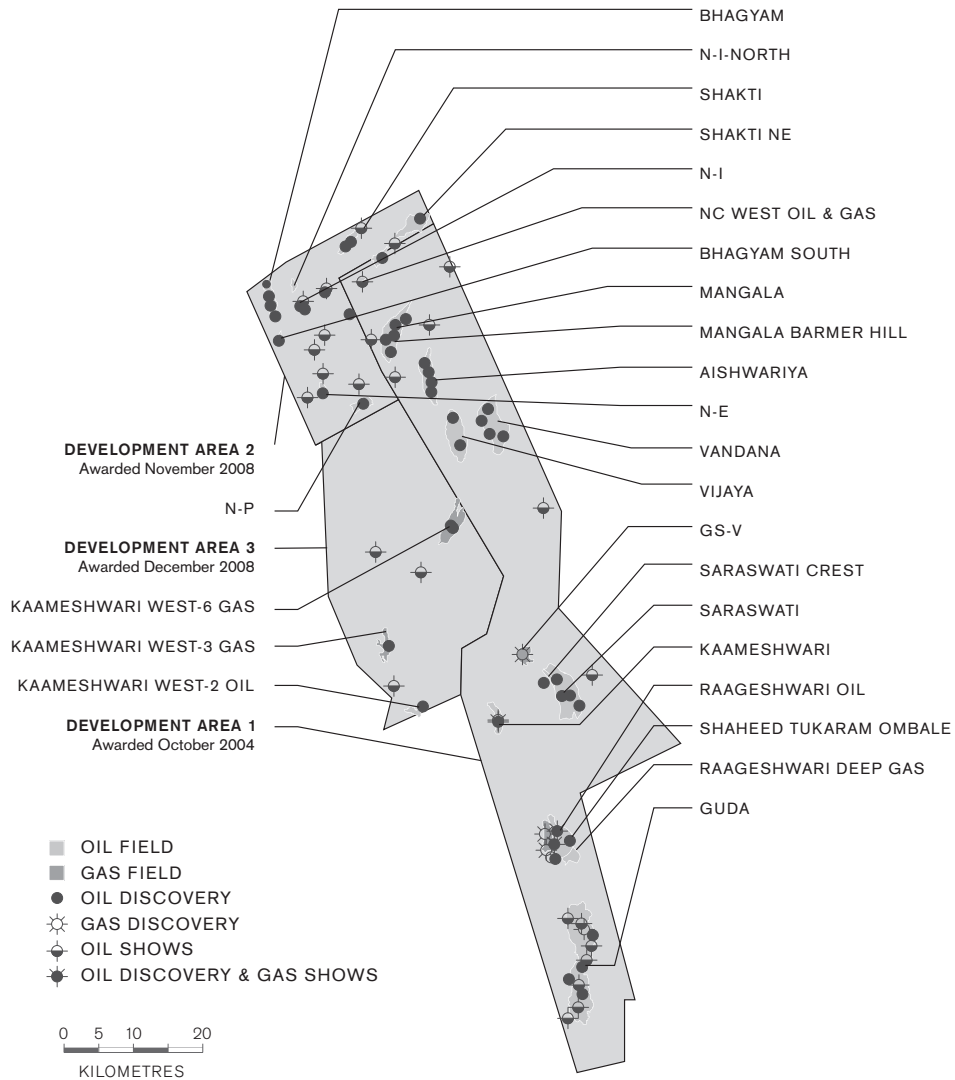
In addition, Cairn India has completed the first phase of the MPT, a centralised hub facility to handle crude oil production from, among other things, the MBA Fields. As at 31 March 2011, the MPT has a total planned processing capacity of 205,000 bopd, with flexibility to expand such capacity subject to approvals from the MoPNG and the DGH and additional investments.

The other fields in the Rajasthan Block comprise smaller or low permeability fields and reservoirs requiring further evaluation.

Cairn India is working in partnership with its joint venture partner, the Government of India, acting through ONGC, and the Government of Rajasthan in the Rajasthan Block. Under the Rajasthan Block PSC, the Government of India is obliged to purchase the crude oil produced from the Rajasthan Block. However, the Government of India has granted permission to Cairn India to sell the crude oil produced to private refineries and, as at 31 March 2011, Cairn India was selling the crude oil to both private refineries and the Indian Oil Corporation Limited (“IOC”). As at 31 March 2011, commercial sales arrangements were in place for 155,000 bopd with PSUs and private refineries. Any additional sales to PSUs, refineries, Special Economic Zone refineries and overseas are subject to approval from the Government of India.

The Rajasthan Block PSC was signed in May 1995 between the Government of India and a consortium consisting of ONGC and SIPD. Cairn India acquired its interest in the Rajasthan Block PSC in three stages, eventually acquiring a 100 per cent. beneficial interest in the assets and liabilities as of May 2002 and acquiring legal title to this 100 per cent. interest on 20 June 2003. Under the Rajasthan Block PSC, the Government of India, acting through ONGC, had an option to acquire a participating interest of 30 per cent. in any development area containing a commercial discovery. The Government of India exercised this right in all three development areas, specifically, the Mangala development area in 2005, the Bhagyam and Shakti development areas in 2007 and the Kameswari development area in 2009, in each case acting through ONGC and acquiring a 30 per cent. participating interest.

The Development Area, together with the main discoveries and prospects, is illustrated below.



Cairn India’s principal focus is the development of the discoveries in the northern part of the Rajasthan Block, namely the MBA Fields for which FDPs have been approved. The first phase of the development of the Rajasthan Block, including the development of the Mangala field, the commissioning of the MPT and the Pipeline (“Phase I”) is complete and commercial production from the Mangala field commenced in August 2009. The approved FDPs for the MBA Fields provide for a plateau production rate for Mangala, Bhagyam and Aishwariya of 125,000 bopd, 40,000 bopd and 10,000 bopd, respectively, with the aggregate plateau production rate at 175,000 bopd.

The gross development capital expenditure for the Rajasthan Block was approximately US\$4 billion, comprising US\$1 billion for the construction of the Pipeline and approximately US\$3 billion for the development of upstream facilities, of which an aggregate of approximately US\$3.1 billion was spent as at 30 June 2011. The development to date includes the construction of the MPT which is designed to process up to a nameplate capacity of 205,000 bopd through four processing trains, the Pipeline and export system, the sub-surface saline water supply, the gas and power generation system and the development wells.

The Barmer Basin is a NNW-SSE oriented rift basin with normal fault growth having occurred mainly during the Palaeocene-Eocene age. The rift basin was developed in a terrain consisting of Pre-Cambrian granitic and metamorphic rocks, Mesozoic sediments (including significant sandstone formations) and Deccan Trap volcanics and volcanoclastics. The Barmer Basin exhibits a marked deepening from north to south along its axis, accompanied by changes in the structural configuration.

The basin has been informally subdivided into the Northern Fields and Southern Fields at an approximate line of latitude immediately north of the Saraswati field. The Northern Fields are in

general relatively simple large-scale tilted fault blocks, with a series of stacked fluvial sandstones of the Fatehgarh group as the principal reservoir rocks. The Southern Fields consist of two principal plays, namely, a shallow crude oil accumulation in fields such as the Saraswati, Guda and Raageshwari oil fields and a deeper gas accumulation beneath these fields, such as in the Raageshwari deep gas field.

The crude oil in the majority of fields in the Rajasthan Block is characterised by its high pour point and its propensity to solidify at certain temperatures. Accordingly, the crude oil needs to be kept hot during processing and transportation and even under reservoir conditions where water injection is employed as a recovery method, the water needs to be heated to ensure that the temperature of the crude oil in the reservoir does not fall below the pour point.

4.2 Production from the Rajasthan Block

(a) MBA Fields

The MBA Fields' STOIP is in excess of 2.0 billion bbls. The current approved rate from the MBA Fields is 175,000 bopd (comprising 125,000 bopd from the Mangala field, 40,000 bopd from the Bhagyam field and 10,000 bopd from the Aishwariya field). Cairn India believes that the resource base in the Rajasthan Block will enable Cairn India to produce 240,000 bopd, subject to receipt of regulatory and joint venture partner approvals and additional investments. As at 31 March 2011, the Mangala field contained nearly 1.3 billion bbls of STOIP in the Fatehgarh formation, with 439 mmbbls recoverable through water flood. Development drilling on the field commenced in January 2009, and 143 wells from 18 pads had been drilled as at 31 March 2011, with a combination of horizontal wells with screens, deviated producers and mono-bore water injectors. This represents approximately two thirds of the wells planned for the field-wide development. Results from these wells have confirmed the geological and reservoir understanding of the field and the STOIP estimates. Performance of the horizontal wells has been better than expected, with an average production rate greater than 11,500 bopd. In consideration of these results, Cairn India believes that the Mangala field has the potential to produce 150,000 bopd. Moreover, the increased off-take rate from the Mangala field would have no impact on the ultimate technical recovery from the field. The proposed increase in production also requires further regulatory approvals.

(b) Northern Fields

(i) Mangala Field

The Mangala field, which was discovered in 2004, is the largest field in the Barmer Basin in the State of Rajasthan. As at 30 June 2011, DeGolyer and MacNaughton estimates that the Mangala field had proved and probable reserves of 295,034 10³bbl of oil, with the Cairn India Group's net participating interest in those reserves being 206,524 10³bbl. In addition, DeGolyer and MacNaughton estimates that, as at 30 June 2011, the Mangala field had gross contingent resources of 181,318 10³bbl of oil on a low estimate, 388,137 10³bbl of oil on a best estimate and 474,052 10³bbl of oil on a high estimate.

The main reservoir unit in the Mangala field is of the late Palaeocene Age Fatehgarh group which is also common to the other Northern Fields. The Fatehgarh sequence consists of stacked reservoir units of interbedded sands and shales. The Fatehgarh sandstones exhibit world-class reservoir characteristics, with porosities ranging from 21 per cent. to 26 per cent. and in situ permeability of 0.2 to 20 Darcies. The structure is a simple tilted fault block, bounded to the west and north by first and second order faults, respectively, with the field structure dipping at around nine degrees toward the south-east. The depth of the crest of the structure is only 600 metres below sea level, with crude oil-water contact at 960 metres below sea level. Ground elevations are in the order of 200 metres above mean sea level. The Fatehgarh crude oil column covers an area in excess of 13 square km.

The Mangala field's crude oil is waxy and sweet, having a low sulphur content averaging 27.3 degrees API and a relatively high pour point of 40 degrees Celsius to 45 degrees Celsius. The reservoir is normally pressured and hot water flooding is typically implemented to maintain reservoir pressure and efficiently sweep the oil.

The Mangala FDP recommends the drilling of wells from the well pads that will significantly reduce the overall footprint and environmental impact. Consequently, all wells are deviated to some extent. A total of 18 well pads have been drilled and production wells will be required to be lifted by pump when water breakthrough occurs. Cairn India intends to use hot water circulation as the artificial lift method.

The Mangala FDP envisages drilling 162 development wells, out of which 11 are horizontal producers. A total of 148 Mangala development wells have been drilled, of which 96 are complete; of these, currently 64 wells are producing and 25 injector wells are injecting water into the reservoirs. The other wells will be brought on stream in a staged manner. The commercial production in the Mangala field commenced with the initial production of approximately 6,000 bopd and, from July 2010, at the approved peak rate of 125,000 bopd. Based on the well deliverability, Cairn India believes there is further potential to increase the peak rate from 125,000 bopd to 150,000 bopd, subject to regulatory and joint venture approvals.

Set out below is the gross production of crude oil from the Mangala field and Cairn India's net participating interest with regard to such production for the periods indicated.

	For the year ended 31 December						For the six months ended 30 June			
	2008		2009		2010		2010		2011	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
	(mmbbls)									
Mangala field	—	—	1.6	1.2	27.8	20.4	5.6	4.2	22.0	12.7

(ii) **Bhagyam Field**

The Bhagyam field is the second largest discovery in the Rajasthan Block, after the Mangala field. As at 30 June 2011, DeGolyer and MacNaughton estimates that the Bhagyam field has proved and probable reserves of 118,634 10³bbl of oil, with the Cairn India Group's net participating interest in those reserves being 83,043 10³bbl. In addition, DeGolyer and MacNaughton estimates that, as at 30 June 2011, the Bhagyam field had gross contingent resources of 94,497 10³bbl of oil on a low estimate, 165,741 10³bbl of oil on a best estimate and 224,695 10³bbl of oil on a high estimate.

The Fatehgarh group reservoir at Bhagyam is of high quality, with slightly higher permeability than in the Mangala field. Bhagyam crude oil is waxy and sweet and of medium gravity averaging 26 degrees API and has a pour point of 39 degrees Celsius to 45 degrees Celsius which is similar to the pour point of the crude oil from the Mangala field.

Further, there is slightly more variation in crude oil type with depth at the Bhagyam field than in the other Northern Fields with a variation from 21 degrees API close to the crude oil water contact and up to 33 degrees API at the crest. Moreover, the Bhagyam field has a very small gas cap in the Fatehgarh group accounting for approximately 1.5 per cent. of the total reservoir pore volume.

The development of the Bhagyam field will involve the drilling of 81 wells, with a total of 33 development wells having been drilled as at 30 June 2011.

The Bhagyam FDP was approved in 2008 with the plateau oil production rate of 40,000 bopd. The crude oil from the Bhagyam field will be processed at the MPT and development work is ongoing. Cairn India is expecting to commence production in the Bhagyam field in the fourth quarter of 2011, subject to Government of India approval. The reservoir and facilities will require some time for the gradual and safe ramp-up of production to achieve the currently approved FDP plateau rate of 40,000 bopd.

(iii) **Aishwariya Field**

The Aishwariya field is located in the northern Barmer Basin in the State of Rajasthan, immediately south of the Mangala field, and was discovered in March 2004. As at 30 June 2011, DeGolyer and MacNaughton estimates that the Aishwariya field had proved and probable reserves of 27,799 10³bbl of oil, with the Cairn India Group's net participating

interest in those reserves being 19,460 10³bbl. In addition, DeGolyer and MacNaughton estimates that, as at 30 June 2011, the Aishwariya field had gross contingent resources of 40,733 10³bbl of oil on a low estimate, 117,097 10³bbl of oil on a best estimate and 178,266 10³bbl of oil on a high estimate.

The basin is a tertiary rift, consisting predominantly of Palaeocene-Eocene sediments. The main reservoir unit in Aishwariya is of the Fatehgarh group, consisting of stacked reservoir units of interbedded sands and shales. The reservoir characteristics of the Fatehgarh sands vary from moderate to excellent with porosities ranging from 12 per cent. to 26 per cent. and in-situ permeabilities ranging from 10 milli-Darcies to over 20 Darcies. The Aishwariya structure is a simple tilted fault block, dipping at around 12 degrees to the east.

The Aishwariya field's crude oil is waxy and sweet, having a low sulphur content with an API gravity ranging from 27 degrees to 32 degrees API. As with the Mangala field, the crude oil has a relatively high pour point of 40 degrees Celsius to 45 degrees Celsius. The reservoir is normally pressured and hot water flooding is typically implemented to maintain reservoir pressure and efficiently sweep the oil. Similar to the Mangala field, when water breakthrough occurs, artificial lift techniques will need to be applied in the production wells. Cairn India intends to use hot water circulation as the artificial lift method.

The Aishwariya FDP recommends a drilling programme of up to 51 development wells to recover the reserves using the water flood method. The Aishwariya FDP also indicates an approved gross plateau rate of 10,000 bopd. Based on the increase in reserves since the Aishwariya FDP was submitted, Cairn India anticipates a plateau production rate of 20,000 bopd. The oil produced from the Aishwariya field will be processed at the MPT. Crude oil production is expected to commence in the second half of 2012, subject to ONGC and Government of India approval. The tendering process for both the long lead main equipment items and the main engineering, procurement and construction contracts are at an advanced stage.

(iv) Raageshwari Deep Gas Field

The Raageshwari deep gas field is designed to supply gas to meet the energy requirements at the MPT and the Pipeline. As at 31 March 2011, 19 new wells were drilled and completed in addition to the existing three gas producing wells. As at 31 March 2011, hydraulic fracturing operations had also been completed in seven development wells with four to five zones fractured in each well. These fracturing operations have been successful in increasing the flow rate with wells having flow rates of up to 20 mmscfd, which is five times the rates previously achieved from this reservoir.

The Raageshwari FDP is in respect of approximately 35 wells in total with gas processing at the Raageshwari Gas Terminal. The processed gas is transported to the MPT through the Pipeline for captive consumption.

(c) Southern Fields

(i) Raageshwari Field

The Raageshwari crude oil field is located at the northern end of the Central Basin High within the Barmer Basin and was discovered in 2003.

A 3D seismic survey over this area of the Rajasthan Block has identified that the Raageshwari crude oil field is separated into various fault blocks which are likely to require individual drain points to develop the field's reserves.

The shallow Thumbli sandstone reservoir is the primary reservoir in the field. The Thumbli section is a relatively low permeability sandstone formation of laminated sands and shales. The typical porosity ranges from 20 per cent. to 35 per cent., with permeability varying from 10 milli-Darcies to 250 milli-Darcies.

The Raageshwari field also has a gas cap which will provide natural pressure support when the field is under production, but Cairn India intends to retain the gas cap for later recovery once crude oil production has begun.

The crude oil from the Raageshwari field has a typical crude oil gravity of 35 degrees API, a high wax content and a relatively high pour point though not as high as the crude oil found in the Northern fields.

The approved FDP for the Raageshwari crude oil field will utilise 13 wells (11 new and two existing wells) in the first phase and two drilling campaigns. The first phase of development drilling has been completed and oil production from the Raageshwari oil field is scheduled to commence in the twelve months to 31 March 2012.

The approved FDP focuses on the use of the minimum facilities to provide separation, metering, and flow lines with the associated infrastructure and utilities. Crude oil, water and associated gas from the well heads is processed through production and separation units at the MPT in the MBA Fields. In the Raageshwari and Saraswati fields, oil will be processed through separators at well pads.

As at 30 June 2011, DeGolyer and MacNaughton estimates that the Raageshwari shallow gas field had proved and probable reserves of 3,535 10³bbl of oil and the Raageshwari deep gas field had proved and probable reserves of 1,746 10³bbl of condensate, with the Cairn India Group's net participating interest in those reserves being 2,475 10³bbl and 1,223 10³bbl, respectively. In addition, DeGolyer and MacNaughton estimates that, as at 30 June 2011, the Raageshwari deep and shallow gas fields had combined gross contingent resources of 479, 923 and 2,578 10³bbl of oil, 706, 1,452 and 2,672 10³bbl of condensate and 113,388, 173,392 and 249,953 10⁶ft³ of gas on a low, best and high estimate, respectively.

(ii) **Saraswati Field**

The Saraswati field was discovered by Cairn India in 2001. There are two reservoir types in this field, the Fatehgarh Group Sandstone Reservoir and the Higher Barmer Hill Formation sandstones. The Fatehgarh formation at this location is approximately 65 km south of the Mangala field, at a deeper depth and lower quality as compared to the Northern Fields with porosity of 15 per cent. to 20 per cent. and permeability of between 50 milli-Darcies to 100 milli-Darcies. The Barmer Hill formation is tight but there is strong evidence of a fracture system at Saraswati which would increase its production potential, unlike in the Northern Fields.

The Saraswati field's crude oil is light and sweet, with a low sulphur content, and has a typical crude oil gravity of 40 degrees API. Similar to crude oil from the other fields in the Rajasthan Block, it has a high wax content, but its pour point is lower, at 30 degrees Celsius. As at 30 June 2011, DeGolyer and MacNaughton estimates that the Saraswati field had proved and probable reserves of 1,459 10³bbl, with the Cairn India Group's net participating interest in those reserves being 1,021 10³bbl.

The approved FDP incorporates two existing wells and these wells will produce from standalone surface locations. As at 30 June 2011, four new development wells as part of phase one had been drilled and three additional wells as part of phase two will be drilled later. Additional wells will be drilled if required for optimal recovery. The Saraswati field commenced production in May 2011 and is currently producing at a rate of 250 bopd. This oil is being processed at the MPT and is being co-mingled with the Mangala oil sold through the Pipeline.

The chosen development concept focuses on facilities to provide separation, metering and flow lines with the associated utilities and infrastructure. Crude oil, water and associated gas will be processed through production and separation units on each of the planned pads.

(d) **Barmer Hill and Other Fields**

In addition to the MBA, Raageshwari and Saraswati fields, Cairn India has discovered 20 other fields (including the Barmer Hill formation). From the development drilling results and further evaluation of the Barmer Hill formation overlying the Mangala and Aishwariya Fatehgarh Formation reservoirs, Cairn India has identified increased potential in the basin. Fields in other parts of the world with characteristics similar to the Barmer Hill are being developed and have demonstrated recovery factors of 7 per cent. to 20 per cent.

Since the Barmer Hill reservoir is less permeable than the main Fatehgarh formation reservoir, fracturing of horizontal wells is being planned to optimise the well count and deliver high online production rates. A declaration of commerciality for Barmer Hill has been submitted to the Government of India and a FDP is under preparation. A pilot hydraulic fracturing programme to test the potential of the Barmer Hill formation is planned, subject to Government of India approval. The pilot programme will allow evaluation of the appropriate cost-effective technology for a fully optimised development of this low permeability oil resource base.

A FDP covering fields in the Kaameshwari West development area has also been submitted to the Government of India.

(e) Crude Oil Sales

As at 31 March 2011, sales arrangements for 155,000 bopd were in place with PSUs and private refineries. Any additional sales to PSUs, private refineries, Special Economic Zone refineries and overseas are subject to approval from the Government of India and discussions continue with the Government of India for further nominations.

Mangala crude is benchmarked to the low sulphur, internationally traded crude oil known as Bonny Light. The crude oil realisation price is adjusted with the gross product worth (“GPW”) and represents a 10 per cent. to 15 per cent. discount to Brent on the basis of prices prevailing for the 12 months to 30 June 2011.

The crude oil is supplied to the domestic PSUs and the private refineries through the Rajasthan Pipeline. The first phase of the Pipeline from MPT to Salaya is operational and it transports crude oil to the refineries. Once the second phase (the section from Salaya to Bhogat and the marine facility) is ready, Cairn India will have access to approximately 75 per cent. of India’s refining capacity including the coastal refineries.

4.3 Further Potential: Exploration Upside

Cairn India believes there remains an untested prospective resource potential to pursue in the Barmer Basin of the Rajasthan Block.

Over the last two to three years, a full re-evaluation of the Barmer Basin had been undertaken. All 170 exploration and appraisal wells were re-examined, new studies were started and more than 2,700 square km of 3D seismic data was re-processed and re-interpreted. Cairn India has also acquired over 2.2 km of core samples to help gain a better understanding of the geographical and reservoir models. As a result of these studies, Cairn India’s estimate of its 2P reserves and resources in the Rajasthan Block has increased to 250 mboe of exploration upside, equivalent to a most likely in place resource of 2.5 bboe. Discovering and developing these resources, subject to approval from ONGC and the Government of India, is important in realising the full production potential of the Rajasthan Block. Cairn India drilled two exploration wells in the fourth quarter of the financial year ended 31 March 2010. Both wells found hydrocarbons in the Thumbli reservoir, extending the Shaheed Tukaram Ombale (Raageshwari East-1z) discovery made in 2008. The last two exploration wells drilled in the Rajasthan Block, namely, the Tukaram-2 which found six metres of economically producible oil and six metres of economically producible gas, and the Tukaram SE-1 which found 11 metres of economically producible oil. In addition, 2.5 metres of economically producible oil was found in a Dharvi Dungar reservoir and the deeper well Tukaram-2 also found 15 metres of economically producible gas in Fatehgarh, extending the Raageshwari deep gas resource base. Technical evaluation work is ongoing to assess existing and new plays in the basin to generate further prospects in Rajasthan Block.

(a) Northern Fields Development

The Mangala field was the first of the Northern Fields to be developed. Cairn India commenced commercial production of this field in August 2009. Cairn India expects to commence commercial production from the Bhagyam field in the fourth quarter of 2011 and the Aishwariya field in the second half of 2012, subject to ONGC and Government of India approval. The development of the Northern Fields is being managed under a gated system of project control, which monitors and verifies project progress through each of the pre-development, development and post-development phases.

(i) **Mangala Base Development Facilities**

Surface facilities are designed to process the viscous, high pour point, waxy crude oil with a range of associated watercuts to the oil export quality specifications. The MPT is envisaged as the central hub for future development of the Bhagyam and Aishwariya fields. The water required for reservoir pressure maintenance, makeup water for steam generation, power water circulation and plant utility will be drawn from the Thumbli water field. Due to very high energy demand, the plant will consume all associated gas produced and will also require gas as fuel from the Raageshwari deep gas field. The export oil will be pumped into the Mangala pipeline.

(ii) **Mangala Processing Terminal**

The MPT has been designed as a centralised hub facility to handle crude oil production from the fields in the Rajasthan Block that have been discovered by Cairn India. While the initial phase of development of the MPT facility was focused on processing trains, with the higher basin potential currently envisaged Cairn India is now focusing on an overall integrated production facility concept in line with the basin potential. Cairn India continues to invest in the integrated capacity of the MPT as such, since it is the central hub for all fluid handling. The de-bottlenecking of facilities will take the capacity to more than 175,000 bopd by the end of 2012 and, subsequently, in 2013 Cairn India should have sufficient capacity to optimise the MBA production in line with the currently envisaged basin potential of 240,000 bopd. Further investments are planned to augment processing capacity and pipeline infrastructure to deliver the currently envisaged basin potential.

The MPT uses boilers to produce steam, which drives the turbines to generate power. A closed loop system of steam condensate recovery helps to meet the feed water requirement of boilers and the heating requirement of various process units and also the power fluid for injection into the oil wells. This closed loop system has resulted in efficient power management and, in turn, has resulted in lower emissions.

Saline water from the Thumbli aquifer, approximately 20 km from the MPT, is transported through a 20 inch pipeline. Some of this water is desalinated to:

- feed the five boilers at the MPT to generate steam for heating, drive the turbines to generate electricity as well as to aid water flooding of the oil reservoirs, and
- supply portable water and other water needs at the MPT.

The remaining saline water is injected into the oil reservoirs.

Gas is required to fire the boilers to generate steam, which in turn generates the power to heat the waxy crude at an average of 65 degrees Celsius along the Pipeline. The gas comes from the Raageshwari deep gas field located approximately 90 km away from the MPT. The Raageshwari Gas Terminal, with four gas well pads and 35 wells, is designed to produce dry gas of over 30 mmscf. The dry gas is transported through a 12 inch gas pipeline to the MPT and the gas liquids, or condensate, are transported by a separate four inch pipeline.

Reliability of fuel supply for power generation and heating for the Northern Field facilities is critical. The facilities at the Mangala field will be fuelled by using associated gas from the Mangala field itself, supplemented with gas from the Raageshwari deep gas field located approximately 80 km from the site designated for the central power plant as and when required. The gas from the Raageshwari deep gas field will be transported through the Pipeline to the MPT. Cairn India expects that the Raageshwari deep gas field will initially be the fuel source for the facilities at the Mangala field and will also serve as a supplemental or back-up fuel source for the associated gas from the Mangala field itself during the early phase of production and eventually become the primary fuel source for the facilities at the Mangala field as the amount of associated gas diminishes.

The infrastructure currently in place in the Mangala field comprises:

- internal and external communication systems;
- interconnecting roads between facilities and well pads within the Mangala field, the source water wells field and the Raageshwari deep gas field;

- buildings for processing equipment and key infrastructure such as control rooms, office and administrative buildings, warehousing, support services, workshops, a laboratory, a communications centre, a fire station and an ambulance building;
- residential accommodation facilities for field and visiting personnel; and
- a power transmission network.

(b) Enhanced Oil Recovery

EOR techniques are methods of increasing recovery from oil fields. Historically, EOR has been considered as a tertiary recovery method to be applied at the later stage of field life following primary and secondary recovery from the reservoirs.

Cairn India recognised the potential for EOR at an early stage of development in the MBA Fields. The reservoir quality, oil properties and ambient temperature make these fields ideal for the application of chemical flooding EOR methods such as polymer or alkali surfactant polymer flooding. The early application of such chemical flooding is designed to extend crude oil production plateau periods, reduce water production, mitigate future decline rates and potentially accelerate crude oil production. With the viscosity of oil being higher than that of water, the injected water is not able to displace the oil very efficiently, resulting in some bypassed oil under a conventional water flooding scheme.

By adding chemicals such as polymers, the injected water attains a viscosity close to that of the oil, which improves the displacement and overall sweep. In addition, the use of alkali and surfactants along with polymer further increases recovery, as these chemicals act like soap and wash off more oil from the reservoir pore spaces.

Studies conducted by two independent laboratories showed favourable trial results of 30 per cent. to 40 per cent. incremental recovery from the application of EOR in the reservoir core-floods. Detailed field scale modelling and simulation studies carried out incorporating the findings of the laboratory evaluation indicate incremental recoveries of 15 per cent. from the MBA Fields by the application of alkali surfactant polymer flooding.

Cairn India is currently conducting an EOR field pilot in the Mangala field. Eight wells of the pilot, including one producer, four injectors and three observation wells have been drilled, completed and hooked up to the facilities. The inter-well interference test confirmed the expected reservoir quality and good reservoir connectivity in the pilot area. Water injection in the pilot, which started in December 2010, continues to perform in line with expectations. Chemical injection facilities have been fabricated and delivered to the site and commissioning is in progress. The EOR pilot is on track, with the start of the trial polymer injection run in one well in July 2011. Cairn India intends to implement chemical flooding on a field scale in Mangala, followed by Bhagyam and Aishwariya in a staged manner. Cairn India's current assessment of the EOR resource base is more than 300 mmbbls of incremental recoverable oil from the MBA Fields.

Cairn India is a member of a joint industry project on chemical EOR. This project is supported by approximately 30 exploration and production and service companies across the world which sponsors research in chemical EOR. This initiative will provide Cairn India with access to the results of the latest technology and research carried out by the industry.

4.4 Rajasthan Block PSC

The Rajasthan Block PSC establishes a management committee for the Rajasthan Block which consists of four members, two of whom are nominated by and represent the Government of India and the licensee (ONGC), taken together, and two of whom are nominated by and represent the Cairn India Group. The management committee must unanimously approve annual work programmes, budgets, proposals for the declaration of a discovery as commercial, FDPs, and the delineation of or additions to a development area, while all other matters only require a majority vote.

The Rajasthan Block PSC is currently valid until May 2020. Under the PSC, there is a five year extension right, subject to mutual agreement among the parties, and the potential for a further extension period linked to the expected production life of the field that is also subject to mutual agreement among the parties.

Each eligible unit in the Rajasthan Block will benefit from a tax holiday of seven years from the financial year ended 31 March 2010 during which commercial production commenced in the Rajasthan Block. However, during the seven year tax holiday, minimum alternate tax rules will also apply resulting in a tax of accounting profits in accordance with the generally accepted accounting principles as used in India (“Indian GAAP”) as well as under IFRS. Any minimum alternate tax paid can be carried forward (at current rates) for a total period of 10 years from the year of credit and used to reduce corporate tax paid. The minimum alternate tax rate for Fiscal 2012 is 18.5 per cent. with a surcharge of 2 per cent. and an educational cess of 3 per cent.

Under the Rajasthan Block PSC, until such time as India attains self-sufficiency in its crude oil supply, Cairn India is required to sell to the Government of India, or its nominee, all of Cairn India’s entitlement to crude oil and condensate extracted from the Rajasthan Block in order to assist in satisfying domestic Indian crude oil demand. The Government of India is entitled to appoint a nominee to purchase all of the contractor’s entitlement of the crude oil and condensate produced from the Rajasthan Block. However, the Government of India has allowed marketing freedom to Cairn India under the PSC to sell remaining quantities, over and above those allocated to the Government’s nominees, to other domestic private refineries.

Under the Rajasthan Block PSC, all sales are to be valued at a weighted average FOB selling price per barrel of a basket of international crude oils quoted in Platts, a leading provider of energy information, to be agreed by all parties. For any delivery period in which sales take place, the price will be set at an average price per barrel determined by calculating the average for such delivery period of the mean of the high and low FOB prices of the basket for each day adjusted for differences in quality, delivery time, quantity, payment terms and other contract terms to the extent known. In agreeing to an appropriate basket, the parties shall attempt, so far as is reasonably practicable, to choose a mixture and weighting of crude oils which would produce a quality similar to the quality of crude oil expected to be produced from that development area, and to agree what quality adjustment (if any) to the basket price is appropriate. In determining the quality of crude oil, account is to be taken of all relevant characteristics including gravity, sulphur and metal content, pour point and product yield.

The crude oil produced at the Rajasthan Block is sold at a discount to Bonny Light, an international benchmark crude oil as published in Platt’s Crude Oil Market Wire on a daily basis. In the event that there is a dispute between the parties to the Rajasthan Block PSC as to the basis of, or mechanism for, the calculation of the crude oil price, then any party may refer the matter to a sole expert who is to be an independent and impartial person of international standing with relevant qualifications and experience. Under the provisions of the Rajasthan Block PSC, the decision of the sole expert is final and binding on the parties.

5. Block PKGM-1—Krishna-Godavari Basin—Ravva Field

5.1 Overview

Cairn India is the operator of the Ravva Block pursuant to a PSC for the exploration, development and production of the Ravva oil and gas field entered into on 28 October 1994 between ONGC, Videocon, CEIPL and Ravva Oil (the “Ravva PSC”).

Cairn India’s operations in the Ravva Block are centred around the Ravva oil and gas field in the Krishna-Godavari Basin. Developed in partnership with ONGC, Videocon and Ravva Oil, Cairn India became the operator in 1996 working under the Ravva PSC that runs until 2019. Crude oil and natural gas production from the Ravva Block commenced in 1993 and as at 31 March 2011, the Ravva field had produced more than 232 mmboe of crude oil and 278 bcf of gas since commencement of production, more than double the initial expectations.

The Ravva field lies in the Krishna-Godavari Basin which is located offshore of the state of Andhra Pradesh in eastern India in water depths of between approximately zero and 80 metres bathymetry. ONGC discovered the Ravva field in 1987 and production commenced in 1993. CEIPL was designated as the operator under the Ravva PSC. In 1996, Cairn Energy acquired CEIPL, including its interest in the Ravva field, and Cairn India became the operator.

Cairn India holds a 22.5 per cent. participating interest in the Ravva field with the remaining interests currently held by ONGC (40 per cent.), Videocon (25 per cent.) and Ravva Oil (12.5 per cent.) (together, the “Ravva JV”).

5.2 Production from the Ravva Field

For the quarter ending 30 June 2011, average oil production levels at the Ravva field were at the rate of 30,479 bopd. This rate was maintained through the use of 16 crude oil production wells and eight water injection wells. The Ravva field has been in production for over 15 years and is thus considered to be a mature field at a stage of decline. The field produced at a plateau rate in excess of 50,000 bopd for over nine years and is expected to achieve an estimated ultimate recovery of approximately 60 per cent. The Ravva JV has completed an ocean bottom cable 4D seismic data acquisition campaign to identify by-passed oil zones within the field through three infill producers and thereby attempt to arrest the decline of production from the field.

As at 30 June 2011, the Ravva field had produced more than 287 mmbbl since the commencement of production, including 235.24 mmbbls of 36 degrees API crude oil. For H1 2011, the Ravva field's gross production rate was 35,477 boepd, of which Cairn India's net participating interest was 7,982 boepd.

The Ravva JV operates eight unmanned offshore platforms and additional sub-sea pipelines to transfer crude oil and natural gas from offshore and to inject water to the Ravva field to maintain reservoir pressure and to sweep for oil. Cairn India believes that the reservoir management strategy of water flooding utilised for the Ravva field has resulted in the high recovery factor experienced for the field of approximately 43 per cent. of OIIP.

A 225 acre onshore processing facility at Surasaniyanam (the "Ravva Onshore Terminal") owned by the Ravva JV, processes natural gas and crude oil from the Ravva field. The Ravva Onshore Terminal received ISO 14001 certification, an international standard for environmental management systems, in 2005 and has the capacity to handle 70,000 bopd, 95 mmscf of natural gas and 111,000 bopd of injection water. The Ravva Onshore Terminal also has the capacity to store one mmbbls of crude oil onshore.

The processing facilities at the Ravva Onshore Terminal include three stage separator trains, storage tanks, gas and effluent treatment plants as well as a 10 MW CPP.

(a) Crude Oil Production

The Ravva main oil reservoir is of Mid-Miocene age at depths of between 1.5 km and 1.8 km. The average gross production from the Ravva field for H1 2011 was 35,477 boepd.

Set out below is the gross production of crude oil from the Ravva field and Cairn India's net participating interest with regard to such production for the periods indicated.

	For the year ended 31 December						For the six months ended 30 June			
	2008		2009		2010		2010		2011	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Ravva field	15.37	3.46	12.73	2.86	10.71	2.41	5.3	1.2	4.9	1.1

(b) Crude Oil Sales

Pursuant to the Ravva PSC, CEIPL, for itself and on behalf of the Ravva JV, is required to sell to the Government of India all the crude oil produced from the Ravva field during each year at a price and under delivery terms determined in accordance with the terms of the Ravva PSC.

The price of the crude oil produced at the Ravva field is benchmarked to the average of Tapis, a benchmark crude in Malaysia, and Minas, a benchmark crude in Indonesia, less US\$0.60 per barrel without any GPW adjustments. The Government of India has nominated to IOC (Bongaigaon Refinery) and Hindustan Petroleum Corporation Limited to purchase Cairn India's entitlement to crude oil extracted from the Ravva field.

(c) Tolling Arrangement

The Ravva JV has been providing tolling services to ONGC to allow it to transport the crude oil and condensate produced from its own onshore fields through the Ravva JV facilities since December 1998. In H1 2011, 890,477 bbls of this crude oil and condensate were transported through the Ravva JV facilities.

Crude oil from the offshore platforms of the Ravva field is brought to the Ravva Onshore Terminal through five pipelines. After removing the associated natural gas in the three onshore separators, the crude oil is stored at the Ravva Onshore Terminal before being transferred to buyers through an offshore single point mooring buoy. The Ravva Onshore Terminal has the capability to store up to one mmbbls of crude oil onshore allowing for flexibility in the event that offshore loading is hindered by bad weather conditions.

(d) **Natural Gas Production**

As at 30 June 2011, the main field at Ravva was producing 54 mmscfd of natural gas, of which 46 per cent. is associated natural gas (that is, natural gas produced with crude oil from the same reservoir). Non-associated natural gas in the Ravva field is produced mainly from a satellite field of Late-Miocene age natural gas reserves found at depths of between approximately 800 metres and 1.1 km. The satellite field was discovered during exploration drilling undertaken in 1997 and 1998 and production from the field commenced in September 2001. The main field at Ravva has produced at a plateau rate of 35 mmscfd since March 2002.

Set out below are the gross sales volumes of natural gas from the Ravva field and Cairn India's net participating interest with regard to such production for the periods indicated.

	For the year ended 31 December						For the six months ended 30 June			
	2008		2009		2010		2010		2011	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
	(bcf)									
Ravva main field	13.28	2.99	11.20	2.52	9.76	2.20	5.13	1.16	3.92	0.88
Ravva satellite field . . .	12.66	2.85	7.06	1.59	9.00	2.03	3.45	0.78	5.13	1.15
Total	25.94	5.84	18.26	4.11	18.76	4.23	8.58	1.94	9.05	2.03

(e) **Natural Gas Sales**

The Ravva JV has entered into gas sale contracts ("GSCs") with Gail (India) Limited relating to the Ravva main field. The first contract, signed on 27 June 1997, relates to production from the Ravva main field. The second contract, signed on 9 April 2001, relates to the Ravva satellite field. Both GSCs are essentially life of field depletion contracts (though each contract has an expiration date of 28 October 2019 and the GSC for the satellite field provides for the total sales quantities in the GSC).

(f) **Exploration Activity**

While the Ravva field has been producing crude oil and natural gas for over a decade, Cairn India believes that there are considerable exploration and development opportunities remaining. Interpretation and mapping in the Ravva field from the Late-Oligocene to the Pliocene-Pleistocene age has permitted Cairn India to identify exploration prospects in the current producing areas. A comprehensive inventory has been collated, based upon the analysis of block-wide 3D seismic data and from various wells in and around the Ravva field.

4D seismic studies have been conducted to help discover remaining oil that has been un-drained by the current recovery scheme or new prospects in the Ravva Block. The potential benefits of the 4D studies include identifying by-passed hydrocarbons, optimising reservoir management, enhancing exploration evaluation through multi-component data and better imaging. Cairn India is deploying this new technology to try to slow down the decline rate of crude oil in the Ravva field.

An exploration well (RX-9) spudded in June 2006 has now been plugged and abandoned after a test confirmed low volumes of gas and a negligible quantity of high viscous oil.

Cairn India and its joint venture partners are focussed on identifying bypassed oil zones in the reservoir, slowing down the production decline rate and evaluating the scope of further potential in the deeper zones.

Infill drilling of five wells, including one horizontal well, has been completed. Workover activities at the Ravva field to augment oil production and water injection are also in progress. The purpose of the infill campaign is to help slow production decline, add incremental reserves and increase the water injection capacity in the field.

As at 30 June 2011, DeGolyer and MacNaughton estimates that the Ravva field had proved and probable reserves of 45,020 10³bbl of oil, 502 10³bbl of condensate and 69,980 10⁶ft³ of gas, with the Cairn India Group's net participating interest in these reserves being 10,130 10³bbl of oil, 113 10³bbl of condensate and 15,745 10⁶ft³ of gas. In addition, DeGolyer and MacNaughton estimates that, as at 30 June 2011, the Ravva field had gross contingent resources of 6,650, 13,569 and 25,366 10³bbl of oil, 97, 229 and 294 10³bbl of condensate and 19,885, 43,430 and 60,972 10⁶ft³ of gas on a low, best and high estimate, respectively.

5.3 Ravva PSC

The Ravva PSC was signed in 1994. It is currently valid until 28 October 2019, but may be extended by the Government of India for a period of five years. Under the Ravva PSC, Cairn India is entitled to recover 100 per cent. of exploration, development and costs of production from crude oil and natural gas sales before any profit is allocated among the parties.

Under the Ravva PSC, until such time as India attains self-sufficiency in its crude oil supply, Cairn India is required to sell in the domestic Indian market all of its entitlement to crude oil extracted from the Ravva field to assist in satisfying domestic Indian crude oil demand. The price of all sales of Rajasthan crude oil is determined on the basis of an average FOB selling price per barrel, ascertained on Platts. The basket of crude oil can include one or more crude oils of similar characteristics and quality adjusted for any difference in quality, delivery time, quantity, payment terms and other contractual terms to the extent known.

The Ravva PSC also provides that royalties and cess are payable on production. The royalty rate on crude oil and casing head condensate is set at INR481 per metric tonne (US\$10.8 per barrel), regardless of the value of the crude oil. A levy on the production of crude oil under the provisions of the Oil Industry (Development) Act, 1974 of India (the "OIDA Cess") is set by the Ravva PSC at INR900 per tonne of crude oil production (US\$20.16 per barrel). A further INR27 (US\$0.6) per tonne (representing a 2 per cent. increase in the OIDA Cess) is levied against members of the Ravva JV as educational cess and senior and higher secondary educational cess. The OIDA Cess has been paid by Cairn India on behalf of the other members of the Ravva JV, although Cairn India is disputing the requirement to make such payment. The royalty payable on natural gas is 10 per cent. of the wellhead value of the natural gas (typically 9 per cent. of natural gas revenue). OIDA Cess is not payable on natural gas production. Royalties and OIDA Cess are capped by the Ravva PSC at these levels regardless of the generally prevailing royalty and OIDA Cess rate. Royalty and OIDA Cess payments are recoverable under the Ravva PSC before any profit is allocated among the parties. As ONGC originally discovered the Ravva field, Cairn India and the other members of the Ravva JV are obliged to make a series of production payments to ONGC based on cumulative crude oil production. The method of calculating the production payments is set out below.

<u>Production</u>	<u>Gross payment</u>	<u>Net payment</u>
	<u>owed to ONGC</u>	<u>by Cairn India</u>
	(US\$ million)	
For every 25 million barrels produced up to 75 million barrels	9.00	3.38
For every 5 million barrels produced between 80-100 million barrels	1.80	0.68
For every 5 million barrels produced between 100-225 million barrels	1.71	0.64
For every 5 million barrels produced between 225-250 million barrels	1.35	0.51
For every 5 million barrels produced over 250 million barrels	0.09	0.34

The calculation of the Government of India's share of petroleum produced from the Ravva Block has been the subject of differing interpretations for some years and an arbitration to settle the matter was launched in 2002. The material issue of the arbitration, the treatment of an item known as the ONGC carry, was found in Cairn India's favour by the arbitration panel in 2004. For further details regarding this dispute, please refer to paragraph 13.2(a) of Part X: "Additional Information" of this Prospectus.

In a separate and unrelated dispute, the Ravva JV is disputing the Government of India's allegation that the Ravva JV has recovered costs in excess of the Base Development Costs ("BDC") cap

imposed in the Ravva PSC and that the Ravva JV has also allowed these excess costs in the calculation of the post-tax rate of return regime. For further details regarding this dispute, please refer to paragraph 13.2(b) of Part X: “Additional Information” of this Prospectus.

6. Block CB/OS-2—Cambay Basin—Lakshmi, Gauri and CB-X

6.1 Overview

Cairn India operates in the Cambay Basin Block, which is located in the Cambay Basin offshore of the State of Gujarat in western India. Cairn India’s operations in the Cambay Basin Block are centred around the Lakshmi and Gauri oil and gas fields and the CB-X development area. Based on exploration and development activities undertaken by Cairn India, the Cambay Basin Block has yielded natural gas discoveries in its offshore Lakshmi and Gauri fields and onshore CB-X field and crude oil discoveries in the offshore Lakshmi and Gauri fields. Cairn India commenced gas production from the Lakshmi gas field in 2002, with gas production from the Gauri field commencing in 2004. Production of co-mingled crude oil, which consists of crude oil plus condensate, from the Gauri field commenced in 2005.

The onshore CB-X field is a marginal gas field and has a shared reservoir with a gas field owned by ONGC. The onshore CB-X field has a single well and is presently shut-in as it has already produced a volume equivalent to the proved and probable reserves as stated in the FDP. As directed by the DGH, a third-party agency is being hired to apportion the reserves between the onshore CB-X field and the field owned by ONGC.

Exploration, development and production of the Cambay Basin Block is governed by a PSC between the Government of India and a consortium consisting of ONGC, Tata Petrodyne Limited (“Tata”) and Cairn India (the “Cambay Basin JV”) which was signed on 30 June 1998 (the “Cambay Basin PSC”) and runs until 2023. Cairn India’s participating interest in the Cambay Basin JV consists of a 40 per cent. interest in the Lakshmi, Gauri and CB-X development areas. The remaining interests in these development areas are held by ONGC (50 per cent.) and Tata (10 per cent.). The rights of Cairn India elsewhere in the Cambay Basin Block have been relinquished as required by the Cambay Basin PSC.

6.2 Production from the Lakshmi, Gauri and CB-X Fields

The Lakshmi and Gauri offshore fields cover areas of 121.1 square km and 50.7 square km, respectively, in the Cambay Basin and lie off the coast of the State of Gujarat in water depths of between approximately six metres and 30 metres. CB-X is an onshore gas field situated in the Cambay Basin Block and covers an area of 33.28 square km.

As at 30 June 2011, the Lakshmi, Gauri and CB-X fields had collectively produced more than 45.5 mmboc since commencement of production, including in excess of 12 mmbbls of commingled crude oil and 200 bcf of gas. For H1 2011, the gross production rate from the Lakshmi, Gauri and CB-X fields was 9,392 boepd (of which Cairn India’s interest was 3,757 boepd) with gross commingled crude oil production averaging 5,971 bopd.

An 82 acre onshore processing facility at Suvali (the “Suvali Processing Plant”), which is owned by the Cambay Basin JV, processes natural gas and crude oil from the Lakshmi and Gauri fields. The Suvali Processing Plant and offshore infrastructure are certified ISO 14001 and OSHAS 18001 and have the capacity to process 150 mmscf of natural gas and 10,000 bopd of crude oil. The processing facility includes three stage separator trains and a 28,300 bbls storage tank as well as two 2.4 MW CPPs.

(a) Natural Gas Production

The natural gas reservoirs of the Lakshmi and Gauri fields are of Mid-Miocene age and are found at depths of between approximately 735 metres and 1.15 km. Cairn India discovered the Lakshmi natural gas reservoir in May 2000 and production from this reservoir commenced in November 2002 utilising two offshore platforms, six wells and a 36 km long, 24 inch wide offshore pipeline which connects the Lakshmi field to the Suvali Processing Plant. The Gauri natural gas reservoir was discovered in January 2001 and production from this reservoir commenced in April 2004 utilising one offshore platform, four wells and a five km long, 12 inch wide offshore pipeline connecting the Gauri field to the Lakshmi pipeline. Subsequently, during the infill drilling campaign in 2004 to 2005, five additional gas wells were drilled in the Lakshmi fields. CB-X is an

onshore gas field with a single well and a nine km long, six inch wide pipeline connected to the Suvali Processing Plant.

Set out below is the gross sales volume of natural gas from Lakshmi, Gauri and CB-X, and Cairn India's net participating interest with regard to such production for the periods indicated.

	For the year ended 31 December						For the six months ended 30 June			
	2008		2009		2010		2010		2011	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
	(bcf)									
Lakshmi	6.92	2.77	4.07	1.63	4.70	1.88	2.40	0.94	1.94	0.78
Gauri	4.57	1.83	3.32	1.33	1.83	0.73	1.44	0.58	0.02	0.01
CB-X	2.90	1.16	1.57	0.63	—	—	—	—	—	—
Gauri field's share of gas pursuant to the gas balancing agreement	—	—	0.18	0.07	4.16	1.66	2.30	0.92	1.75	0.70
Total	14.39	5.76	9.14	3.66	10.69	4.27	6.14	2.44	3.71	1.49

On 30 May 2001, the Cambay Basin JV entered into two GSCs relating to natural gas production from the Lakshmi field, one with Gujarat Paguthan Energy Corporation Private Limited (formerly known as Gujarat Powergen Energy Corporation Limited) and the other with Gujarat Gas Company Limited, whose interest was subsequently assigned to Gujarat Gas Trading Company Limited together with a master GSC to govern the relationship between these individual GSCs.

Each of the GSCs is essentially a life of field depletion contract in respect of natural gas production from the Lakshmi field. Since production of natural gas commenced from the Gauri field, Cairn India has sold natural gas from the Gauri field under the GSCs pursuant to a contractual right of substitution.

The local market price for natural gas has increased over time as liquefied natural gas started flowing in the Gujarat market from 2004 and the re-gasified liquefied natural gas market prices were higher than those being paid by the buyers under the GSCs. Consequently, Cairn India renegotiated both the contracted gas prices and gas volumes with the buyers with effect from 1 October 2006 for Gujarat Gas Trading Company Limited and 1 November 2006 for Gujarat Paguthan Energy Corporation Private Limited, while making provisions in the contract to accommodate the natural gases containing heavier hydrocarbons.

The gas supplies are in decline and the Cairn India Group is nominating monthly daily contract quantity in line with the declining profile to Gujarat Paguthan Energy Corporation Private Limited and Gujarat Gas Trading Company Limited from July 2011 onwards, where there is no or minimal risk of shortfall of gas.

The Gauri field is adjacent, and connected in parts, to the Hazira field, in which Niko Resources Limited and Gujarat State Petroleum Corporation Limited hold interests (the "Hazira JV"). A gas balancing agreement was agreed on 17 February 2006 between the Cambay Basin JV and the Hazira JV with the intention of ensuring that each field is developed in accordance with good international practice and that each party exploits only the natural gas to which it is entitled under the terms of its respective PSC. Under the gas balancing agreement, each party continued to exploit its share of allocated volumes from the connected and potentially connected reservoir. With an unforeseen early water breakthrough in the Gauri reservoir, it was not technically possible nor economically viable for the Cambay Basin JV to exploit its share of reserves. Accordingly, Cairn India, on behalf of its joint venture partners, entered into an addendum to the gas balancing agreement for producing Gauri's share of reserves through the Hazira JV facilities, which Cairn India believes was the first of its kind in India. Gas production under the Gauri gas balancing agreement commenced from the Hazira facilities in December 2009 and, as at 30 September 2011, approximately 7.0 bcf of Gauri's share of natural gas has been produced through the Hazira JV facilities and was sold to Gujarat Gas Trading Company Limited at US\$6.22 per mmbtu.

(b) Crude Oil Production

The Lakshmi and Gauri fields have crude oil-bearing reservoirs, which are of Early-Miocene age and are found at depths of between approximately 1,175 metres and 1,325 metres. Cairn India, as operator, commenced crude oil production at the Gauri field in October 2005 utilising one crude oil well drilled during the drilling campaign in 2003 and 2004.

Further, as part of crude oil development, an infill drilling campaign was undertaken in 2007 and 2008, with the drilling of four new wells (three wells in Lakshmi and one well in Gauri) and conversion of three gas wells for oil service (two wells in Lakshmi and one well in Gauri). The onshore facilities were upgraded to handle 10,000 bopd. A crude oil sales agreement was signed between Cairn India, on behalf of the Cambay Basin JV, and IOC and price benchmarked to Bonny Light crude oil on a delivered basis with current validity up to 31 March 2012. As there is no pipeline infrastructure between the facility of Cairn India and the IOC refinery, the prevailing mode of transportation is as follows:

- Crude oil is transported by trucks to Ankleshwar (which is approximately 100 km from the facility of Cairn India) and unloaded at the unloading facility. In addition, the Cambay Basin JV has also leased three 2,000,000 litres storage tanks from ONGC's crude transfer facility, Ankleshwar which is close to the unloading facility.
- The crude oil is stored in the 2,000,000 litres tanks and custody is then transferred in favour of ONGC. Thereafter, ONGC handles and processes the crude oil from the Cambay Basin JV along with its own crude oil and subsequently transports the same to IOC's refinery in Koyali through ONGC's pipeline.
- ONGC-Ankleshwar receives service charges for the above.

As at 30 June 2011, the total commingled crude oil production from the Lakshmi and Gauri fields was approximately 5,971 bopd.

(c) CB-X

In February 2004, Cairn India made a natural gas discovery in the onshore CB-X field in the Cambay Basin Block which has since been declared commercial. The FDP for this field was approved on 20 March 2006. Production from the CB-X field commenced in June 2007 at an initial rate of 5 mmscfd and the gas was sold to Gujarat State Petroleum Corporation Limited at a price of US\$5.50 per mmbtu without any firm commitments on quantities and on a reasonable endeavour basis. However, the production rates gradually increased to 8 mmscfd based on reservoir deliverability, well performance and data. The well at the CB-X field has already produced approximately 6.25 bcf of gas, a volume equivalent to the proved, probable and possible reserves as stated in the FDP. As directed by the DGH, a third-party agency is being hired to apportion the reserves between the onshore CB-X field and the field owned by ONGC.

6.3 Exploration Activity in the Cambay Basin Block

According to Cairn India's understanding of the Cambay Basin PSC, exploration operations can continue in the existing development areas, provided that the operation committee and the management committee constituted under the Cambay Basin PSC approve the appropriate work programme and budgets. According to the Oilfields (Regulation and Development) Act, 1948 of India, as amended from time to time, a mining lease includes an exploration licence. The letter of authority granted by the Government of India in respect of this block includes the right of exploitation as well. Accordingly, only part of the contract area was relinquished and not the exploration right.

To sustain oil production from the Cambay Basin Block, an infill drilling campaign is planned in the Lakshmi field. The spare gas processing capacity of the CB/OS-2 facilities will be utilised by tolling and processing ONGC's gas from its North Tapti field (adjacent to the Lakshmi field). The North Tapti pipeline tie-in activities at the CB/OS-2 facilities are at an advanced stage of completion. The tolling and processing of gas shall commence after completion of the project by ONGC and necessary approvals.

6.4 Cambay Basin PSC

The Cambay Basin PSC is currently valid until June 2023, but may be extended by the Government of India for up to an additional 10 years in the case of commercial production of non-associated natural gas or up to five years otherwise. Under the terms of the Cambay Basin PSC, Cairn India is entitled to recover 100 per cent. of exploration, development and costs of production from crude oil and natural gas sales before any profit is allocated among the parties.

The Cambay Basin Block benefited from tax holidays until the end of March 2009.

7. Exploration Blocks

In addition to the Rajasthan Block, Ravva Block and Cambay Basin Block, Cairn India also holds interests in seven other blocks where there is currently no production or development but which are in various stages of exploration. The main basins where Cairn India is currently actively involved in exploring include Mannar, Barmer Basin, Mumbai Offshore Basin, Krishna-Godavari, Kerala-Konkan and Palar-Pennar. The NELP VIII round awarded new acreage to Cairn India's portfolio. This section provides a summary of the exploration interests.

7.1 Krishna-Godavari Basin

(a) Block KG-DWN-98/2

Block KG-DWN-98/2, which covers an area of 7,338 square km, is located in the Krishna-Godavari Basin and is situated 20 km south of the Ravva field in water depths of between approximately 350 metres and 3.2 km isobath. Cairn Energy acquired this deepwater block in April 2000 and in September 2004 transferred a 90 per cent. interest in block KG-DWN-98/2 to ONGC, with an economic effective date of 30 September 2003. As a result, Cairn India has a 10 per cent. interest in this block while ONGC serves as the operator and holds a 65 per cent. interest., Petrobras BV has a 15 per cent. interest and Statoil ASA (formerly known as Statoil Hydro) has the remaining 10 per cent. interest in the block.

Drilling of six exploration and appraisal wells during 2000 and 2001 in the deep water acreage of block KG-DWN-98/2 resulted in a succession of crude oil and natural gas discoveries which, at the time, were not commercial on a standalone basis. ONGC, as operator, drilled 12 exploratory wells leading to five gas discoveries. High resolution 3D seismic surveys were acquired for the northern and southern parts of the block over all the existing areas. The exploration for all three phases was completed on 11 April 2008. The block is divided into the Northern Discovery area and the Southern Discovery area and an appraisal programme was approved for these areas. Three appraisal wells have been completed in the Northern Discovery area and declarations of commerciality have been submitted by ONGC for both areas. ONGC (as operator) is in discussions with the DGH and the Government of India to secure an extension in the exploration and appraisal period for this block to carry out additional drilling.

As at 31 March 2011, Cairn India estimates that the gross contingent resources in Block KG-DWN-98/2 are approximately 353 mmboc, of which it has a 35 mmboc participating interest.

The PSC for block KG-DWN-98/2 was signed on 12 April 2000 between the Government of India and Cairn India with ONGC becoming a party to it upon its acquisition of a 90 per cent. interest under its sale and purchase agreement with Cairn India dated 31 December 2004 (with a commercial effective date of 30 September 2003).

(b) Block KG-ONN-2003/1

The onshore block KG-ONN-2003/1, located in the Krishna-Godavari Basin in the State of Andhra Pradesh, was awarded in NELP V round to a joint venture between CEIPL and ONGC. First phase work commitments included reprocessing of 2D and 3D seismic data, geochemical soil sampling acquisition, processing and interpretation of 2D and 3D seismic data and the drilling of five exploratory wells. The three year period for the first phase was extended by six months to 7 August 2010 with approval from the management committee and the commitments were completed by August 2010.

Cairn India drilled five wells as required pursuant to the minimum work programme and the fifth well, Nagayalanka-1z, flowed light oil to surface at 75 bopd and natural gas at 0.27 mmscfd.

Based on the analysis of test results and geological and geophysical data, the joint venture declared this as a discovery of potential commercial interest. An appraisal plan has been submitted to the Government of India, which is currently under review. The joint venture has entered phase II of the exploration licence.

Preparations are ongoing for further exploration and appraisal drilling. The exploration well, Nagayalanka SE-1, is planned to commence drilling by the end of 2011. The rig contract has been awarded.

7.2 Palar-Pennar Basin—Block PR-OSN-2004/1

Block PR-OSN-2004/1 is located in the Palar-Pennar basin, south of the Krishna Godavari basin and north of the Cauvery basin off the east coast of India. Water depths in the block range from a few metres (near shore) to 400 metres at the eastern boundary of the block. The block covers an area of approximately 9,400 square km.

Cairn India has a 25 per cent. stake in the block and is the operator, while the consortium comprising ONGC, CEIPL and Tata, hold interests of 35 per cent., 10 per cent. and 30 per cent., respectively.

The first phase of exploration included 2D reprocessing, a gravity and magnetic survey, acquisition, processing and interpretation of 2D and 3D seismic data. The 3D seismic quantities surveyed were in excess of the minimum work programmes. The remaining first phase exploration programme includes the drilling of three exploration wells and force majeure has been declared in this block until permission is granted by the Department of Space of the Government of India to continue drilling and survey activities in the area currently designated as inaccessible. Cairn India and the other partners to the PSC are actively pursuing a resolution of this matter with the Government of India.

7.3 Kerala-Konkan Basin—KK-DWN-2004/1

Block KK-DWN-2004/1 is located in the Kerala-Konkan basin. The block is operated by ONGC, with Cairn India, ONGC and Tata holding interests of 40 per cent., 45 per cent. and 15 per cent., respectively. The work programme commitment for the first phase includes reprocessing of 2D seismic, acquisition, processing and interpretation of 2D seismic data, gravity and magnetic data and 3D seismic data. All commitment programmes are complete. The 3D seismic data processing has been completed and interpretation is ongoing.

7.4 NELP VIII Awards

(a) Block KG-OSN-2009/3

The offshore block KG-OSN-2009/3 covers an area of 1,988 square km and is located in the Krishna-Godavari Basin off the coast of the State of Andhra Pradesh. It was awarded to Cairn India and CEIPL (as operator) holding interests of 90 per cent. and 10 per cent., respectively. Block KG-OSN-2009/3 is a shallow water block with water depths within the block ranging between near shore to 400 metres. The PSC was signed on 30 June 2010 and the PEL was granted in August 2010.

The first phase work commitments include acquisition, processing and interpretation of 2D and 3D seismic data and the drilling of six exploratory wells. A bathymetry survey covering the licence area was completed in May 2011.

Clearance sought by Cairn India to carry out seismic surveys has been denied. As a result, Cairn India has declared force majeure with respect to exploration activities in this block, which has been accepted by the DGH. Until there is further clarity following discussions between the MoPNG and DGH, Cairn India's declaration of force majeure will remain in place.

(b) Block MB-DWN-2009/1

The deep water block MB-DWN-2009/1 covers an area of 2,961 square km and is located in the Mumbai offshore basin. Cairn India is the operator and holds a 100 per cent. interest. MB-DWN-2009/1 has water depths of between 400 metres to 2 km. The PSC was signed on 30 June 2010 and the PEL was granted in August 2010.

As part of the Cairn India Group's west coast exploration strategy, a detailed regional technical study is being undertaken.

Clearance sought by Cairn India to carry out seismic surveys has been denied. As a result, Cairn India has declared force majeure with respect to exploration activities in this block, which has been accepted by the DGH. Until there is further clarity following discussions between the MoPNG and DGH, Cairn India's declaration of force majeure will remain in place.

8. Sri Lanka

8.1 Mannar Basin—Block SL-2007-01-001

Block SL-2007-01-001 was awarded to Cairn Lanka (Private) Limited ("CLPL"), a wholly-owned subsidiary of Cairn India. A petroleum resources agreement was signed between CLPL and the Government of Sri Lanka acting through the Minister of Petroleum and Petroleum Resources Development in 2008. CLPL has a 100 per cent. stake in the block and the PEL was awarded by the Government of Sri Lanka in 2008. The licence consists of three phases of three years, two years and three years with phase 1 commencing from the date the licence was awarded.

Located in the Mannar Basin in Sri Lanka, Block SL-2007-01-001 covers approximately 3,000 square km and is only 15km from the shore with water depths ranging from 400 metres to 1.9 km within the block.

Phase 1 had an initial commitment of acquisition, processing and interpretation of 2D and 3D seismic data. The first phase also has a commitment of drilling three exploratory wells.

Phase 1 is currently underway and 1,750 square km of 3D seismic data was acquired in the block. Based on the 3D seismic interpretation, several prospects and leads have been identified and technical work to understand the petroleum system in this basin is in progress. The drill ship "Chikyu" has been mobilised and the three well exploration drilling campaign commenced in August 2011.

9. Competition

The oil and gas exploration, development and production industry in India is highly competitive. In seeking to obtain desirable exploration and development prospects, in particular in the NELP licensing rounds, Cairn India faces significant competition from Indian companies, including ONGC and Reliance Industries Limited, and major integrated and large independent multinational companies. ONGC, which is controlled by the Government of India and has been awarded the majority of the exploration blocks offered by the Government of India in the eight NELP licensing rounds, has been told by the Government of India to focus on their exploration and production activities against which Cairn India competes. Many of these competitors have access to financial or other resources substantially in excess of those available to Cairn India and may, accordingly, be better positioned to acquire and exploit prospects, hire personnel and market production. In addition, many of Cairn India's competitors may be better able to withstand the effect of changes in industry conditions such as worldwide crude oil and natural gas prices and levels of supply and the application of government regulations, which affect Cairn India's business and which are beyond the control of Cairn India.

10. Employees

As at 30 June 2011, Cairn India had approximately 1,300 employees with an average age of 37 years and an average work experience of 14 years. Cairn India has not experienced any significant labour related problems or disruptions, and management considers its relations with employees to be good. Various initiatives to nurture talent were launched during Fiscal 2010, including:

- creating multiple platforms for learning;
- encouraging lateral placements and cross functional expertise;
- leadership development; and
- continuation of competency management framework build-up.

In Fiscal 2010, the total number of temporary employees of the Cairn India Group was, on average, 264.

11. Intellectual Property

Cairn India has registered the trademarks of the Cairn logo and the name “Cairn” in the jurisdictions set out in the table below. Cairn India has entered into various agreements with the Cairn Energy Group in connection with the Cairn trademark and corporate logo.

Mark	Territory and Registered Number	Classes	Expiration
Cairn	European Community (8232861)	16, 35, 37, 39, 40, 41 and 42	Registered (due for renewal on 21 April, 2019)
Cairn Energy	Benelux (656253)	16, 35, 37, 39, 40, 41 and 42	Registered (due for renewal on 8 April 2019)
Cairn	Benelux (656260)	16, 35, 37, 39, 40, 41 and 42	Registered (due for renewal on 8 April 2019)
Cairn logo	Benelux (0936553)	16, 35, 37, 39, 40, 41 and 42	Registered (due for renewal on 16 April 2019)
Cairn Energy	European Community (8232886)	16, 35, 37, 39, 40, 41 and 42	Registered (due for renewal on 21 April 2019)
Cairn logo	European Community (8232101)	16, 35, 37, 39, 40, 41 and 42	Registered (due for renewal on 21 April 2019)
Cairn Energy	UK (2183151)	16, 35, 37, 39, 40, 41 and 42	Registered (due for renewal on 28 November 2018)
Cairn	UK (2183153)	16, 35, 37, 39, 40, 41 and 42	Registered (due for renewal on 28 November 2018)
Cairn logo	UK (2183158)	16, 35, 37, 39, 40, 41 and 42	Registered (due for renewal on 28 November 2018)
Cairn Resources	UK (2276265)	16, 35, 37, 39, 40, 41 and 42	Registered (due for renewal on 26 July 2021)
Cairn Resources	Benelux (705023)	16, 35, 37, 39, 40, 41 and 42	Expired on 7 August 2011, renewal application filed on due date
Cairn	India (1505110)	16, 35, 37, 39, 40, 41 and 42	Registered (due for renewal on 17 November 2016)
Cairn logo (in series)	India (1586828)	16, 37, 39, 40, 41 and 42	Registered (due for renewal on 2 August 2017)

12. Research and Development

Cairn India does not have any specific research and development policies although it has carried out and, where appropriate, may continue from time to time to carry out research and development in specific areas on an ad-hoc basis. The amount spent on research and development in the last three financial years is not material.

13. Seasonality

The Cairn India Group’s business is not subject to seasonality.

SECTION C: COMPETITIVE STRENGTHS AND STRATEGY OF THE COMBINED GROUP

1. Competitive Strengths

Vedanta believes that the Combined Group will have the following competitive strengths:

1.1 The Combined Group will be a Leading Diversified Natural Resources Company

The Combined Group will be one of the largest diversified non-ferrous metals and mining companies in India. It will have substantial market shares across the copper, zinc, aluminium, iron ore, commercial power generation and oil and gas markets in India. Specifically:

- *Copper segment:* Sterlite is one of only two custom copper smelters in India and had a 43 per cent. primary market share by sales volume of the Indian copper market in Fiscal 2011, according to the ICPCI;
- *Zinc segment:* HZL is India's only integrated zinc producer and had an 82 per cent. market share by sales volume of the Indian zinc market in Fiscal 2011, according to the ILZDA. In 2010, HZL was the world's largest integrated producer of zinc, one of the top five lead mining companies based on production volumes and in the lowest cost quartile in terms of all zinc mining operations worldwide, according to Brook Hunt;
- *Aluminium segment:* The Vedanta Group, through BALCO and Vedanta Aluminium, is the second largest primary producer of aluminium in India and had a 36 per cent. primary market share by sales volume of the Indian aluminium market in Fiscal 2010, according to the AAI. BALCO's 260 ktpa smelter in Korba was ranked in the second lowest cost quartile in terms of cost competitiveness among all aluminium smelter operations worldwide in 2010, according to Brook Hunt;
- *Iron ore segment:* SGL has been India's largest exporter of iron ore (by volume) in the Indian private sector since 2003, according to FIMI. In Fiscal 2011, SGL exported approximately 16.3 million tonnes of iron ore. It has operations in the States of Goa and Karnataka and is geographically well-positioned to benefit from the continued growth of Asian economies, particularly China; and
- *Oil and gas segment (following Completion):* Cairn India was the fifth largest publicly quoted oil and gas company in India by market capitalisation as at 30 September 2011. As at 30 June 2011, DeGolyer and MacNaughton estimate that the Cairn India Group's net participating interest in proved and probable oil and gas reserves at the Rajasthan Block, Ravva Block and Cambay Basin Block was 327,091 10³bbl of oil and condensate and 25,157 10⁶ft³ of gas, of which 214,998 10³bbl and 15,616 10⁶ft³ are proved reserves and 112,093 10³bbl and 9,541 10⁶ft³ are probable reserves. In addition, Cairn India estimates that in respect of blocks KG-DWN-98/2 and KG-ONN-2003/1 as at 31 March 2011, its net participating interest in proved and probable reserves was 40 mmbœ.

1.2 Ideally Positioned to Capitalise on India's Growth and Resource Potential

Vedanta believes that the Vedanta Group's experience in operating and expanding its business in India will allow the Combined Group to capitalise on attractive growth opportunities arising from factors including:

(a) India's Large Mineral Reserves

According to the Ministry of Mines Annual Report 2010-2011, the total copper ore, lead-zinc ore, bauxite and iron ore resources of India are estimated at 1.4 billion tonnes, 0.5 billion tonnes, 3.3 billion tonnes and 25.2 billion tonnes, respectively. According to the Ministry of Coal, the total coal resources of India were 267.2 billion tonnes as at 1 April 2009. According to the U.S. Geological Survey, India's bauxite reserves are the sixth largest in the world, with total recoverable reserves estimated at 900 million tonnes, and India also has the fourth largest coal reserves in the world as at 2007.

(b) India's Undeveloped Oil and Gas Resource Potential

India is an attractive country for investment in the oil and gas exploration and production sector with domestic demand for hydrocarbons exceeding supply and expected to continue to do so in

the foreseeable future. The Government of India continues to provide further growth opportunities through annual licensing rounds. Cairn India was awarded four blocks in the NELP V round, two blocks in the NELP VI round and an additional two blocks in the NELP VIII round, namely, KG-OSN-2009/3 and MB-DWN-2009/1.

(c) India's Economic Growth and Proximity to Other Growing Economies

India is one of the fastest growing large economies in the world with a 7.2 per cent. increase (US\$1.26 billion) increase in real GDP from Fiscal 2009 to Fiscal 2010, according to the Central Statistical Organisation of the Government of India's Ministry of Statistics and Programme Implementation. India has a large domestic market and, being a cost effective and labour-intensive economy, India has benefited immensely from work being out-sourced to India from developed countries and a strong manufacturing and export oriented industrial framework. Vedanta believes that the Vedanta Group's focus on the metals, power and, following Completion, oil and gas segments will allow it to benefit directly from this growth. According to Brook Hunt, the annual demand for copper, zinc and aluminium in India is expected to grow from 914,000 tonnes, 561,000 tonnes and 1.7 million tonnes, respectively, in 2010 to 1.3 million tonnes, 770,000 tonnes and 2.8 million tonnes, respectively, in 2015, representing a CAGR of 7.7 per cent., 7.6 per cent. and 10.1 per cent., respectively. According to Metalitics Pty Limited, the demand for iron ore in India is expected to grow from 120 million tonnes in 2010 to 186 million tonnes in 2015, representing a CAGR of 9.1 per cent. Demand for electricity is expected to grow from 2007 to 2015 from 13.4 quadrillion BTU to 16.3 quadrillion BTU, for liquid fuel from 2.8 million barrels per day to 3.2 million barrels per day and for gas 1.5 trillion cubic feet to 3.1 trillion cubic feet. In addition, India is strategically located close to other growing economies in China, southeast Asia and the Middle East.

1.3 High Quality Portfolio of Assets with Low Cost Structure

Vedanta believes that the Combined Group's businesses will comprise high quality assets of global size and scale. Vedanta believes that the Vedanta Group's costs of production in its copper, zinc and aluminium businesses are competitive due to the Vedanta Group's high quality assets, operational skills and experience and the integrated nature of its operations.

(a) Copper

Sterlite owns the Tuticorin copper smelter, one of only two custom copper smelters in India and one of the largest in the world in terms of production volume in 2010. The Tuticorin smelter is currently in the lowest cost quartile for custom smelters in the world as it benefits from economies of scale, low labour cost and its CPP. The board of directors of Sterlite has approved doubling the copper custom smelting capacity at Tuticorin to 800 ktpa with an associated 160 MW power plant, which is expected to reduce costs further and strengthen the Vedanta Group's low cost position.

KCM owns resources in Zambia with proved and probable mineral reserves of approximately 385.6 million tonnes as at 31 March 2011. Based on information obtained from an independent database on mines and deposits, as at 21 April 2011, the Konkola underground mine contained the world's highest grade large-scale (defined as containing over 1.5 million tonnes of contained copper) copper ore body in active production, based on total mineral reserves and resources. The Konkola mine has an estimated mine life of 24 or more years from 1 April 2011 based on such reserves and resources. The mine is also equipped with well-invested production facilities and infrastructure. KCM is focused on cost reduction and expects to achieve further cost reduction through operational efficiencies and asset optimisation.

(b) Zinc

HZL was the world's largest integrated producer of zinc in 2010, according to Brook Hunt, owning four zinc mines in India with total proved and probable reserves of 96.73 million tonnes as at 31 March 2011. Its Rampura Agucha mine is the world's largest zinc mine with proved and probable reserves of 69.71 million tonnes as at 31 March 2011 and ore production of 6.15 million tonnes in Fiscal 2011. According to Brook Hunt, HZL is in the lowest cost quartile in terms of all zinc mining operations worldwide. HZL's operations and assets comprise high grade zinc and

lead deposits, open cast and integrated operations, world-class facilities, and extensive infrastructure and captive power generation capacities. There was also an increase in reserves and resources at HZL's mines to 313.18 million tonnes as at 31 March 2011 (excluding, for the avoidance of doubt, the reserves and resources at the Skorpion mine, the Lisheen mine and the Black Mountain mine) as a result of further exploration efforts.

In May 2010, the Vedanta Group, which is among the top six global zinc producers, acquired Skorpion, Lisheen and a 74 per cent. stake in Black Mountain. The acquisition has consolidated the Vedanta Group's position as the world's largest integrated zinc and lead producer in the first half of 2011. Skorpion, Lisheen and Black Mountain's portfolio comprises three operating assets in Ireland, Namibia and South Africa, which provide the Vedanta Group with a greater presence in Africa and Europe. Skorpion, Lisheen and Black Mountain are also profitable with long-term development potential. The Gamsberg project is one of the world's largest zinc projects with resources of 186.4 million tonnes as at 31 March 2011, with significant exploration potential. In addition, established and well-invested operations and transport infrastructure across Skorpion, Lisheen and Black Mountain's assets are expected to support reliable delivery and cost control.

(c) Aluminium

The Vedanta Group is a supplier of high quality aluminium products to a wide spectrum of industries and continues to enhance its domestic and global footprints. The Vedanta Group is a partially integrated aluminium producer with four captive bauxite mines. As at 31 March 2011, the Vedanta Group had proved and probable bauxite reserves of 5.55 million tonnes. The Vedanta Group expects to reach a target aluminium capacity of 2.32 mtpa, representing an increase of over 200 per cent. from the current capacity of 785 ktpa. The Vedanta Group will also have sufficient power supply to support its aluminium operations. It has a 1,200 MW CPP at BALCO (which is currently under construction), a 2,400 MW IPP at Jharsuguda (of which two units out of four have been commissioned), a 540 MW CPP and another 270 MW CPP at BALCO's facility and a 1,215 MW unit at Vedanta Aluminium's facility located at Jharsuguda. The Vedanta Group is equipped with established rail and port infrastructure and is in the process of upgrading its logistic infrastructure. In addition, the Vedanta Group is strategically located to service high growth markets such as India and China. Given its mines, captive resources and power supply, established infrastructure and economies of scale, the Vedanta Group's costs of operations are relatively low compared to its peers, currently among the lower half of the global cost curve.

(d) Iron Ore

SGL has been India's largest exporter of iron ore by volume in the private sector since 2003, according to FIMI. As at 31 March 2011, it had proved and probable reserves of 175.6 million tonnes with an iron grade of 56.6 per cent. It has historically enjoyed high profitability with EBITDA margins higher than 50 per cent. for each of the past three Fiscal years, benefiting from the good quality of its product and low cost operations. SGL has extensive ore processing facilities and has experienced organic growth with its capacity doubling to 21.4 mtpa since its acquisition by Vedanta in 2007. SGL expects to further increase its capacity to 27 mtpa in 2012 and 36 mtpa in 2013. SGL's mining operations are strategically located in India and are complemented by an efficient transportation network. SGL maintains a network of rail cars, barges and ships that are primarily used to facilitate the export of its ore to foreign customers. SGL has a diversified customer base and exports over 90 per cent. of its products to customers in China, Japan and Europe.

(e) Commercial Power Generation

Vedanta believes that the Vedanta Group's commercial power generation business is well-positioned to capitalise on India's economic growth, power deficit and large coal reserves to develop a commercial power generation business. It also has the opportunity to sell power in the spot market in the near term.

As at 31 March 2011, Sterlite Energy had a total capacity of 1,200 MW, which is expected to increase to 5,040 MW by Fiscal 2014, representing a CAGR of over 60 per cent. The projects

under development are strategically located with easy access to fuel and water, and are well connected by railways and roads. Sterlite Energy also has a high proportion of coal linkages tied up. In addition, the power projects are in close proximity to power deficit areas, such as the State of Punjab. The Vedanta Group has reduced production and pricing risks with long-term power off-take arrangements with state electricity boards and state-owned utilities. The Vedanta Group has also established long-term, sustainable relationships with equipment suppliers and contractors who provide key services and support for large power plant projects at competitive costs and terms. Most importantly, the Vedanta Group's independent power business will benefit from the expertise of over 20 years in building and operating power plants. The ability to optimise its assets, hone its operating efficiencies and pare costs has been and will be the critical enablers responsible for the Vedanta Group's growth.

(f) Oil and Gas Business (following Completion)

Cairn India was the fifth largest publicly quoted oil and gas company in India by market capitalisation as at 30 September 2011. As at 30 June 2011, DeGolyer and MacNaughton estimate that the Cairn India Group's net participating interest in proved and probable oil and gas reserves at the Rajasthan Block, Ravva Block and Cambay Basin Block was 327,091 10³bbl of oil and condensate and 25,157 10⁶ft³ of gas, of which 214,998 10³bbl and 15,616 10⁶ft³ are proved reserves and 112,093 10³bbl and 9,541 10⁶ft³ are probable reserves. In addition, Cairn India estimates that in respect of blocks KG-DWN-98/2 and KG-ONN-2003/1 as at 31 March 2011, its net participating interest in proved and probable reserves was 40 mmboe.

Cairn India holds participating interests in licenses covering a significant portfolio of exploration and appraisal acreage in nine blocks in India and one block in Sri Lanka, which provides opportunities to grow the business over the longer term.

Cairn India has proven development and operational expertise with an efficient execution track record. The Lakshmi gas field was discovered in May 2000 and commenced natural gas production in less than 30 months. At the Ravva field, crude oil production increased almost tenfold, from an initial 3,700 bopd to 35,000 bopd, over a 26 month period. Those achievements were as a result of prudent reservoir management, integrated multidisciplinary studies, development of the field to international standards and application of the latest technology both in subsurface and surface operations. Cairn India also has long and proven exploration expertise in India. It has conducted successful exploration efforts over the past 10 years with a success ratio of approximately 50 per cent. There have been more than 40 hydrocarbon discoveries since 1994.

1.4 Exceptional Growth Profile—Both Organic and Acquisition-led

The Vedanta Group has grown manifold through organic and acquisition driven routes. Organically, it leverages its unique position in India and structural low cost advantages with a focus on exploration. It has one of the largest organic growth capital expenditure programmes in the industry, of which more than half has already been completed. It has consistently selected and acquired attractive targets. The Vedanta Group has been successful in integrating and improving the operations and profitability of acquired businesses.

The Vedanta Group obtained an early foothold in India's metals and mining industry in the 1990s by establishing its copper and aluminium businesses. It then further strengthened and diversified its portfolio by acquiring controlling stakes in HZL in 2003 and SGL in 2007. In light of the rate at which India's economy has been growing in recent years, the Vedanta Group realised the significant opportunities in commercial power generation and capitalised on these opportunities by developing two large-scale power projects through Sterlite Energy in 2009. The Cairn Acquisition is expected to further strengthen the Vedanta Group.

Set out below are selected highlights pertaining to growth (by commodity) over time:

(a) Copper

- Established India's first continuous copper rod plant in 1991 and commissioned the first privately developed copper smelter in India at Tuticorin in 1997.
- Acquired CMT and TCM in 1999 in Australia to establish access to raw materials.

- Acquired a 51.0 per cent. ownership interest in KCM in November 2004 and further increased its ownership interest in KCM to 79.4 per cent. in April 2008.
- Increased the capacity of Sterlite's Tuticorin copper smelter from 180 ktpa to 300 ktpa in 2005 and then to 400 ktpa in November 2006, with a target capacity of 800 ktpa.

(b) Zinc

- Acquired a 46 per cent. interest in HZL in 2002, including a 26 per cent. interest from the Government of India, which was further increased to 64.9 per cent. in 2003 by acquiring further stakes from the Government of India.
- Undertook brownfield expansions of two hydrometallurgical zinc smelters with 170 ktpa capacity each, together with coal-based CPPs of 154 MW and 80 MW at Chanderiya in the State of Rajasthan in May 2005 and December 2007, respectively. The capacities of the two hydrometallurgical zinc smelters were increased to 210 ktpa through de-bottlenecking in April 2008.
- Increased the capacity of the Rampura Agucha lead-zinc mine and processing plant from 2 mtpa to 6.15 mtpa of ore to supply the brownfield zinc smelter expansion at Chanderiya in the State of Rajasthan between 2003 and 2010.
- Agreed to acquire various zinc assets located in Ireland, Namibia and South Africa in May 2010, with those acquisitions being completed in the period between December 2010 and February 2011, thus consolidating the Vedanta Group's position as the world's largest integrated zinc producer in the first half of 2011.

(c) Aluminium

- Commissioned a plant for the manufacture of aluminium sheets and foils in 1993.
- Acquired an 80 per cent. interest in MALCO in 1995.
- Acquired a 51 per cent. interest in BALCO from the Government of India in 2001.
- Expansion projects at BALCO's facilities comprising a 250 ktpa aluminium smelter with an associated 540 MW CPP in 2006.
- Expansion to one mtpa of installed capacity alumina refinery at Vedanta Aluminium's facilities in Lanjigarh in the State of Orissa with an associated 90 MW CPP in March 2010.
- Completed construction of the Jharsuguda aluminium smelter by commissioning the first phase of 250 ktpa in November 2009 and the second phase of an additional 250 ktpa in June 2010 along with the commissioning of the associated 1,215 MW coal-based thermal CPP.
- Significant capacity expansion with a target aluminium capacity of 2,320 ktpa.

(d) Iron Ore

- Initially acquired a 51.2 per cent. ownership interest in SGL in 2007 and then further increased its ownership interest to 57.41 per cent. in 2009. As at 31 March 2011, Vedanta's ownership interest in SGL was 55.1 per cent.
- Acquired the entire issued share capital of SRL in June 2009, which comprises SMC and a 50:50 joint venture with Goa Maritime Private Limited.
- Doubled SGL's capacity to 21.4 mtpa from its acquisition by Vedanta in 2007 to 2010, with a target to reach a capacity of 40.0 mtpa (subject to receipt of environmental clearance) by Fiscal 2013.

(e) Commercial Power Generation

- The Vedanta Group has been building and managing CPPs since 1997.
- Sterlite acquired Sterlite Energy in 2006 to enter into the commercial power generation business in India, and leverage on the Vedanta Group's experience in building and managing CPPs.

- Completed the construction of the wind power plants at Sterlite Energy's facilities in the States of Gujarat and Karnataka between 2007 and 2008, with a total power generation capacity of 123.2 MW.
- Commissioned the first and second unit of the Jharsuguda power project with 600 MW capacity each, with the third and fourth units expected to be commissioned by the fourth quarter of Fiscal 2012, meaning that full capacity of 2,400 MW is expected to be reached in Fiscal 2012.
- Sterlite Energy's 2,640 MW thermal coal-based power plant at Talwandi Sabo in the State of Punjab, with the first unit of 660 MW expected to be commissioned by the fourth quarter of Fiscal 2013, two units by the second quarter of Fiscal 2014 and with full capacity targeted for Fiscal 2014, although plans for the fourth unit are currently on hold. Should current coal market conditions change and Indian power tariffs improve, the Vedanta Group will consider re-implementing these plans.
- Target total capacity of 6,883 MW in Fiscal 2014, representing a CAGR of 93 per cent. from 493 MW in Fiscal 2010.

(f) Oil and Gas

- On 16 August 2010, Vedanta announced its proposal to acquire 51 to 60 per cent. of the fully diluted share capital of Cairn India for a total consideration of up to US\$9.6 billion.
- Significant near-term growth potential with target capacity of 240,000 bopd, almost doubling the current 125,000 bopd capacity, subject to further investment and regulatory approvals.

1.5 Proven Management Team with Established Track Record

Vedanta's executive management and the management teams running the various businesses have significant experience in all aspects of the Vedanta Group's business, which has contributed to transforming Vedanta into a growing metals and mining company that is Listed and included in the FTSE 100 Index. Mr. Anil Agarwal, Vedanta's founder, remains involved in overseeing Vedanta's business as its Executive Chairman. Vedanta's executive management team focuses on group strategy and capital allocation, whilst the delivery of operational and project goals is led by the experienced management teams running each individual business.

Cairn India is led by Chief Executive Officer, Mr. Rahul Dhir, who has considerable experience in the oil and gas sector, beginning his career as an oil and gas reservoir engineer before moving to investment banking.

The Vedanta Group's experienced and focused management and dedicated project execution teams have a proven track record of successfully implementing capital-intensive projects to increase its production capacities. The Vedanta Group utilises project monitoring and assurance systems to facilitate timely execution of its projects. In addition, the Vedanta Group has established relationships with leading domestic and international vendors that support its expansion projects. From the Listing to 31 March 2011, the Vedanta Group spent approximately US\$13,542 million on its expansion projects in its copper, zinc, aluminium, iron and commercial power generation businesses.

The Vedanta Group acquired its zinc business through its acquisition of HZL and its main aluminium business through its acquisition of BALCO. In both instances, the Vedanta Group was successful in increasing production levels from the existing assets by improving operational efficiencies, lowering the costs of production by commissioning CPPs and growing the businesses through capacity expansions, specifically:

- increasing HZL's production from 203,780 tonnes of zinc and lead ingots and 247,018 tonnes of zinc and lead mined metal content when Vedanta acquired HZL in 2002 to 769,766 tonnes of zinc and lead ingots and 804,053 tonnes of zinc and lead mined metal content in Fiscal 2011, representing increases of 277.7 per cent. and 240.1 per cent., respectively;
- increasing the production of BALCO's original aluminium smelter from 89,164 tpa when Vedanta acquired management control of BALCO in 2001 to 255,298 tpa in Fiscal 2011, representing an increase of 186 per cent; and

- increasing SGL's iron ore production from 9.7 mtpa when Vedanta acquired SGL in 2007 to 18.8 mtpa in Fiscal 2011, representing an increase of 93.8 per cent.

Cairn India has long and proven exploration expertise in India, having made 40 hydrocarbon discoveries since 1994. Cairn India has continued to add to its exploration portfolio and, in addition to accessing new opportunities, has been an active and successful participant in the NELP licensing rounds, as demonstrated by Cairn India being awarded two blocks in the NELP VIII round, namely, KG-OSN-2009/3 and MB-DWN-2009/1. Cairn India's executive management team have a proven track record of developing the Cairn India Group's hydrocarbon resources as follows:

- Cairn India commenced operations in India approximately 15 years ago with the operation of the Ravva Block and subsequently progressing to the discovery of additional reserves in the Cambay Basin which were double the amount originally estimated;
- 25 discoveries in the Rajasthan Block have been made, including the landmark Mangala field, which has commenced commercial production. Cairn India continues to undertake appraisal work which may lead to future discoveries;
- as the operator of the Lakshmi field in the Cambay Basin, Cairn India commenced natural gas production in less than 30 months following discovery;
- at the Ravva field, Cairn India increased crude oil production from an initial 3,700 bopd to 35,000 bopd in 26 months; and
- Cairn India continues with efforts to enhance the resources in the Rajasthan Block through innovative technological applications and to explore other parts of the Rajasthan Block.

1.6 Strong Credit Profile

The Vedanta Group has generated strong cash flows in recent years due to its volume growth, high commodity prices and its cost reduction measures. The Vedanta Group's cash flow from operating activities was US\$2,028.0 million in Fiscal 2011, compared with US\$1,572.2 million in Fiscal 2010. Vedanta believes it has a strong balance sheet, which is expected to enable the Vedanta Group to finance future expansion projects and is driven by growing EBITDA and cash flow.

Vedanta's approach of pre-funding projects and acquisitions is carried out through the issue of equity to maintain a strong balance sheet, by raising funds through its capital market raisings at Company and subsidiary level, its balanced debt maturity and the issuance of debt at the Company and subsidiary level on-lent through its corporate structure.

2. Vedanta's Strategy

The Vedanta Group's EBITDA margin, excluding custom smelting operations, was 44.6 per cent. in Fiscal 2011. Vedanta's strategic goal is to create a world-class metals and mining company and its strategy is based on the following four key pillars:

2.1 Continuing Focus on Optimisation of Existing Assets and Reducing the Cost of Production

Vedanta views strict cost management and increases in productivity as fundamental aspects of the Vedanta Group's day-to-day operations and continually seeks to improve efficiency.

The Vedanta Group was in the lowest cost quartile in terms of cost of production in its zinc mining operations worldwide in the first quarter of Fiscal 2011, according to Brook Hunt. Vedanta intends to continue to improve its production processes and methods and increase operational efficiencies to further reduce its costs of production in all its businesses.

(a) The Vedanta Group's current initiatives include:

- seeking improvements in operations to maximise throughput, mining and plant availability to achieve production increases at its existing facilities with minimum capital expenditures to optimise its asset utilisation;
- reducing logistics costs through various initiatives. For example, Vedanta has focused on continually reducing mining and manufacturing costs and seeking operational efficiency improvements by introducing several initiatives (which are in various stages of progress), such as the appointment of a consultant to carry out a logistics study of Vedanta

Aluminium's facility at Jharsuguda. The logistics study was completed and implementation of the recommendations, such as the utilisation of a unique tanker car for the transfer of alumina powder, the development of railways siding near the coal mines and the introduction of wagon tippers by December 2011 is underway;

- reducing energy costs and consumption, including through continued investment in advanced technologies to reduce power consumption in the refining and smelting processes and in CPPs to provide the required power;
- a strong exploration effort seeking to increase reserves, particularly in its zinc and iron ore businesses;
- building and managing CPPs to supply a majority of the power requirements of its operations;
- continuing to access India's and Zambia's relatively large and inexpensive labour and talent pools;
- continuing to improve recovery ratios such that more finished product is obtained from a given amount of raw material;
- reducing purchase costs, including by entering into long-term contracts for raw materials, making investments in mining operations and optimising the mix of raw material sourcing between long-term contracts, mining operations and the commodities spot markets to address fluctuations in demand and supply;
- securing additional sources of coal through coal block allocations and coal linkages, which are long-term supply contracts for delivery of coal, for use in power plants, such as the coal block allocation of 211 million tonnes that the Vedanta Group received for use in BALCO's CPPs in November 2007 and the 112.2 million tonnes from the Rampia coal block the Vedanta Group received for use in Sterlite Energy's IPPs;
- seeking access to bauxite mines for Vedanta Aluminium. For example, Vedanta Aluminium has applied to the State Government of Orissa for access to other bauxite mines; and
- seeking better utilisation of by-products, including through adding additional processing capabilities to produce end-products from the by-products that can be sold at higher prices and help lower the cost of production of its core metals, such as the inherent value in the silver business. Silver is a by-product of lead, while sulphuric acid is a by-product of zinc. The Vedanta Group is aiming to become one of the world's top silver producers by Fiscal 2012. In addition, the Sindesar Khurd mine has a mine life of over 20 years based on reserves and resources as at 31 March 2011 and anticipated production.

(b) Cairn India's current initiatives include:

- developing the Rajasthan Block, which will also benefit from Cairn India's extensive subsurface knowledge of the development areas, which includes two extensive 2D and 3D seismic surveys, a comprehensive series of well tests and core and fluid analyses, helping Cairn India optimise reservoir development to maximise reserves and production;
- increasing recovery from the Rajasthan Block, commencing with the Mangala field, through pilot testing of the EOR technique; and
- maximising recovery from the Ravva and Cambay Basin fields and maintaining low operating costs through the application of the appropriate cost effective technology. The Ravva and Cambay Basin fields are considered mature fields as production from these fields is currently in decline in line with the depletion of reserves. To help maximise recovery, Cairn India has completed 4D seismic surveys and an infill drilling programme in the Ravva field and has also planned for an infill drilling campaign in the Lakshmi field in the Cambay Basin.

2.2 Pursuing Organic Growth Opportunities

The Vedanta Group is continuing to increase its capacities through the expansion of mines and construction of new facilities. Vedanta believes that increasing its reserves, access to ores and capacities is critical to the Vedanta Group's ability to continue to capitalise upon the growing demand

for metals in India and abroad, particularly in China, southeast Asia and the Middle East. The Vedanta Group seeks to expeditiously and efficiently implement its expansion projects with the minimum necessary capital costs in order to generate a high internal rate of return on the projects. For instance, SGL's exploration and drilling programme in Karnataka and Goa yielded SGL net additions of 43 million tonnes of reserves and resources, post depletion of 21 million tonnes of iron ore produced in Fiscal 2010 from all of SGL's mines.

As at 31 March 2011, the Vedanta Group had total production capacities of 800 ktpa of copper cathodes, 964 ktpa of zinc and lead, 745 ktpa of aluminium, 250 ktpa of pig iron and 280 ktpa of metallurgical coke. Of the US\$19.1 billion in expansion projects currently underway as at 31 March 2011, the Vedanta Group has completed US\$4.8 billion of projects and expects the remaining projects to be completed in the next couple of years, subject to receipt of environmental clearances.

Vedanta's goal is for the Vedanta Group to become one of the top diversified natural resources companies in the world through its existing and future expansion projects, while implementing its expansion projects at industry leading benchmark capital costs, within budget and ahead of schedule. Vedanta believes it has made progress towards achieving this goal, though there can be no assurance that Vedanta will be able to achieve such production capacity for each of its businesses. See paragraph 1.4 of this Section C for details on the Vedanta Group's ongoing projects to increase its production capacities.

Cairn India is actively exploring for hydrocarbons in basins throughout India, where it has an interest in nine exploration blocks and one exploration block in Sri Lanka.

In addition to the Rajasthan Block, Cairn India has identified a number of leads and prospects in its other blocks. The portfolio of potential prospects being developed and matured by Cairn India is diversified. Cairn India is also developing its portfolio in both mature and frontier areas, as well as in regions and basins where the current data set can be optimised or reinterpreted. Early entry can be a critical factor in long-term exploration success and as Cairn India is active in its pursuit of leads and play fairways (the geographic area over which a play extends) in relatively unexplored areas, it believes it can benefit from having an early entrant advantage.

According to the 2009-2010 annual report of the MoPNG, India has significant exploration potential with 26 basins totalling a sedimentary area of 3.1 million square km, most of which is under-explored. In addition to Cairn India's existing exploration portfolio, Cairn India intends to seek out new exploration opportunities in India through organic growth, acquisition opportunities and its participation in future NELP licensing rounds.

2.3 Consolidating the Group Structure

Vedanta has and is continuing to seek to increase the Vedanta Group's direct ownership of its underlying businesses to simplify and derive additional synergies as an integrated group by consolidating its corporate structure and integrating its operations. For example, in April 2008, Vedanta, through its wholly-owned subsidiary, VRHL, acquired an additional 28.4 per cent. ownership interest in KCM by exercising its call option, increasing the Vedanta Group's ownership interest to 79.4 per cent. In addition, the Vedanta Group has outstanding options to increase its ownership interests in BALCO and HZL. See paragraph 9 (Options to Increase Interests in HZL and BALCO) in Section A of this Part I: "Information on the Vedanta Group, the Cairn India Group and the Combined Group" of this Prospectus. In Fiscal 2009 and 2010, Vedanta also increased its ownership interest in SGL from 51.2 per cent. to 57.41 per cent. through open market purchases of its shares and through a preferential allotment by SGL to Twin Star. As at 31 March 2011, Vedanta had a 55.1 per cent. ownership interest in SGL. In February 2009, Vedanta acquired additional shares in MALCO through the reverse book-building guidelines of SEBI and as at 31 March 2011 held a 94.8 per cent. ownership interest in MALCO, which has been delisted from the Indian stock exchanges as of 19 June 2009.

Vedanta believes that enhanced visibility through equity market listings of the Vedanta Group's business lines will unlock value inherent in its assets. In furtherance of this, on 16 November 2010, Konkola Resources announced its intention to proceed with an initial public offering of its ordinary shares and seek admission of the ordinary shares to the Official List and to trading on the LSE's main market for listed securities. Konkola Resources will, on completion of this initial public offering, be the holding company of KCM, which is intended to unlock value for shareholders of Vedanta. Vedanta

intends to pursue the proposed listing of Konkola Resources at an appropriate time and subject to market conditions. In addition, on 30 October 2009, Sterlite Energy filed a draft red herring prospectus with SEBI for a proposed initial public offering of its equity shares for an issue size of INR51,000 million (US\$1,142.2 million). While the permission from SEBI to proceed with the initial public offering lapsed in April 2011, Vedanta continues to explore various financing options for Sterlite Energy, including an initial public offering.

2.4 Seeking Additional Investment Opportunities where Vedanta Can Leverage its Established Transactional, Project Execution and Operational Skills and Experience

The acquisitions of HZL, BALCO, KCM, SGL and SRL have contributed substantially to the growth of the Vedanta Group. Vedanta continually seeks new growth and acquisition opportunities in the metals and mining and related businesses in India and elsewhere, including through government privatisation programmes, where the Vedanta Group can leverage its skills and experience. Vedanta continues to closely monitor the resource markets in the Vedanta Group's existing lines of business as well as seeking out opportunities in complementary businesses such as coal mining. By selecting the opportunities for growth and acquisition carefully and leveraging the Vedanta Group's skills and experience, Vedanta seeks to continue to expand the Vedanta Group's business while maintaining a strong balance sheet and investment grade credit profile.

The Vedanta Group's recent actions in pursuing this strategy include the following:

- On 11 June 2009, SGL completed the acquisition of the entire issued share capital of SRL. SRL has one subsidiary, SMC and a 50:50 joint venture with Goa Maritime Private Limited.
- On 9 May 2010, the Vedanta Group agreed to acquire various zinc assets for a total consideration of US\$1,513.1 million. The net cash (being cash and cash equivalents less borrowings) of these entities as at the date of acquisition was US\$359.2 million. These zinc assets comprise Skorpion, which owns the Skorpion mine and refinery in Namibia, a 74 per cent. stake in Black Mountain, whose assets include the Black Mountain mine and the Gamsberg project in South Africa, and Lisheen, which owns the Lisheen mine in Ireland. On 3 December 2010, Vedanta announced the completion of the acquisition of Skorpion by Sterlite Infra Limited, a wholly-owned subsidiary of Sterlite. On 4 February 2011, Vedanta announced the completion of the acquisition of the 74 per cent. stake in Black Mountain. The acquisition of Lisheen was completed on 15 February 2011.
- On 8 August 2011, Vedanta announced that SGL had signed a share purchase and operation agreement with Elenilto pursuant to which a wholly-owned subsidiary of SGL agreed to acquire a 51 per cent. stake in WCL, a Liberian iron ore exploration company. Elenilto won a bid tendered by the Government of Liberia in 2010 for the development of Western Cluster, a network of iron ore deposits in west Africa which has a long life potential and access to an estimated one billion tonnes of potential iron ore resources, which WCL will develop. This transaction completed on 22 August 2011.

PART II: RELATIONSHIP WITH MAJOR SHAREHOLDER

1. Overview

Volcan Investments Limited (“Volcan”) owns 167,953,056 Ordinary Shares, or approximately 56.57 per cent. of the issued Ordinary Shares or 63.19 per cent. of the voting share capital of Vedanta as at 4 December 2011. Volcan is the major shareholder of Vedanta and controls Vedanta. The measures in place to ensure that control of Vedanta is not abused are contained in the Volcan Relationship Agreement (as defined in paragraph 2.1 below). Volcan is wholly-owned and controlled by the Anil Agarwal Discretionary Trust (the “Trust”). Onclave PTC Limited, the trustee of the Trust (“Onclave”), controls all the voting and investment decisions of the Trust. As a result, securities beneficially owned by Volcan may be regarded as being beneficially owned by the Trust and, in turn, by Onclave.

2. Conflicts of Interest

- 2.1 Mr. Anil Agarwal, the Executive Chairman of Vedanta and the Non-Executive Chairman of Sterlite, may be deemed to have beneficial ownership of securities that are beneficially owned by Onclave, such as the 167,953,056 Ordinary Shares referred to above. Vedanta, Volcan, Onclave and Mr. Anil Agarwal are parties to the relationship agreement summarised in paragraph 3 below (the “Volcan Relationship Agreement”), which regulates the ongoing relationship among them.
- 2.2 Through Volcan, Mr. Anil Agarwal, his father, Mr. Dwarka Prasad Agarwal, and his son, Mr. Agnivesh Agarwal, the Non-Executive Chairman of HZL, also have a controlling interest in STL, a publicly-listed company in India which was spun-off from the Vedanta Group in July 2000, except for nominal interests in STL held by MALCO and Sterlite.
- 2.3 In addition, Mr. Anil Agarwal holds directorships with other members of the Vedanta Group and will continue to hold such cross directorships following Readmission. Mr. Agarwal is also the Chairman of Sterlite. These directorships and positions give rise to situations in which Mr. Agarwal could have a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.

3. Volcan Relationship Agreement

3.1 Purpose

Vedanta, Volcan, Onclave and Mr. Anil Agarwal are parties to the Volcan Relationship Agreement. The principal purpose of the Volcan Relationship Agreement is to enable Vedanta to carry on its business independently of Volcan, its direct and indirect shareholders, and their respective associates (the “Volcan Parties”) as required by the Listing Rules and to ensure that transactions and relationships, including all matters that are the subject of the shared services agreement between Vedanta, STL, Sterlite Gold Ltd. (“Sterlite Gold”) (which at that time was an affiliated company) and Sterlite dated 5 December 2003 (the “Shared Services Agreement” (as described in paragraph 14.1(b) of Part X: “Additional Information” of this Prospectus)), among the Volcan Parties are at arm’s length and on a normal commercial basis.

3.2 Termination

The Volcan Relationship Agreement will terminate in respect of Volcan at such time as each of the Volcan Parties, acting individually or jointly by agreement, ceases to be a controlling shareholder of Vedanta for the purposes of the Listing Rules or if the Ordinary Shares cease to be admitted to the Official List and to trading on the LSE.

In addition, the Volcan Relationship Agreement will terminate in respect of Onclave and Mr. Anil Agarwal if either of them individually or acting jointly ceases to be a controlling shareholder of Vedanta or Volcan. A controlling shareholder of a company for the purposes of the version of the Listing Rules in place at the time of entry into the Volcan Relationship Agreement was any person (or persons acting jointly by agreement whether formal or otherwise) who is entitled to exercise, or to control the exercise of, 30 per cent. or more of the rights to vote at general meetings of such company (but the rights to vote attaching to any treasury shares held by a company are not to be taken into account when calculating a person’s percentage of rights to vote) or who is able to control the appointment of directors who are able to exercise a majority of the votes at board meetings of such company.

3.3 Terms

Under the Volcan Relationship Agreement:

- (a) the parties agreed to ensure that Vedanta is capable, at all times, of carrying on its business independently of the Volcan Parties as required by the Listing Rules;
- (b) transactions and relationships between any member of the Vedanta Group and the Volcan Parties must be conducted at arm's length and on a normal commercial basis, including those to be provided under the Shared Services Agreement;
- (c) the Board of Directors and Nominations Committee, and any other committee of the Board of Directors (other than the Audit Committee or the Remuneration Committee or any committee which may be established by the Board of Directors in connection with a specific transaction, the constitution of which is approved by the Board of Directors) to which significant powers, authorities or discretions are delegated shall at all times comprise a majority of Directors who are independent of the Volcan Parties and who are free from any business or other relationship with the Volcan Parties which could materially interfere with the exercise of any Director's judgment concerning Vedanta;
- (d) Vedanta's Remuneration Committee and Audit Committee shall at all times consist only of Non-Executive Directors;
- (e) Volcan is entitled to nominate for appointment to the Board of Directors such number of persons as is one less than the number of Directors who are independent of the Volcan Parties and who are free from any business or other relationship with the Volcan Parties which could materially interfere with the exercise of the director's judgment concerning Vedanta;
- (f) neither Mr. Anil Agarwal nor any non-independent Directors shall be permitted, unless the independent Directors agree otherwise, to vote on any resolutions of the Board of Directors or of a committee of the Board of Directors to approve the entry into, variation, amendment, novation or abrogation or enforcement of any contract, arrangement or transaction with any of the Volcan Parties;
- (g) Volcan shall not exercise voting rights attaching to its shares in Vedanta with respect to any resolution to approve the entry into, variation, amendment, novation or abrogation of any transactions or arrangements between Vedanta and the Volcan Parties;
- (h) the Volcan Parties represented and warranted to Vedanta that at the time of the execution of the Volcan Relationship Agreement they did not own directly or indirectly any interests in the smelting, refining, mining or sale of any base metals or mineral otherwise than through Vedanta or any member of the Vedanta Group; and
- (i) the Volcan Parties agreed to, and agreed to cause each member of the Volcan Group, the Agarwal Family and their respective associates to, directly or indirectly, acquire or otherwise invest in any company, business, business operation or other enterprise which engages in the smelting, refining or mining of base metals or minerals only through Vedanta or other member of the Vedanta Group.

However, the Volcan Relationship Agreement does not prevent, restrict or limit the acquisition or ownership:

- (A) by the Volcan Parties of any securities of Sterlite Gold or not more than 5 per cent. in aggregate of any class of shares, debentures or other securities in issue from time to time of any company which engages in the smelting, refining or mining of base metals or minerals which is for the time being listed on any stock exchange. The carve-out in respect of securities of Sterlite Gold will not be included in the New Volcan Relationship Agreement (as defined below) as Sterlite Gold is no longer an affiliated company of Volcan; or
- (B) directly or indirectly, by Volcan, Mr. Anil Agarwal, Mr. Dwarka Prasad Agarwal and Mr. Agnivesh Agarwal or their respective associates of any interest in a base metal or mineral property or asset (together with any associated property, plant and equipment), which is not adjacent or geographically proximate to an existing property or operation of the Vedanta Group so as to give them operational synergies, where the acquisition cost (including assumed indebtedness), including any related capital expenditures committed at the date of acquisition for the following 12 months, is equal to US\$50 million or less, for

which purpose any acquisitions of two or more related or adjacent base metal or mineral properties or assets shall be aggregated when calculating the acquisition cost, provided that the relevant interested party: (i) is not an officer or director of the Vedanta Group; and (ii) before acquiring such property or asset, first made the opportunity to acquire such property or asset available to the Vedanta Group, with a reasonable period for the independent Directors of Vedanta to consider the opportunity, on terms no less favourable than those on which they are proposed to be acquired by the interested party and a majority of the independent Directors has determined that the Vedanta Group should not make the acquisition.

The Volcan Relationship Agreement will terminate when the Listing is cancelled on completion of the Cairn Acquisition. The parties to the Volcan Relationship Agreement will enter into a new agreement on identical terms and conditions to the existing Volcan Relationship Agreement (updated to reflect relevant legal and regulatory changes since the Listing and the fact that Sterlite Gold is no longer an affiliated company of Volcan, as noted above) prior to Readmission (the “New Volcan Relationship Agreement”). Volcan sold its interest in Sterlite Gold to Vedanta in 2006. On 27 September 2007, Vedanta sold its interest in Sterlite Gold to an unaffiliated third party.

4. Agreements with Related Parties

- 4.1 From time to time, conflicts of interest have in the past and will in the future arise between the Company and its affiliates. With respect to transactions between the Company and its affiliates, Directors, Executive Officers and Significant Employees that involve conflicts of interests, the Company has in the past undertaken and will continue in the future to undertake such transactions in compliance with the rules for related party transactions set out in Chapter 11 of the Listing Rules, the rules of the NYSE on which Sterlite is listed and the rules of the Indian stock exchanges on which its subsidiaries are listed.
- 4.2 As part of Sterlite’s listing on the NYSE, Sterlite was required to confirm to the NYSE that it will appropriately review and oversee related party transactions on an ongoing basis. Such related party transactions include transactions between Sterlite and Vedanta, and Vedanta’s affiliates. The NYSE reviews the proxy statements and other public filings of its listed companies as to related party transactions. Under the rules of the NYSE, Sterlite was required to have an independent audit committee comprised of a majority of independent directors within 90 days of listing and comprised entirely of independent directors within one year of listing. Sterlite currently has an independent audit committee comprised entirely of independent directors and expects to continue to do so following Readmission. One of the functions of its independent audit committee is to review any related party transactions by Sterlite or any of its subsidiaries or affiliates. In addition, under the rules of the NYSE, Sterlite is required to obtain shareholder approval for any issuance of its equity shares, or securities convertible into or exercisable for its equity shares, to any related party, except that such approval would not be required for sales of Sterlite’s equity shares to Sterlite’s controlling shareholder or its affiliates in an amount not to exceed 5 per cent. of the number of Sterlite’s equity shares outstanding prior to such issuance and at a price equal to or greater than the higher of the book or market value of Sterlite’s equity shares.
- 4.3 Under the listing agreements that the Company’s Indian subsidiaries have entered into with the Indian stock exchanges, these subsidiaries are required to ensure that their disclosures in relation to material and significant related party transactions in their annual reports are in compliance with Indian GAAP. Specifically, these subsidiaries are required to place before their audit committee and publish in their annual reports a statement in summary form of the related party transactions entered into by them during the previous Fiscal year, providing details of whether such transactions were undertaken in the ordinary course of business and details of material individual transactions with related parties or others which were not on an arm’s length basis, together with their management’s justification for such transactions. Under the listing agreements, their audit committee is required to review and discuss with the management the disclosures of any related party transactions, as defined under Indian GAAP, in Vedanta’s annual financial statements.
- 4.4 The Company has used and will continue to use independent appraisers in appropriate circumstances to help determine the terms of related party transactions. The Company has had and will continue to have an Audit Committee comprised entirely of independent directors which is responsible for reviewing any related party transaction by Vedanta or any of its subsidiaries or affiliates.

**PART III: DIRECTORS, EXECUTIVE OFFICERS, SIGNIFICANT EMPLOYEES
AND CORPORATE GOVERNANCE**

1. Directors, Executive Officers and Significant Employees

The following table sets out certain information regarding the Directors, Executive Officers and the Significant Employees of the Vedanta Group and the Cairn India Group as at the date of this Prospectus.

<u>Name</u>	<u>Nationality</u>	<u>Age⁽¹⁾</u>	<u>Position</u>
Board of Directors:			
Anil Agarwal	Indian	58	Executive Chairman, Vedanta Non-Executive Chairman, BALCO Non-Executive Chairman / Non-Executive Director, Sterlite Non-Executive Chairman, STL
Navin Agarwal ⁽¹⁾	Indian	50	Deputy Executive Chairman, Vedanta Chairman, MALCO Executive Chairman, KCM Executive Vice Chairman / Whole Time Director, Sterlite Vice Chairman, BALCO Director, HZL Director, Vedanta Aluminium Director, Sterlite Iron & Steel Company Limited Director, Sterlite Infrastructure Holdings Private Limited Director, VRHL Director, Vedanta Resources Investment Limited Chairman, Konkola Resources
Mahendra Singh Mehta	Indian	55	Chief Executive Officer, Vedanta Chief Executive Officer, Sterlite Director, Lakomasko B.V. Director, TSPL Director, VRHL Director, Vedanta Resources Investment Limited
Naresh Chandra	Indian	76	Non-Executive Director / Senior Independent Director, Vedanta Independent Director, Cairn India
Aman Mehta	Indian	64	Non-Executive Director / Independent Director, Vedanta Non-Executive Director / Independent Director, Cairn India
Euan R. Macdonald	British	71	Non-Executive Director / Independent Director, Vedanta
Executive Officers:			
Tarun Jain	Indian	51	Director of Finance, Sterlite Non-Executive Director, Vedanta Aluminium Director, BALCO Director, SOVL Director, Sterlite Infrastructure Limited Director, Sterlite USA Director, Twin Star

<u>Name</u>	<u>Nationality</u>	<u>Age⁽¹⁾</u>	<u>Position</u>
Dindayal Jalan ⁽¹⁾	Indian	54	Chief Financial Officer, Vedanta Chief Financial Officer / Whole Time Director, Sterlite Director, Copper Mines of Tasmania Pty Ltd Director, MALCO Power Company Limited Director, MALCO Industries Limited Director, Paradip Multi Cargo Berth Private Limited Director, Pecvest 17 (Proprietary) Limited—South Africa Director, SMC Director, SRL Director, SOVL Director, TSPL Director, TCM Director, THL Zinc Ventures Limited Director, THL Zinc Limited Director, TSEHL Director, TSMHL Director, Vedanta Investment Jersey Limited Director, Vedanta Resources Cyprus Limited Director, Vedanta Resources Jersey II Limited Director, Vedanta Resources Jersey Ltd Director, Vizag General Cargo Berth Private Limited
Dilip Golani	Indian	45	Director and Group Head of Management Assurance, Vedanta Group
Aiyasaamy Thirunavukkarasu	Indian	50	President, Group Human Resources, Vedanta Group
Significant Employees:			
<i>Copper business</i>			
Jeyakumar Janakaraj ⁽¹⁾	Indian	40	Chief Executive Officer / Whole Time Director, KCM
<i>Zinc business</i>			
Rajagopal Kishore Kumar	Indian	48	Chief Executive Officer, Zinc International Chief Executive Officer for Africa Operations Non-Executive Director, KCM
Akhilesh Joshi ⁽¹⁾	Indian	57	Chief Operating Officer / Whole Time Director, HZL
<i>Aluminium business</i>			
Mansoor Siddiqi	Indian	57	Group Director—Projects, Vedanta Group Director, Vedanta Aluminium
Pramod Suri ⁽¹⁾	Indian	53	Chief Executive Officer, Vedanta Aluminium Whole Time Director, Sterlite Energy Director, BALCO
<i>Iron ore business</i>			
Prasun Kumar Mukherjee	Indian	55	Managing Director, SGL Director, SRL Director, SMC
<i>Commercial power generation business</i>			
Baldev Krishnan Sharma ⁽²⁾	Indian	58	Chief Executive Officer / Whole Time Director, TSPL
<i>Oil and gas business (Cairn India)</i>			
Rahul Dhir	British	45	Managing Director and Chief Executive Officer, Cairn India Director, Cairn India Holdings Limited Director, CIG Mauritius Holding Pvt. Ltd. Director, CIG Mauritius Pvt. Ltd.

Notes:

(1) As at 31 March 2011.

- (2) A Whole Time Director is a director who is employed full-time in rendering services to the management of the company with respect to which he is a director (“Whole Time Director”). An individual can be a Whole Time Director with respect to only one company, although he or she may accept the position of non-Whole Time Director in other companies.

1.1 Business Address of the Directors, Executive Officers and Significant Employees

(a) Directors

The business address of each of the Directors other than Mr. Navin Agarwal and Mr. Mahendra Singh Mehta is 5th Floor, 16 Berkeley Street, London W1J 8DZ, United Kingdom.

The business address of Mr. Navin Agarwal is 75 Nehru Road, Vile Parle (Easte), Mumbai 400099, India.

The business address of Mr. Mahendra Singh Mehta is Scope Complex, Lodhi Road, Third Floor, Core 6, New Delhi 110003, India.

(b) Executive Officers

The business address of Messrs. Tarun Jain, Dilip Golani and Aiyasaamy Thirunavukkarasu is 75 Nehru Road, Vile Parle (Easte), Mumbai 400099, India.

The business address of Mr. Dindayal Jalan is Scope Complex, Lodhi Road, Third Floor, Core 6, New Delhi 110003, India.

(c) Significant Employees

<u>Name</u>	<u>Business Address</u>
Copper business	
Jeyakumar Janakaraj	Konkola Copper Mines plc Private Bag KCM (C) 2000, Fern Avenue, Chingola, Zambia
Zinc business	
Rajagopal Kishore Kumar	Zinc International (Africa/Ireland) 1 Penge Road, Aggeneys, 8893, South Africa
Akhilesh Joshi	Yashad Bhawan, Opp. Swaroop Sagar, Udaipur, Rajasthan 313004, India
Aluminium business	
Mansoor Siddiqi	Vedanta Project Office 242, Solitaire Corporate Park, Andheri - Ghat Kopar Link Road, Chakala, Andheri (E), Mumbai 400 093, India
Pramod Suri	Vedanta Aluminium Limited PMO Building, Jharsuguda, Orissa 768202, India
Iron ore business	
Prasun Kumar Mukherjee	Sesa Goa Limited Sesa Ghor 20 EDC complex Patto, Panji, Goa - 403 001, India
Commercial power generation business	
Baldev Krishnan Sharma	H. No 47, Sector 8, Faridabad 121006, Haryana, India
Oil and gas business (Cairn India)	
Rahul Dhir	Cairn India Limited 3rd and 4th floor, Vipul Plaza, Suncity, Sector 54, Gurgaon - 122002, India

2. Profiles of the Directors, Executive Officers and Significant Employees

Vedanta’s executive team focuses on group strategy and capital allocation, whilst the delivery of operational and project goals is led by the experienced management teams running each individual business.

2.1 Executive Directors

(a) Anil Agarwal

Industrialist par excellence Mr. Anil Agarwal is Vedanta's Executive Chairman and was appointed to the Vedanta Board of Directors in November 2003. In the 35 years since founding the Vedanta Group in 1976, Mr. Agarwal has, through the founding and development of the Vedanta Group, helped put India on the global mining and metals map. He was Sterlite's Chairman, Managing Director and Chief Executive Officer from 1980 until the expiration of his term in October 2004. He was also the Chief Executive Officer of Vedanta from December 2003 to March 2005. Under Mr. Agarwal's stewardship, Vedanta became the first Indian company to have a primary listing on the LSE. Mr. Agarwal is the brother of Mr. Navin Agarwal.

(b) Navin Agarwal

Mr. Navin Agarwal is Vedanta's Deputy Executive Chairman and was appointed to the Vedanta Board of Directors in November 2004. He joined Sterlite at its inception in 1976. As Executive Vice-Chairman of Sterlite, Mr. Agarwal is responsible for giving strategic guidance to Sterlite and helping it manage its overall performance and growth. Mr. Agarwal is also the chairman of Vedanta's Executive Committee. In this role, he provides strategic support to the Vedanta Group's operating subsidiaries for the planning, execution and completion of the pipeline of growth projects. In the Executive Committee, Mr. Agarwal brings together business units and financial heads to ensure best practice is shared and continuous improvement measures are being implemented. Mr. Agarwal has over 25 years of experience in strategic and operational management. He has a Bachelors in Commerce from Sydenham College in Mumbai, India and has completed the Owner/President Management Programme at Harvard University. Mr. Navin Agarwal is the brother of Mr. Anil Agarwal.

(c) Mahendra Singh Mehta

Mr. Mahendra Singh Mehta is Vedanta's Chief Executive Officer and was appointed to the Vedanta Board of Directors on 1 October 2008. Mr. Mehta joined the Vedanta Group in April 2000 and has held various leadership roles within the Vedanta Group including the positions of Chief Executive Officer of HZL and Commercial Director (base metals) with responsibility for the marketing of copper, aluminium, zinc and lead, procurement of copper concentrate, export and tolling of zinc concentrate and coal procurement. Before joining the Vedanta Group, Mr. Mehta worked for Lloyds Steel Industries Ltd where he handled wide ranging portfolios, including marketing, procurement, working capital finance and projects. Mr. Mehta has a degree in Mechanical Engineering from MBM Engineering College in Jodhpur, India and a Masters in Business Administration from the Indian Institute of Management in Ahmadabad, India.

2.2 Non-Executive Directors

(a) Naresh Chandra

Mr. Naresh Chandra is a Non-Executive Director and the Senior Independent Director of Vedanta and an Independent Director of Cairn India. Mr. Chandra was appointed to the Vedanta Board of Directors in May 2004. Prior to joining Vedanta, Mr. Chandra was the Home Secretary of India in 1990, the Cabinet Secretary of India from 1990 to 1992, senior adviser to the then prime minister of India from 1992 to 1995, governor of the State of Gujarat from 1995 to 1996 and India's ambassador to the United States from 1996 to 2001. He was also Chairman of the Indian Government Committee on Corporate Governance & Audit from 2002 to 2003 and Chairman of the Committee on Civil Aviation Policy from 2004 to 2005. Mr. Chandra is currently the Chairman of the National Security Advisory Board of the Government of India. In 2007, Mr. Chandra was awarded the prestigious Padma Vibhushan award by the President of India. Mr. Chandra has a Masters in Mathematics from Allahabad University.

(b) Aman Mehta

Mr. Aman Mehta is a Non-Executive Director and Independent Director of both Vedanta and Cairn India. Mr. Mehta was appointed to the Vedanta Board of Directors in November 2004 following his retirement from HSBC after 36 years. At HSBC, Mr. Mehta held numerous positions, including Chairman and Chief Executive Officer of HSBC USA Inc. (the New York-based arm of HSBC Holdings plc), Deputy Chairman of HSBC Bank Middle East where he

had responsibility for the HSBC group's operations in the Middle East and in 1999 he was appointed Chief Executive Officer of the Hong Kong and Shanghai Banking Corporation, a position he held until his retirement. In addition, he is currently a member of the Board of Governors of the Indian School of Business in Hyderabad, India. Mr. Mehta has a degree in Economics from Delhi University. He now resides in New Delhi and is a member of a number of corporate and institutional boards in India as well as overseas.

(c) **Euan R. Macdonald**

Mr. Euan R. Macdonald is a Non-Executive Director and Independent Director of Vedanta and was appointed to the Vedanta Board of Directors in March 2005. Prior to joining Vedanta, Mr. Macdonald spent over 20 years with SG Warburg specialising in emerging markets finance. From 1995 to 1999, Mr. Macdonald was the Chairman of SBC Warburg India and was responsible for all of the bank's activities in India. From 1999 to 2001, he was the Executive Vice Chairman of HSBC Securities and Capital Markets, India. Mr. Macdonald has a degree in Economics from Cambridge University and a Masters in Finance and International Business from Columbia University Business School.

2.3 Executive Officers

(a) **Tarun Jain**

Mr. Tarun Jain is the Director of Finance of Sterlite. Mr. Jain joined Sterlite in 1984 and has over 27 years of experience in corporate finance, accounts, audit, taxation and secretarial practice. He is responsible for Sterlite's strategic financial matters, including corporate finance, corporate strategy, business development and mergers and acquisitions. Mr. Jain is a graduate of the Institute of Cost and Works Accountants of India and a fellow member of both the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India.

(b) **Dindayal Jalan**

Mr. Dindayal Jalan is the Chief Financial Officer of Vedanta and a Whole Time Director of Sterlite. Mr. Jalan joined Sterlite as the president of its Australian operations and was responsible for the business and operations of CMT and TCM from January 2001 to February 2002 before becoming Sterlite's Chief Financial Officer (metals) in March 2003 until June 2009. He was appointed as the Chief Financial Officer of Vedanta in October 2005. Mr. Jalan has over 32 years of experience working in various companies in the engineering, mining and non-ferrous metals industries. Mr. Jalan has a Bachelors in Commerce from Gorakhpur University in India and is a member of the Institute of Chartered Accountants of India.

(c) **Dilip Golani**

Mr. Dilip Golani joined Sterlite in 2000 and is the Director of the Management Assurance Function of the Vedanta Group. Between August 2004 and November 2005, Mr. Golani was Head of Marketing for HZL and in December 2005 he assumed the position of Head of Management Assurance for the Vedanta Group. Mr. Golani has a Bachelors in Engineering from Motilal National Institute of Technology in Allahabad, India and a postgraduate diploma in Industrial Engineering from the National Institute of Industrial Engineering in India.

(d) **Aiyasaamy Thirunavukkarasu**

Mr. Aiyasaamy Thirunavukkarasu is the President of Human Resources of the Vedanta Group. Mr. Thirunavukkarasu was Senior Vice President of Human Resources for Vedanta's copper division heading the human resources, total quality management, corporate social responsibility and public relations functions prior to becoming President of Human Resources in July 2007. Before joining the Vedanta Group, Mr. Thirunavukkarasu held senior leadership positions in Hindustan Lever Ltd, TVS Electronics Limited and English Electric. Mr. Thirunavukkarasu has a Bachelors in Literature and a Masters in Social Work with Personnel Management and Organisational Behaviour from Loyola College in Chennai, India.

2.4 Significant Employees

(a) Copper Business

(i) Jeyakumar Janakaraj

Mr. Jeyakumar Janakaraj is currently the Chief Executive Officer and Whole Time Director of KCM. Mr. Janakaraj joined the Vedanta Group in September 1995 as a mechanical engineer in Sterlite's copper division at Tuticorin and subsequently moved to HZL as a senior manager in July 2002 working in various capacities including projects head for both mines and smelters. Mr. Janakaraj was conferred a gold medal for his significant contributions to non-ferrous metallurgical industries by the Indian Institute of Metals in Kolkata, India in 2006 and 2008. Mr. Janakaraj has a Bachelors in Mechanical Engineering from PSG College of Technology of Bharathiar University in Coimbatore, India.

(b) Zinc Business

(i) Rajagopal Kishore Kumar

Mr. Rajagopal Kishore Kumar is the Chief Executive Officer of Zinc International and is also a Non-Executive Director of KCM. Mr. Kumar joined the Vedanta Group in April 2003 as Vice President (marketing) of HZL and was Senior Vice President (marketing) for Sterlite's copper division from June 2004 to December 2006, where he was responsible for copper marketing and concentrate procurement. Prior to joining the Vedanta Group, Mr. Kumar was employed by Hindustan Lever Ltd for 12 years. Mr. Kumar has a Bachelors in Commerce from Kolkata University in India and is a member of the Institute of Chartered Accountants of India.

(ii) Akhilesh Joshi

Mr. Akhilesh Joshi is the Chief Operating Officer and a Whole Time Director of HZL. He joined HZL in September 1976. Prior to becoming Chief Operating Officer of HZL, Mr. Joshi was Senior Vice President (mines) and responsible for the overall operations at all mining operations. Mr. Joshi has a Bachelors in Engineering (Mining) from M.B.M. Engineering College in Jodhpur, India and completed his postgraduate diploma in Economic Evaluation of Mining Projects at the University of Paris.

(c) Aluminium Business

(i) Mansoor Siddiqi

Mr. Mansoor Siddiqi is currently Group Director—Projects of the Vedanta Group. Prior to this he was the Chief Executive Officer for the aluminium sector for the Vedanta Group and Whole Time Director of Vedanta Aluminium. He joined the Vedanta Group in 1991 and was responsible for Vedanta's Korba plant and was subsequently involved in the Lanjigarh and Jharsuguda projects. Prior to joining the Vedanta Group, Mr. Siddiqi worked at Hindustan Copper Limited. Mr. Siddiqi has over 32 years of experience in various areas of operations and project management. Mr. Siddiqi has a Bachelors in Mechanical Engineering from the Indian Institute of Technology in New Delhi.

(ii) Pramod Suri

Mr. Pramod Suri is the Chief Executive Officer of Vedanta Aluminium and a Whole Time Director of Sterlite Energy. He was the Chief Executive Officer of aluminium operations from February 2008 until April 2011. Mr. Suri has been responsible for Vedanta Aluminium's business at BALCO as President and Whole Time Director since 2006. Prior to this role, he was the Senior Vice President of Operations and Head of the Korba smelter from September 2004 to December 2006. Prior to joining the Vedanta Group, he was Vice President of JK Industries Ltd from January 2001 to March 2004. Mr. Suri also worked for Indian Aluminium Company Limited ("INDAL"), CEAT Ltd. and Goodyear South Asia Tyres Pvt. Ltd prior to joining the Vedanta Group. Mr. Suri has a Masters in Chemistry from the Indian Institute of Technology in New Delhi.

(d) Iron Ore Business

(i) Prasun Kumar Mukherjee

Mr. Prasun Kumar Mukherjee is the Managing Director of SGL. Mr. Mukherjee joined SGL in April 1987 and held various positions in internal audit, corporate affairs, taxation, finance and accounts before taking up the position of Director of Finance from July 2000 to March 2006. Prior to joining SGL, Mr. Mukherjee was associated with CEAT Ltd. and Bridge and Roof Co. (India) Limited. Mr. Mukherjee is a fellow member of the Institute of Chartered Accountants of India and an associate member of the Institute of Cost and Works Accountants of India.

(e) Commercial Power Generation Business

(i) Baldev Krishnan Sharma

Mr. Baldev Krishnan Sharma is the Chief Executive Officer and a Whole Time Director of TSPL. Mr. Sharma has over 37 years of experience in the areas of commercial marketing and business operations management. Mr. Sharma joined the Vedanta Group in 1997 and prior to that worked for West Coast Paper Mills Ltd. Mr. Sharma has a Bachelors in Science and a Masters in Business Administration from Punjab University in India.

(f) Oil and Gas Business (Cairn India)

(i) Rahul Dhir

Mr. Rahul Dhir joined Cairn India as an Additional Director and was appointed Managing Director and Chief Executive Officer on 22 August 2006. Mr. Dhir started his career as an oil and gas reservoir engineer before moving into investment banking. Before joining Cairn India, he worked at SBC Warburg, Morgan Stanley and Merrill Lynch, where he was Managing Director and Co-Head of the energy and power investment banking division of Merrill Lynch. He has a Bachelors in Technology from the Indian Institute of Technology in New Delhi, a Masters in Science from the University of Texas and a Masters in Business Administration from Wharton Business School.

2.5 Other Directorships and Partnerships

In addition to their directorships of the Company and members of the Vedanta Group, only those Directors, Executive Officers and Significant Employees listed in the table below hold, or have held within the past five years, the following directorships and partnerships outside the Vedanta Group (or, in the case of Mr. Dhir, outside of the Cairn India Group):

Name	Current or former directorships/partnerships	Position still held (Y/N)
Board of Directors:		
Anil Agarwal	Anil Agarwal Foundation	Y
Navin Agarwal	Hare Krishna Packaging Private Limited	Y
Naresh Chandra	ACC Limited	Y
	Ambuja Cement Ltd.	Y
	Avtec Limited	Y
	Bajaj Auto Limited	Y
	Bajaj Finserv Ltd.	Y
	Bajaj Holdings & Investment Ltd.	Y
	Balrampur Chini Mills Ltd.	Y
	Electrosteel Casting Ltd.	Y
	Emergent Ventures India Pvt. Ltd	Y
	EROS Energy Pvt. Ltd	Y
	EROS International Media Ltd	Y
	EROS International PLC	Y
	G4S Corporate Services (India) Pvt. Ltd.	Y
	Gammon Infrastructure Projects Ltd.	Y
	Great Offshore Limited	N
	Hindustan Motors Ltd	Y
	Tata Consultancy Services Limited	N
Aman Mehta	Godrej Consumer Products Limited	Y
	ING Group N.V.	Y
	Jet Airways (India) Limited	Y
	Max Healthcare Institute Limited	N
	Max India Limited	Y
	Emaar MGF Land Limited	N
	PCCW Limited	Y
	Raffles Holding Limited	N
	Tata Consultancy Services Limited	Y
	Wockhardt Limited	Y
Significant Employees:		
Tarun Jain	Vedanta Medical Research Foundation	Y
Akhilesh Joshi	Madanpur South Coal Co Ltd	Y
Prasun Kumar Mukherjee . . .	Sesa Community Development Foundation	Y
Rahul Dhir (Cairn India)	Sunborne Energy Holdings LLC	Y

Save as set out above and elsewhere in this Part III, none of the Directors, Executive Officers or Significant Employees has any business interests, or performs any activities, outside the Vedanta Group (or, in the case of Mr. Dhir, the Cairn India Group) which are significant with respect to the Vedanta Group (or, in the case of Mr. Dhir, the Cairn India Group).

3. Interests of the Directors, Executive Officers and Significant Employees

3.1 As at 4 December 2011, being the latest practicable date prior to the publication of this Prospectus, the interests (all of which are beneficial) of the Directors, Executive Officers, Significant Employees, their respective immediate families and (so far as is known to them or could with reasonable diligence be ascertained by them) persons connected (within the meaning of section 96B of the FSMA) with each of them in the issued share capital of the Company, including: (i) those arising pursuant to transactions notified to the Company pursuant to Rule 3.1.2R of the Disclosure and Transparency Rules; or (ii) those of connected persons of the Directors, Executive Officers and/or Significant

Employees which would, if such connected person were a Director, Executive Officer or Significant Employee, be required to be disclosed under (i) above are set out in the following table.

<u>Shareholder</u>	<u>Number of Ordinary Shares⁽¹⁾</u>
Board of Directors:	
Anil Agarwal	168,040,296 ⁽²⁾
Navin Agarwal	223,160
Mahendra Singh Mehta	41,857
Naresh Chandra	—
Aman Mehta	—
Euan R. Macdonald	—
Executive Officers:	
Tarun Jain	104,560
Dindayal Jalan	22,160
Dilip Golani	11,131
Aiyasaamy Thirunavukkarasu	1,716
Significant Employees:	
<i>Copper business</i>	
Jeyakumar Janakaraj	2,460
<i>Zinc business</i>	
Rajagopal Kishore Kumar	7,910
Akhilesh Joshi	7,413
<i>Aluminium business</i>	
Mansoor Siddiqi	24,897
Pramod Suri	12,672
<i>Iron ore business</i>	
Prasun Kumar Mukherjee	—
<i>Commercial power generation business</i>	
Baldev Krishnan Sharma	—

Note:

- (1) The percentage holdings of the Directors, Executive Officers and Significant Employees of voting rights in Vedanta are all less than 0.001 per cent. of the voting rights in Vedanta, other than the holding of Mr. Anil Agarwal which represents a percentage holding of 63.19 per cent. of the voting rights in Vedanta.
- (2) Includes 167,953,056 Ordinary Shares held through Volcan and 87,240 Ordinary Shares held directly.

- 3.2 So far as the Company is aware, the information given in the table above will remain correct as at Completion.
- 3.3 Save as set out in this paragraph 3, paragraph 6 of Part X: “Additional Information” of this Prospectus and in Part II: “Relationship with the Major Shareholder” of this Prospectus, the Company is not aware of any person who holds as shareholder (within the meaning of the Disclosure and Transparency Rules), directly or indirectly, 3 per cent. or more of the voting rights of the Company.
- 3.4 At the date of this Prospectus, there are no restrictions agreed by any Director, Executive Officer or Significant Employee on the disposal within a certain time of their holdings in the Company’s securities.
- 3.5 None of the Vedanta Shareholders referred to in paragraph 3.1 above has different voting rights from any other holder of Ordinary Shares in respect of any Ordinary Shares held by them.

4. Directors', Executive Officers' and Significant Employees' Service Agreements and Letters of Appointment

4.1 Certain terms of the Directors', Executive Officers' and Significant Employees' service agreements and letters of appointment are summarised below.

Name	Commencement date of office	Expiration of current term of office	Notice period for termination (months)
Board of Directors			
Anil Agarwal	27 November 2003	Rolling notice period	6
Navin Agarwal	4 May 2005	Rolling notice period	6
Mahendra Singh Mehta	1 October 2008	31 December 2013	3
Naresh Chandra	1 June 2010	31 May 2012	3
Aman Mehta	24 November 2009	23 November 2013	3
Euan R. Macdonald	23 March 2010	22 March 2012	3
Executive Officers:			
Tarun Jain	1 April 1984	31 March 2018	3
Dindayal Jalan	1 January 2001	30 September 2014	3
Dilip Golani	3 April 2000	31 March 2024	3
Aiyasaamy Thirunavukkarasu	24 June 2010	31 March 2019	3
Significant Employees:			
<i>Copper business</i>			
Jeyakumar Janakaraj	15 September 1995	30 November 2028	3
<i>Zinc business</i>			
Rajagopal Kishore Kumar	21 April 2003	30 September 2020	3
Akhilesh Joshi	18 September 1976	31 January 2012	3
<i>Aluminium business</i>			
Mansoor Siddiqi	1 July 1991	31 August 2013	3
Pramod Suri	22 March 2004	31 January 2016	3
<i>Iron ore business</i>			
Prasun Kumar Mukherjee	14 April 1987	31 January 2015	6
<i>Commercial power generation business</i>			
Baldev Krishnan Sharma	2 June 1997	31 January 2012	3
<i>Oil and gas business (Cairn India)</i>			
Rahul Dhir ⁽¹⁾	22 August 2006	21 August 2016 ⁽¹⁾	6

(1) The board of directors of Cairn India, subject to approval of Cairn India Shareholders, has re-appointed Mr. Rahul Dhir as managing director and chief executive officer for a term of five years.

5. Remuneration and Other Matters

5.1 Directors', Executive Officers' and Significant Employees' Compensation

The aggregate compensation that the Vedanta Group paid to its Directors, Executive Officers and Significant Employees for Fiscal 2011 was £9,112,287, which includes £5,557,416 paid towards short-term benefits comprising salary, bonuses and allowances, £398,000 paid towards post-employment benefits and £3,156,872 in non-cash payments relating to the Vedanta Long-Term Incentive Plan (the "LTIP"). In addition, the aggregate compensation paid by the Cairn India Group to the Significant Employee of the oil and gas business for the year ended 31 March 2011 was INR123,013,283 (US\$2,755,057).

The following table sets forth the pre-tax remuneration for Fiscal 2011 for Vedanta's Directors who held office with the Company during this period. Payment is generally made in UK pounds sterling, although payments in India under service contracts with Sterlite are paid in Indian Rupees.

Pursuant to a Board meeting held in May 2010, the compensation for Non-Executive Directors was reviewed, leading to an increase in the annual fees payable to such Directors. Pursuant to a Board

meeting held in July 2010, Mr. Aman Mehta was appointed as a member of the Nominations Committee leading to an increase in annual fees payable to Mr. Mehta.

	<u>UK Salary</u>	<u>Fees</u>	<u>Pensions</u>	<u>Annual performance bonus</u>	<u>Benefits in kind</u>	<u>Total</u>
	(£)					
Executive Directors:						
Anil Agarwal	1,170,125	—	—	500,000	60,691	1,730,816
Navin Agarwal	80,000	772,805	126,615	352,707	36,901	1,369,028
Mahendra Singh Mehta	80,000	248,158	26,411	126,974	1,135	482,678
Non-Executive Directors:						
Naresh Chandra	140,000	—	—	—	—	140,000
Aman Mehta	111,000	—	—	—	—	111,000
Euan R. Macdonald	100,000	—	—	—	—	100,000
Total	<u>£1,681,125</u>	<u>£1,020,963</u>	<u>£153,026</u>	<u>£979,681</u>	<u>£98,727</u>	<u>£3,933,522</u>

Note:

(1) The figures in the above table have been calculated based on the following exchange rates: US\$1 = INR45.5763 and £1 = INR70.8804.

5.2 Benefits in Kind

Mr. Anil Agarwal's benefits in kind include provision of a car and fuel for business use in the UK. For his frequent business trips to India, Mr. Agarwal is also provided with a car and driver for business use and is entitled to the use of Company-owned furnished accommodation.

Mr. Navin Agarwal is provided with an allowance of INR6 million (US\$134,378) effective from 1 April 2010 in lieu of Company-leased accommodation. He is also provided with a car and driver for business use.

Mr. Mahendra Singh Mehta is provided with a car.

The Non-Executive Directors do not receive any benefits in kind.

5.3 Benefits on Termination

None of the Directors, Executive Officers or Significant Employees are entitled to any benefits on termination of their service contract or letter of appointment other than a payment in lieu of notice.

5.4 Share Schemes

(a) Vedanta Reward Plan

The Company operated the Vedanta Reward Plan which was adopted to reward a limited number of employees who had contributed to Vedanta's development and growth over the period leading up to Vedanta's Listing. No further awards have been granted under this scheme.

(b) Vedanta Share Option Plan

The Vedanta Group approved the Vedanta Share Option Plan in December 2003. The Vedanta Group has no intention to grant options under this scheme for the foreseeable future and has adopted this scheme for maximum flexibility in the design of incentive arrangements in the long-term.

(c) Vedanta Long-Term Incentive Plan

The Company operates the LTIP for Executive Directors, senior management and a select wider management team.

The maximum value of the Ordinary Shares which may be conditionally awarded in any Fiscal year to a participant in the LTIP who is an Executive Director is restricted to 100 per cent. of that Executive Director's annual base salary (including fees).

The performance target which currently applies to vesting of awards is Vedanta's performance as measured against comparative total shareholder return against a peer group of companies comprising the FTSE Worldwide Mining Index (excluding precious metals). The performance condition is measured by taking the Company's total shareholder return over the four weeks immediately preceding the date of grant and over the four weeks immediately preceding the end of the performance period and comparing its performance with that of the comparator group

described above. The information to enable this calculation to be carried out on behalf of the Remuneration Committee is provided by the Company's advisers.

The Remuneration Committee considers that this performance condition provides a reasonable alignment of the interests of the Executive Directors and the wider management group with those of the shareholders. No awards will vest unless the Remuneration Committee is satisfied that the Company's total shareholder return reasonably reflects the Company's underlying financial performance.

5.5 Options/Awards

The following options/awards have been allotted to the Directors, Executive Officers and Significant Employees of the Vedanta Group and remain outstanding as at 4 December 2011, being the latest practicable date prior to publication of this Prospectus.

Name	Ordinary Shares subject to the option / award	Exercise period	Exercise price per Ordinary Share (US\$)
Directors:			
Anil Agarwal	60,000	1 August 2012 to 1 January 2013	0.10
	73,500	1 August 2014 to 1 January 2015	
Navin Agarwal	40,000	1 August 2012 to 1 January 2013	0.10
	57,500	1 August 2014 to 1 January 2015	
Mahendra Singh Mehta	17,500	1 August 2012 to 1 January 2013	0.10
	21,000	1 August 2014 to 1 January 2015	
Executive Officers:			
Tarun Jain	25,000	1 August 2012 to 1 January 2013	0.10
	26,750	1 August 2014 to 1 January 2015	
Dindayal Jalan	13,500	1 August 2012 to 1 January 2013	0.10
	14,000	1 August 2014 to 1 January 2015	
Dilip Golani	10,000	1 August 2012 to 1 January 2013	0.10
	10,500	1 August 2014 to 1 January 2015	
Aiyasaamy Thirunavukkarasu	7,013	1 August 2012 to 1 January 2013	0.10
	10,500	1 August 2014 to 1 January 2015	
Significant Employees:			
<i>Copper business</i>			
Jeyakumar Janakaraj	12,000	1 August 2012 to 1 January 2013	0.10
	13,000	1 August 2014 to 1 January 2015	
<i>Zinc business</i>			
Rajagopal Kishore Kumar	12,000	1 August 2012 to 1 January 2013	0.10
	13,000	1 August 2014 to 1 January 2015	
Akhilesh Joshi	10,000	1 August 2012 to 1 January 2013	0.10
	13,000	1 August 2014 to 1 January 2015	
<i>Aluminium business</i>			
Mansoor Siddiqi	13,500	1 August 2012 to 1 January 2013	0.10
	10,500	1 August 2014 to 1 January 2015	
Pramod Suri	12,000	1 August 2012 to 1 January 2013	0.10
	13,000	1 August 2014 to 1 January 2015	
<i>Iron ore business</i>			
Prasun Kumar Mukherjee	12,000	1 August 2012 to 1 January 2013	0.10
	13,000	1 August 2014 to 1 January 2015	
<i>Commercial power generation business</i>			
Baldev Krishnan Sharma	6,000	1 August 2012 to 1 January 2013	0.10
Total	<u>539,763</u>		

6. Corporate Governance

6.1 The Board of Directors

(a) Members

The Board of Directors comprises the following members as at 31 March 2011:

Mr. Anil Agarwal	Executive Chairman
Mr. Navin Agarwal	Deputy Executive Chairman
Mr. Mahendra Singh Mehta	Chief Executive Officer
Mr. Naresh Chandra	Non-Executive Director / Senior Independent Director
Mr. Aman Mehta	Non-Executive Director
Mr. Euan R. Macdonald	Non-Executive Director

All three Non-Executive Directors served throughout Fiscal 2011 and up to the date of this Prospectus. There have been no new appointments to the Board of Directors during Fiscal 2011.

(b) Role and Responsibilities of the Board of Directors

The role of the Board of Directors is to provide leadership to maximise opportunities to develop the Company's portfolio of businesses profitably while assessing and managing the associated risks. The boards of directors of the Vedanta Group's individual businesses are responsible for managing their businesses profitably while controlling risks. The Board of Directors assesses the strategic objectives of each business, monitors performance, ensures the availability of financial, management and other resources required to meet these objectives, sets the Vedanta Group's standards of conduct and ensures that effective controls are in place to manage risk and that the interests of shareholders and other investors are observed. For example, in March 2011 a new code of conduct and practices was approved to provide overarching standards for the Vedanta Group's individual businesses and a revised code of conduct was approved by the Board of Directors in November 2011.

(c) Reserved Matters

The Board of Directors has adopted a schedule of matters reserved for its consideration to ensure that it is in a position to assess strategy, monitor performance and maintain effective controls while delegating operational management to the Executive Committee and the Vedanta Group's businesses. Such matters reserved to the Board of Directors include, but are not limited to, approving the Vedanta Group's overall strategy and annual budgets, major capital expenditures, major acquisitions, disposals and significant changes to capital structure and dividend policy. The schedule of reserved matters was last reviewed by the Board of Directors in March 2010.

(d) Meetings

The Board of Directors meets on a regular basis and throughout Fiscal 2011 met nine times. The Chairman also met with the Non-Executive Directors without the Executive Directors present on several occasions throughout the same period. All of the committees are authorised to obtain legal or other professional advice as necessary, to secure the attendance of external advisers at their meetings and to seek information from any employee of the Company in order to perform their duties.

(e) Board Balance and Independence

As at the date of this Prospectus, and at Readmission, the Board of Directors will consist of the Executive Chairman (Mr. Anil Agarwal), the Deputy Executive Chairman (Mr. Navin Agarwal), one Executive Director (Mr. Mahendra Singh Mehta) and three Non-Executive Directors (Messrs. Naresh Chandra, Aman Mehta and Euan R. Macdonald). The Company regards this as an appropriate board structure.

The Company considers all of its Non-Executive Directors as independent Non-Executive Directors within the meaning of "independent" as defined in the UK Corporate Governance Code issued by the Financial Reporting Council of the UK in June 2010 (the "UK Corporate Governance Code") and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. Mr. Naresh Chandra is the Senior Independent Director. His primary responsibilities are to lead discussions at meetings of the

Non-Executive Directors, provide an effective channel of communication between the Chairman and Non-Executive Directors, ensure that the views of the Non-Executive Directors are given due consideration and provide a point of contact for any Vedanta Shareholder who wishes to raise concerns which the normal channels of communication through the Executive Chairman and Chief Executive Officer have failed to resolve, or for which contact is inappropriate.

The Directors support high standards of corporate governance. Following Readmission, the Company will comply with the UK Corporate Governance Code, save that the Executive Chairman is not independent, as outlined under paragraph 6.3(a) (Statement of Compliance) below.

6.2 Executive Chairman and Chief Executive Officer

There is a clear division of the responsibilities between the running of the Board of Directors and executive responsibility for running the business, so that no one person should have undue power of decision. In June 2005, the Board of Directors approved a policy to ensure a clear separation is maintained between the responsibilities of the Executive Chairman and the Chief Executive Officer, as detailed below.

Executive Chairman	Chief Executive Officer
<ul style="list-style-type: none"> • Setting a vision for Vedanta, formulating its strategy, creating a growth pipeline of profitable business opportunities and reviewing potential merger and/or acquisition opportunities; • Providing leadership to the Board of Directors and ensuring its effectiveness; • Ensuring that there is effective communication with shareholders; • Facilitating the effective contribution of Non-Executive Directors; and • Overseeing corporate governance arrangements in compliance with the UK Corporate Governance Code. 	<ul style="list-style-type: none"> • Developing and managing the executive team; • Guiding the Vedanta Group’s operating subsidiaries to deliver budgets for operations; • Supporting the Executive Chairman in the delivery and implementation of business strategy; • Optimising Vedanta’s assets and management and the allocation of resources; • Supporting the Executive Chairman in effective communication with various shareholders; and • Creating and maintaining a sound control environment.

6.3 Compliance with the Combined Code on Corporate Governance

As a Listed company, Vedanta is subject to the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 (the “Combined Code”) and the UK Corporate Governance Code. The UK Corporate Governance Code applies to Vedanta with effect from 1 April 2011 and Vedanta will report against the UK Corporate Governance Code in its Fiscal 2012 annual report and accounts.

(a) Statement of Compliance

The Board of Directors has sought to achieve the standards of corporate governance set out in section 1 of the Combined Code and believes that the Company has complied with the provisions of the Combined Code throughout Fiscal 2011 and continued to comply with such provisions during the period to the date of this Prospectus, except as follows:

- (i) First, the Executive Chairman, Mr. Anil Agarwal, did not meet the independence criteria on appointment (as required under Code Provision A.2.1 and A.3.1) because he was previously the Chief Executive Officer of Vedanta and, through Volcan, members of his family have a controlling interest in Vedanta. As the founder of Vedanta, Mr. Agarwal has built the Vedanta Group since its inception in 1976. Consequently, the Board of Directors believes that Mr. Agarwal has been a major contributor to Vedanta’s development into a Listed FTSE 100 company and that he has been responsible for leading the Vedanta Group to strong profitability and cash flows. Mr. Agarwal’s appointment in March 2005 as Executive Chairman allowed him to step back from operational management and new projects, thereby

extending the Vedanta Group's growth pipeline into the future and focusing on turning new opportunities into value-creating projects. The Board of Directors is unanimously of the opinion that his continued involvement in an executive capacity is important to the Vedanta Group's success.

- (ii) Second, pursuant to the Volcan Relationship Agreement, Volcan will be consulted on all appointments to the Board of Directors. The Nominations Committee of the Company therefore works collaboratively with Volcan on the making of appointments to the Board of Directors and, to this extent, differs from the process set out in Code Provision A.4.1 which stipulates that the Nominations Committee should lead the process for appointments to the Board of Directors.

6.4 Directors' Dealings in Shares

The Company has a policy based on the Model Code annexed to the Listing Rules, which covers dealings in securities and applies to Directors and senior management. A comprehensive insider list is maintained and all participants are notified of close periods.

7. Committees

There are five committees of the Board of Directors: Executive, Nominations, Remuneration, Audit and Sustainability. Each committee has its own clearly defined terms of reference which can be obtained from the company secretary and each committee reports directly to the Board of Directors.

7.1 Executive Committee

The Executive Committee, comprising the Executive Directors and the senior management within the Vedanta Group who head the principal businesses and corporate functions, meets on a monthly basis to consider the operating performance of each of the principal subsidiaries. Mr. Navin Agarwal chairs the Executive Committee.

The Executive Committee supports the Board of Directors in fulfilling the Board of Directors' role of setting the Vedanta Group's values and standards, determining its strategic objectives and monitoring operational performance, and is essentially responsible for guiding the Vedanta Group's operating subsidiaries in relation to their operational performance including: implementing and delivering the strategic plans formulated by the Board of Directors, monitoring operational and financial performance, prioritising and allocating resources and developing and reviewing objectives and budgets with subsidiary company boards to ensure that these fall within agreed targets and parameters set by the Board of Directors. In addition, the Executive Committee approves capital expenditure and reviews the Vedanta Group's human resources policy and treasury policy. During Fiscal 2009, the Executive Committee also oversaw the division of the Vedanta Group's principal businesses into various operating sectors and alignment of management in these sectors to achieve greater and more effective management focus and operational efficiencies.

The Executive Committee held 12 meetings in Fiscal 2011.

7.2 Nominations Committee

Mr. Anil Agarwal is Chairman of the Nominations Committee. The other members are Messrs. Naresh Chandra, Euan R. Macdonald and Aman Mehta.

In conjunction with the consultation of Volcan pursuant to the Volcan Relationship Agreement, the Nominations Committee has a role in reviewing the structure, size and composition of the Board of Directors, particularly the balance between Executive and Non-Executive Directors, and advising the Board of Directors on proposed appointments of new Non-Executive Directors. The Nominations Committee draws up a list of criteria to be used to assess potential new appointments to the Board of Directors and this is to be used as part of the selection process for new Non-Executive Directors appointed during the year. In respect of the appointment of Non-Executive Directors to the Board of Directors, the candidates will be made aware of the time commitment expected of them which will be reflected in the letter of appointment. The approval of the Chairman must be sought before an Executive Director may take on a non-executive directorship outside of the Vedanta Group.

The UK Corporate Governance Code requires that all directors be re-elected on an annual basis and that non-executive directors should be appointed for specific terms. Accordingly, during Fiscal 2011, the Nominations Committee considered the re-appointment of Mr. Naresh Chandra to the Board of

Directors and as Senior Independent Director on the expiry of his letter of appointment. The Nominations Committee also considered the re-appointment of Mr. Aman Mehta and Mr. Euan Macdonald who retired by rotation and recommended to shareholders the re-appointment of Messrs Chandra, Mehta and Macdonald.

The Nominations Committee held three meetings in Fiscal 2011.

7.3 Remuneration Committee

Mr. Naresh Chandra is Chairman of the Remuneration Committee. The other members are Messrs. Euan R. Macdonald and Aman Mehta.

The Remuneration Committee is responsible for setting the remuneration policy and remuneration packages for the Executive Directors and for maintaining an awareness of the overall remuneration of the key operational and financial heads within the Vedanta Group. In the Remuneration Committee's terms of reference approved by the Board of Directors, the Remuneration Committee is required to consider and give due regard to the recommendations of the UK Corporate Governance Code and other guidelines published in respect of the remuneration of directors of Listed companies such as that produced by the Association of British Insurers and National Association of Pension Funds. A significant proportion of the Executive Directors' remuneration is performance-related through the annual bonus and LTIP. The fees of the Non-Executive Directors are independently reviewed and take into account the time commitments and responsibilities of the role.

The Remuneration Committee held four meetings in Fiscal 2011.

7.4 Audit Committee

Mr. Aman Mehta is the Chairman of the Audit Committee. The other members are Messrs. Naresh Chandra and Euan R. Macdonald.

The primary role of the Audit Committee is to oversee the integrity of the Vedanta Group's financial reporting system, its approach to risk and internal controls, the effectiveness of its internal audit activity, its relationship with its external auditors and compliance with relevant statutory and other required financial reporting standards, including corporate governance disclosures. The Audit Committee has an established process for identifying, evaluating and managing significant risks faced by the Vedanta Group in accordance with the Turnbull Guidance on Internal Control published by the Financial Reporting Council. In line with best practice, the Board of Directors has reviewed the internal control system in place for the Vedanta Group for Fiscal 2011. During the course of its review, the Board of Directors did not identify, nor was it advised of, any significant weaknesses or control failure.

In addition, the Audit Committee has discussions with the Company's auditors, without management being present. The Audit Committee reviews the Vedanta Group's whistleblowing policy and risk matrix, its annual report and interim statement, fraud or misappropriation cases, and the Vedanta Group's external audit engagement, scope and strategy.

In addition to the requirements of the UK Corporate Governance Code, certain of Vedanta's subsidiaries, by virtue of their listings on the Indian stock exchanges or the NYSE, have their own audit committees which are established in accordance with Indian or NYSE corporate governance requirements, as applicable. This provides a second level of financial oversight below the Vedanta Group's Audit Committee which also monitors the discussions and findings of the audit committees of Vedanta's subsidiaries.

The Audit Committee held four meetings in Fiscal 2011.

7.5 Sustainability Committee

Mr. Naresh Chandra is the Chairman and Mr. Tony Henshaw is the Secretary of the Vedanta Group's Sustainability Committee, which was previously called the Health, Safety and Environment Committee. The other members are Messrs. Mahendra Singh Mehta, Jeyakumar Janakaraj, Gunjan Gupta, Akhilesh Joshi, Pankaj Khanna, CSR Mehta, Ramesh Nair and Mahesh Patil.

The role of the Sustainability Committee is to assist the Board of Directors in meeting its responsibilities in relation to sustainability related matters arising out of the activities and operations of the Vedanta Group. The principal duties and responsibilities of the Sustainability Committee are:

- to recommend to the Board of Directors sustainability policies for the Vedanta Group, clearly setting out the commitments of the Group to manage matters of sustainable development effectively;
- to advise the Board of Directors to enable it to discharge its responsibilities, having regard to the law and the expected international standards of governance;
- to outline initiatives required to institutionalise a sustainability culture through involvement of the employees at all levels;
- to review and report to the Board of Directors the performance of the Group and its Group companies with respect to the implementation of the Sustainability Management System designed to ensure that the commitments made in the policy are being met and that sustainability and reputational related risks are being assessed, controlled and managed effectively;
- to review targets for sustainability performance and report to the Board of Directors with respect to their appropriateness and assess progress towards achieving those targets;
- to recommend, when appropriate, amendments to the sustainability policies or management system; and
- to approve the Sustainability Report prior to publication.

The Sustainability Committee held three meetings in Fiscal 2011.

8. Directors' Confirmations

- 8.1 As at the date of this Prospectus, none of the Directors, Executive Officers and Significant Employees has at any time within the last five years:
- (a) had any convictions in relation to fraudulent offences;
 - (b) been declared bankrupt or been the subject of any individual voluntary arrangement, or been associated with any bankruptcy, receivership or liquidation in his capacity as director or senior manager;
 - (c) been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies);
 - (d) been disqualified by a court from acting as a director or member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company;
 - (e) been a partner or senior manager in a partnership which, while he was a partner or within 12 months of his ceasing to be a partner, was put into compulsory liquidation or administration or which entered into any partnership voluntary arrangement;
 - (f) owned any assets which have been subject to a receivership or been a partner in a partnership subject to a receivership where he was a partner at a time or within the 12 months preceding such event; or
 - (g) been an executive director or senior manager of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors, at any time during which he was an executive director or senior manager of that company or within 12 months after his ceasing to be an executive director or senior manager.

9. Conflicts of Interest

- 9.1 The Board of Directors has established a precedent for the disclosure of interests and other related markets in line with published guidance and the Companies Act 2006. In addition, there is a committee of independent Directors who review such conflicts of interest and make their recommendations to the Board of Directors.

- 9.2 Messrs. Naresh Chandra and Aman Mehta are, and were prior to the Cairn Acquisition, both non-executive members of the board of directors of Cairn India and members of Vedanta's Board of Directors.
- 9.3 Mr. Anil Agarwal is the son of Mr. Dwarka Prasad Agarwal and the brother of Mr. Navin Agarwal.
- 9.4 Mr. Rahul Dhir holds 2,776,156 equity shares in the share capital of Cairn India.
- 9.5 Save as set out in this paragraph 9 and paragraph 2.5, Part II: "Relationship with the Major Shareholder" of this Prospectus and paragraphs 6 (Major Interests in Shares) and 15 (Related Party Transactions) of Part X: "Additional Information" of this Prospectus, there are:
- (a) no actual or potential conflicts of interest between any duties to the Company of the Directors, Executive Officers and Significant Employees and their private interests and/or other duties; and
 - (b) no arrangements or understandings with Volcan, members, suppliers or others pursuant to which any Director, Executive Officer or Significant Employee was selected other than the appointments of Messrs. Anil Agarwal and Navin Agarwal pursuant to the terms of the Volcan Relationship Agreement (see paragraph 3 (Volcan Relationship Agreement) of Part II: "Relationship with the Major Shareholder" of this Prospectus).

PART IV: ORE RESERVES AND MINERAL RESOURCES INFORMATION
SECTION A: ORE RESERVES AND MINERAL RESOURCES INFORMATION
FOR THE VEDANTA GROUP

1. Introduction

The following information setting out the expected period of working of the Vedanta Group's ore reserves and in addition mineral resources is provided in compliance with section 132 of the Committee of European Securities Regulators' recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses No. 809/2004 (the "Prospectus Directive Regulation"), as updated by the European Securities and Markets Authority on 23 March 2011 (the "CESR Recommendations").

Ore reserves and mineral resources for the Vedanta Group are reported in accordance with the terms and definitions of the JORC Code, other than those relating to KCM which are reported in accordance with the terms and definitions of the SAMREC Code. The terms and definitions in the SAMREC Code are consistent with those used in the JORC Code, with minor differences in terminology. The JORC Code uses the term ore reserve, whilst the SAMREC Code uses the term mineral reserve. For the purposes of ore resources and mineral resources reported herein, the term ore reserves have been used throughout.

There are numerous uncertainties inherent in estimating ore reserve, and estimates of ore reserves are based on certain assumptions so changes in such assumptions could lead to reported ore reserves being restated. Please see the risk factor headed "The Combined Group's stated reserves and resources are only estimates based on a range of assumptions and there can be no assurance that the anticipated tonnages or grades in the case of the Vedanta Group, and/or hydrocarbons in the case of the Cairn India Group, will be achieved" in the Risk Factors section.

2. Mineral Resources and Ore Reserves Data

The mineral resources data in the following tables is stated as at 31 March 2011 and include measured, indicated and inferred mineral resources separately quoted. The ore reserves and mineral resources data set out below are estimated on the basis set out in the section headed "Presentation of Information" and as set out below. Mineral resources are reported exclusive of those mineral resources modified to ore reserves.

2.1 Aluminium

(a) Bharat Aluminium Company Ltd.

	Measured Mineral Resources		Indicated Mineral Resources		Inferred Mineral Resources		Total Measured, Indicated and Inferred Mineral Resources	
	Quantity (million tonnes)	Aluminium Grade (%)	Quantity (million tonnes)	Aluminium Grade (%)	Quantity (million tonnes)	Aluminium Grade (%)	Quantity (million tonnes)	Aluminium Grade (%)
Mainpat	—	—	—	—	5.00	48.10	5.00	48.10
Bodai-Daldali	—	—	—	—	2.00	48.00	2.00	48.00
Pandrapat	—	—	—	—	8.00	48.00	8.00	48.00
Jamirapat	—	—	—	—	15.70	50.50	15.70	50.50
Total	—	—	—	—	30.70	49.30	30.70	49.30

(b) Madras Aluminium Company Limited

	Measured Mineral Resources		Indicated Mineral Resources		Inferred Mineral Resources		Total Measured, Indicated and Inferred Mineral Resources	
	Quantity	Aluminium Grade	Quantity	Aluminium Grade	Quantity	Aluminium Grade	Quantity	Aluminium Grade
	(million tonnes)	(%)	(million tonnes)	(%)	(million tonnes)	(%)	(million tonnes)	(%)
Koli Hills	—	—	1.30	44.00	1.30	44.00	2.60	44.00
Total	—	—	1.30	44.00	1.30	44.00	1.30	44.00

2.2 Copper

(a) Copper Mines of Tasmania Pty Ltd

	Measured Mineral Resources		Indicated Mineral Resources		Inferred Mineral Resources		Total Measured, Indicated and Inferred Mineral Resources	
	Quantity	Copper Grade	Quantity	Copper Grade	Quantity	Copper Grade	Quantity	Copper Grade
	(million tonnes)	(%)	(million tonnes)	(%)	(million tonnes)	(%)	(million tonnes)	(%)
Mt. Lyell mine	—	—	4.10	1.23	24.10	1.09	28.20	1.11

(b) Konkola Copper Mines plc

	Measured Mineral Resources		Indicated Mineral Resources		Inferred Mineral Resources		Total Measured, Indicated and Inferred Mineral Resources	
	Quantity	Copper Grade	Quantity	Copper Grade	Quantity	Copper Grade	Quantity	Copper Grade
	(million tonnes)	(%)	(million tonnes)	(%)	(million tonnes)	(%)	(million tonnes)	(%)
Konkola (UG)	0.05	2.63	21.89	2.41	103.99	3.74	125.92	3.51
Nchanga (UG)	0.53	2.92	13.67	2.23	49.09	2.10	63.29	2.13
Nchanga (OP)	0.49	2.23	63.39	1.23	64.24	1.63	128.12	1.43
Refractory Ore	—	—	0.80	1.09	2.27	0.62	3.07	0.74
Total	1.07	2.59	99.74	1.62	219.58	2.72	320.40	2.38

2.3 Iron Ore

(a) Sesa Goa Limited

	Measured Mineral Resources		Indicated Mineral Resources		Inferred Mineral Resources		Total Measured, Indicated and Inferred Mineral Resources	
	Quantity	Iron Ore Grade	Quantity	Iron Ore Grade	Quantity	Iron Ore Grade	Quantity	Iron Ore Grade
	(million tonnes)	(%)	(million tonnes)	(%)	(million tonnes)	(%)	(million tonnes)	(%)
Codli	7.09	51.86	9.06	53.03	2.65	52.51	18.80	52.52
Sonshi	7.19	53.71	7.01	56.92	5.76	57.80	19.96	56.02
Mareta Sodo	1.84	47.80	1.78	51.03	2.22	53.89	5.84	51.10
A. Narrain	2.16	58.46	1.49	52.33	3.53	46.49	7.18	51.30
Other	—	—	0.35	56.73	5.12	56.98	5.47	56.96
Total	18.28	52.96	19.69	54.25	19.28	54.29	57.25	53.87

(b) Sesa Resources Limited

	Measured Mineral Resources		Indicated Mineral Resources		Inferred Mineral Resources		Total Measured, Indicated and Inferred Mineral Resources	
	Quantity	Iron Ore Grade	Quantity	Iron Ore Grade	Quantity	Iron Ore Grade	Quantity	Iron Ore Grade
	(million tonnes)	(%)	(million tonnes)	(%)	(million tonnes)	(%)	(million tonnes)	(%)
Bicholm	8.43	56.04	18.11	55.05	10.59	54.35	37.13	55.07
Surla	8.56	40.62	8.76	40.73	7.67	42.67	24.99	41.29
Curpem	3.65	57.97	1.63	58.31	0.17	56.71	5.45	58.03
Colomba	0.99	58.10	0.55	55.43	0.03	55.83	1.57	57.12
Other	4.20	51.14	—	—	—	—	4.20	51.14
Total	25.83	50.48	29.05	50.92	18.46	49.52	73.34	50.41

2.4 Zinc and Lead

(a) Zinc India

HZZL	Measured Mineral Resources			Indicated Mineral Resources			Inferred Mineral Resources			Total Measured, Indicated and Inferred Mineral Resources		
	Quantity	Zinc Grade	Lead Grade	Quantity	Zinc Grade	Lead Grade	Quantity	Zinc Grade	Lead Grade	Quantity	Zinc Grade	Lead Grade
	(million tonnes)	(%)	(%)	(million tonnes)	(%)	(%)	(million tonnes)	(%)	(%)	(million tonnes)	(%)	(%)
Rampura Agucha	—	—	—	20.99	14.67	1.92	23.66	11.80	1.92	44.65	13.15	7.16
Rajpura Dariba	5.07	7.51	2.27	2.79	6.91	2.09	32.47	7.76	2.13	40.33	7.67	6.68
Zawar	2.02	4.71	2.10	23.24	5.02	1.77	32.73	4.90	2.61	57.99	4.94	3.55
Kayar	—	—	—	6.27	10.83	1.53	4.31	9.80	1.78	10.58	10.41	4.90
Sindesar Khurd	3.36	6.44	3.43	13.69	5.49	3.74	40.78	4.90	3.05	57.83	5.13	4.54
Bamnia Kalan	—	—	—	1.69	5.29	1.84	3.37	5.00	3.80	5.06	5.10	3.94
Total	10.45	6.63	2.61	68.67	8.68	2.20	137.32	6.92	2.51	216.44	7.46	5.22

(b) Zinc International

Various	Measured Mineral Resources			Indicated Mineral Resources			Inferred Mineral Resources			Total Measured, Indicated and Inferred Mineral Resources		
	Quantity	Zinc Grade	Lead Grade	Quantity	Zinc Grade	Lead Grade	Quantity	Zinc Grade	Lead Grade	Quantity	Zinc Grade	Lead Grade
	(million tonnes)	(%)	(%)	(million tonnes)	(%)	(%)	(million tonnes)	(%)	(%)	(million tonnes)	(%)	(%)
Skorpion	—	—	—	0.10	7.40	—	1.20	8.90	—	1.30	8.78	8.22
Black Mountain												
—Deeps	3.50	2.69	3.67	5.99	3.09	3.92	9.60	2.80	2.60	19.09	2.87	3.31
—Broken Hills	0.20	2.40	2.00	—	—	—	—	—	—	0.20	2.40	2.00
—Swartberg	—	—	—	16.40	0.70	2.90	31.90	0.70	2.70	48.30	0.70	1.45
—Gamsberg	43.00	7.10	—	58.00	6.50	—	85.60	7.10	—	186.60	6.91	3.26
Lisheen	—	—	—	—	—	—	0.60	7.10	2.80	0.60	7.10	7.10
Total	46.70	6.63	2.61	80.49	5.07	0.88	128.90	5.21	0.87	256.09	5.45	2.95

3. Mine Life Data

The ore reserve data in the following table is stated as at 31 March 2011.

The expected period of working life of the ore reserves indicates the period over which they are currently anticipated to be mined based on currently anticipated production levels. Most operations also have significant mineral resources, some of which, it is anticipated, may convert to ore reserves after further technical and economic evaluation, and upgrading of classification through further exploration, thus

extending the operational life. However, there is a risk that these mineral resources will not be converted to ore reserves and these mineral resources are not included in the mine life data in the table below.

As at 31 March 2011	Total ore reserves ⁽¹⁾ (million tonnes)	Vedanta Group economic interest (%)	Expected period of working of ore reserves (years, approximate)	Comments
COPPER				
Reserves at operating mines				
Mt. Lyell (CMT)	9.7	57.5	3.6	—
Konkola (KCM)	99.1	79.4	16	See Note (2)
Nchanga underground (KCM)	4.8	79.4	3	—
Nchanga open—pits (KCM)	67.9	79.4	11	—
Tailings Dams	66.6	79.4	—	See Note (3)
Refractory Ore	147.2	79.4	—	See Note (3)
BAUXITE				
Reserves at operating mines				
Mainpat (BALCO)	2.4	29.3	3.4	
Bodai-Daldali (BALCO)	3.0	29.3	2.6	
Pandrapat (BALCO)	—	29.3	—	See Note (4)
Jamirapat (BALCO)	—	29.3	—	See Note (4)
Yercaud (Shevaroy) (MALCO)	0.04	94.8	0.2	See Note (5)
Koli Hills (MALCO)	0.1	94.8	0.6	See Note (5)
ZINC AND LEAD				
Reserves at operating mines				
Rampura Agucha (HZL)	69.7	37.3	19	—
Rajpura Dariba (HZL)	9.1	37.3	10	—
Zawar (HZL)	7.9	37.3	5	—
Sindesar Khurd (HZL)	10.1	37.3	5	—
Skorpion mine	6.4	57.5	5	—
Black Mountain mine	6.8	42.6	5	—
Lisheen mine	5.7	57.5	4	—
IRON ORE				
Reserves at operating mines				
Codli (SGL)	24.4	55.1	3.5	—
Sonshi (SGL)	19.5	55.1	6.5	—
Mareta Sodo (SGL)	10.5	55.1	21.1	—
Other SGL	6.9	55.1	11.5	—
A. Narrain (SGL)	44.2	55.1	7.4	See Note (6)
Bicholm (SRL)	42.8	55.1	21.4	—
Surla (SRL)	20.8	55.1	18.9	—
Curpem (SRL)	0.5	55.1	2.4	—
Colomba (SRL)	1.2	55.1	11.6	—
Other (SRL)	4.8	55.1	4.5	—

Notes:

- (1) Includes proved and probable reserves.
- (2) Assumes mining licence is extended beyond March 2025.
- (3) Not included as production has not commenced.
- (4) Not included as this mine only has mineral resources, not ore reserves.
- (5) Operations at these mines are currently suspended.
- (6) As disclosed in the section entitled “Summary” and paragraph 5.7 of Section A of Part I: “Information on the Vedanta Group, the Cairn India Group and the Combined Group” of this Prospectus, operations at this mine have recently ceased following the Supreme Court order banning mining activities in the Chitradurga and Tumkur districts of Karnataka.

SECTION B: MINERAL EXPERT'S REPORT IN RESPECT OF THE CAIRN INDIA GROUP

DEGOLYER AND MACNAUGHTON
5001 SPRING VALLEY ROAD
SUITE 800 EAST
DALLAS, TEXAS 75244

December 6, 2011

Vedanta Resources plc
16 Berkeley Street
London W1J 8DZ
United Kingdom

Morgan Stanley & Co. International plc
25 Cabot Square
London E14 4QA
United Kingdom

J.P. Morgan Limited
125 London Wall
London EC2Y 5AJ
United Kingdom

Ladies and Gentlemen:

Pursuant to Vedanta Resources plc's request, we have prepared estimates, as of June 30, 2011, of the proved, probable, and possible oil, condensate, and sales-gas reserves and the contingent and prospective resources owned by Cairn India Pty Limited (CIL) in India.

Estimates of proved, probable, and possible reserves and contingent and prospective resources have been prepared according to the Petroleum Resources Management System (PRMS) approved in March 2007 by the Society of Petroleum Engineers (SPE), the World Petroleum Council (WPC), the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. The PRMS standard is a referenced standard in published guidance notes of the London Stock Exchange. The reserves definitions are discussed in detail under the Definition of Reserves heading of this report. The contingent resources definitions are discussed in detail under the Definition of Contingent Resources heading of this report. The prospective resources definitions are discussed in detail under the Definition of Prospective Resources heading of this report.

Reserves estimated in this report are expressed as gross and working-interest reserves. Gross reserves are defined as the total estimated petroleum to be produced from these properties after June 30, 2011. Working-interest reserves are defined as that portion of the gross reserves to be produced from the properties attributable to the interests owned by CIL, as of June 30, 2011, before deduction of royalty or other interests payable.

The contingent and prospective resources estimated in this report are expressed as gross resources and working-interest resources. Gross resources are defined as the total estimated petroleum that is potentially recoverable after June 30, 2011. Working-interest resources are defined as that portion of the gross resources attributable to the interests owned by CIL, as of June 30, 2011, before deduction of any royalty or other interests payable to others.

The contingent resources estimated herein are those quantities of oil or gas that are potentially recoverable from known accumulations but which are not currently considered to be commercially recoverable because of either the lack of a market or proper delineation necessary to establish the size of the accumulation for commercial purposes. The prospective resources estimated herein are those quantities of oil or gas that are potentially recoverable from accumulations yet to be discovered. Because of the uncertainty of commerciality and the lack of sufficient exploration drilling, the resources estimated herein cannot be classified as reserves. The resources estimates in this report are provided as a means of comparison to other resources and do not provide a means of direct comparison to reserves.

Estimates of petroleum reserves and contingent and prospective resources should be regarded only as estimates that may change as additional information becomes available. Not only are such reserves and resources estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information. Contingent and prospective resources quantities should not be confused with those quantities that are associated with reserves due to the additional risks involved. The contingent and prospective resources quantities that might actually be recovered should they be developed may differ significantly from the estimates presented herein. There is no certainty that it will be commercially viable to produce

any portion of the contingent or prospective resources evaluated herein. The contingent resources estimated in this report have an economic status of “Undetermined.”

In this report, key information has been provided on the fields in India evaluated herein. As far as we are aware, there are no special factors which would affect the production business of CIL that would require additional information for the proper evaluation of these fields. We have prepared estimates of CIL’s reserves and resources on an annual basis since 2006. Reserves estimated herein, are by definition, commercial. Certain economic limit testing was performed to confirm the commerciality of the reserves estimated herein.

Information used in the preparation of this report was obtained from CIL. In the preparation of this report we have relied upon information furnished by CIL with respect to the property interests to be evaluated, production from such properties, current costs of operation and development, current prices for production, agreements relating to current and future operations and sales of production, concession expiration dates, and various other information and data that were accepted as represented. Although we have not had independent verification, the information used in this report appears reasonable. The technical staff of CIL involved with the assessment and implementation of development of CIL’s petroleum assets adhere to the generally accepted practices of the petroleum industry. The staff members appear to be experienced and technically competent in their fields of expertise. Site visits to the producing fields evaluated herein were not made by DeGolyer and MacNaughton. Existing production data, reports from third parties, and photographic evidence of the fields were considered adequate because the fields are in established producing venues.

For the purposes of Prospectus Rule 5.5.3R(2)(f), DeGolyer and MacNaughton is responsible for this letter report, contained in “Section B: Mineral Expert’s Report in Respect of the Cairn India Group” of Part IV of the Prospectus dated December 6, 2011, of Vedanta Resources plc, and the estimates of mineral reserves and resources contained herein, as well as for such estimates and statements and information specifically attributed to DeGolyer and MacNaughton or extracted from this report and included in the Prospectus under the headings “Presentation of Information,” “Directors, Company Secretary, Registered and Head Office and Advisers,” “Section B: Information on the Cairn India Group” and “Section C: Competitive Strengths and Strategy of the Combined Group” of “Part I,” “Section B: Mineral Expert’s Report in Respect of the Cairn India Group” of “Part IV,” “Part X: Additional Information” under paragraphs “9.2,” “16.3,” “18.4” and “18.7” and “Part XI: Definitions,” and in the form and context in which they appear but subject to the definitions, assumptions, explanations, qualifications, and conclusions specified in this report. To the best of the knowledge of DeGolyer and MacNaughton (which has taken all reasonable care to ensure that such is the case), the information in this report as well as references to such information extracted from this report and statements and information attributed to DeGolyer and MacNaughton and included in the Prospectus under the above referenced sections in the form and context in which they appear are in accordance with the facts and contain no omission likely to affect their import. This declaration is included in this report for the Prospectus in compliance with Annex 1, item 1.2 of the Prospectus Directive Regulation.

Executive Summary

CIL has interests in four primary production sharing contract (PSC) areas in India that are currently under production operations. CIL’s producing fields are the Mangala, Raageshwari Deep, Saraswati, Ravva, Lakshmi, and Gauri fields. The Mangala field is located in the RJ-ON-90/1 PSC and began producing in 2009. In June 2011, the field produced at an average daily rate of 125,000 barrels of oil per day (BOPD). The peak rate as set by the Government of India is 125,000 BOPD. The Raageshwari Deep field produces gas used for fuel to heat water for injection in the Mangala field. Production is dependent on fuel requirements, but averaged 2.7 million cubic feet of gas per day ($10^6\text{ft}^3/\text{d}$) and 250 barrels of condensate per day in June 2011. The Saraswati field produced at an average rate of 237 BOPD in June 2011. The Ravva field is located in the PKGM-1 license area and produces at approximately 29,573 BOPD and more than $26 \times 10^6\text{ft}^3/\text{d}$ of sales gas. The Lakshmi and Gauri fields are located in the CB/OS-2 PSC area and were initially gas fields but now produce relatively significant oil volumes. The Lakshmi and Gauri fields combine to produce about $23.2 \times 10^6\text{ft}^3/\text{d}$ of sales gas and 5,711 barrels of oil and condensate per day. CIL holds a 70-percent working interest in the RJ-ON-90/1 PSC, a 40-percent working interest in the CB/OS-2 PSC, and a 22.5-percent working interest in the PKGM-1 license area.

There are three significant field discoveries in the RJ-ON-90/1 PSC that account for most of the oil reserves owned by CIL. These fields, the Aishwariya, Bhagyam, and Mangala fields, have been discovered

in the last 8 years at relatively shallow depths in the onshore block. The fields have oil-bearing reservoirs that CIL has indicated will be waterflooded using hot water with the potential for use of enhanced oil recovery (EOR) methods in the future. Hot water is currently being injected into the Fatehgarh reservoir of the Mangala field. The Mangala field began production in the third quarter of 2009. More than 90 wells have since been drilled in the field for development purposes including water-injection wells. The Bhagyam field is scheduled to begin producing in October 2011 with development drilling currently underway. The Aishwariya field is scheduled to start producing in September of 2012 with development drilling occurring in 2012. The Government of India has established the maximum offtake rate of 125,000 BOPD, 40,000 BOPD, and 10,000 BOPD for the Mangala, Bhagyam and Aishwariya fields, respectively. An export pipeline has been constructed and put into operation that CIL has represented is currently capable of transporting 175,000 BOPD and can be capable of transporting up to 240,000 BOPD according to CIL. CIL has represented that future pipeline capacity of 300,000 BOPD is possible with additional pump stations and debottlenecking.

In addition to waterflood operations in Aishwariya, Bhagyam, and Mangala, CIL is evaluating the application of EOR processes to exploit the Fatehgarh reservoir in these fields. CIL has drilled the pilot wells for an alkali-surfactant-polymer project in the Mangala field that began waterflood operations in 2011. The application of this EOR process will target improving volumetric sweep efficiency and potential reduction of residual oil saturation. These EOR quantities have been classified as contingent resources.

A number of other discoveries have been made in the block, some containing quantities classified as reserves based on plans of development, and others containing quantities classified as contingent resources pending plans for development. The Raageshwari (shallow) field is scheduled to begin producing in late 2011. It should be also noted that the Raageshwari Deep field currently produces the natural gas that is used for fuel in heating the injection water for the Mangala field as well as minor condensate volumes. CIL owns a 100-percent working interest in the exploration area of the RJ-ON-90/1 block; however, Oil and Natural Gas Corporation (ONGC) as the Government of India nominee, has backed into the development areas for a 30-percent working interest. This leaves CIL with a 70-percent working interest in the development areas of the RJ-ON-90/1 block.

The KG-DWN-98/2 PSC area contains deep-water field discoveries made by CIL and ONGC beginning in 2001. These discoveries contain quantities that have been classified as contingent resources pending a plan to exploit the discoveries. CIL holds a 10-percent working interest in the KG-DWN-98/2 PSC.

CIL made a discovery in the KG-ONN-2003/1 block in 2010 with the Nagayalanka-1Z well. CIL acquired the KG-ONN-2003/1 PSC in September 2005. CIL holds a 49-percent working interest in the PSC. The discovery well found an oil-bearing Raghavapuram sandstone that was tested at 75 BOPD. The discovery is currently under consideration for additional appraisal. Estimated recoverable quantities have been classified as contingent resources.

In addition to the reserves and contingent resources estimated herein, a study of the prospective resources attributable to CIL's interests has been made and estimates of prospective resources made for 51 prospects.

The table below lists the original oil in place (OOIP) and original gas in place (OGIP) estimates that were used in the estimation of reserves by field, expressed in thousands of barrels (10³bbl) of oil and millions of cubic feet (10⁶ft³) of gas:

	OOIP and OGIP Used in Estimating Reserves					
	Proved		Proved plus Probable		Proved plus Probable plus Possible	
	OOIP (10 ³ bbl)	OGIP (10 ⁶ ft ³)	OOIP (10 ³ bbl)	OGIP (10 ⁶ ft ³)	OOIP (10 ³ bbl)	OGIP (10 ⁶ ft ³)
CB/OS-2 PSC						
CB-X	0	7,657	0	7,657	0	7,657
Gauri	16,676	149,977	16,676	149,977	16,676	155,084
Lakshmi	54,161	234,970	61,389	242,236	84,165	250,647
CB/OS-2 Total	70,837	392,604	78,065	399,870	100,841	413,388
RJ-ON-90/1 PSC						
Aishwariya	315,495	0	334,563	0	388,133	0
Bhagyam	529,791	0	552,892	0	569,682	0
Mangala	1,220,192	0	1,283,323	0	1,283,323	0
Raageshwari Shallow	35,925	0	55,721	0	90,849	0
Raageshwari Deep	0	324,411	0	429,323	0	547,045
Saraswati	8,237	0	14,452	0	23,054	0
RJ-ON-90/1 Total	2,109,640	324,411	2,240,951	429,323	2,355,041	547,045
PKGGM-1 License Area						
Ravva	NA	NA	NA	NA	NA	NA
Grand Total	2,180,477	717,015	2,319,016	829,193	2,455,882	960,433

Note: Probable and possible in-place volumes have not been adjusted for risk.

Estimates of gross proved, probable, and possible oil, condensate, and sales gas reserves are shown in the table below by field, expressed in 10³bbl of oil and condensate and 10⁶ft³ of sales gas:

	Gross Reserves as of June 30, 2011								
	Proved			Probable			Possible		
	Oil (10 ³ bbl)	Condensate (10 ³ bbl)	Sales Gas (10 ⁶ ft ³)	Oil (10 ³ bbl)	Condensate (10 ³ bbl)	Sales Gas (10 ⁶ ft ³)	Oil (10 ³ bbl)	Condensate (10 ³ bbl)	Sales Gas (10 ⁶ ft ³)
CB/OS-2 PSC									
CB-X	0	0	0	0	0	0	0	0	0
Gauri	71	0	4,294	41	0	1,985	29	1	5,509
Lakshmi	4,091	13	8,270	3,519	22	8,980	6,852	6	12,654
CB/OS-2 PSC Total	4,162	13	12,564	3,560	22	10,965	6,881	7	18,163
RJ-ON-90/1 PSC									
Aishwariya	23,555	0	0	4,244	0	0	0	0	0
Bhagyam	78,072	0	0	40,562	0	0	4,063	0	0
Mangala	187,444	0	0	107,590	0	0	12,244	0	0
Raageshwari Shallow	2,395	0	0	1,140	0	0	5,620	0	0
Raageshwari Deep	0	1,408	0	0	338	0	0	0	0
Saraswati	937	0	0	522	0	0	763	0	0
RJ-ON-90/1 PSC Total	292,403	1,408	0	154,058	338	0	22,690	0	0
PKGGM-1 License Area									
Ravva	33,540	502	47,067	11,480	0	22,913	10,750	0	4,380
Grand Total	330,105	1,923	59,631	169,098	360	33,878	40,321	7	22,543

Note: Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves.

Estimates of proved, probable, and possible oil, condensate, and sales-gas reserves, as of June 30, 2011, attributable to working interests owned by CIL in India evaluated herein are listed below, expressed in 10³bbl of oil and condensate and 10⁶ft³ of sales gas:

	Working-Interest Reserves Summary		
	Proved	Probable	Possible
Oil and Condensate, 10 ³ bbl	214,998	112,093	21,057
Sales Gas, 10 ⁶ ft ³	15,616	9,541	8,252

Note: Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves.

The table below shows the estimates of OOIP and OGIP by field that were used to estimate contingent resources, expressed in 10³bbl of oil and 10⁶ft³ of gas:

	Gross OOIP and OGIP Used in Estimating Contingent Resources					
	Low		Best		High	
	OOIP (10 ³ bbl)	OGIP (10 ⁶ ft ³)	OOIP (10 ³ bbl)	OGIP (10 ⁶ ft ³)	OOIP (10 ³ bbl)	OGIP (10 ⁶ ft ³)
CB/OS-2 PSC						
Gauri	0	1,355	0	3,236	0	8,089
Lakshmi	1,227	0	3,290	0	4,403	0
CB/OS-2 PSC Total	1,227	1,355	3,290	3,236	4,403	8,089
RJ-ON-90/1 PSC						
Aishwariya (Fatehgarh)	315,495	0	334,563	0	388,133	0
Aishwariya (Barmer Hill)	99,116	0	212,631	0	340,540	0
Bhagyam (Fatehgarh)	529,791	0	552,892	0	569,682	0
Bhagyam (Barmer Hill)	45,693	0	87,518	0	261,838	0
Bhagyam South	3,115	0	5,216	0	9,258	0
GS-V	0	10,012	0	15,943	0	29,990
Guda & Guda South	19,388	0	50,893	0	128,151	0
Kaameshwari	16,582	0	63,440	0	209,414	0
Kaameshwari West	1,317	9,022	4,460	19,923	4,460	33,648
Mangala (Fatehgarh)	1,220,192	0	1,283,323	0	1,283,323	0
Mangala (Barmer Hill)	223,643	0	462,889	0	711,586	0
Mangala North	8,385	0	23,474	0	41,284	0
NC West	503	773	1,007	4,627	1,423	7,708
N-E	21,300	0	22,745	0	22,745	0
N-I	11,965	3,763	11,965	3,763	20,727	3,763
N-I North	0	1,200	0	1,604	0	2,009
NP	19,951	0	26,962	0	34,702	0
Raageshwari Shallow	35,925	5,147	55,721	9,567	90,849	23,924
Raageshwari Deep	0	324,411	0	429,323	0	547,045
Saraswati	8,237	0	14,452	0	23,054	0
Saraswati Crest	724	0	4,241	0	11,598	0
Shakti North	17,524	0	22,692	0	28,069	0
Shakti NE	1,377	0	3,443	0	5,049	0
Shakti South	14,192	0	22,912	0	34,353	0
Tukaram	3,128	0	51,510	0	105,190	0
Tukaram Deep	0	4,692	0	37,644	0	55,060
Tukaram Southeast	6,601	0	11,741	0	12,097	0
Vijaya & Vandana	306,185	0	590,237	0	1,004,710	0
RJ-ON-90/1 PSC Total	2,930,329	359,020	3,920,927	522,394	5,342,235	703,147
KG-DWN-98/2 PSC						
A-1	0	10,624	0	12,465	0	24,367
Annapurna	0	42,806	0	286,996	0	676,328
D-1	0	249,884	0	309,068	0	309,068
E-1 Shallow	0	26,388	0	82,183	0	101,984
Kanaka Durga	8,924	25,856	19,987	137,618	40,374	188,843
Padmavati	49,485	3,526	53,675	3,526	53,675	3,526
N-1	0	12,632	0	14,821	0	28,974
U-1	0	20,696	0	25,754	0	49,638
UD-1	0	466,147	0	1,456,765	0	3,273,924
W-1	0	5,147	0	7,245	0	9,177
KG-DWN-98/2 PSC Total	58,409	863,706	73,662	2,336,441	94,049	4,665,829
KG-ONN-2003/1						
Nagayalanka	6,257	0	11,989	0	106,712	0
PKGM-1 License Area						
Ravva	17,673	24,440	32,481	46,087	42,247	57,430
Grand Total	3,013,895	1,248,521	4,042,349	2,908,158	5,589,646	5,434,495

Note: Contingent resources are not comparable to reserves and should not be aggregated with reserves.

Estimates of gross contingent resources are shown in the table below by field, expressed in 10³bbl of oil and condensate and 10⁶ft³ of sales gas:

	Gross Contingent Resources as of June 30, 2011								
	Low			Best			High		
	Oil (10 ³ bbl)	Condensate (10 ³ bbl)	Sales Gas (10 ⁶ ft ³)	Oil (10 ³ bbl)	Condensate (10 ³ bbl)	Sales Gas (10 ⁶ ft ³)	Oil (10 ³ bbl)	Condensate (10 ³ bbl)	Sales Gas (10 ⁶ ft ³)
CB/OS-2 PSC									
Gauri	0	0	750	0	0	1,939	0	0	5,220
Lakshmi	135	0	88	567	0	369	880	0	572
CB/OS-2 PSC Total	135	0	838	567	0	2,308	880	0	5,792
RJ-ON-90/1 PSC									
Aishwariya	40,733	0	0	117,097	0	0	178,266	0	0
Bhagyam	94,497	0	0	165,741	0	0	224,695	0	0
Bhagyam South	247	0	0	671	0	0	1,583	0	0
GS-V	0	96	6,187	0	213	13,798	0	357	23,092
Guda & Guda South	2,097	0	0	7,243	0	0	22,860	0	0
Kaameshwari	1,845	0	6,625	9,445	0	24,806	42,758	0	83,955
Kaameshwari West	132	0	5,908	679	0	13,893	767	0	25,035
Mangala	181,318	0	0	388,137	0	0	474,052	0	0
Mangala North	839	0	0	2,817	0	0	6,193	0	0
NC West	50	0	348	161	0	2,622	285	0	6,206
N-E	2,343	0	0	4,094	0	0	5,004	0	0
N-I	1,795	0	1,708	2,872	0	2,044	4,705	0	2,420
N-I North	0	0	744	0	0	1,219	0	0	1,406
NP	579	0	0	965	0	0	1,430	0	0
Raageshwari Shallow	479	0	4,066	923	0	7,654	2,578	0	19,139
Raageshwari Deep	0	706	109,322	0	1,452	165,738	0	2,672	230,814
Saraswati	0	0	0	216	0	0	850	0	0
Saraswati Crest	72	0	0	636	0	0	2,900	0	0
Shakti North	613	0	0	1,588	0	0	4,210	0	0
Shakti NE	48	0	0	241	0	0	757	0	0
Shakti South	497	0	0	1,604	0	0	5,153	0	0
Tukaram	250	0	0	5,666	0	0	16,830	0	0
Tukaram Deep	0	52	2,529	0	881	23,491	0	2,065	39,231
Tukaram Southeast	528	0	0	1,292	0	0	1,936	0	0
Vijaya & Vandana	2,590	0	0	10,150	0	0	27,852	0	0
RJ-ON-90/1 PSC Total	331,552	854	137,437	722,238	2,546	255,265	1,025,664	5,094	431,298
KG-DWN-98/2 PSC									
A-1	0	0	5,462	0	0	7,739	0	0	15,127
Annapurna	0	0	23,244	0	0	181,575	0	0	423,750
D-1	0	0	140,585	0	0	200,864	0	0	200,864
E-1 Shallow	0	0	16,381	0	0	57,396	0	0	71,225
Kanaka Durga	178	282	14,592	799	1,749	90,678	3,230	2,392	124,053
Padmavati	2,474	39	2,011	4,294	45	2,313	6,441	45	2,313
N-1	0	0	7,229	0	0	9,775	0	0	19,110
U-1	0	0	11,845	0	0	16,988	0	0	32,742
UD-1	0	0	236,336	0	0	923,225	0	0	2,298,294
W-1	0	0	3,095	0	0	4,919	0	0	6,230
KG-DWN-98/2 PSC Total	2,652	321	460,780	5,093	1,794	1,495,472	9,671	2,437	3,193,708
KG-ONN-2003/1 PSC									
Nagayalanka	313	0	1,878	1,439	0	8,634	16,007	0	96,042
PKGM-1 License Area									
Ravva	6,650	97	19,885	13,569	229	43,430	25,366	294	60,972
Grand Total	341,302	1,272	620,818	742,906	4,569	1,805,109	1,077,588	7,825	3,787,812

Notes:

1. Application of any risk factor to contingent resources quantities does not equate contingent resources with reserves.
2. There is no certainty that it will be commercially viable to produce any portion of the contingent resources evaluated herein.
3. All contingent resources have an economic status of "Undetermined."

Estimates of contingent oil, condensate, and sales-gas resources, as of June 30, 2011, attributable to the working interests owned by CIL in India evaluated herein are listed below, expressed in 10³bbl of oil and condensate and 10⁶ft³ of sales gas:

	Working-Interest Contingent Resources Summary		
	Low Estimate	Best Estimate	High Estimate
Oil and Condensate, 10 ³ bbl	234,706	512,076	736,711
Sales Gas, 10 ⁶ ft ³	148,015	343,162	684,376

Notes:

1. Contingent resources are not comparable with reserves and should not be aggregated with reserves.

2. There is no certainty that it will be commercially viable to produce any portion of the contingent resources evaluated.
3. All contingent resources have an economic status of "Undetermined."

Estimates of gross prospective oil, condensate, and gas resources, as of June 30, 2011, are summarized as follows, expressed in 10³bbl of oil and condensate and 10⁶ft³ of gas:

	Gross Prospective Resources Summary			
	Low Estimate	Best Estimate	High Estimate	Mean Estimate
Oil, 10 ³ bbl	433,609	631,635	920,152	659,447
Gas, 10 ⁶ ft ³	7,096,523	9,729,010	13,338,687	10,028,434
Condensate, 10 ³ bbl	179,056	281,990	432,069	299,054

Notes:

1. Prospective resources are not comparable with reserves or contingent resources and should not be aggregated with reserves or contingent resources.
2. P_g and P_c have not been applied to the volumes in this table.
3. Recovery efficiency is applied to prospective resources in this table.
4. Low, best, and high estimates in this table are P₉₀, P₅₀, and P₁₀, respectively.
5. The prospective resources presented above are based on the statistical aggregation method.
6. There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

Estimates of the working-interest prospective oil, condensate, and gas resources, as of June 30, 2011, are summarized as follows, expressed in 10³bbl of oil and condensate and 10⁶ft³ of gas:

	Working-Interest Prospective Resources Summary			
	Low Estimate	Best Estimate	High Estimate	Mean Estimate
Oil, 10 ³ bbl	303,527	442,145	644,107	461,613
Gas, 10 ⁶ ft ³	6,846,002	9,385,557	12,867,804	9,674,410
Condensate, 10 ³ bbl	179,056	281,990	432,069	299,054

Notes:

1. Prospective resources are not comparable with reserves or contingent resources and should not be aggregated with reserves or contingent resources.
2. P_g and P_c have not been applied to the volumes in this table.
3. Recovery efficiency is applied to prospective resources in this table.
4. Low, best, and high estimates in this table are P₉₀, P₅₀, and P₁₀, respectively.
5. The prospective resources presented above are based on the statistical aggregation method.
6. There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

The working-interest P_g-adjusted best estimate prospective oil, condensate, and gas resources, should these prospects result in successful discoveries and development, as of June 30, 2011, is summarized as follows, expressed in 10³bbl of oil and condensate and 10⁶ft³ of gas:

	Working-Interest Prospective Resources
	P_g-Adjusted Mean Estimate
Oil, 10 ³ bbl	167,962
Gas, 10 ⁶ ft ³	2,293,198
Condensate, 10 ³ bbl	49,991

Notes:

1. Prospective resources are not comparable with reserves or contingent resources and should not be aggregated with reserves or contingent resources.
2. Application of P_g does not equate prospective resources to contingent resources or reserves.
3. Recovery efficiency is applied to prospective resources in this table.
4. There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

Projections of future production have been made for the fields with estimated reserves. Figure 1 shows the projection of proved-plus-probable reserves expressed as an average daily rate in thousands of barrels of oil equivalent per day (10^3boe/d). The relative contribution of each of the three producing contract areas is shown as well. Sales gas was converted to an equivalent oil volume using 6,000 standard cubic feet of gas per barrel of oil equivalent.

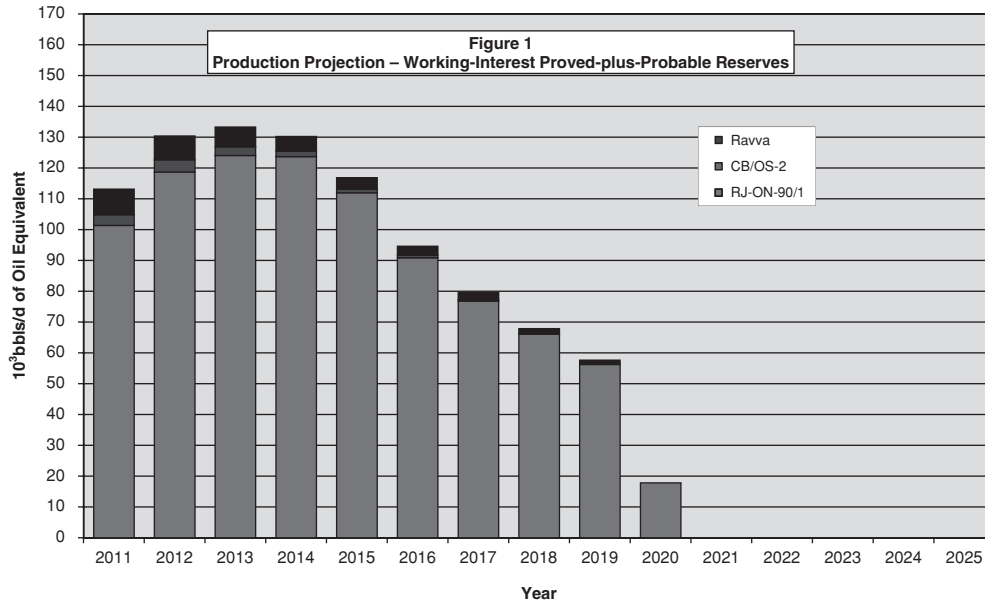
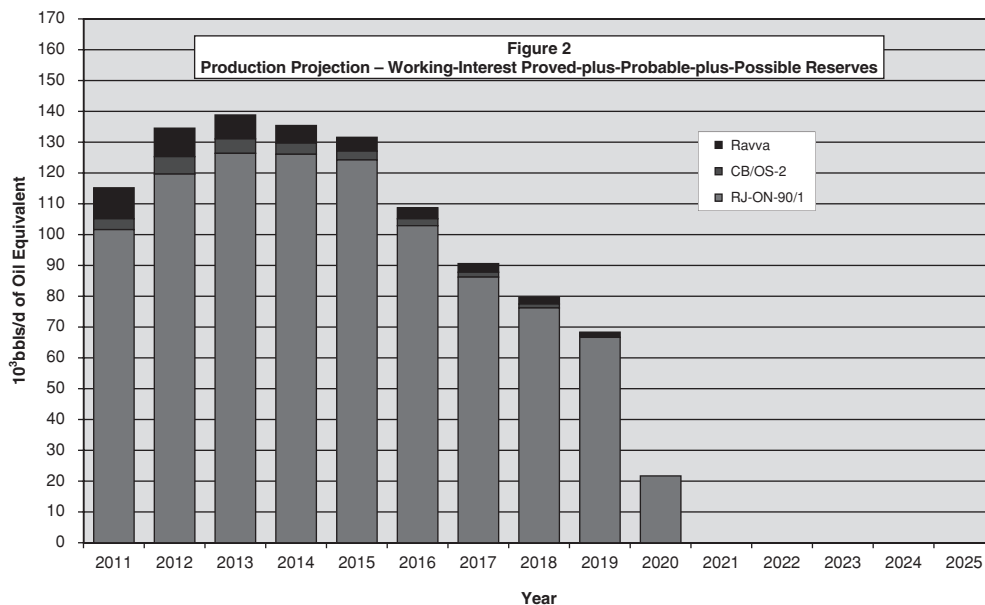


Figure 2 shows the projection of the proved-plus-probable-plus-possible working-interest reserves attributable to CIL’s working interest expressed as an average daily rate in 10^3boe/d attributable to CIL’s interests. The relative contribution of each producing contract area is shown as well. Sales gas was converted to an equivalent oil volume using 6,000 standard cubic feet of gas per barrel of oil equivalent.



Definition of Reserves

The proved, probable, and possible reserves presented in this report have been prepared in accordance with the PRMS approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. The petroleum reserves are defined as follows:

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and

remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.

Proved Reserves—Proved Reserves are those quantities of petroleum which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90-percent probability that the quantities actually recovered will equal or exceed the estimate.

Unproved Reserves—Unproved Reserves are based on geoscience and/or engineering data similar to that used in estimates of Proved Reserves, but technical or other uncertainties preclude such reserves being classified as Proved. Unproved Reserves may be further categorized as Probable Reserves and Possible Reserves.

Probable Reserves—Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50-percent probability that the actual quantities recovered will equal or exceed the 2P estimate.

Possible Reserves—Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible Reserves (3P), which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10-percent probability that the actual quantities recovered will equal or exceed the 3P estimate.

Reserves Status Categories—Reserves status categories define the development and producing status of wells and reservoirs.

Developed Reserves—Developed Reserves are expected quantities to be recovered from existing wells and facilities. Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-Producing.

Developed Producing Reserves—Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate. Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing Reserves—Developed Non-Producing Reserves include shut-in and behind-pipe Reserves. Shut-in Reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future recompletion prior to the start of production. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

Undeveloped Reserves—Undeveloped Reserves are quantities expected to be recovered through future investments: (1) from new wells on undrilled acreage in known accumulations, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

The extent to which probable and possible reserves ultimately may be reclassified as proved reserves is dependent upon future drilling, testing, and well performance. The degree of risk to be applied in evaluating probable and possible reserves is influenced by economic and technological factors as well as

the time element. Probable and possible reserves in this report have not been adjusted in consideration of these additional risks to make them comparable to proved reserves.

Estimation of Reserves

Summary

Estimates of the gross proved, probable, and possible oil, condensate, and sales-gas reserves, as of June 30, 2011, attributable to certain properties owned by CIL, are summarized by field below, expressed in 10³bbl of oil and condensate and 10⁶ft³ of sales gas:

	Gross Reserves								
	Proved			Probable			Possible		
	Oil (10 ³ bbl)	Condensate (10 ³ bbl)	Sales Gas (10 ⁶ ft ³)	Oil (10 ³ bbl)	Condensate (10 ³ bbl)	Sales Gas (10 ⁶ ft ³)	Oil (10 ³ bbl)	Condensate (10 ³ bbl)	Sales Gas (10 ⁶ ft ³)
CB/OS-2 PSC									
CB-X	0	0	0	0	0	0	0	0	0
Gauri	71	0	4,294	41	0	1,985	29	1	5,509
Lakshmi	4,091	13	8,270	3,519	22	8,980	6,852	6	12,654
CB/OS-2 PSC Total	4,162	13	12,564	3,560	22	10,965	6,881	7	18,163
RJ-ON-90/1 PSC									
Aishwariya	23,555	0	0	4,244	0	0	0	0	0
Bhagyam	78,072	0	0	40,562	0	0	4,063	0	0
Mangala	187,444	0	0	107,590	0	0	12,244	0	0
Raageshwari Shallow	2,395	0	0	1,140	0	0	5,620	0	0
Raageshwari Deep	0	1,408	0	0	338	0	0	0	0
Saraswati	937	0	0	522	0	0	763	0	0
RJ-ON-90/1 PSC Total . . .	292,403	1,408	0	154,058	338	0	22,690	0	0
PKG-M-1 License Area									
Ravva	33,540	502	47,067	11,480	0	22,913	10,750	0	4,380
Grand Total	330,105	1,923	59,631	169,098	360	33,878	40,321	7	22,543

Note: Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves.

Estimates of the proved, probable, and possible oil, condensate, and sales-gas reserves, as of June 30, 2011, attributable to the working interests of certain properties owned by CIL, are summarized by field below, expressed in 10³bbl of oil and condensate and 10⁶ft³ of sales gas:

Fields	Working-Interest Reserves Summary					
	Proved		Probable		Possible	
	Oil and Condensate (10 ³ bbl)	Sales Gas (10 ⁶ ft ³)	Oil and Condensate (10 ³ bbl)	Sales Gas (10 ⁶ ft ³)	Oil and Condensate (10 ³ bbl)	Sales Gas (10 ⁶ ft ³)
CB-OS/2 PSC						
CB-X	0	0	0	0	0	0
Gauri	28	1,718	16	794	12	2,204
Lakshmi	1,641	3,308	1,417	3,592	2,743	5,062
CB-OS/2 PSC Total	1,669	5,026	1,433	4,386	2,755	7,266
RJ-ON-90/1 PSC						
Aishwariya	16,489	0	2,971	0	0	0
Bhagyam	54,650	0	28,393	0	2,844	0
Mangala	131,211	0	75,313	0	8,571	0
Raageshwari Shallow	1,677	0	798	0	3,934	0
Raageshwari Deep	986	0	237	0	0	0
Saraswati	656	0	365	0	534	0
RJ-ON-90/1 PSC Total	205,669	0	108,077	0	15,883	0
PKG-M-1 License						
Ravva	7,660	10,590	2,583	5,155	2,419	986
Grand Total	214,998	15,616	112,093	9,541	21,057	8,252

Note: Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves.

Procedure/Methodology

Estimates of reserves were prepared by the use of standard geological and engineering methods generally accepted by the petroleum industry. The method or combination of methods used in the analysis of each

reservoir was tempered by experience with similar reservoirs, stage of development, quality and completeness of basic data, and production history.

When applicable, the volumetric method was used to estimate the OOIP and OGIP. Structure maps were prepared to delineate each reservoir, and isopach maps were constructed to estimate reservoir volume. Electrical logs, radioactivity logs, core analyses, and other available data were used to prepare these maps as well as to estimate representative values for porosity and water saturation.

Estimates of ultimate recovery were obtained after applying recovery factors to OOIP or OGIP. These recovery factors were based on consideration of the type of energy inherent in the reservoirs, analyses of the petroleum, the structural positions of the properties, and the production histories. When applicable, material-balance and other engineering methods were used to estimate recovery factors. An analysis of reservoir performance, including production rate, reservoir pressure, and GOR behavior, was used in the estimation of reserves.

In certain cases, when the previously named methods could not be used, reserves were estimated by analogy with similar wells or reservoirs for which more complete data were available.

Reserves estimates presented herein are based on data available through June 2011. A summary of the gross and working-interest reserves are shown in Tables 1 and 2, respectively.

The reserves forecasts contained herein terminate at the economic limit as defined under the Definition of Reserves heading of this report or at the end of the concession life, whichever occurs first. If a concession expires before the economic limit is reached, production that could be obtained after the concession expiration, which would otherwise be classified as reserves, has been classified as contingent resources.

Reserves estimated in this report are supported by details of drilling results through June 2011, analyses of available geological data, well-test results, pressures, available core data, and production performance. This report takes into account all relevant information supplied to DeGolyer and MacNaughton by CIL.

The oil and condensate reserves estimated in this report are expressed in terms of 42 United States gallons per barrel.

Gas reserves reported herein are reported as sales-gas volumes expressed at a temperature base of 60 degrees Fahrenheit (°F) and a pressure base of 14.7 pounds per square inch absolute (psia). Sales gas is defined as the total gas to be produced from the reservoirs after reduction for separation, fuel usage, flaring, reinjection, pipeline losses, and plant processing.

Detailed field discussions of these reserves are contained in the addendum to this letter report. Estimates of reserves were made using both volumetric and performance methods. Tables 1 and 2 summarize the gross and working-interest reserves, respectively. Table 3 summarizes the in-place volumes associated with the reserves. Individual field tables containing reservoir parameters and volumetric parameters are shown in Tables 4 through 18.

Definition of Contingent Resources

Certain petroleum resources included in this report are classified as contingent resources and have been prepared in accordance with the PRMS approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. Because of the lack of commerciality or sufficient development drilling, the contingent resources estimated herein cannot be classified as reserves. The petroleum resources are classified as follows:

Contingent Resources—Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.

Based on assumptions regarding future conditions and their impact on ultimate economic viability, projects currently classified as Contingent Resources may be broadly divided into three economic status groups:

Marginal Contingent Resources—Those quantities associated with technically feasible projects that are either currently economic or projected to be economic under reasonably forecasted improvements in commercial conditions but are not committed for development because of one or more contingencies.

Sub-Marginal Contingent Resources—Those quantities associated with discoveries for which analysis indicates that technically feasible development projects would not be economic and/or other contingencies would not be satisfied under current or reasonably forecasted improvements in commercial conditions. These projects nonetheless should be retained in the inventory of discovered resources pending unforeseen major changes in commercial conditions.

Undetermined Contingent Resources—Where evaluations are incomplete such that it is premature to clearly define ultimate chance of commerciality, it is acceptable to note that project economic status is “undetermined.”

The estimation of resources quantities for an accumulation is subject to both technical and commercial uncertainties and, in general, may be quoted as a range. The range of uncertainty reflects a reasonable range of estimated potentially recoverable volumes. In all cases, the range of uncertainty is dependent on the amount and quality of both technical and commercial data that are available and may change as more data become available.

1C (Low), 2C (Best), and 3C (High) Estimates—Estimates of petroleum resources in this report are expressed using the terms 1C (low) estimate, 2C (best) estimate, and 3C (high) estimate to reflect the range of uncertainty.

Estimation of Contingent Resources

Procedure/Methodology

Estimates of contingent resources were prepared by the use of standard geological and engineering methods generally accepted by the petroleum industry. The method or combination of methods used in the analysis of each reservoir was tempered by experience with similar reservoirs, stage of development, quality and completeness of basic data, and production history.

When applicable, the volumetric method was used to estimate the OOIP and OGIP. Structure maps were prepared to delineate each reservoir, and isopach maps were constructed to estimate reservoir volume. Electrical logs, radioactivity logs, core analyses, and other available data were used to prepare these maps as well as to estimate representative values for porosity and water saturation.

Estimates of ultimate recovery were obtained after applying recovery factors to OOIP or OGIP. These recovery factors were based on consideration of the type of energy inherent in the reservoirs, analyses of the petroleum, the structural positions of the properties, and the production histories. When applicable, material-balance and other engineering methods were used to estimate recovery factors. An analysis of reservoir performance, including production rate, reservoir pressure, and GOR behavior, was used in the estimation of contingent resources.

In certain cases, when the previously named methods could not be used, contingent resources were estimated by analogy with similar wells or reservoirs for which more complete data were available.

Contingent resources estimates presented herein are based on data available through June 2011.

Quantities that may be produced after the concession expirations, which could otherwise be classified as reserves, have been classified herein as contingent resources.

Contingent resources estimated in this report are supported by details of drilling results through June 2011, analyses of available geological data, well-test results, pressures, available core data, and production performance. This report takes into account all relevant information supplied to DeGolyer and MacNaughton by CIL.

The oil and condensate contingent resources estimated in this report are expressed in terms of 42 United States gallons per barrel.

Gas contingent resources reported herein are reported as sales-gas quantities expressed at a temperature base of 60°F and a pressure base of 14.7 psia. Sales gas is defined as the total gas to be produced from the reservoirs after reduction for separation, fuel usage, flaring, reinjection, pipeline losses, and plant processing.

Contingent resources were estimated for fields in the CB/OS-2 PSC area, the RJ-ON-90/1 PSC area, the PKGM-1 license area, and the KG-DWN-98/2 PSC area. Contingent resources estimated in the RJ-ON-90/1 Block are associated with EOR from the Aishwariya, Bhagyam, and Mangala fields, discovered oil fields without a declaration of commerciality document or conceptual development plan,

and gas fields from which produced gas will be used as fuel for the waterflood operations in the aforementioned fields. Contingent resources in the KG-DWN-98/2 PSC area are associated with offshore gas and oil discoveries for which a coherent development plan has not been developed or a gas market specifically identified. Contingent resources in the CB/OS-2 PSC area are for discovered oil reservoirs in the Lakshmi field that are not represented by a plan of development. Contingent resources estimated for the KG-ONN-2003/1 PSC are based on the potential future appraisal and development of the Nagayalanka field.

Contingent resources were estimated for the Ravva field in the PKGM-1 license area based on two discovered reservoirs adjacent to the producing fault blocks.

Detailed field discussions of these resources are contained in the addendum to this letter report. Estimates of contingent resources were made using both volumetric and probabilistic methods. Tables 19 and 20 summarize the gross and working-interest contingent resources, respectively. Table 21 summarizes the in-place volumes associated with the contingent resources. Individual field tables containing reservoir parameters and volumetric or probabilistic parameters are shown in Tables 22 through 69.

Definition of Prospective Resources

Certain petroleum resources included in this report are classified as prospective resources and have been prepared in accordance with the PRMS approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. Because of the lack of commerciality or sufficient development drilling, the prospective resources estimated herein cannot be classified as contingent resources or reserves. The petroleum resources are classified as follows:

Prospective Resources—Those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects.

The estimation of resources quantities for a prospect is subject to both technical and commercial uncertainties and, in general, may be quoted as a range. The range of uncertainty reflects a reasonable range of estimated potentially recoverable quantities. In all cases, the range of uncertainty is dependent on the amount and quality of both technical and commercial data that are available and may change as more data become available.

Low, Best, High, and Mean Estimates—Estimates of petroleum resources in this report are expressed using the terms low estimate, best estimate, high estimate, and mean estimate to reflect the range of uncertainty.

A detailed explanation of the probabilistic terms used herein and identified with an asterisk (*) is included in the Glossary of Probabilistic Terms bound with this report. For probabilistic estimates of petroleum resources, the low estimate reported herein is the P_{90}^* quantity derived from probabilistic analysis. This means that there is at least a 90-percent probability that, assuming the prospect is discovered and developed, the quantities actually recovered will equal or exceed the low estimate. The best (median) estimate is the P_{50}^* quantity derived from probabilistic analysis. This means that there is at least a 50-percent probability that, assuming the prospect is discovered and developed, the quantities actually recovered will equal or exceed the best (median) estimate. The high estimate is the P_{10}^* quantity derived from probabilistic analysis. This means that there is at least a 10-percent probability that, assuming the prospect is discovered and developed, the quantities actually recovered will equal or exceed the high estimate. The expected value* (EV), an outcome of the probabilistic analysis, is used for the mean estimate.

Uncertainties Related to Prospective Resources—The quantity of petroleum discovered by exploration drilling depends on the number of prospects that are successful as well as the quantity that each success contains. Reliable forecasts of these quantities are, therefore, dependent on accurate predictions of the number of discoveries that are likely to be made if the entire portfolio of prospects is drilled. The accuracy of this forecast depends on the portfolio size, and an accurate assessment of the probability of geologic success* (P_g).

Probability of Geologic Success— P_g is defined as the probability of discovering reservoirs that flow petroleum at a measurable rate. P_g is estimated by quantifying the probability of each of the following individual geologic factors: trap, source, reservoir, and migration. The product of these four

probabilities or chance factors is computed as P_g . It must be noted that P_g is not an indication of economic viability.

In this report estimates of prospective resources are presented both before and after adjustment for P_g . Total prospective resources estimates are based on the probabilistic summation of the quantities for the total inventory of prospects.

Application of P_g to estimate the P_g -adjusted prospective resources quantities does not equate prospective resources with reserves or contingent resources. P_g -adjusted prospective resources quantities cannot be compared directly to or aggregated with either reserves or contingent resources. Estimates of P_g are interpretive and are dependent on the quality and quantity of data currently made available. Future data acquisition, such as additional drilling or seismic acquisition, can have a significant effect on P_g estimation. These additional data are not confined to the study area, but also include data from similar geologic settings or technological advancements that could affect the estimation of P_g .

Predictability versus Portfolio Size—The accuracy of forecasts of the number of discoveries that are likely to be made is constrained by the number of prospects in the exploration portfolio. The size of the portfolio and P_g together are helpful in gauging the limits on the reliability of these forecasts. A high P_g , which indicates a high chance of discovering measurable petroleum, may not require a large portfolio to ensure that at least one discovery will be made (assuming the P_g does not change during drilling of some of the prospects). By contrast, a low P_g , which indicates a low chance of discovering measurable petroleum, could require a large number of prospects to ensure a high confidence level of making even a single discovery. The relationship between portfolio size, P_g , and the probability of a fully unsuccessful drilling program that results in a series of wells not encountering measurable hydrocarbons is referred to herein as the predictability versus portfolio size relationship* (PPS). It is critical to be aware of PPS, because an unsuccessful drilling program, which results in a series of wells that do not encounter measurable hydrocarbons, can adversely affect any exploration effort, resulting in a negative present worth.

For a large prospect portfolio, the P_g -adjusted mean estimate of the prospective resources quantity should be a reasonable estimate of the recoverable petroleum quantities found if all prospects are drilled. When the number of prospects in the portfolio is small and the P_g is low, the recoverable petroleum actually found may be considerably smaller than the P_g -adjusted mean estimate would indicate. It follows that the probability that all of the prospects will be unsuccessful is smaller when a large inventory of prospects exist.

Prospect Technical Evaluation Stage—A prospect can often be subcategorized based on its current stage of technical evaluation. The different stages of technical evaluation relate to the amount of geologic, geophysical, engineering, and petrophysical data as well as the quality of available data.

Prospect—A prospect is a potential accumulation that is sufficiently well defined to be a viable drilling target. For a prospect, sufficient data and analyses exist to identify and quantify the technical uncertainties, to determine reasonable ranges of geologic chance factors and engineering and petrophysical parameters, and to estimate prospective resources.

Lead—A lead is less well defined and requires additional data and/or evaluation to be classified as a prospect. An example would be a poorly defined closure mapped using sparse regional seismic data in a basin containing favorable source and reservoir(s). A lead may or may not be elevated to prospect status depending on the results of additional technical work. A lead must have a P_g equal to or less than 0.05 to reflect the inherent technical uncertainty.

Play—A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects.

Estimation of Prospective Resources

Estimates of prospective resources were prepared by the use of standard geological and engineering methods generally accepted by the petroleum industry. The method or combination of methods used in the analysis of the reservoirs was tempered by experience with similar reservoirs, stage of development, and quality and completeness of basic data.

The probabilistic analysis of the prospective resources in this study considered the uncertainty in the amount of petroleum that may be discovered and the P_g . The uncertainty analysis addresses the range of

possibilities for any given volumetric parameter. Low, best, high, and mean estimates of prospective resources were estimated to address this uncertainty. The P_g analysis addresses the probability that the identified prospect will contain petroleum that flows at a measurable rate. The P_e analysis addresses the probability that the prospective resources will be economically viable. P_e analysis has not been applied and P_e -adjusted and TEFS-adjusted prospective resources have not been estimated herein.

Standard probabilistic methods were used in the uncertainty analysis. Probability distributions were estimated from representations of porosity, petroleum saturation, net hydrocarbon thickness, geometric correction factor*, recovery efficiency, fluid properties, and productive area for each prospect. These representations were prepared based on known data, analogy, and other standard estimation methods including experience. Statistical measures describing the probability distributions of these representations were identified and input to a Monte Carlo simulation to produce low estimate, best estimate, high estimate, and mean estimate prospective resources for each prospect.

In this report, 58 potential accumulations are referred to as prospects to reflect the current stage of technical evaluation and are listed in Table 70.

Quantitative Risk

Assessment and the Application of P_g

Minimum, modal, and maximum representations of productive area were interpreted from maps, available seismic data, and/or analogy. Low, mean, and high representations for the petrophysical parameters (porosity, petroleum saturation, and net hydrocarbon thickness), and engineering parameters (recovery efficiency and fluid properties) were also made based on available well data, regional data, analog field data, and global experience. Individual probability distributions for net rock volume and petrophysical and engineering parameters were produced from these representations and are summarized in Tables 77 and 78.

The distributions for the variables were derived from (1) scenario-based interpretations, (2) the geologic, geophysical, petrophysical, and engineering data available, (3) local, regional, and global knowledge, and (4) field and case studies in the literature. The parameters used to model the recoverable quantities were productive area, net hydrocarbon thickness, geometric correction factor, porosity, petroleum saturation, formation volume factor, and recovery efficiency. Minimum, mean, and maximum representations were used to statistically model and shape the input P_{90} , P_{50} , and P_{10} parameters. Productive area and net hydrocarbon thickness were modeled using truncated lognormal distributions. Truncated normal and triangular distributions were used to model geometric correction factor, formation volume factor, and recovery efficiency. Porosity and petroleum saturation were modeled using truncated normal distributions. Latin hypercube sampling was used to better represent the tails of the distributions.

Each individual volumetric parameter was investigated using a probabilistic approach with attention to variability. Deterministic data were used to anchor and shape the various distributions. The net rock volume parameters had the greatest range of variability, and therefore had the greatest impact on the uncertainty of the simulation. The volumetric parameter variability was based on the structural and stratigraphic uncertainties due to the depositional environment and quality of the seismic data. Analog field data were statistically incorporated to derive uncertainty limits and constraints on the net pore volume. Uncertainty associated with the depth conversion, seismic interpretation, gross sand thickness mapping, and net hydrocarbon thickness assumptions were also derived from studies of analogous reservoirs, multiple interpretative scenarios, and sensitivity analyses.

A P_g analysis was applied to estimate the quantities that may actually result from drilling these prospects. In the P_g analysis, the P_g estimates were made for each prospect from the product of the probabilities of the four geologic chance factors: trap, reservoir, migration, and source.

Estimates of gross prospective oil, gas, and condensate resources and the P_g estimates, as of June 30, 2011, evaluated herein are shown in Tables 71 through 73. The P_g -adjusted mean estimate of the prospective resources was then made by the probabilistic product of P_g and the resources distributions for the prospect. These results were then stochastically summed (zero dependency) to produce the total P_g -adjusted mean estimate prospective resources. Working-interest prospective resources are shown in Tables 74, 75, and 76.

Application of the P_g factor to estimate the P_g -adjusted prospective resources quantities does not equate prospective resources with reserves or contingent resources. P_g -adjusted estimates of prospective resources quantities cannot be compared directly to or aggregated with either reserves or contingent resources.

Estimates of P_g are interpretive and are dependent on the quality and quantity of data currently available. Future data acquisition, such as additional drilling or seismic acquisition can have a significant effect on P_g estimation. These additional data are not confined to the area of study, but also include data from similar geologic settings or from technological advancements that could affect the estimation of P_g . There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

Geology

CIL is actively exploring for hydrocarbons, most notably in the Barmer Basin in the Rajasthan Province. Here CIL has an existing PSC and a number of analogous discoveries from which to exploit existing infrastructure and understandings regarding the types and nature of prospective accumulations. The prospective targets identified by CIL in the Barmer Basin are predominately in the Fatehgarh, Barmer Hill, Darvi Dunger, Thumbli, and the Pre-rift Volcanics Formations. Each of these targets have been penetrated and tested in existing fields throughout the RJ-ON-90/1 PSC. In addition, CIL has identified targets in the Mesozoic-age sediments, which are unpenetrated in the area, as well as several different play types. These play types include closures on the hanging walls of the basin margin faults and major faults located more centrally in the basin. CIL has also identified several prospects located offshore Sri Lanka.

Summary and Conclusions

Estimates of proved, probable, and possible oil, condensate, and sales-gas reserves, as of June 30, 2011, attributable to working interests owned by CIL in India evaluated herein are listed below, expressed in 10^3 bbl of oil and condensate and 10^6 ft³ of sales gas:

	<u>Working-Interest Reserves Summary</u>		
	<u>Proved</u>	<u>Probable</u>	<u>Possible</u>
Oil and Condensate, 10^3 bbl	214,998	112,093	21,057
Sales Gas, 10^6 ft ³	15,616	9,541	8,252

Note: Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves.

Estimates of contingent oil, condensate, and sales-gas resources, as of June 30, 2011, attributable to the working interests owned by CIL in India evaluated herein are listed below, expressed in 10^3 bbl of oil and condensate and 10^6 ft³ of sales gas:

	<u>Working-Interest Contingent Resources Summary</u>		
	<u>Low Estimate</u>	<u>Best Estimate</u>	<u>High Estimate</u>
Oil and Condensate, 10^3 bbl	234,706	512,076	736,711
Sales Gas, 10^6 ft ³	148,015	343,162	684,376

Notes:

1. Contingent resources are not comparable with reserves and should not be aggregated with reserves.
2. There is no certainty that it will be commercially viable to produce any portion of the contingent resources evaluated.
3. All contingent resources have an economic status of "Undetermined."

Estimates of the working-interest prospective oil, condensate, and gas resources, as of June 30, 2011, are summarized as follows, expressed in 10^3 bbl of oil and condensate and 10^6 ft³ of gas:

	<u>Working-Interest Prospective Resources Summary</u>			
	<u>Low Estimate</u>	<u>Best Estimate</u>	<u>High Estimate</u>	<u>Mean Estimate</u>
Oil, 10^3 bbl	303,527	442,145	644,107	461,613
Gas, 10^6 ft ³	6,846,002	9,385,557	12,867,804	9,674,410
Condensate, 10^3 bbl	179,056	281,990	432,069	299,054

Notes:

1. Prospective resources are not comparable with reserves or contingent resources and should not be aggregated with reserves or contingent resources.
2. P_g and P_c have not been applied to the volumes in this table.
3. Recovery efficiency is applied to prospective resources in this table.

4. Low, best, and high estimates in this table are P₉₀, P₅₀, and P₁₀, respectively.
5. The prospective resources presented above are based on the statistical aggregation method.
6. There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

The working-interest P_g-adjusted mean estimate prospective oil, condensate, and gas resources, should these prospects result in successful discoveries and development, as of June 30, 2011, is summarized as follows, expressed in 10³bbl of oil and condensate and 10⁶ft³ of gas:

	<u>Working-Interest Prospective Resources</u> <u>P_g-Adjusted Mean Estimate</u>
Oil, 10 ³ bbl	167,962
Gas, 10 ⁶ ft ³	2,293,198
Condensate, 10 ³ bbl	49,991

Notes:

1. Prospective resources are not comparable with reserves or contingent resources and should not be aggregated with reserves or contingent resources.
2. P_g and P_e have not been applied to the volumes in this table.
3. Recovery efficiency is applied to prospective resources in this table.
4. Low, best, and high estimates in this table are P₉₀, P₅₀, and P₁₀, respectively.
5. The prospective resources presented above are based on the statistical aggregation method.
6. There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

Professional Qualifications

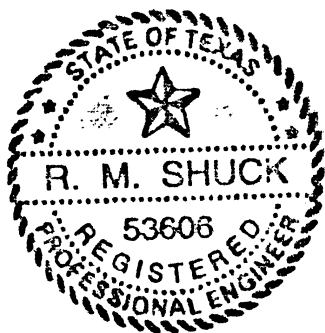
DeGolyer and MacNaughton is a Delaware Corporation with offices at 5001 Spring Valley Road, Suite 800 East, Dallas, Texas 75244, U.S.A. The firm has been providing petroleum consulting services throughout the world for more than 70 years. The firm's professional engineers, geologists, geophysicists, petrophysicists, and economists are engaged in the independent appraisal of oil and gas properties, evaluation of hydrocarbon and other mineral prospects, basin evaluations, comprehensive field studies, equity studies, and studies of supply and economics related to the energy industry. Except for the provision of professional services on a fee basis, DeGolyer and MacNaughton has no commercial arrangement with any other person or company involved in the interests which are the subject of this report.

The evaluation has been supervised by Mr. R. M. Shuck. Mr. Shuck is a Senior Vice President with DeGolyer and MacNaughton, Manager of the firm's Asia/Pacific/Latin America Division, a Registered Professional Engineer in the State of Texas, and a member of the Society of Petroleum Engineers. He has over 34 years of oil and gas industry experience.

Submitted,

DeGolyer and MacNaughton

DeGOLYER and MacNAUGHTON
Texas Registered Engineering Firm F-716



R. M. Shuck, P.E.

R. M. Shuck, P.E.
Senior Vice President
DeGolyer and MacNaughton

PART V: OPERATING AND FINANCIAL REVIEW RELATING TO THE VEDANTA GROUP

The following discussion of the financial condition and operating results of the Vedanta Group should be read in conjunction with the Vedanta Group's historical financial information, which is incorporated by reference into this Prospectus, and with the information relating to the business of the Vedanta Group included elsewhere in this Prospectus. This discussion involves forward-looking statements that reflect the current view of management and involve risks and uncertainties. The actual results of the Vedanta Group could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in this Prospectus, particularly in the section titled "Risk Factors". Investors should read the whole of this Prospectus and not rely just on summarised information.

Financial information for the Vedanta Group has been prepared in accordance with IFRS as of and for Fiscal 2009, 2010 and 2011.

1. Overview

The Vedanta Group's revenue and operating profit increased year-on-year from US\$7,930.5 million and US\$1,665.6 million, respectively, in Fiscal 2010 to US\$11,472.2 million and US\$2,534.3 million, respectively, in Fiscal 2011, as a result of strengthening prices, increased volumes and a continued focus on operational efficiency.

The following tables set out the:

- revenue for each of the Vedanta Group's business segments as a percentage of the Vedanta Group's revenue on a consolidated basis;
- operating profit for each of the Vedanta Group's business segments as a percentage of the Vedanta Group's operating profit on a consolidated basis; and
- EBITDA for each of the Vedanta Group's business segments as a percentage of the Vedanta Group's EBITDA on a consolidated basis.

Revenue:	Year ended 31 March		
	2009	2010	2011
Copper business			
—India/Australia	38.5%	34.6%	30.1%
—Zambia	11.8%	13.5%	15.2%
Zinc business			
—India	18.4%	20.8%	18.8%
—International	—	—	1.9%
Aluminium business	14.2%	11.5%	13.7%
Iron ore business	16.3%	15.4%	17.3%
Commercial power generation business	0.8%	4.2%	3.0%
Total	100%	100%	100%
Segment result after special items:	Year ended 31 March		
	2009	2010	2011
Copper business			
—India/Australia	21.9%	4.0%	7.8%
—Zambia	(15.0)%	2.0%	12.2%
Zinc business			
—India	49.6%	55.0%	44.1%
—International	—	—	1.9%
Aluminium business	10.6%	3.0%	1.2%
Iron ore business	31.4%	27.2%	29.9%
Commercial power generation business	1.6%	8.9%	4.4%
Elimination/Other	(0.1)%	(0.1)%	(1.5)%
Total	100%	100%	100%

EBITDA ⁽¹⁾ :	Year ended 31 March		
	2009	2010	2011
Copper business			
—India/Australia	18.2%	7.2%	6.8%
—Zambia	(4.4)%	6.6%	12.3%
Zinc business			
—India	37.4%	42.8%	34.3%
—International	—	—	2.8%
Aluminium business	11.0%	6.8%	7.2%
Iron ore business	34.6%	29.3%	32.9%
Commercial power generation	3.3%	7.4%	3.9%
Elimination/Other	(0.1)%	(0.1)%	(0.2)%
Total	100%	100%	100%

Note:

- (1) EBITDA is defined as operating profit before special items, depreciation and amortisation. Vedanta's EBITDA may not be comparable to similarly titled measures reported by other companies due to potential inconsistencies in the method of calculation. EBITDA has been included because Vedanta believes it is an indicative measure of its operating performance and is used by investors and analysts to evaluate companies in the industry. Vedanta's EBITDA should be considered in addition to, and not as a substitute for, other measures of financial performance and liquidity reported in accordance with IFRS. Vedanta believes that the inclusion of supplementary adjustments applied in its presentation of EBITDA is appropriate because it believes it is a more indicative measure of its baseline performance as it excludes certain charges that its management considers to be outside of its core operating results. In addition, Vedanta's EBITDA is among the primary indicators that its management uses as a basis for planning and forecasting of future periods.

The following table reconciles the Vedanta Group's operating profit to EBITDA.

	Year ended 31 March		
	2009	2010	2011
Profit for the year	900.5	1,511.2	2,033.8
Plus:			
Depreciation and amortisation	473.3	563.0	869.0
Investment revenues	(456.2)	(272.8)	(431.6)
Finance costs	288.1	236.6	534.7
Other gains and losses (net)	94.1	(139.8)	(252.1)
Taxation expense	280.5	330.4	649.5
Special items ⁽¹⁾	31.9	67.3	163.5
EBITDA	1,612.2	2,295.9	3,566.8

Note:

- (1) Special items include the transaction costs relating to the proposed acquisition of Asarco, voluntary retirement schemes, acquisition related costs, impairment of mining reserves and losses in respect of obligations to an associate.

2. The Vedanta Group's Businesses

2.1 Copper Business

(a) Overview

The Vedanta Group's copper business comprises three major operations, namely Sterlite's custom smelting operations in India, CMT's mining operations in Australia and KCM's mining and smelting operations in Zambia. The Vedanta Group's primary products in this business segment are copper cathodes and copper rods.

(b) India and Australia Copper Business

In India, Sterlite is one of only two custom copper smelters with a primary market share of 43 per cent. by sales volume in Fiscal 2011, according to the ICPCI. Sterlite's copper operations include a smelter, refinery, phosphoric acid plant, sulphuric acid plant, copper rod plant and two CPPs at Tuticorin in the State of Tamil Nadu in southern India, a refinery and two copper rod plants at

Silvassa in western India and a precious metal refinery at Fujairah in the UAE that produces by-products such as gold and silver. As at 31 March 2011, Vedanta, through Twin Star and MALCO, owned 57.5 per cent. of Sterlite and currently has management control of Sterlite. The remainder of Sterlite's share capital is held by the LIC (2.5 per cent.) and other institutional and public shareholders (39.8 per cent.).

CMT owns a copper mine in Tasmania, Australia, which provides a small percentage of Sterlite's copper concentrate requirements. Sterlite owns 100 per cent. of CMT.

The following table sets out select performance data of the Vedanta Group's copper business in India and Australia for Fiscal 2009, 2010 and 2011.

	Year ended 31 March		
	2009	2010	2011
Production volumes (tonnes)			
—Mined metal content	27,421	23,777	22,929
—Cathode	312,832	334,201	303,991
—Rod	219,879	196,882	187,892
Average LME cash settlement prices (US\$ per tonne)	5,885	6,112	8,138
Cost of production ⁽¹⁾			
(US cents per lb) ⁽²⁾	3.1	10.4	4.0
(INR per tonne)	3,138	10,872	4,062
Realised TcRc (US cents per lb)	11.7	13.6	11.9
Revenue (US\$ million)	2,537.9	2,741.4	3,428.2
Segment results after special items (US\$ million)	242.9	65.9	196.5

Notes:

- (1) Only smelting cost.
- (2) Exchange rates used in calculating the cost of production were based on the average of the daily RBI Reference Rates for each of Fiscal 2009, 2010 and 2011 of INR45.91 per US\$1.00, INR47.42 per US\$1.00 and INR 45.58 per US\$1.00, respectively.

(c) Zambia Copper Business

KCM is largely an integrated copper producer with various facilities at Konkola, Nchanga, Nkana and Nampundwe in Zambia, including mines, concentrators, smelters, acid plants, a TLP and a refinery. As at 31 March 2011, Vedanta owned 79.4 per cent. of the share capital of KCM. The remaining 20.6 per cent. was owned by ZCCM Investments Holdings Plc, a Lusaka and Euronext listed company which is 87.6 per cent. owned by the Government of Zambia and 12.4 per cent. publicly held.

The following table sets out select performance data of the Vedanta Group's copper business in Zambia for Fiscal 2009, 2010 and 2011.

	Year ended 31 March		
	2009	2010	2011
Production volumes (tonnes)			
—Mined metal content	81,435	78,905	89,751
—Copper	132,930	172,828	216,499
—Integrated	111,716	125,763	132,955
—Custom	21,214	47,065	83,544
Average LME cash settlement prices (US\$ per tonne)	5,885	6,112	8,138
Cost of production (US cents per lb) ⁽¹⁾	258.4	184.4	197.5
Revenue (US\$ million)	773.1	1,070.8	1,741.3
Segment results after special items (US\$ million)	(165.9)	32.5	309.1

Note:

- (1) Cash cost per unit for mining, smelting and refining operations (net of by-products).

(d) Total Copper Business

The Vedanta Group's total copper cathode production has increased from 445,763 tonnes in Fiscal 2009 to 520,490 tonnes in Fiscal 2011, representing a CAGR of 8.1 per cent. Revenue of

the Vedanta Group's copper business increased from US\$3,311.0 million in Fiscal 2009 to US\$5,169.5 million in Fiscal 2011 due to buoyant global demand and rising global copper prices.

2.2 Zinc Business

The Vedanta Group's fully-integrated zinc business is owned and operated by HZL, India's leading primary zinc producer with an 82 per cent. market share by sales volume in India in Fiscal 2011, according to the ILZDA. As at 31 March 2011, Vedanta controls HZL through its 57.5 per cent. ownership interest in Sterlite. Sterlite indirectly owns 64.9 per cent. of the share capital in HZL. The remainder of HZL is owned by the Government of India (29.5 per cent.) and institutional and public shareholders (5.6 per cent.). HZL's operations include four lead-zinc mines, four hydrometallurgical zinc smelters, one lead smelter, one lead-zinc smelter, four sulphuric acid plants, one silver refinery and five CPPs at the Chanderiya, Debari and Zawar facilities in northwest India, one hydrometallurgical zinc smelter and a sulphuric acid plant at the Vizag facility in southeast India and one zinc ingot melting and casting plant at the Haridwar facility in north India. The Vedanta Group's primary products in this business segment are zinc ingots, lead ingots, silver and sulphuric acid.

On 9 May 2010, the Vedanta Group agreed to acquire various zinc assets for a total consideration of US\$1,513.1 million. The net cash (being cash and cash equivalents less borrowings) of these entities as at the date of acquisition was US\$359.2 million. These zinc assets comprise 100 per cent. of Skorpion, which owns the Skorpion mine and refinery in Namibia, a 74 per cent. stake in Black Mountain, whose assets include the Black Mountain mine and the Gamsberg project in South Africa, and 100 per cent. of Lisheen, which owns the Lisheen mine in Ireland. On 3 December 2010, Vedanta announced the completion of the acquisition of Skorpion by Sterlite Infra Limited, a wholly-owned subsidiary of Sterlite. On 4 February 2011, Vedanta announced the completion of the acquisition of the 74 per cent. stake in Black Mountain. The acquisition of Lisheen was completed on 15 February 2011. These assets are monitored together in one segment and therefore have been categorised as a separate reporting segment known as "Zinc International".

The following table sets out select performance data of the Vedanta Group's zinc business for Fiscal 2009, 2010 and 2011.

	Year ended 31 March		
	2009	2010	2011
Production volumes—Zinc (tonnes)			
—Mined metal content	651,494	682,772	752,125
—Refined metal	551,724	578,411	712,471
Average zinc LME cash settlement prices (US\$ per tonne)	1,563	1,936	2,185
Cost of production ⁽¹⁾			
—Zinc			
(US\$ per tonne) ⁽²⁾	710	850	990
(INR per tonne)	32,621	40,319	45,119
—Zinc (excluding royalties)			
(US\$ per tonne) ⁽²⁾	609	698	808
(INR per tonne)	27,973	33,073	36,831
Production volumes—Lead (tonnes)			
—Mined metal content	83,802	85,848	87,928
—Refined metal	65,332	71,627	63,192
—Saleable metal	60,323	64,319	57,294
Average lead LME cash settlement prices (US\$ per tonne)	1,660	1,990	2,244
Revenue (US\$ million)⁽³⁾	1,209.1	1,651.7	2,371.7
Segment results after special items(US\$ million)⁽³⁾	548.3	918.4	1,165.0

Notes:

- (1) Net of by-products.
- (2) Exchange rates used in calculating the costs of production were based on the average of the daily RBI Reference Rates for each of Fiscal 2009, 2010 and 2011 of INR45.91 per US\$1, INR47.42 per US\$1 and INR45.58 per US\$1, respectively.
- (3) In respect of Zinc India and Zinc International.

The Vedanta Group's zinc production increased from 551,724 tonnes in Fiscal 2009 to 712,471 tonnes in Fiscal 2011, representing a CAGR of 13.6 per cent. Revenue of the Vedanta Group's zinc business

increased from US\$1,209.1 million in Fiscal 2009 to US\$2,371.7 million in Fiscal 2011 due to increased production volumes at the Vedanta Group's zinc facilities, higher global prices for zinc and by-product credit.

2.3 Aluminium Business

The Vedanta Group's aluminium business comprises two companies, BALCO and Vedanta Aluminium. The Vedanta Group's primary products in this business segment are aluminium ingots, wire rods and rolled products.

The aluminium business is primarily owned and operated by BALCO and Vedanta Aluminium. Vedanta controls BALCO through its 57.5 per cent. ownership interest in Sterlite as at 31 March 2011. Sterlite owns a 51 per cent. ownership interest in BALCO. The remainder of BALCO is owned by the Government of India. Sterlite has exercised its option to acquire the Government of India's remaining 49 per cent. ownership interest, although the exercise of this option has been contested by the Government of India. See paragraph 13.1(g)(i) of Part X: "Additional Information" of this Prospectus for further details. BALCO's partially integrated operations include two bauxite mines and its Korba facility, which includes an alumina refinery, one aluminium smelter, two CPPS and a fabrication facility all of which are located in the State of Chhattisgarh in central India. BALCO received a coal block allocation of 211 million tonnes for use in its CPPs in November 2007. BALCO is currently constructing a coal-based thermal 1,200 MW power facility in the State of Chhattisgarh. In future, subject to receipt of all necessary regulatory approvals, the majority of BALCO's alumina requirements are expected to come from Vedanta Aluminium and its own bauxite mines.

Vedanta Aluminium, in which Vedanta has a 70.5 per cent. ownership interest through its wholly-owned subsidiaries and a 29.5 per cent. indirect ownership interest through its 57.5 per cent. ownership interest in Sterlite as at 31 March 2011, is an alumina and aluminium producer with a one mtpa of installed capacity alumina refinery at Lanjigarh in the State of Orissa in eastern India and a 500 ktpa of installed capacity aluminium smelter at Jharsuguda in the State of Orissa, each with an associated CPP. The Lanjigarh alumina refinery started production from a single stream operation and produced 585,597 tonnes of alumina in Fiscal 2009, 762,195 tonnes of alumina in Fiscal 2010 and 706,640 tonnes of alumina in Fiscal 2011.

In November 2008, MALCO ceased production of aluminium as it was using older technology which was more costly to operate. Further work on the refinery expansion project at Lanjigarh has been put on hold in light of the adverse decision regarding Niyamgiri. See paragraph 13.1(j) of Part X: "Additional Information" of this Prospectus for further details. The surplus power from the associated power plants will be sold in the commercial market at the prevailing market rate.

The following table sets out select performance data of the Vedanta Group's aluminium business for Fiscal 2009, 2010 and 2011.

	Year ended 31 March		
	2009	2010	2011
Production volumes (tonnes)			
—Alumina—Lanjigarh	585,597	762,195	706,640
—Alumina—Korba I and Mettur ⁽¹⁾	241,324	42,893	—
—Aluminium ⁽²⁾	462,066	532,740	640,661
Average LME cash settlement prices (US\$ per tonne)	2,234	1,868	2,257
Cost of production ⁽³⁾			
—Aluminium (US\$ per tonne) ⁽⁴⁾	1,702	1,621	1,806
—Aluminium (INR per tonne)	78,139	76,868	82,311
Revenue (US\$ million)	937.1	914.2	1,570.1
Segment result after special items (US\$ million)	117.2	50.4	31.2

Notes:

- (1) Plants no longer operational.
- (2) Includes aluminium production of 174,000 tonnes under a trial run at the Jharsuguda aluminium smelter in Fiscal 2010.
- (3) Represents the weighted average between the production from the facilities of BALCO, MALCO and Vedanta Aluminium.

- (4) Exchange rates used in calculating the cost of production were based on the average daily RBI reference rates for each of the years ended 31 March 2009, 2010 and 2011 of INR45.91 per US\$1.00, INR47.42 per US\$1.00 and INR45.58 per US\$1.00, respectively.

The Vedanta Group's total aluminium production increased from 462,066 tonnes in Fiscal 2009 to 640,661 tonnes in Fiscal 2011, representing a CAGR of 17.8 per cent. Revenues from the Vedanta Group's aluminium business increased from US\$937.1 million in Fiscal 2009 to US\$1,570.1 million in Fiscal 2011 due to growing aluminium consumption in India and increased global prices for aluminium.

2.4 Iron Ore

The Vedanta Group's iron ore business is owned and operated by SGL, India's largest exporter of iron ore in the private sector by volume since 2003, according to FIMI. Vedanta acquired SGL on 23 April 2007. SGL is engaged in the exploration for, and the mining and processing of, iron ore. As at 31 March 2011, Vedanta has a 55.1 per cent. ownership interest in SGL through its wholly-owned subsidiaries.

SGL's mining operations are carried out in the Indian States of Goa and Karnataka. SGL operates a 250 ktpa pig iron plant in the State of Goa in western India (which is to be expanded to 625 ktpa) and a 280 ktpa metallurgical coke plant (which is being expanded to 560 ktpa) and supplies most of the output from this plant to SGL's pig iron plant. On 11 June 2009, SGL completed the acquisition of the entire issued share capital of SRL.

As at 31 March 2011, SGL owned or had the rights to reserves consisting of 175.6 million tonnes at an average grade of 56.6 per cent. and resources consisting of 130.6 million tonnes at an average grade of 51.9 per cent.

The following table sets out select performance data of the Vedanta Group's iron ore business for Fiscal 2009, 2010 and 2011.

	Year ended 31 March		
	2009	2010	2011
Production volumes (million tonnes)			
—Saleable ore	14.2	19.2	18.8
—Pig iron	0.22	0.28	0.28
Revenue (US\$ million)	1,070.4	1,221.7	1,977.9
Segment result after special items (US\$ million)	348.0	453.0	757.6

The Vedanta Group's total iron ore production increased from 14.2 million tonnes in Fiscal 2009 to 18.8 million tonnes in Fiscal 2011, representing a CAGR of 15.1 per cent. Revenue increased from US\$1,070.4 million in Fiscal 2009 to US\$1,977.9 million in Fiscal 2011 due to higher sales. SGL sold 89.6 per cent. of its iron ore by volume in the export market in Fiscal 2011, its domestic Indian sales being 10.4 per cent. The geographical distribution of the exports of SGL by volume in Fiscal 2011 was China (85.6 per cent.), followed by Japan (7.7 per cent.), South Korea (3.3 per cent.), The Netherlands (2.7 per cent.), Pakistan (0.5 per cent.) and Thailand (0.4 per cent.).

2.5 Commercial Power Generation Business

The Vedanta Group is developing its commercial power generation business in India, which leverages its experience in building and managing CPPs used to support its primary businesses. As at 31 March 2011, the total power generating capacity of the Vedanta Group's thermal power plants at the Korba and Mettur facilities was 270 MW and 100 MW, respectively, in addition to wind power plants at facilities in Gujarat, Rajasthan and Karnataka with a combined capacity of 170.9 MW.

The Vedanta Group's commercial power generation business is in addition to surplus power sales from CPPs used for the Vedanta Group's mining and metals operations. The Vedanta Group's current power projects include the coal-based commercial power plant at Jharsuguda in the State of Orissa, which will have a capacity of 2,400 MW, of which the first two units of 600 MW have been commissioned and the remaining two units are to be progressively commissioned by the fourth quarter of Fiscal 2012. The Vedanta Group's second power project is for a supercritical IPP at Talwandi Sabo in the State of Punjab in India. A memorandum of understanding was signed with the Punjab State Government for the fourth unit of 660 MW, thus increasing the power generation capacity to 2,640 MW. The first unit is expected to be commissioned by the fourth quarter of Fiscal 2013 and the next

two units by the second quarter of Fiscal 2014. The fourth unit is expected to be completed by the fourth quarter of Fiscal 2014, however due to current coal market conditions and power tariffs in India plans for the fourth unit are currently on hold. Should current coal market conditions change and Indian power tariffs improve, the Vedanta Group will consider re-implementing these plans.

The Vedanta Group is also expanding its wind power generation capacity from the existing 123.2 MW to 273.2 MW. The first phase of 105 MW has been completed and the second phase of 45 MW is scheduled to be completed by the third quarter of Fiscal 2012.

Sales of units of power increased from 882 million units in Fiscal 2009 to 4,782 million units of power in Fiscal 2011. The increase in sales drove revenue from the Vedanta Group's commercial power generation business from US\$51.3 million in Fiscal 2009 to US\$338.0 million in Fiscal 2011.

The following table sets out select performance data of the Vedanta Group's commercial power generation business for Fiscal 2009, 2010 and 2011.

	Year ended 31 March		
	2009	2010	2011
Power sales (million units)	882	3,279	4,782
Revenue (US\$ million)	51.3	330.7	338.0
Segment result after special items (US\$ million)	17.6	147.5	112.0

3. Factors Affecting the Vedanta Group's Operating Results

The Vedanta Group's operating results are primarily affected by commodity prices, costs of production and efficiency, production output and mix, government policy in India and Zambia and exchange rates. Each of these key factors is discussed below.

3.1 Commodity Prices

(a) Metal and Iron Ore Prices

The Vedanta Group's operating results are significantly affected by the TcRc of the Vedanta Group's copper business and the commodity prices of the metals that the Vedanta Group produces, which are based on LME prices, and the benchmark price of the iron ore that the Vedanta Group produces. The TcRc of copper, the commodity prices of the metals produced and the benchmark price of iron ore can fluctuate significantly, including as a result of changes in the global supply of and demand for copper, zinc, aluminium and iron ore. While metal and iron ore producers are unable to influence the commodity or benchmark prices directly, events such as changes in copper smelting or commodity production capacities, temporary price reductions or other attempts to capture market share by individual metal producers or iron ore miners, including by the Vedanta Group, may have an effect on market prices.

Moreover, the prices realised by the Vedanta Group can, to some extent, be affected by the particular terms the Vedanta Group is able to negotiate for the contractual arrangements it enters into with buyers. Price variations and market cycles, including recent volatility of LME prices, the copper TcRc and the benchmark price for iron ore have historically influenced, and are expected to continue to influence, the Vedanta Group's financial performance. During the second half of Fiscal 2009, the sharp fall in commodity prices adversely impacted the revenue and operating profit of the Vedanta Group.

(b) Copper

The revenue of the copper business fluctuates based on the volume of sales and the LME price of copper. Sterlite's copper business is primarily one of custom smelting and refining, with only a small percentage of its copper concentrate requirements sourced from the mine of its wholly-owned subsidiary, CMT. As a result, Sterlite's profitability is significantly dependent upon the market rate of the TcRc. Sterlite purchases copper concentrate at an LME-linked copper price for the relevant quotational period less a TcRc that it negotiates with its suppliers but which is influenced by the prevailing market rate for the TcRc. The market rate for the TcRc is significantly dependent upon the availability of copper concentrate, worldwide copper smelting capacity and transportation costs. The TcRc that Sterlite is able to negotiate is also substantially influenced by the TcRc terms established by certain large Japanese custom smelters. The profitability of Sterlite's copper business as to the portion of the business where it sources copper

concentrate from third parties, which accounted for 92.92 per cent. of its copper concentrate requirements in Fiscal 2011, is thus dependent upon the amount by which the TcRc Sterlite is able to negotiate exceeds its smelting and refining costs. The profitability of Sterlite's copper operations is also affected by the prices it receives upon the sale of by-products, such as sulphuric acid and precious metals, which are generated during the copper smelting and refining process. The prices Sterlite receives for by-products can vary significantly, including as a result of changes in supply and demand and local market factors in the location the by-product is produced. The average TcRc that Sterlite realised for each of Fiscal 2009, 2010 and 2011 was 11.7¢ per lb, 13.6¢ per lb and 11.9¢ per lb, respectively.

The LME price of copper significantly affects the revenues and profitability of KCM's copper business as it is fully integrated. The LME price of copper also significantly affects the portion of Sterlite's copper business where it sources copper concentrate from CMT's mine, which accounted for 7.08 per cent. of Sterlite's copper concentrate requirements in Fiscal 2011. This percentage is expected to decrease in the future as the reserves of Sterlite's sole remaining copper mine, Mt. Lyell in Tasmania, Australia, are expected to be exhausted by Fiscal 2014 and to the extent Sterlite seeks to increase its copper smelting and refining capacity. For these integrated portions of the copper business, Sterlite's profitability is dependent upon the difference between the LME price of copper and its costs of production, which includes the costs of mining and smelting.

The daily average copper LME price for each of Fiscal 2009, 2010 and 2011 was US\$5,885 per tonne, US\$6,112 per tonne and US\$8,138 per tonne, respectively.

(c) **Zinc and Aluminium**

The revenue of the Vedanta Group's zinc and aluminium businesses fluctuates based on the volume of sales and the respective LME prices of zinc and aluminium. The Vedanta Group's zinc business is fully integrated, so its profitability is dependent upon the difference between the LME price of zinc and the cost of production, which includes the costs of mining and smelting. In Fiscal 2011, BALCO sourced 71 per cent. of its alumina requirements from Vedanta Aluminium and 29 per cent. from international third-party suppliers. In future, BALCO is expected to continue to source a majority of its alumina requirements from Vedanta Aluminium and its own bauxite mines. For the portion of the aluminium business where the alumina is sourced from BALCO's own bauxite mines, profitability is dependent upon the LME price of aluminium less the cost of production, which includes the costs of bauxite mining, the refining of bauxite into alumina and the smelting of alumina into aluminium. For the portion of the aluminium business where alumina is sourced from third parties, including from Vedanta Aluminium, profitability is dependent upon the LME price of aluminium less the cost of the sourced alumina and the cost of smelting.

The following table sets out the daily average zinc and aluminium LME prices for each of Fiscal 2009, 2010 and 2011.

	Year ended 31 March		
	2009	2010	2011
	(US\$ per tonne)		
Zinc LME	1,563	1,936	2,185
Aluminium LME	2,234	1,868	2,257

(d) **Iron Ore**

The revenue of the iron ore business fluctuates based on the volume of sales and the market price of iron ore. The Vedanta Group sells some portion of its iron ore production on quarterly price contracts and the balance on the basis of prevailing market prices. The prices for iron ore are significantly dependent upon the global and regional imbalances between the demand for and supply of iron ore, worldwide steel making capacity and transportation costs. Long-term contract prices fluctuate based on the expected supply of and demand for iron ore and the expected steel making capacity for a period exceeding one year or more, whereas spot prices fluctuate based on short-term imbalances between demand and supply.

(e) **Indian Market Premium**

Generally, the metals the Vedanta Group sells in India are sold at a premium to the LME market price due to a number of factors including the customs duties levied by the Government of India on imports, the costs to transport metals to India and regional market conditions. See paragraph 3.4 (Indian Government Policy) further below. As a result, the Vedanta Group endeavours to sell as large a quantity of its products as possible in India.

(f) **Hedging**

The Vedanta Group has historically engaged in hedging strategies to a limited extent to partially mitigate its exposure to fluctuations in commodity prices, as further described in paragraph 10.4 (Commodity Price Risk) further below.

3.2 **Costs of Production and Efficiency**

The operating results of the Vedanta Group are, to a significant degree, dependent upon its ability to efficiently run its operations and maintain low costs of production. Efficiencies relating to recovery of metal from ore, process improvements, by-product management and increasing productivity help drive costs down. Costs associated with mining and metal production include energy costs, ore extraction and processing costs at the captive mines, labour costs and other manufacturing expenses. The cost of production also includes the cost of alumina for the Vedanta Group's aluminium business. It does not include the cost of copper concentrate for the Vedanta Group's copper business, though such cost is included in its cost of sales.

(a) **Energy Costs**

Energy cost is the most significant component of the cost of production of the Vedanta Group's metal production businesses. Most of the Vedanta Group's power requirements are met by CPPs which are primarily coal-fuelled. Thermal coal, diesel fuel and fuel oil, which are used to operate the Vedanta Group's power plants, and metallurgical coke, which is used in the zinc smelting process, are currently sourced from a combination of long-term and spot contracts. The aluminium business has a high energy consumption due to the power-intensive nature of aluminium smelting. Coal is sourced from linkage coal and the global or domestic Indian market. In addition, in November 2007, BALCO was allotted a 211 million tonne share of a coal block by the Ministry of Coal for use in BALCO's CPPs. In October 2008, the Ministry of Coal approved BALCO's mining plan. Although certain other approvals including environmental approval and forest clearance from the regulatory authorities are still pending, Vedanta expects mine development activities to commence upon the receipt of all regulatory approvals. Any change in coal prices or the mix of coal that is utilised, primarily whether the coal is sourced locally or imported, can affect the cost of generating power.

(b) **Ore Extraction and Processing Costs**

For the zinc business and the portions of the copper and aluminium businesses where ore is sourced from the Vedanta Group's own mines, ore extraction and processing costs affect the cost of production. In the zinc and copper businesses, the ore extraction and processing costs to produce concentrates are generally a small percentage of the overall cost of production of the finished metals.

In the aluminium business, the bauxite ore extraction cost is not significant, but the refining cost to produce alumina from bauxite ore represents approximately one-third of the cost of production of aluminium. The cost of transporting ore from the mines to the port and the ore extraction cost account for a majority of the total cost of production for SGL.

(c) **Royalties**

A significant cost of production in the zinc business is the royalty that HZL pays on the lead-zinc ore that is mined. The royalty is a function of the LME prices of zinc and lead. See paragraph 3.4(d) further below.

(d) **Labour Costs**

Labour costs are principally a function of the number of employees and increases in compensation from time to time. Improvements in labour productivity in recent years have resulted in a decrease in the per-unit labour costs. The majority of BALCO's and CMT's mining operations, a substantial portion of HZL's and SGL's mining operations and a limited number of functions at the Vedanta Group's copper, zinc and aluminium smelting operations are outsourced to third-party contractors.

(e) Other Costs and Expenses

Other manufacturing expenses include, among other things, additional materials and consumables that are used in the production processes and routine maintenance to sustain ongoing operations. None of these represents a significant portion of the Vedanta Group's costs of production.

Costs of production as reported for the Vedanta Group's metal products includes an off-set for any amounts the Vedanta Group receives upon the sale of the by-products from the refining or smelting processes. The cost of production is divided by the daily average exchange rate for the year to calculate the US dollar cost of production per pound (lb) or tonne of metal as reported.

Costs of production and costs per unit are also significantly affected by changes in production volumes and variable costs. Therefore, the Vedanta Group's production levels and variable costs are key factors in determining its overall cost competitiveness.

Costs of production for each of Fiscal 2009, 2010 and 2011 are reflected in the following table.

	Year ended 31 March		
	2009	2010	2011
Copper business			
—India (US cents per lb) ⁽¹⁾	3.1	10.5	4.0
—Zambia (US cents per lb) ⁽²⁾	285.3	184.4	197.5
Zinc business (US\$ per tonne) ⁽³⁾⁽⁴⁾	710	850	990
Aluminium business (US\$ per tonne) ⁽³⁾	1,702	1,621	1,806

Notes:

- (1) Cash costs per unit for smelting and refining operations (net of by-products).
- (2) Cash costs per unit for mining, smelting and refining operations (net of by-products).
- (3) Net of by-products.
- (4) Includes royalties of US\$101 per tonne, US\$152 per tonne and US\$182 per tonne in Fiscal 2009, 2010 and 2011, respectively.

3.3 Production Volume and Mix

Production volume has a substantial effect on the Vedanta Group's operating results. The Vedanta Group is generally able to sell all of the products it produces, so its revenue generally fluctuates as a result of changes in production volume. Production volume is dependent on production capacity, which has increased in recent years across all of the Vedanta Group's businesses. For the Vedanta Group's mining operations, production volume is also dependent upon the quality and consistency of the ore. Per unit costs of production are also significantly affected by changes in production volume in that higher volumes of production generally reduce the per unit costs of production. Therefore, production levels are a key factor in determining the Vedanta Group's overall cost competitiveness. The Vedanta Group has benefited from significant economies of scale as it has increased production volumes in recent years.

The following table summarises the production volumes for the Vedanta Group's primary products in each of Fiscal 2009, 2010 and 2011.

Segment	Product	Year ended 31 March		
		2009	2010	2011
Copper business				
—Sterlite	Copper ⁽¹⁾	312,832	334,201	303,991
—KCM	Copper	132,930	172,828	216,499
	Total copper	445,762	507,029	520,490
—Sterlite	Copper rods	219,879	196,882	187,892
Zinc business				
HZL	Zinc	551,724	578,411	712,471
	Lead	60,323	64,319	57,294
Aluminium business				
—BALCO	Ingots, billets and bus bar	172,340	54,173	27,928
	Rods	127,042	148,279	160,665
	Rolled products	57,399	65,973	66,706
	Subtotal	356,781	268,425	255,298
—MALCO	Ingots	684	—	—
	Rods and bus bar	22,540	—	—
	Subtotal	23,224	—	—
—Vedanta Aluminium	Ingots	82,061	250,356	288,150
	Billets	—	9,200	37,525
	Rods	—	4,142	58,971
	Bus bar and slabs	—	617	717
	Subtotal	82,061	264,315	385,363
	Total aluminium	462,066	532,740	640,661
(million tonnes)				
Iron ore business	Saleable ore	14.2	19.2	18.8
(million units)				
Commercial power generation business				
	Power sold	882	3,279	4,782

Note:

(1) Copper cathode is used as a starting material for copper rods. Approximately one tonne of copper cathode is required for the production of one tonne of copper rods.

In addition, the mix of products the Vedanta Group produces can have a substantial impact on its operating results as it has different segment margins in each of its businesses and within each business its segment margins vary between the lower margins of primary metals and the higher margins of value-added products such as copper rods and aluminium rolled products. For example, copper cathodes are converted in the copper rod plant into copper rods, a value-added product which has a higher margin than copper cathodes. As copper rods have higher margins, the Vedanta Group endeavours to sell as large a percentage of copper rods as possible. As the production volume of its various products fluctuates primarily based on market demand and production capacity for such products, the percentage of revenue from those products will also fluctuate between higher and lower margin products, which will in turn cause the Vedanta Group's operating profit and operating margins to fluctuate.

Periodically, the Vedanta Group's facilities are shut down for planned and unplanned repairs and maintenance which temporarily reduces production volume.

3.4 Indian Government Policy

(a) Indian Customs Duties

The Vedanta Group sells its products in India at a premium to the LME price, due in part to the customs duties payable on imported products. Profitability is affected by the levels of customs

duties as the Vedanta Group prices its products sold in India generally on an import-parity basis. The Vedanta Group also pays a premium on certain raw materials that it imports or which are sourced locally but which are priced on an import-parity basis as a result of customs duties, with copper concentrate, coal, petroleum products, alumina, carbon and caustic soda being the primary examples.

In addition, the Finance Act (2 of 2004) of India, which has been in effect since 8 July 2004, levies an additional surcharge at the rate of 2 per cent. of the total customs duty payable, which has been further increased to 3 per cent. of the total customs duty payable effective 1 March 2007. The Vedanta Group is also liable to pay an additional customs duty of 10 per cent. (prior to 27 February 2010, the additional customs duty was 8 per cent.) of the assessable value and basic custom duty, which is levied on imports in India.

With effect from 9 January 2004, the special additional duty of 4 per cent. which had until that time been levied on imports was abolished, reducing the effective customs duties levied on all import products which the Vedanta Group sells. As the Vedanta Group sells the majority of the commodities it produces in India, any further reduction in Indian tariffs on imports will decrease the premiums it receives in respect of those sales. The Vedanta Group's profitability is dependent to a certain extent on the continuation of import duties and any reduction may have a material adverse effect on its operating results and financial condition.

On 28 February 2011, the Government of India announced the following changes which took effect from 1 March 2011:

- the import duty on certain raw materials, such as gypsum, used in the production of aluminium was reduced from 5 per cent. to 2.5 per cent.;
- a 1 per cent. excise duty on fly ash was introduced; and
- the import duty on copper concentrate and rock phosphate was increased from 2 per cent. to 2.5 per cent.

(b) Indian Export Duties

The Government of India has levied an export duty on the export from India of certain products mentioned under the second schedule of the Customs Tariff Act, 1975, including iron ore and concentrates. Exports of iron ore fines and lumps were levied at a rate of INR300 (US\$6.72) with effect from 1 March 2007. With effect from 3 May 2007, exports of iron ore fines with a ferrous content of less than 62 per cent. were levied at a rate of INR50 (US\$1.12) per tonne and iron ore fines with a ferrous content of more than 62 per cent. and lumps continued to be levied at a rate of INR300 (US\$6.72) per tonne. On 13 June 2008, the Government of India changed the export duty on iron ore to 15 per cent. ad valorem on the FOB value of exports. The export duty on fines was subsequently amended several times as follows:

- with effect from 31 October 2008, export duty on fines was levied at a rate of INR200 (US\$4.48) per tonne;
- with effect from 7 November 2008, the export duty on fines at 8 per cent. ad-valorem on the FOB value of exports was reinstated;
- with effect from 7 December 2008, export duty on fines and lumps was levied at a rate of 0 per cent. and 5 per cent., respectively;
- with effect from 24 December 2009, export duty on fines and lumps was levied at a rate of 5 per cent. and 10 per cent., respectively;
- with effect from 29 April 2010 to 28 February 2011, export duty on fines and lumps was levied at a rate of 5 per cent. and 15 per cent., respectively; and
- with effect from 1 March 2011, export duty on fines and lumps was levied at a rate of 20 per cent.

(c) Indian Export Incentives

The Government of India provides a variety of export incentives to Indian companies. Indian exports of copper, zinc and aluminium receive assistance premiums from the Government of India, which have been progressively reduced since 2002 and which is consistent with a similar

reduction in custom duties. Export incentives do not outweigh the Indian market price premiums. Accordingly, notwithstanding the export incentives, the Vedanta Group endeavours to sell as large a quantity of its products as possible domestically.

In Fiscal 2009, 2010 and 2011, exports accounted for 39.5 per cent., 45.9 per cent. and 43.9 per cent., respectively, of Sterlite's copper business revenue. The following table sets out the export assistance premiums, as a percentage of the FOB value of exports, on copper cathode and copper rods for the periods indicated.

	<u>15 July 2007 to 31 August 2008</u>	<u>1 September 2008 to 19 September 2010</u>	<u>20 September 2010 to 31 March 2011</u>
	(percentage of FOB value of exports)		
Copper cathode	2.2% ⁽¹⁾	2.2% ⁽¹⁾	2.0% ⁽³⁾
Copper rods			
With centvat	2.2% ⁽²⁾	2.2% ⁽²⁾	2.0% ⁽²⁾
Without centvat	2.2% ⁽²⁾	2.2% ⁽²⁾	2.2% ⁽²⁾

Notes:

- (1) Subject to a cap of INR8,000 per tonne.
- (2) Subject to a cap of INR9.8 per kg.
- (3) Subject to a cap of INR7,500 per tonne.

In Fiscal 2009, 2010 and 2011, exports accounted for 34.7 per cent., 35.5 per cent. and 38.2 per cent. respectively, of the Vedanta Group's zinc business revenue. The following table sets out the export assistance premiums, as a percentage of the FOB value of exports, on zinc concentrate, zinc ingots and lead concentrate for the periods indicated.

	<u>9 October 2007 to 13 November 2008</u>	<u>4 November 2008</u>	<u>As at 31 March 2011</u>
	(percentage of FOB value of exports)		
Zinc concentrate	3%	2%	3%
Zinc ingots	5%	4%	5%
Lead concentrate	3%	3%	3%

In Fiscal 2009, 2010 and 2011, exports accounted for 16.0 per cent., 12.9 per cent. and 17.5 per cent., respectively, of the Vedanta Group's aluminium business revenue. The following table sets out the export assistance premiums, as a percentage of the FOB value of exports, on aluminium ingots, aluminium rods and aluminium rolled products for the period indicated.

	<u>9 October 2007 to 31 March 2011</u>
	(percentage of FOB value of exports)
Aluminium ingots	3%
Aluminium rods	5%
Aluminium rolled products	4%

The Government of India may further reduce export incentives in the future, which may have a material adverse effect on the Vedanta Group's operating results and financial condition.

(d) Taxes and Royalties

(i) Income Tax and Minimum Alternate Tax

Profits of companies in India are subject to either regular income tax or minimum alternate tax, whichever is greater. Income tax on Indian companies is presently charged at a statutory rate of 30 per cent., plus an applicable surcharge of 5 per cent. on the tax and has an additional tax by way of higher and secondary education cess of 3 per cent. on the tax including surcharge, which results in an effective statutory tax rate of 32.5 per cent. A reduction in the corporate tax surcharge was announced on 28 February 2011 from 7.5 per cent. to 5 per cent., resulting in a decrease of the effective statutory tax rate from 33.2 per cent. to 32.5 per cent. with effect from the date of enactment of the Indian Finance Bill, 2011.

The Vedanta Group has in the past had an effective tax rate that is lower than the statutory rate as it benefits from tax incentives on infrastructure projects in certain locations.

The minimum alternate tax rate is currently 20 per cent. and during Fiscal 2010 was 19.9 per cent. of the book profits as prepared under Indian GAAP. On 28 February 2011, it was announced that the minimum alternate tax rate would be raised from 18 per cent. to 18.5 per cent. resulting in the effective tax rate increasing from 19.9 per cent. to 20 per cent. with effect from 1 April 2012. In addition, the applicability of minimum alternate tax is proposed to be extended to special economic zones with effect from 1 April 2012. Despite this increase in the rate of the minimum alternate tax, the carried forward time limit for minimum alternate tax credit remains unchanged at 10 years.

(ii) Dividends

A tax on dividends declared and distributed by Indian companies is currently charged at an effective tax rate of 17 per cent. This tax is payable by the company distributing the dividends. Dividends from Vedanta's subsidiaries to Vedanta are also subject to this tax, although Vedanta does not pay income tax in India upon the receipt of any such dividends.

(iii) Excise Duties

The Vedanta Group currently pays an excise duty of 10 per cent. (prior to 6 December 2008, the excise duty was 14 per cent., from 6 December 2008 to 23 February 2009 the excise duty was 10 per cent. and from 24 February 2009 to 26 February 2010 the excise duty was 8 per cent.) and an additional charge of 3 per cent. on the excise duty based on all of the Vedanta Group's domestic production intended for domestic sale. The Vedanta Group charges the excise duty and additional charge to its domestic customers. SGL pays excise duty on metallurgical coke at the rate of 5 per cent. and an additional charge of 3 per cent. on the excise duty.

(iv) Royalties

The Vedanta Group is also subject to government royalties. It pays royalties to the State Governments of Chhattisgarh, Rajasthan, Goa and Karnataka in India based on its extraction of bauxite, lead-zinc ore and iron ore. Most significant of these is the royalty that HZL is currently required to pay to the State of Rajasthan, where all of HZL's mines are located, at a rate of 8.4 per cent. with effect from 13 August 2009 of the zinc LME price payable on the zinc metal contained in the concentrate produced (compared to 6.6 per cent. prior to 13 August 2009) and 12.7 per cent. of the lead LME price payable on the lead metal contained in the concentrate produced (which was 5 per cent. prior to 13 August 2009). The royalties paid by BALCO and SGL on the extraction of bauxite and iron ore, respectively, are not material to the Vedanta Group's operating results. SGL pays royalties at 10 per cent. ad valorem, the rate declared by IBM on a monthly basis. The Vedanta Group also pays royalties to the State Government of Tasmania in Australia based on the operations of CMT at a rate equal to the sum of 1.6 per cent. of the revenue plus 0.4 times the profit multiplied by the profit margin over revenue, subject to a cap of 5 per cent. of revenue.

(v) Tax Incentives

There are several tax incentives available to companies operating in India, including the following:

- profits from newly established units in special economic zones are entitled to a tax holiday for a specified period;
- profits from newly constructed power plants (including for captive use) benefit from a tax holiday for a specified period;
- investments in projects where alternative energy such as wind energy is generated can claim large tax depreciation in the first year of operations; and
- income from investment in mutual funds is exempt from tax subject to certain deductions.

The Vedanta Group has benefited from these tax incentives. Such benefits have resulted in lower effective tax rates in some of its operating subsidiaries such as BALCO, HZL and

Sterlite. Sterlite and one of HZL's smelters have benefited from its 100 per cent. export unit status, where profits on export sales are exempt from tax for a specified period. On 19 July 2010, the board of directors of SGL resolved to debond the following existing 100 per cent. export oriented units, namely, the Codli plant 1, the Cudnem unit, the Gadia Sodo unit and the Orissa plant of which Codli plant 1 and Orissa plant have already been debonded. BALCO and HZL have considerable investments in CPPs enjoying tax exemptions, and HZL has also benefited from establishing wind energy generating projects. HZL also benefits from a tax holiday exemption with respect to its newly commissioned zinc ingot melting and casting plant at Haridwar in the State of Uttarakhand in northern India. In addition, a large part of Sterlite's and HZL's investments of their surplus cash is in tax exempt instruments.

3.5 Government of Zambia Policy

KCM's operating results are significantly impacted by a number of Zambian and foreign government policies, including fiscal and economic policy, industrial policy, infrastructure spending policy, mining policy, direct and indirect taxes and export-import policy. Such governments may at any time effect a change in any of these policies, which may adversely affect KCM's operating results.

KCM signed the Development Agreement in 2000, which was subsequently amended in 2004. The Development Agreement provided for legislative and taxation certainty for an agreed period. The existence of the Development Agreement was provided for by the Old Zambian Mines and Minerals Act. The Government of Zambia enacted the Income Tax (Amendment) Act 2008, effective 1 April 2008, which made changes to the tax regime in Zambia. Under this Act, among other things, the tax rates applicable to mining companies were increased from 25 per cent. to 30 per cent. Although the increased tax rates were effective from 1 April 2008, the tax legislation was substantially enacted before the end of Fiscal 2008 and accordingly KCM's deferred tax assets and liabilities were revalued as at 31 March 2007 assuming the higher tax rate. In addition, the mineral royalty rate was increased from 0.6 per cent. to 3 per cent. For Fiscal 2009, the capital allowance in the form of depreciation was changed to 25 per cent. from the 100 per cent. level that prevailed in earlier years. This policy was reversed by the Government of Zambia and the rate was restored to 100 per cent. beginning 1 April 2009.

The Government of Zambia also introduced a number of new taxes effective from 1 April 2008, including a windfall tax and variable profit tax. These taxes do not constitute income taxes for financial reporting purposes and, therefore, any tax accrued has been classified under cost of sales. In Fiscal 2009, the windfall tax became payable when copper was sold at prices above US\$5,512 per tonne. The applicable windfall tax rates varied from 25 per cent. to 75 per cent. of the difference between the average LME price and specific price thresholds ranging upward from US\$5,512 per tonne. In Fiscal 2009, the windfall tax was not a deductible expense in the computation of income tax. The variable profit tax became payable where income from mining activities exceeded 8 per cent. of gross sales at a rate determined according to a prescribed formula and was payable only if the windfall tax was not payable.

On the basis of a July 2008 letter from the Zambian Revenue Authority, a provision of US\$29.8 million was recorded on KCM's balance sheet in Fiscal 2009 representing the liability that would arise if the windfall tax were to be paid at the flat rate of 25 per cent. on copper sales above the threshold price. In November 2010, KCM received another letter from the Zambian Revenue Authority requesting payment of the windfall tax at a flat rate of 25 per cent. and further stating that if such outstanding windfall tax was paid in full prior to 30 June 2011, the Government of Zambia would waive any penalties and interest accrued on the arrears. KCM has agreed to pay the windfall tax at a flat rate of 25 per cent. and to pay the resulting tax liability of approximately US\$30 million in instalments without any interest or penalties. All of the windfall tax liability had been paid by June 2011. With effect from 1 April 2009, the Government of Zambia annulled the windfall tax on a prospective basis and, as a result, no windfall tax is applicable to KCM after Fiscal 2009. However, the variable profit tax remains in effect.

KCM has been, and expects to continue to be, positively impacted by a 15 per cent. duty imposed by the Government of Zambia on the export of copper concentrate from Zambia. This duty has increased the domestic supply of copper concentrate and has reduced the price of copper concentrate purchased by KCM in the domestic Indian market. There can be no assurance that the Government of Zambia will not reduce or eliminate this duty in the future.

3.6 Exchange Rates

Vedanta's financial statements are presented in US dollars. However, its operating costs are influenced by the currencies of those countries where the Vedanta Group's mines and plants are located. A majority of the Vedanta Group's mines and plants are located in India and, hence, the Indian Rupee is the currency in which most of its costs are incurred and whose fluctuation against the US dollar may have a significant impact on its financial results. The Vedanta Group also has capital expenditure and services denominated in currencies other than the Indian Rupee. KCM's functional currency is the US dollar with its cost base having a mix of the Zambian Kwacha and the US dollar.

The Vedanta Group's borrowings are predominantly denominated in US dollars while a large portion of its cash and liquid investments are held in other currencies, mainly in Indian Rupees. Some financial assets and liabilities of its subsidiaries are not held in the functional currency of such subsidiaries. As a result, the Vedanta Group is exposed to movements in the functional currency of those entities.

The Vedanta Group's exposure to various currencies means that currency fluctuations may have a large impact on the Vedanta Group's financial results. It is subject to currency risks affecting the underlying cost bases in its operating subsidiaries, and also the translation of the cost of production, income statement and balance sheet (including non-US dollar denominated borrowings) in the consolidated financial statements, where the functional currency is not the US dollar.

3.7 Commercial Power Generation Business

The Vedanta Group expects its future operating results to be affected by its entry into the commercial power generation business. The effect of this new business will depend on the timing of and the Vedanta Group's success in executing this plan.

4. Operating Results

4.1 Overview

The following table sets out the Vedanta Group's historical operating results as a percentage of revenue for each of Fiscal 2009, 2010 and 2011.

	Year ended 31 March		
	2009	2010	2011
Revenue	100%	100%	100%
	(US\$ million)		
Cost of sales	(78.1)	(72.6)	(70.9)
Gross profit	21.9	27.4	29.1
Other operating income	1.8	1.1	0.6
Distribution costs	(2.5)	(2.9)	(2.8)
Administrative expenses	(3.9)	(3.7)	(3.3)
Special items	(0.5)	(0.8)	(1.4)
Operating profit	16.8	21.0	22.2
Investment revenue	6.9	3.4	3.8
Finance costs	(4.4)	(3.0)	(4.7)
Other gains/(losses)	(1.4)	1.8	2.2
Profit before taxation	18.0	23.2	23.5
Tax expense	(4.3)	(4.2)	(5.7)
Profit for the year	13.7%	19.1%	17.8%

4.2 Revenue by Geographic Location

The Vedanta Group's operations are located in India, Zambia, Australia, South Africa, Ireland and Namibia. The primary markets for its products are India, the Far East and the Middle East. The Vedanta Group endeavours to sell as large a quantity of its products as possible in India due to the

Indian market premium that it receives on sales in India. The following table sets out the Vedanta Group's revenue from each of its primary markets in each of Fiscal 2009, 2010 and 2011.

	Year ended 31 March					
	2009		2010		2011	
	US\$ million	%	US\$ million	%	US\$ million	%
India	3,318.8	50.9	3,900.5	49.1	4,924.4	43.1
China	1,131.4	17.2	1,838.0	23.2	2,157.0	18.8
Far East others ⁽¹⁾	836.5	12.7	633.5	8.0	1,354.6	11.8
United Kingdom	6.2	0.1	119.5	1.5	23.8	0.2
Africa	138.9	2.1	108.7	1.4	172.3	1.5
Europe	110.6	1.7	378.9	4.8	1,047.3	9.2
Middle East	763.1	11.6	834.6	10.5	1,068.9	9.4
Asia others ⁽²⁾	192.9	2.9	113.8	1.4	648.7	5.7
Others ⁽³⁾	50.5	0.8	3.0	0.1	30.2	0.3
Total	6,548.9	100%	7,930.5	100%	11,427.2	100%

Notes:

- (1) Far East others includes a number of countries, primarily Korea, Thailand, Singapore and Mauritius.
- (2) Asia others includes Sri Lanka, Bangladesh, Nepal and Pakistan.
- (3) Others include the United States, Australia, New Zealand and a number of countries in Asia excluding India, the Far East and the Middle East.

4.3 Discussion of Operating Results: Fiscal 2011 Compared to Fiscal 2010

(a) Revenue

(i) Vedanta Group

The Vedanta Group's revenue was US\$11,427.2 million in Fiscal 2011, an increase of US\$3,496.7 million, or 44.1 per cent., from US\$7,930.5 million in Fiscal 2010. This increase was primarily due to strengthening commodity prices, increased volumes and a continued focus on operational efficiency. Vedanta's copper, zinc, iron ore, aluminium and commercial power generation businesses contributed 45.3 per cent., 20.7 per cent., 17.3 per cent., 13.7 per cent. and 3.0 per cent., respectively, to its revenue in Fiscal 2011.

(ii) Copper Business (India/Australia)

Revenue from the copper business in India and Australia was US\$3,428.2 million in Fiscal 2011, an increase of US\$686.8 million, or 25.1 per cent., from US\$2,741.4 million in Fiscal 2010. The increase was primarily due to higher daily average copper LME prices. Specifically:

- Total copper cathode production decreased from 334,202 tonnes in Fiscal 2010 to 303,991 tonnes in Fiscal 2011, a decrease of 9.0 per cent. Copper cathode sales decreased from 136,362 tonnes in Fiscal 2010 to 116,590 tonnes in Fiscal 2011, a decrease of 14.5 per cent., due to the bi-annual maintenance shutdown of the Tuticorin smelter during Fiscal 2011.
- Production of copper rods decreased from 196,882 tonnes in Fiscal 2010 to 187,892 tonnes in Fiscal 2011, a decrease of 4.6 per cent. Copper rod sales decreased from 196,883 tonnes in Fiscal 2010 to 186,737 tonnes in Fiscal 2011, a decrease of 5.1 per cent. The decrease in sales was due to lower production following the bi-annual maintenance shutdown of the Tuticorin smelter during Fiscal 2011.
- Sales of copper in the Indian market increased from 206,149 tonnes in Fiscal 2010 to 206,653 tonnes in Fiscal 2011, an increase of 0.2 per cent., and the Vedanta Group's exports decreased from 127,095 tonnes in Fiscal 2010 to 96,674 tonnes in Fiscal 2011, a decrease of 23.9 per cent. Domestic sales as a percentage of total sales increased from 61.9 per cent. in Fiscal 2010 to 68.1 per cent. in Fiscal 2011 due to increased demand in the infrastructure sector, including housing, as well as the power sector in India.

- The daily average copper cash settlement price on the LME increased from US\$6,112 per tonne in Fiscal 2010 to US\$8,138 per tonne in Fiscal 2011, an increase of 33.1 per cent.

(iii) Copper Business (Zambia)

Revenue from KCM in Zambia was US\$1,741.3 million in Fiscal 2011, an increase of US\$670.5 million, or 62.6 per cent., from US\$1,070.8 million in Fiscal 2010. This increase was primarily due to increased production and higher daily average copper LME prices during Fiscal 2011. Specifically, copper production increased from 172,828 tonnes in Fiscal 2010 to 216,499 tonnes in Fiscal 2011, an increase of 25.3 per cent. Copper sales increased from 175,143 tonnes in Fiscal 2010 to 214,488 tonnes in Fiscal 2011, an increase of 22.5 per cent. The daily average copper LME price increased from US\$6,101 per tonne in Fiscal 2010 to US\$8,140 per tonne in Fiscal 2011, an increase of approximately 33.4 per cent. In addition, sales of other copper-related products, primarily copper in copper-cobalt alloy produced as a by-product from the Nchanga smelter, totalled US\$101.1 million in Fiscal 2011, compared to US\$64.1 million in Fiscal 2010, as a result of the ramp-up in production from the Nchanga smelter.

(iv) Zinc Business

Revenue from the zinc business was US\$2,371.7 million in Fiscal 2011, an increase of US\$720.0 million, or 43.6 per cent., from US\$1,651.7 million in Fiscal 2010. This increase was primarily due to a 12.9 per cent. increase in the daily average zinc LME price in Fiscal 2011 as compared to Fiscal 2010, an increase in sales volume enabled by increased production and partially off-set by an appreciation of the Indian Rupee against the US dollar by 3.9 per cent. between Fiscal 2010 and 2011. Specifically:

- Zinc ingot production increased from 578,411 tonnes in Fiscal 2010 to 712,471 tonnes in Fiscal 2011, an increase of 23.2 per cent., due to a ramp-up of production from HZL's hydrometallurgical zinc smelter at Dariba and improved operational efficiencies. Zinc ingot sales increased from 577,685 tonnes in Fiscal 2010 to 712,603 tonnes in Fiscal 2011, an increase of 23.4 per cent., enabled by higher production and strong market demand in India as well as in the rest of Asia.
- Zinc ingot sales in the domestic Indian market increased from 385,880 tonnes in Fiscal 2010 to 411,617 tonnes in Fiscal 2011, an increase of 6.7 per cent. HZL's domestic sales as a percentage of total sales decreased from 66.8 per cent. in Fiscal 2010 to 57.8 per cent. in Fiscal 2011. Export sales increased from 191,805 tonnes in Fiscal 2010 to 300,986 tonnes in Fiscal 2011, an increase of 56.9 per cent.
- The daily average zinc cash settlement price on the LME increased from US\$1,936 per tonne in Fiscal 2010 to US\$2,185 per tonne in Fiscal 2011, an increase of 12.9 per cent.
- Zinc concentrate sales decreased from 223,489 dmt in Fiscal 2010 to 65,957 dmt in Fiscal 2011. This decrease was primarily due to increased production from the Vedanta Group's smelters. HZL sold surplus lead concentrate of 30,929 dmt in Fiscal 2010 and 38,457 dmt in Fiscal 2011 to third parties. This increase was primarily due to the availability of surplus lead concentrate.
- Lead ingot production decreased from 64,319 tonnes in Fiscal 2010 to 57,294 tonnes in Fiscal 2011, a decrease of 10.9 per cent., due to an unplanned shutdown of the lead smelter at Chanderiya. Lead ingot sales decreased from 64,391 tonnes in Fiscal 2010 to 57,229 tonnes in Fiscal 2011, a decrease of 11.1 per cent. due to the decrease in production.
- Silver ingot production increased from 138.6 tonnes in Fiscal 2010 to 148.1 tonnes in Fiscal 2011, an increase of 6.9 per cent., primarily due to higher silver content in the mined ore. The daily average silver London Bullion Metal Association price increased by 51.8 per cent. in Fiscal 2011 as compared to Fiscal 2010. Sales of silver ingots increased from 139.1 tonnes in Fiscal 2010 to 146.6 tonnes in Fiscal 2011, an increase of 5.4 per cent. enabled by the increase in production.

- The daily average lead cash settlement price on the LME increased from US\$1,990 per tonne in Fiscal 2010 to US\$2,244 per tonne in Fiscal 2011, an increase of 12.8 per cent.

(v) **Aluminium Business**

Revenue from the aluminium business was US\$1,570.1 million in Fiscal 2011, an increase of US\$655.9 million, or 71.7 per cent., from US\$914.2 million in Fiscal 2010. This increase was primarily due to an increase in production from the Jharsuguda smelter, growing aluminium consumption in the Indian market and a 20.8 per cent. increase in daily average aluminium LME prices in Fiscal 2011 compared to Fiscal 2010. Specifically:

- Aluminium production from Vedanta Aluminium increased from 264,315 tonnes in Fiscal 2010 to 385,363 tonnes in Fiscal 2011, an increase of 121,048 tonnes. Aluminium production from BALCO decreased from 268,425 tonnes in Fiscal 2010 to 255,298 tonnes in Fiscal 2011, a decrease of 13,127 tonnes, primarily due to a decrease in production from BALCO's plant, which ceased operations in 2010.
- Total aluminium sales increased from 531,943 tonnes in Fiscal 2010 to 633,045 tonnes in Fiscal 2011, an increase of 19 per cent., due to increased production from the Jharsuguda smelter. Sales of aluminium ingots increased from 304,392 tonnes in Fiscal 2010 to 314,954 tonnes in Fiscal 2011, an increase of 3.5 per cent., primarily due to the increase in production of aluminium being allocated towards the production of value added products such as wire rods. Wire rod sales increased from 152,372 tonnes in Fiscal 2010 to 219,686 tonnes in Fiscal 2011, an increase of 44.2 per cent., as a result of an increase in production at the Jharsuguda smelter. Rolled product sales decreased from 65,419 tonnes in Fiscal 2010 to 60,149 tonnes in Fiscal 2011, a decrease of 8.1 per cent., primarily due to a decrease in production from BALCO.
- Aluminium sales in the domestic Indian market increased from 410,259 tonnes in Fiscal 2010 to 500,527 tonnes in Fiscal 2011, an increase of 22 per cent., benefiting from a 16 per cent. growth in aluminium consumption in India. BALCO's aluminium exports decreased from 16,832 tonnes in Fiscal 2010 to 5,518 tonnes in Fiscal 2011, due to higher sales in the domestic Indian market on higher realisation. The Vedanta Group's aluminium domestic sales as a percentage of total sales increased due to rising demand from the power distribution industry, transmission infrastructure, and infrastructure growth in India.
- The daily average aluminium cash settlement price on the LME increased from US\$1,868 per tonne in Fiscal 2010 to US\$2,257 per tonne in Fiscal 2011, an increase of 20.8 per cent.

(vi) **Iron Ore Business**

Revenue from the iron ore business was US\$1,977.9 million in Fiscal 2011, an increase of US\$756.2 million, or 61.9 per cent., from US\$1,221.7 million in Fiscal 2010. The saleable iron ore production in Fiscal 2011 was 18.8 million tonnes, a decrease of 0.4 million tonnes, or 2.1 per cent., from 19.2 million tonnes in Fiscal 2010, primarily as a result of a state-wide ban on exports in Karnataka imposed by the State Government of Karnataka in July 2010 and the termination of a third-party mining agreement in Orissa in November 2010.

(vii) **Commercial Power Generation Business**

Revenue from the commercial power generation business was US\$338.0 million in Fiscal 2011, an increase of US\$7.3 million, or 2.2 per cent. from US\$330.7 million in Fiscal 2010 primarily due to an increase in the volume of power sold. The growth in volume was mainly on account of the commencement of operations of the 600 MW unit at Jharsuguda.

(b) **Operating Profit**

(i) **Vedanta Group**

The Vedanta Group's operating profit was US\$2,534.3 million in Fiscal 2011, an increase of US\$868.7 million, or 52.2 per cent., from US\$1,665.6 million in Fiscal 2010. This increase was attributable to volume growth, with record levels of production, strengthening commodity prices and continuing focus on operational efficiencies. The Vedanta Group's

operating margin increased to 22.2 per cent. in Fiscal 2011 from 21.0 per cent. in Fiscal 2010 due to higher volumes across all businesses, improved efficiencies in operations and effective cost management.

Contributing factors to the Vedanta Group's consolidated operating profit in Fiscal 2011 were as follows:

- Costs of sales increased to US\$8,107.0 million in Fiscal 2011 from US\$5,761.1 million in Fiscal 2010, an increase of US\$2,345.9 million, or 40.7 per cent., primarily due to increased volumes, rising energy costs, higher royalties and export duty rates and a new green tax on coal in India. Costs of sales as a percentage of revenue decreased from 72.6 per cent. in Fiscal 2010 to 70.9 per cent. in Fiscal 2011, primarily due to operational efficiencies at the plants.
- Distribution costs increased from US\$229.5 million in Fiscal 2010 to US\$319.6 million in Fiscal 2011, an increase of US\$90.1 million, or 39.3 per cent. mainly due to higher volumes across all of the Vedanta Group's businesses in Fiscal 2011 compared to Fiscal 2010.
- Administrative expenses increased from US\$294.8 million in Fiscal 2010 to US\$376.7 million in Fiscal 2011, an increase of US\$81.9 million, or 27.8 per cent., mainly on account of administrative expenses relating to the acquisition of Skorpion, Lisheen and Black Mountain, contribution to a cancer hospital in Raipur in the State of Chattisgarh and higher fixed expenses.
- The losses arising from special items increased from US\$67.3 million in Fiscal 2010 to US\$163.5 million in Fiscal 2011, an increase of US\$96.2 million, or 142.9 per cent., which is primarily attributable to a US\$118.3 million impairment against mining reserves relating to SGL's mines that were operated on a lease basis and which lease has now expired and will not be renewed. Other special costs include US\$32.7 million of acquisition costs relating to the acquisition of Skorpion, Lisheen and Black Mountain, the proposed Cairn Acquisition and US\$12.5 million in relation to voluntary retirement schemes.

(ii) Copper Business (India/Australia)

The segment result after special items for the copper business in India and Australia was US\$196.5 million in Fiscal 2011, an increase of US\$130.6 million, or 198.2 per cent., from US\$65.9 million in Fiscal 2010. The increase in segment result was primarily attributable to higher daily average LME prices and lower unit costs in India. In particular:

- TcRc rates decreased from an average of 13.6¢ per lb realised in Fiscal 2010 to an average of 11.9¢ per lb realised in Fiscal 2011 as a result of world market trends.
- Costs of production, which consists of smelting and refining costs, decreased from 10.4¢ per lb in Fiscal 2010 to 4.0¢ per lb in Fiscal 2011, primarily due to improved by-product sales and improved operational performance.

(iii) Copper Business (Zambia)

KCM's segment result after special items was US\$309.1 million in Fiscal 2011, compared to US\$32.5 million in Fiscal 2010. The 851.1 per cent. improvement in segment result was primarily attributable to increased production and a higher average LME copper price.

(iv) Zinc Business (India)

The segment result after special items for the Indian zinc business was US\$1,117.8 million in Fiscal 2011, an increase of US\$199.4 million, or 21.7 per cent., from US\$918.4 million in Fiscal 2010. The increase in segment result was primarily attributable to an increase in the daily average zinc and lead LME prices of 12.9 per cent. and 12.8 per cent., respectively, between Fiscal 2010 and Fiscal 2011 and the increase in sales volume, partially off-set by an appreciation of the Indian Rupee against the US dollar and higher operating costs.

(v) **Zinc International**

The segment result after special items for Zinc International was US\$47.2 million in Fiscal 2011.

(vi) **Aluminium Business**

The segment result after special items for the aluminium business was US\$31.2 million in Fiscal 2011, a decrease of US\$19.2 million, or 38.1 per cent., from US\$50.4 million in Fiscal 2010. This was primarily as a result of higher depreciation of the new Jharsuguda smelter.

(vii) **Iron Ore Business**

The segment result after special items for the iron ore business was US\$757.6 million in Fiscal 2011, an increase of US\$304.6 million, or 67.2 per cent., from US\$453.0 million in Fiscal 2010. The increase in segment result was primarily attributable to higher volumes, which were partially off-set by higher rail logistic costs and increased export duties, as the Government of India increased the export duties on fines from 5 per cent. to 20 per cent. and lumps from 15 per cent. to 20 per cent. on 28 February 2011.

(viii) **Commercial Power Generation Business**

The segment result after special items for the commercial power generation business was US\$112.0 million in Fiscal 2011, a decrease of US\$35.5 million, or 24.1 per cent., from US\$147.5 million in Fiscal 2010. The decrease in segment result was primarily attributable to higher operating costs, particularly due to the increased price of coal, and lower sales prices.

(c) **Investment Revenue and Finance Costs**

The Vedanta Group's investment revenue was US\$431.6 million in Fiscal 2011, an increase of US\$158.8 million, or 58.2 per cent., from US\$272.8 million in Fiscal 2010, which is primarily the result of higher interest income and yield on investments and reduced foreign exchange losses.

The Vedanta Group's finance costs were US\$534.7 million in Fiscal 2011, an increase of US\$298.1 million, or 126.0 per cent., from US\$236.6 million in Fiscal 2010. This was mainly due to a lower capitalisation of interest cost as a result of the start of commercial production at the Jharsuguda smelter, higher average debt and effective interest rate charge on the new US\$883 million convertible bonds.

Other gains /(losses) in Fiscal 2011 include a gain of US\$252.1 million, compared to a gain of US\$139.8 million in Fiscal 2010, which is mainly due to a US\$188.4 million change in the fair value of embedded derivatives on foreign currency convertible bonds.

(d) **Income Tax Expense and Non-controlling Interests**

Income tax expense was US\$649.5 million in Fiscal 2011, an increase of US\$319.1 million, or 96.6 per cent., from US\$330.4 million in Fiscal 2010, primarily due to increased profitability and a higher minimum alternate tax rate. The effective tax rate for Fiscal 2011 was 24.2 per cent., compared to 17.9 per cent. in Fiscal 2010, reflecting the rise in the minimum alternate tax rate from 17.0 per cent. to 19.9 per cent. and losses of Vedanta Aluminium where no deferred tax assets were recognised due to uncertainty as to their future utilisation.

The profits attributable to non-controlling interests in Fiscal 2011 increased to US\$1,263.0 million from US\$908.9 million in Fiscal 2010. The profits attributable to non-controlling interests as a percentage of total profits increased to 62.1 per cent. in Fiscal 2011 from 60.1 per cent. in Fiscal 2010, primarily due to losses of Vedanta Aluminium, which Vedanta has a significant economic interest in, and changes in profit mix.

4.4 Discussion of Operating Results: Fiscal 2010 Compared to Fiscal 2009

(a) **Introduction**

The Vedanta Group had a segment change that changed the structure of its internal organisation in a manner that caused the composition of its reporting segments to change. This meant that commercial power generation revenue and EBITDA and operating profit were moved into the energy reporting segment. The segment assets and liabilities for CPPs still remain the same for Fiscal 2009 and 2010, while the assets and liabilities for IPPs are now classified under the energy

reporting segment. This classification was applied for the first time in the Vedanta Group's Fiscal 2010 financial accounts. The impact of this segment change would be segment revenue of US\$51.3 million and US\$330.7 million, EBITDA of US\$53.3 million and US\$170.7 million and operating profit of US\$17.6 million and US\$147.5 million for Fiscal 2009 and 2010, respectively.

(b) **Revenue**

(i) **Vedanta Group**

The Vedanta Group's revenue was US\$7,930.5 million in Fiscal 2010, an increase of US\$1,351.6 million, or 20.5 per cent., from US\$6,578.9 million in Fiscal 2009. This was primarily due to higher volumes across all businesses and an increase in market prices for zinc, lead and copper. The Vedanta Group's copper, zinc, iron ore, aluminium and commercial power generation businesses contributed 48.1 per cent., 20.8 per cent., 15.4 per cent., 11.5 per cent. and 4.2 per cent., respectively, to its revenue in Fiscal 2010.

(ii) **Copper Business (India/Australia)**

Revenue from the copper business in India and Australia was US\$2,741.4 million in Fiscal 2010, an increase of US\$203.5 million, or 8 per cent., from US\$2,537.9 million in Fiscal 2009. The increase was primarily due to a higher sales volume of copper cathodes and higher daily average copper LME prices, which was partially off-set by appreciation of the Indian Rupee against the US dollar by 3.3 per cent. between Fiscal 2009 and 2010. Specifically:

- Copper cathode production increased from 312,833 tonnes in Fiscal 2009 to 334,202 tonnes in Fiscal 2010, an increase of 6.8 per cent. The production in Fiscal 2009 was lower as compared to Fiscal 2010, primarily due to the planned bi-annual plant maintenance shut-down for a period of 26 days in May and June 2008 and stabilisation issues faced during post shut-down ramp-up. Copper cathode sales increased from 92,163 tonnes in Fiscal 2009 to 136,362 tonnes in Fiscal 2010, an increase of 47.9 per cent., due to increased production.
- Production of copper rods decreased from 219,879 tonnes in Fiscal 2009 to 196,882 tonnes in Fiscal 2010, a decrease of 10.5 per cent. Copper rod sales decreased from 220,409 tonnes in Fiscal 2009 to 196,883 tonnes in Fiscal 2010, a decrease of 10.7 per cent. The decrease in sales was due to the decrease in production.
- Sales of copper in the Indian market increased from 198,457 tonnes in Fiscal 2009 to 206,150 tonnes in Fiscal 2010, an increase of 3.9 per cent., and the Vedanta Group's exports increased from 114,115 tonnes in Fiscal 2009 to 127,095 tonnes in Fiscal 2010, an increase of 11.4 per cent. Domestic sales as a percentage of total sales decreased from 63.5 per cent. in Fiscal 2009 to 61.9 per cent. in Fiscal 2010 due to weaker domestic demand compared to global demand.
- The daily average copper cash settlement price on the LME increased from US\$5,885 per tonne in Fiscal 2009 to US\$6,112 per tonne in Fiscal 2010, an increase of 3.9 per cent.

(iii) **Copper Business (Zambia)**

Revenue from KCM in Zambia was US\$1,070.8 million in Fiscal 2010, an increase of US\$297.7 million, or 38.5 per cent., from US\$773.1 million in Fiscal 2009. This increase was primarily due to an increase in the daily average copper LME price during Fiscal 2010 as a result of improved global market and economic conditions compared to Fiscal 2009 and an increase in sales volume and copper production due to increased production capacity from the new Nchanga smelter fed partly by increased production due to copper concentrate purchases from third-party suppliers. Specifically, copper production (not including copper/cobalt alloy production) increased from 132,930 tonnes in Fiscal 2009 to 172,828 tonnes in Fiscal 2010, an increase of 30.0 per cent. Consequently, copper sales increased from 134,490 tonnes in Fiscal 2009 to 175,143 tonnes in Fiscal 2010, an increase of 30.2 per cent. The daily average copper LME price increased from US\$5,864 per tonne in Fiscal 2009 to US\$6,101 per tonne in Fiscal 2010, an increase of approximately 4 per cent. In addition, sales of other copper-related products, primarily copper in copper-cobalt alloy produced as a by-product

from the Nchanga smelter, totalled US\$64.1 million in Fiscal 2010, compared to zero in Fiscal 2009, as a result of the ramp-up in production from the Nchanga smelter.

(iv) **Zinc Business**

Revenue from the zinc business was US\$1,651.7 million in Fiscal 2010, an increase of US\$442.6 million, or 36.6 per cent., from US\$1,209.1 million in Fiscal 2009. This increase was primarily due to a 23.9 per cent. increase in the daily average zinc LME price in Fiscal 2010 as compared to Fiscal 2009, an increase in sales volume enabled by increased production and partially off-set by an appreciation of the Indian Rupee against the US dollar by 3.3 per cent. between Fiscal 2009 and 2010. Specifically:

- Zinc ingot production increased from 551,724 tonnes in Fiscal 2009 to 578,411 tonnes in Fiscal 2010, an increase of 4.8 per cent., due to a ramp-up of production from HZL's first hydrometallurgical zinc smelter at Chanderiya, the commissioning of the 210 ktpa hydrometallurgical zinc smelter at Rajpura Dariba and improved operational efficiencies. Zinc ingot sales increased from 552,330 tonnes in Fiscal 2009 to 577,685 tonnes in Fiscal 2010, an increase of 4.6 per cent., enabled by higher production and strong market demand in India as well as in the rest of Asia.
- Zinc ingot sales in the domestic Indian market increased from 331,705 tonnes in Fiscal 2009 to 385,880 tonnes in Fiscal 2010, an increase of 16.3 per cent. HZL's domestic sales as a percentage of total sales increased from 60.1 per cent. in Fiscal 2009 to 66.8 per cent. in Fiscal 2010 due to higher production and strong market demand in India. Export sales decreased from 220,625 tonnes of zinc in Fiscal 2009 to 191,805 tonnes of zinc in Fiscal 2010, a decrease of 13.1 per cent., due to better realisation and demand in the domestic Indian market.
- The daily average zinc cash settlement price on the LME increased from US\$1,563 per tonne in Fiscal 2009 to US\$1,936 per tonne in Fiscal 2010, an increase of 23.9 per cent.
- Zinc concentrate sales increased from 76,261 dmt in Fiscal 2009 to 223,489 dmt in Fiscal 2010. This increase was primarily due to increased mined zinc metal production which was not captively consumed. HZL sold surplus lead concentrate of 56,487 dmt in Fiscal 2009 and 30,929 dmt in Fiscal 2010 to third parties. This decrease was primarily due to the non-availability of surplus lead concentrate as a result of higher consumption of lead concentrate to produce metal with a higher concentration of lead at the ISP^(TM) pyrometallurgical smelter.
- Lead ingot production increased from 60,323 tonnes in Fiscal 2009 to 64,319 tonnes in Fiscal 2010, an increase of 6.6 per cent., as a result of improved production of lead from the pyrometallurgical process. Lead ingot sales increased from 60,564 tonnes in Fiscal 2009 to 64,391 tonnes in Fiscal 2010, an increase of 6.3 per cent., enabled by the increase in production.
- Silver ingot production increased from 105.6 tonnes in Fiscal 2009 to 138.6 tonnes in Fiscal 2010, an increase of 31.3 per cent., primarily due to higher silver content in the mined ore. The daily average silver London Bullion Metal Association price increased by 14.4 per cent. in Fiscal 2010 as compared to Fiscal 2009. Sales of silver ingots increased from 103.1 tonnes in Fiscal 2009 to 139.1 tonnes in Fiscal 2010, an increase of 34.9 per cent. enabled by the increase in production.
- The daily average lead cash settlement price on the LME increased from US\$1,660 per tonne in Fiscal 2009 to US\$1,990 per tonne in Fiscal 2010, an increase of 19.9 per cent.

(v) **Aluminium Business**

Revenue from the aluminium business was US\$914.2 million in Fiscal 2010, a decrease of US\$22.9 million, or 2.4 per cent., from US\$937.1 million in Fiscal 2009. This decrease was partially due to the complete ramp-down of the old 100 ktpa smelter at Korba on 5 June 2009 due to higher operational costs, MALCO suspending aluminium production in Fiscal 2009, a 16.4 per cent. decrease in daily average aluminium LME prices in Fiscal 2010 compared to Fiscal 2009 and the appreciation of the Indian Rupee against the US dollar by

3.3 per cent. between Fiscal 2009 and 2010. The Vedanta Group does not currently have plans to recommence aluminium production at MALCO. Specifically:

- Aluminium production from Vedanta Aluminium increased from 82,061 tonnes in Fiscal 2009 to 264,315 tonnes in Fiscal 2010, an increase of 222.1 per cent. Aluminium production from BALCO decreased from 356,781 tonnes in Fiscal 2009 to 268,425 tonnes in Fiscal 2010, a decrease of 24.8 per cent., primarily due to the phased ramp-down of the old 100 ktpa smelter at Korba between February and June 2009. Production from the new smelter at Korba slightly decreased by 0.4 per cent. from 250,499 tonnes in Fiscal 2009 to 249,552 tonnes in Fiscal 2010.
- Total aluminium sales increased from 461,743 tonnes in Fiscal 2009 to 531,943 tonnes in Fiscal 2010, an increase of 15.2 per cent., due to higher production from Vedanta Aluminium which was partially offset by lower production due to the phased shut-down of the old Korba smelter due to higher operational costs and MALCO suspending aluminium production in Fiscal 2009. Sales of aluminium ingots increased from 254,783 tonnes in Fiscal 2009 to 304,392 tonnes in Fiscal 2010, an increase of 19.5 per cent., as a result of higher production from Vedanta Aluminium which was partially offset by the phased shut-down of the old Korba smelter. Wire rod sales increased from 144,718 tonnes in Fiscal 2009 to 152,372 tonnes in Fiscal 2010, an increase of 5.3 per cent., as a result of increased production and increased demand for this product, particularly in the power sector, and reflects Vedanta Aluminium's continued focus on the sale of value-added products but which was partially offset by the suspension of aluminium production by MALCO. Rolled product sales increased from 57,399 tonnes in Fiscal 2009 to 65,419 tonnes in Fiscal 2010, an increase of 14.0 per cent., primarily due to increased demand in the construction and the transport sectors.
- Aluminium sales in the domestic Indian market increased from 353,393 tonnes in Fiscal 2009 to 410,259 tonnes in Fiscal 2010, an increase of 16.1 per cent., due to higher production from Vedanta Aluminium which was partially offset by lower production as a result of the shut-down of the old Korba smelter and MALCO suspending aluminium production in Fiscal 2009. BALCO's aluminium exports decreased from 66,523 tonnes in Fiscal 2009 to 16,832 tonnes in Fiscal 2010, due to higher premiums in the domestic Indian market. The Vedanta Group's domestic aluminium sales as a percentage of total sales increased due to the increased demand of the value-added product in the domestic Indian market, particularly in the power market.
- The daily average aluminium cash settlement price on the LME declined from US\$2,234 per tonne in Fiscal 2009 to US\$1,868 per tonne in Fiscal 2010, a decrease of 16.4 per cent.

(vi) Iron Ore Business

Revenue from the iron ore business was US\$1,221.7 million in Fiscal 2010, an increase of US\$151.3 million, or 14.1 per cent. from US\$1,070.4 million in Fiscal 2009. The saleable iron ore production in Fiscal 2010 was 19.2 million tonnes, an increase of 5.0 million tonnes, or 35.2 per cent. from 14.2 million tonnes in Fiscal 2009, primarily as a result of the 3.2 million tonnes contributed by the iron ore operations from SRL, which Vedanta acquired in June 2009, increased throughput from SGL's existing operations and an increase in average selling prices.

(vii) Commercial Power Generation Business

Revenue from the commercial power generation business was US\$330.7 million in Fiscal 2010, an increase of US\$279.4 million, or 544.6 per cent. from US\$51.3 million in Fiscal 2009 primarily due to an increase in the volume of power sold. The growth in volume was mainly on account of surplus power sales due to a reduction in captive use as a result of the shut-down of the high-cost aluminium operations at MALCO and one of BALCO's smelters and surplus power from Vedanta Aluminium's commercial power plant at Jharsuguda.

(c) Operating Profit

(i) Vedanta Group

The Vedanta Group's operating profit was US\$1,665.6 million in Fiscal 2010, an increase of US\$558.6 million, or 50.5 per cent., from US\$1,107 million in Fiscal 2009. This increase was attributable to volume growth, with record iron ore, aluminium and mined metal production of zinc and lead, improved commodity prices and effective operational efficiencies. The Vedanta Group's operating margin increased to 21 per cent. in Fiscal 2010 from 16.8 per cent. in Fiscal 2009 due to higher volumes across all businesses, improved efficiencies in operations and effective cost management.

Contributing factors to the Vedanta Group's consolidated operating profit in Fiscal 2010 were as follows:

- Costs of sales increased to US\$5,761.1 million in Fiscal 2010 from US\$5,136.1 million in Fiscal 2009, an increase of US\$625.0 million, or 12.2 per cent., primarily due to increased volumes and some inflationary pressures on certain key inputs. Costs of sales as a percentage of revenue decreased from 78.1 per cent. in Fiscal 2009 to 72.6 per cent. in Fiscal 2010, primarily due to operational efficiencies at the Vedanta Group's plants.
- Distribution costs increased from US\$163 million in Fiscal 2009 to US\$229.5 million in Fiscal 2010, an increase of US\$66.5 million, or 40.8 per cent., mainly attributable to higher volumes across all of the Vedanta Group's businesses in Fiscal 2010 compared to Fiscal 2009.
- Administrative expenses increased from US\$256.8 million in Fiscal 2009 to US\$294.8 million in Fiscal 2010, an increase of US\$38.0 million, or 14.8 per cent., mainly on account of the commencement of operations at Vedanta Aluminium's facility and an increase in inflation.
- The losses arising from special items increased from US\$31.9 million in Fiscal 2009 to US\$67.3 million in Fiscal 2010, an increase of US\$35.4 million, or 111 per cent. In December 2009, the US\$50 million letter of credit provided to acquire Asarco was exchanged for cash. See paragraph 13.1(g)(iv) of Part X: "Additional Information" for more detail regarding the Asarco dispute. This amount and other expenses incurred pursuant to the unsuccessful acquisition of Asarco amounting to US\$7.7 million was recorded as an expense as a special item in Fiscal 2010. In Fiscal 2010, US\$6.9 million was spent restructuring the Vedanta Group's operations, principally to cover voluntary redundancy and this was also recorded as a special item expense.

(ii) Copper Business (India/Australia)

The segment result for the copper business in India and Australia was US\$65.9 million in Fiscal 2010, a decrease of US\$177 million, or 72.9 per cent., from US\$242.9 million in Fiscal 2009. The decrease in segment result was primarily attributable to higher operating costs, a decline in phosphoric acid prices and lower by-products realisations, which was partially off-set by improved TcRc and higher realisation from Australian mining operations. In particular:

- TcRc rates increased from an average of 11.7¢ per lb realised in Fiscal 2009 as compared to an average of 13.6¢ per lb realised in Fiscal 2010 as a result of a global improvement of the TcRc market resulting in a significant increase in the market TcRc rate.
- Cost of production, which consists of smelting and refining costs, increased significantly from 3.1¢ per lb in Fiscal 2009 to 10.4¢ per lb in Fiscal 2010, primarily due to lower realisation on the sale of sulphuric acid by-product.
- Encashment of US\$50 million letter of credit by Asarco after the rejection of the plan proposed by the Vedanta Group for the acquisition of Asarco.

(iii) Copper Business (Zambia)

KCM's segment result was US\$32.5 million in Fiscal 2010, compared to a loss of US\$165.9 million in Fiscal 2009. The 119.5 per cent. improvement in segment result was primarily attributable to increased production and a higher average copper LME price.

(iv) **Zinc Business**

The segment result for the zinc business was US\$918.4 million in Fiscal 2010, an increase of US\$370.1 million, or 67.5 per cent., from US\$548.3 million in Fiscal 2009. The increase in segment result was primarily attributable to an increase in the daily average zinc and lead LME prices of 23.9 per cent. and 19.9 per cent., respectively, between Fiscal 2009 and Fiscal 2010, and the increase in sales volume, partially off-set by an appreciation of the Indian Rupee against the US dollar and higher operating costs.

(v) **Aluminium Business**

The segment result for the aluminium business was US\$50.4 million in Fiscal 2010, a decrease of US\$66.8 million, or 57.0 per cent., from US\$117.2 million in Fiscal 2009. This was primarily as a result of higher depreciation of the Jharsuguda smelter following commencement of commercial production during the year.

(vi) **Iron Ore Business**

The segment result for the iron ore business was US\$453.0 million in Fiscal 2010, an increase of US\$105 million, or 30.2 per cent., from US\$348.0 million in Fiscal 2009. The increase in segment result was primarily attributable to higher volumes and lower operating costs which were partially off-set by lower average prices and increased royalties.

(vii) **Commercial Power Generation Business**

The segment result for the commercial power generation business was US\$147.5 million in Fiscal 2010, an increase of US\$129.9 million, or 738.1 per cent., from US\$17.6 million in Fiscal 2009. The increase in segment result was primarily attributable to higher volumes and realisation rate, partially off-set by higher operating costs.

(d) **Investment Revenue and Finance Costs**

The Vedanta Group's investment revenue was US\$272.8 million in Fiscal 2010, a decrease of US\$183.4 million, or 40.2 per cent., from US\$456.2 million in Fiscal 2009 as a result of lower yield on investments and conversion losses on dollar deposits held by TCM.

The Vedanta Group's finance costs were US\$236.6 million in Fiscal 2010, a decrease of US\$51.5 million, or 17.9 per cent., from US\$288.1 million in Fiscal 2009. This was mainly due to interest costs of US\$301.3 million being capitalised on the total interest cost as compared to capitalisation of US\$112 million in Fiscal 2009, reflecting increased expenditure on the Vedanta Group's capital expansion programme.

Other gains /losses in Fiscal 2010 include a gain of US\$139.8 million compared to a loss of US\$94.1 million in Fiscal 2009, mainly due to exchange gains /losses on borrowings and capital creditors. There was a loss of US\$35.7 million in Fiscal 2010 due to a change in the fair value of embedded derivatives on foreign currency convertible bonds.

(e) **Income Tax Expense and Non-controlling Interests**

Income tax expense was US\$330.4 million in Fiscal 2010, an increase of US\$49.9 million, or 17.8 per cent., from US\$280.5 million in Fiscal 2009, primarily due to increased profitability. The effective tax rate for Fiscal 2010 was 17.9 per cent. compared to 23.8 per cent. in Fiscal 2009 because the Vedanta Group was able to benefit from lower effective tax rates in HZL and SGL, triggered by the efficient use of various tax holidays.

The profits attributable to non-controlling interests in Fiscal 2010 increased to US\$908.9 million from US\$681.1 million in Fiscal 2009. The profits attributable to non-controlling interests as a percentage of total profits decreased to 60.1 per cent. in Fiscal 2010 from 75.6 per cent. in Fiscal 2009 primarily due to the higher profit from KCM and Vedanta Aluminium which have lower non-controlling interests.

5. Liquidity and Capital Resources

5.1 Capital Resources

(a) Overview

As at 31 March 2011, the Vedanta Group's cash and cash equivalents and liquid investments were US\$7.8 billion, the majority of which were denominated in Indian Rupees. Of this, US\$911.6 million was cash and cash equivalents and US\$6,865.4 million was liquid investments. Liquid investments consist of investments in mutual funds and bank deposits with maturities of more than 90 days. The Vedanta Group's investment policy is to invest in funds and banks with a low credit risk and high credit ratings. A portion of the Vedanta Group's cash and cash equivalents and liquid investments will be used to finance the Cairn Acquisition.

The Vedanta Group funds its operations primarily with its current cash and liquid investments, together with cash flows from operations and borrowings under working capital and term loan facilities from banks and/or other financial institutions, and the Vedanta Group expects that these sources will continue to be its principal sources of cash in the next few years. During Fiscal 2010, Sterlite also raised equity of US\$1.1 billion and the Vedanta Group issued US\$3.1 billion in convertible bonds, of which US\$2.1 billion was raised by Vedanta and the remainder was raised by its subsidiaries. The Company believes that its current working capital is sufficient for its present capital requirements.

The Vedanta Group's principal financing requirements primarily include:

- capital expenditures towards the maintenance, upgrading and expansion of capacity in existing businesses;
- the establishment of the new commercial power generation business;
- consolidation of ownership in various subsidiaries;
- acquisitions of complementary businesses that the Vedanta Group determines to be attractive opportunities; and
- working capital.

The Vedanta Group evaluates its funding requirements regularly in light of its cash flow from its operating activities, the progress of its capital expenditure projects, acquisition initiatives and market conditions. To the extent it does not generate sufficient cash flow from operating activities, the Vedanta Group may rely on other debt or equity financing activities, subject to market conditions.

The following table sets out select cash flow data and the cash and cash equivalents for each of Fiscal 2009, 2010 and 2011.

	Year ended 31 March		
	2009	2010	2011
	(US\$ million)		
Net cash from operating activities	1,829.2	1,572.2	2,028.0
Net cash used in investing activities	(3,839.0)	(4,295.9)	(3,435.0)
Net cash from financing activities	1,755.0	2,982.5	1,687.4
Net increase/ (decrease) in cash and cash equivalents	(254.8)	258.8	280.4
Effect of foreign exchange rate changes	177.1	(249.3)	241.2
Cash and cash equivalents at beginning of year	458.2	380.5	390.0
Cash and cash equivalents at end of year	<u>380.5</u>	<u>390.0</u>	<u>911.6</u>

(b) Net Cash from Operating Activities

Net cash from operating activities was US\$2,028.0 million in Fiscal 2011. Cash used for working capital purposes was US\$347.3 million. The cash used for working capital purposes was as a result of an increase in inventories by US\$534.5 million, an increase in receivables by US\$398.5 million and an increase in payables by US\$585.7 million. During Fiscal 2011, net interest paid was US\$431.0 million and income taxes paid was US\$756.5 million.

Net cash from operating activities was US\$1,572.2 million in Fiscal 2010, primarily on account of profit before tax of US\$1,841.6 million and depreciation of US\$563.0 million being added back. Cash used for working capital purposes was US\$27.8 million. The cash used for working capital purposes was a result of an increase in inventories by US\$249.4 million, a decrease in receivables by US\$16.4 million and an increase in payables by US\$205.2 million. During Fiscal 2010, net interest paid was US\$305.2 million and income taxes paid was US\$407.8 million.

Net cash from operating activities was US\$1,829.2 million in Fiscal 2009, primarily on account of profit before tax of US\$1,181.0 million and depreciation of US\$473.2 million being added back. Cash generated from working capital was US\$621.7 million. The cash generated from working capital was a result of a decrease in inventories by US\$69.9 million, a decrease in receivables by US\$167.9 million and an increase in payables by US\$383.9 million. During Fiscal 2009, net interest paid was US\$269.7 million and income taxes paid was US\$330.8 million.

(c) Net Cash Used in Investing Activities

Net cash used in investing activities was US\$3,435.0 million in Fiscal 2011, primarily on account of the purchase of property, plant and equipment amounting to US\$2,491.4 million and the acquisition of the zinc assets of Anglo American plc for a total consideration of US\$1,513.1 million.

Net cash used in investing activities was US\$4,295.9 million in Fiscal 2010, primarily on account of the purchase of property, plant and equipment amounting to US\$2,362.1 million, the purchase of liquid investments amounting to US\$1,663.4 million and the acquisition of SRL in June 2009 for a total consideration of US\$335 million.

Net cash used in investing activities was US\$3,839.0 million in Fiscal 2009, primarily on account of purchase of the property, plant and equipment amounting to US\$2,799.6 million and the purchase of liquid investments amounting to US\$961.9 million.

(d) Net Cash from or Used in Financing Activities

Net cash provided by financing activities was US\$1,687.4 million in Fiscal 2011, primarily as a result of an increase of US\$1,863.2 million in short-term borrowings mainly relating to Vedanta Aluminium.

Net cash provided by financing activities was US\$2,982.5 million in Fiscal 2010, primarily as a result of the issue of American depositary shares by Sterlite amounting to US\$1,090.1 million, an increase in borrowings amounting to US\$2,498.4 million, buyback of treasury shares and the acquisition of minority stakes in Vedanta's subsidiaries amounting to US\$538.3 million.

Net cash provided by financing activities was US\$1,755.0 million in Fiscal 2009, primarily as a result of an increase in borrowings amounting to US\$2,208.1 million, buyback of treasury shares and the acquisition of minority stakes in Vedanta's subsidiaries amounting to US\$397.1 million.

5.2 Borrowings

As at 4 December 2011 (being the latest practicable date prior to publication of this Prospectus) the total borrowings of the Vedanta Group were US\$13,699.0 million. As at this date, the Vedanta Group had access to fully committed funding facilities of US\$21,952.6 million (including approximately US\$3.01 billion of the Cairn India Acquisition Facilities, being US\$2.97 billion under the Acquisition Facility and a total aggregate amount of up to US\$37.7 million in cash to be advanced to Twin Star Mauritius Holdings Limited ("TSMHL") under the senior secured bridge loan facility dated 17 November 2010 between TSMHL and others (the "Bridge Facility Agreement") (together, the "Cairn India Acquisition Facilities")) of which US\$8,253.6 million had not been drawn.

The Vedanta Group taps both the Indian and offshore markets for its long-term funding needs. In addition, it has sizeable imports and exports and can therefore access both import and export credits, based on cost effectiveness, both in Indian Rupees and in foreign currencies, to finance its short-term working capital requirements. The Vedanta Group has in place both secured and unsecured borrowings, with its secured borrowings being generally Indian Rupee denominated loans and debentures.

The Vedanta Group has tapped different segments of borrowing resources, including banks and capital markets, both in India and overseas. Vedanta's current long-term debt is rated "BB" on negative outlook, "Ba2" on negative outlook and "BB" on stable outlook, as reported by Standard &

Poor's, Moody's and Fitch, respectively. The Vedanta Group has not had, and does not currently expect to have, material difficulty in gaining access to short-term and long-term financing sufficient to meet its current requirements.

The following table shows total borrowings of the Vedanta Group as at 31 March 2009, 2010 and 2011.

	Year ended 31 March		
	2009	2010	2011
	(US\$ million)		
Bank loans	2,483.3	3,597.4	5,654.9
Bonds	1,812.4	1,243.7	1,244.7
Other loans	215.1	554.7	581.4
Total	4,510.8	5,395.8	7,481.0
Borrowings are repayable:			
Within one year (shown as current liabilities)	1,298.5	1,012.6	3,045.1
In the second year	173.9	759.7	1,914.2
In two to five years	1,626.2	2,669.9	1,324.4
After five years	1,412.2	953.6	1,197.3
Total borrowings	4,510.8	5,395.8	7,481.0
Less: payable within one year	(1,298.5)	(1,012.6)	(3,045.1)
Medium and long-term borrowings	3,212.3	4,383.2	4,435.9
Funding facilities (as at 31 March 2011)	Total facility	Drawn	Undrawn
	(US\$ million)		
Less than one year	10,946.8	3,045.1	7,901.7
One to two years	3,336.3	1,914.2	1,422.1
Two to five years and above	4,877.0	4,793.2	83.8
Total	19,160.1	9,752.5	9,407.6

Further Information in respect of the Vedanta Group's facility agreements is contained in paragraph 14.6 of Part X: "Additional Information" of this Prospectus.

Details of the Vedanta Group's outstanding bonds are set out below as at 4 December 2011 (being the latest practicable date prior to publication of this Prospectus).

Type	Issue Date	Issuer	Amount	Maturity/ Redemption Date	Interest (%)
Bonds	7 June 2011	Vedanta	US\$750 million US\$900 million	7 June 2016 7 June 2021	6.75 8.25
Non-convertible debentures	9 December 2010/ 13 January 2011	TSPL	INR15,000 million (US\$335.9 million)	Redeemable in 12 quarterly instalments from 9 March 2021/ 13 April 2021	9.8
Guaranteed convertible bonds	30 March 2010	Vedanta Resources Jersey II Limited	US\$883,000,000	30 March 2017	4.0
Convertible bonds	30 October 2009	SGL	US\$216,800,000	31 October 2014	5.0
Convertible bonds	29 October 2009	Sterlite	US\$500,000,000	30 October 2014	4.0
Guaranteed convertible bonds	13 July 2009	Vedanta Resources Jersey Limited	US\$1,250,000,000	13 July 2016	5.50
Non-convertible debentures issued to LIC	17 November 2008	BALCO	INR5,000 million (US\$112.0 million)	Redeemable in 3 equal instalments commencing in November 2013	12.25

<u>Type</u>	<u>Issue Date</u>	<u>Issuer</u>	<u>Amount</u>	<u>Maturity/ Redemption Date</u>	<u>Interest (%)</u>
Non-convertible debentures issued to LIC	23 October 2008	Vedanta Aluminium	INR4,000 million (US\$89.6 million)	Redeemable in 3 equal instalments commencing in October 2013	11.5
Bonds	2 July 2008	Vedanta	US\$500,000,000 US\$750,000,000	15 January 2014 18 July 2018	8.75 9.50
Non-convertible debentures issued to LIC	10 April 2003	Sterlite	INR1,000 million (US\$22.4 million) (of which INR400 million (US\$9.0 million) has been repaid)	Redeemable on 10 April 2013	8.0

Vedanta and its subsidiaries have various finance facilities that contain various financial covenants. As at 4 December 2011 (being the latest practicable date prior to publication of this Prospectus), Vedanta and its subsidiaries were in material compliance with such covenants. These covenants require Vedanta to maintain certain financial ratios and seek the prior permission of the relevant banks and financial institutions for various activities including, among others, any changes in its capital structure, issue of equity, preferential capital or debentures, raising any loans and deposits from the public, undertaking any new project, effecting any scheme of acquisition, merger, amalgamation or reconstruction, implementing a new scheme of expansion or creation of a subsidiary.

5.3 Capital Expenditures and Commitments

The following table shows the capital expenditures for the Vedanta Group in Fiscal 2009, 2010 and 2011.

	<u>Year ended 31 March</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Capital expenditures	3,327.6	3,864.5	2,710.8

(US\$ million)

In Fiscal 2009, significant capital expenditure was incurred on Vedanta Aluminium's 0.5 mtpa smelter and 1.25 mtpa smelter at Jharsuguda, Sterlite Energy's 2,400 MW coal-based thermal power plant in Jharsuguda, the Lanjigarh alumina refinery, the Rampura Agucha mines, BALCO's 1,200 MW power plant and KCM's KDMP.

In Fiscal 2010, significant capital expenditure was incurred on Vedanta Aluminium's 0.5 mtpa smelter and 1.25 mtpa smelter at Jharsuguda and its expansion project at Lanjigarh and Sterlite Energy's 2,400 MW coal-based thermal power plant in Jharsuguda.

In Fiscal 2011, significant capital expenditure was incurred on HZL's Rajpura Dariba mine, Sterlite Energy's 2,400 MW coal-based thermal power plant in Jharsuguda, Vedanta Aluminium's 1.25 mtpa smelter at Jharsuguda, the 2,640 MW coal-based thermal power plant at Talwandi Sabo and BALCO's 1,200 MW coal-based thermal power plant in the State of Chhattisgarh.

The following table sets out details regarding the Vedanta Group's expansion projects, which have a total estimated cost of US\$19.1 billion, of which, as at 31 March 2011, US\$11.5 billion had already been spent.

Sector	Project	Location	Capacity	Estimated Cost	Amount spent as of		Unspent capital expenditure as at	Status as at
					31 March 2011	31 March 2011		
					(US\$ million)			
Alumina	Lanjigarh I Alumina refinery	India	1.0 mtpa	1,015.3	982.0	33.3	Completed	
	Debottlenecking Lanjigarh I ⁽¹⁾	India	1.0 mtpa	150	72.3	77.7	On hold	
	Lanjigarh II Alumina refinery ⁽¹⁾	India	3.0 mtpa	1,570	804.6	765.4	On hold	
Aluminium	Korba III smelter	India	325 ktpa 1,200 MW CPP	1,820	1,027.9	792.1	In progress	
	Jharsuguda I smelter	India	500 ktpa 1,215 MW CPP	2,400	2,324.4	75.6	Completed	
	Jharsuguda II smelter	India	1.25 mtpa	2,920	1,975.4	994.6	In progress	
Zinc	Smelting and mining	India	210 ktpa ⁽⁵⁾	900	753.1	146.9	Completed	
			100 ktpa ⁽⁶⁾				In progress	
			160 MW CPP ⁽⁷⁾				Completed	
			6 mtpa ⁽⁸⁾				Completed	
			1.5 mtpa ⁽⁹⁾				In progress	
1 mtpa ⁽¹⁰⁾	In progress							
	Wind power project	India	150MW	190	76.1	113.9	In progress	
Copper	KCM KDMP project ⁽²⁾	Zambia	7.5 mtpa	973	796.8	176.2	In progress	
	KCM Nchanga smelter	Zambia	311 ktpa	470	460.5	9.5	Completed	
	CRO project	Zambia	50 ktpa	320	—	320	In progress	
	Sterlite expansion project	India	400 ktpa	500	155.9	344.1	In progress	
Commercial Power Generation	Talwandi Sabo power project ⁽³⁾	India	2,640 MW	3,030	361.6	2,668.4	In progress	
	Sterlite Energy IPP ⁽³⁾	India	2,400 MW	1,900	1,515.6	384.4	In progress	
Iron Ore	Pig iron expansion	India	375 ktpa	150	84.4	65.6	In progress	
	SGL iron ore mine expansion ⁽⁴⁾	India	36 mtpa	500	77.0	423.0	In progress	
Infrastructure	Paradeep port	India	—	150	—	150	In progress	
	Vizag coal berth	India	—	150	19.6	130.4	In progress	
				19,108.3	11,487.2	7,621.0		

Notes:

- (1) The refinery expansion project at Lanjigarh has been put on hold in view of the adverse decision of the Supreme Court regarding mining operations in Niyamgiri Hills. See paragraph 13.1(j) of Part X: "Additional Information" of this Prospectus for further details.
- (2) KCM KDMP 7.5 mtpa project is under construction and is expected to be completed by the third quarter of Fiscal 2013.
- (3) Construction of all four units of Sterlite's IPP 2,400 MW project is expected to be completed by the fourth quarter of Fiscal 2012. The first three units of the Talwandi Sabo power project are expected to be completed by the second quarter of Fiscal 2014, however plans for the fourth unit of 660 MW, which was due to be completed by the fourth quarter of Fiscal 2014, are currently on hold.
- (4) SGL's iron ore expansion project of 36 mtpa is progressing and targeted for completion by Fiscal 2013.
- (5) Zinc smelter at Dariba.
- (6) Lead smelter at Dariba.
- (7) Captive power plant at Dariba.
- (8) The expansion of ore production capacity at the Rampura Agucha mine from 5 mtpa.
- (9) The expansion of ore production capacity at the Sindesar Khurd mine from 0.3 mtpa.
- (10) Kayar mine.

The Vedanta Group plans to meet these planned capital expenditure requirements primarily from its future cash flows from operations, carried capital expenditure loans, project financing and public offers. The Vedanta Group may undertake additional capital expenditures as opportunities or needs arise. In addition, the Vedanta Group may increase, reduce or suspend its planned capital expenditures or change the timing and use of its capital expenditures from what is currently planned in response to market conditions or for other reasons.

The Vedanta Group's ability to maintain and grow its revenues, net income and cash flows depends upon continued capital spending. The Vedanta Group's current and future projects may be significantly delayed by the failure to receive regulatory approvals or renewal of approvals in a timely manner, technical difficulties, human resources constraints, technological or other resource constraints or for other unforeseen reasons, events or circumstances. The Vedanta Group adjusts its capital expenditure plans and investment budget periodically, based on factors deemed relevant by it.

5.4 Capitalisation and Indebtedness

The capitalisation and indebtedness of the Vedanta Group as at 30 September 2011 is set out below. The information relating to 30 September 2011 has been extracted without material adjustment from the Vedanta Group's unaudited accounting records as at 30 September 2011.

	<u>As at</u> <u>30 September 2011</u> (US\$ million)
Total current debt	
—Guaranteed ⁽¹⁾	1,062
—Secured	1,169
—Unguaranteed / Unsecured	1,509
Total non-current debt (excluding current portion of long-term debt)	
—Guaranteed ⁽¹⁾	2,146
—Secured	2,299
—Unguaranteed / Unsecured	4,871
Shareholders' equity	
(a) Share capital	29.7
(b) Legal reserve	2,218.1
(c) Other reserves	2,401.8
Total shareholders' equity	4,649.6

Notes:

(1) Guarantees given by the Company and which are unsecured in nature only. This includes the convertible bonds.

The net financial indebtedness of the Vedanta Group as at 30 September 2011 is set out below. The information relating to 30 September 2011 has been extracted without material adjustment from the Vedanta Group's unaudited accounting records as at 30 September 2011.

	As at 30 September 2011 (US\$ million)
A. Cash	1,250.7
B. Cash equivalent (detail)	4,638.5
C. Trading securities	—
D. Liquidity (A) + (B) + (C)	5,889.2
E. Current financial receivable	—
F. Current bank debt	3,132.4
G. Current portion of non-current debt	—
H. Other current financial debt	607.6
I. Current financial debt (F) + (G) + (H)	3,740.0
J. Net current financial indebtedness (I) – (E) – (D)	–2,149.2
K. Non-current bank loans	3,668.9
L. Bonds issued	5,145.0
M. Other non-current loans	502.4
N. Non-current financial indebtedness (K) + (L) + (M)	9,316.3
O. Net financial indebtedness (J) + (N)	7,167.1

6. Contractual Obligations

The following table sets out the Vedanta Group's total future commitments to settle contractual obligations as at 31 March 2011.

	Payment due by period				
	Total	less than 1 year	1 - 2 years	2 - 5 years	More than 5 Years
	(US\$ million)				
Bank loans and other borrowings	7,481.0	3,045.1	1,914.2	1,324.4	1,197.3
Convertible bonds	2,271.5	—	—	651.5	1,620.0
Trade and other payables and derivative liabilities	3,659.1	3,416.8	148.1	94.2	—
Total	<u>13,411.6</u>	<u>6,461.9</u>	<u>2,062.3</u>	<u>2,070.1</u>	<u>2,817.3</u>

The Vedanta Group's total future commitments to settle contractual obligations, as at 31 March 2011, were US\$13,411.6 million.

The Vedanta Group also has commitments to purchase copper concentrate for its copper custom smelting operations. These commitments are based on future LME copper prices which are not ascertainable as at the date of this Prospectus.

7. Off-Balance Sheet Arrangements

The Vedanta Group has no off-balance sheet entities. In the normal course of business, the Vedanta Group enters into certain commitments for capital and other expenditures and certain performance guarantees. The aggregate amount of indemnities and other guarantees was US\$2,148.8 million as at 31 March 2011.

Details of the Vedanta Group's indemnities and other guarantees are set out in paragraph 9 further below. Details of the Vedanta Group's capital commitments and contingencies are set out below.

7.1 Capital Commitments Contracted but Not Provided

The Vedanta Group has a number of continuing operational and financial commitments in the normal course of business. Capital commitments contracted but not provided as at 31 March 2011 amounted

to US\$3.7 billion, related primarily to capacity expansion projects, including the construction of new facilities, expansion of existing facilities and entry into the commercial power generation business.

7.2 Contingencies

The Vedanta Group is from time to time subject to litigation and other legal proceedings. Certain of its operating subsidiaries have been named as parties to legal actions by third-party claimants and by the Indian sales tax, excise and related tax authorities for additional sales tax, excise and indirect duties. These claims primarily relate either to the assessable values of sales and purchases or to incomplete documentation supporting its tax returns.

The Vedanta Group has ongoing disputes with tax authorities relating to the tax treatment of certain items. See paragraph 13.1 of Part X: "Additional Information" of this Prospectus for further details regarding such litigation and other legal proceedings. These mainly include disallowed expenses, tax treatment of certain expenses claimed by the Vedanta Group as deductions, and the computation or eligibility of certain tax incentives or allowances. Some of the disputes relate to the year in which the tax consequences of financial transactions were recognised and, in the event these disputes are not resolved in the Vedanta Group's favour, the tax consequences may be reflected in the tax year as required by the tax authorities and there are therefore timing differences. Most of these disputes and disallowances, being repetitive in nature, have been raised by the tax authorities consistently in most of the years. The Vedanta Group has a right of appeal to the relevant High Court or the Supreme Court against adverse initial assessments by the appellate authorities for matters involving questions of law. The tax authorities have similar rights of appeal. The total claims related to these tax liabilities are US\$296.5 million as at 31 March 2011. The Vedanta Group has evaluated these contingencies and estimate that it is probable that some of these claims may result in loss contingencies and hence have recorded US\$6.4 million as current liabilities as at 31 March 2011.

The claims by third-party claimants amounted to US\$287.0 million as at 31 March 2011, of which none were recorded as current liabilities based on the Vedanta Group's estimate that none of these claims would become liabilities. The Vedanta Group intends to vigorously defend these claims as necessary. Although the results of legal actions cannot be predicted with certainty, it is the opinion of the Vedanta Group's management, after taking appropriate legal advice, that the resolution of these actions will not have a material adverse effect, if any, on the Vedanta Group's business, financial condition or operating results. Therefore, the Vedanta Group has not recorded any additional liability in relation to litigation matters in the accompanying consolidated financial statements.

8. Inflation

According to Euromonitor International, India's annual overall inflation rate was approximately 10.83 per cent., 13.2 per cent. and 7.5 per cent. for Fiscal 2009, 2010 and 2011, respectively. Inflation in India has not significantly impacted the Company's operating results in recent years.

9. Guarantees and Similar Obligations

9.1 Guarantees

Companies within the Vedanta Group provide guarantees within the normal course of business. Guarantees have also been provided in respect of certain short-term and long-term borrowings. As at 31 March 2011, US\$240.0 million of guarantees were advanced to banks in the normal course of business. The Vedanta Group has also entered into guarantees advanced to the customs authorities in India of US\$1,077.2 million relating to the export of iron ore and payment of import duties on purchases of raw materials.

9.2 Export Obligations

The Indian entities of the Vedanta Group have export obligations of US\$5,691.7 million as at 31 March 2011 on account of concessional rates received on import duties paid on capital goods under the Export Promotion Capital Goods Scheme and on raw materials under the Advance Licence Scheme enacted by the Government of India.

In the event that the Vedanta Group fails to meet its obligations, the Vedanta Group's liability would be US\$711.6 million, reduced in proportion to actual exports. This liability is backed by a bond executed in favour of the Indian customs department amounting to US\$1,710.5 million.

9.3 Guarantees to Suppliers

The Vedanta Group has given corporate guarantees to certain suppliers of concentrate. The value of these guarantees was US\$120 million as at 31 March 2011.

9.4 Environmental and Terminal Benefits Cash Reserve Account—KCM

Pursuant to the terms of the shareholders' agreement between VRHL and Zambia Copper Investments Limited ("ZCI") dated 5 November 2004, KCM is expected to contribute a minimum of US\$10 million (and not more than a maximum of US\$18 million) in any financial year to ensure that the amount of environmental and terminal benefits liabilities is covered by a cash reserve when the life of the Konkola Ore Body comes to an end. The environmental and terminal benefits liabilities refer to KCM's obligations in relation to the environmental and any terminal benefits payable to its employees. As at 31 March 2011, environmental and terminal benefits liabilities provided for were US\$86.0 million, although these liabilities are likely to fluctuate at each future reporting date.

9.5 Shortfall Funding Commitment—KCM

Pursuant to the KCM acquisition agreement, Vedanta has agreed to fund capital expenditure in the period from the date of acquisition to the earlier of 5 November 2013, the exercise of the primary or secondary call options held by ZCI and Vedanta's divestment of its interest in KCM (the earliest date of which was 1 January 2008), up to a limit of US\$220 million in the event that internally generated cash flows are insufficient to fund the capital expenditure programme set out in the acquisition agreement. This obligation is unaffected by the proposed initial public offering of Konkola Resources referred to in paragraph 5.2 of Section A of Part I: "Information on the Vedanta Group, the Cairn India Group and the Combined Group" of this Prospectus. There is currently no such funding shortfall within KCM.

9.6 Guarantees in respect of Subsidiaries

Sterlite has provided guarantees on behalf of CMT, TCM and Vedanta Aluminium.

Vedanta has provided guarantees to third-party vendors to facilitate the procurement of the copper concentrate by its subsidiary, Sterlite, pursuant to a board resolution passed on 16 November 2005. As at 31 March 2011, it had issued guarantees of US\$120 million.

In Fiscal 2008, Vedanta sold its entire interest in IFL to an unaffiliated third party and, as at such date, IFL ceased to be an affiliated company of Vedanta. Consequently, all guarantees given by Vedanta with respect to IFL were released on such disposal.

10. Market Risk Disclosure

The Vedanta Group is exposed to market risk from changes in foreign exchange rates, interest rates, counterparty and concentration of credit, and commodity prices.

10.1 Exchange Rate Risk

The results of the Vedanta Group's operations may be affected by fluctuations in the exchange rates between the Indian Rupee, Australian dollar and Zambian Kwacha against the US dollar. These foreign currency exposures are managed through a hedging policy. Natural hedges available in the business are identified at each entity level and hedges are placed only for the net exposure. Short-term net exposures are hedged progressively based on their maturity. A more conservative approach has been adopted for project expenditures to avoid budget overruns. Longer term exposures are not hedged. Stop-loss and take-profit triggers are implemented to protect the Vedanta Group from adverse market movements, while at the same time enabling the Vedanta Group to take advantage of favourable market opportunities. The Vedanta Group uses hedging instruments to manage the exchange rate risk associated with the fluctuations in the Indian Rupee, Australian dollar and Zambian Kwacha against the US dollar in line with its risk management policy. Typically all exposures for maturity of less than two years are managed using simple instruments such as forward contracts. As long-term exposures draw nearer, the Vedanta Group hedges them progressively to insulate these from the fluctuations in the currency markets. These exposures are reviewed by appropriate levels of management on a monthly basis. After the recent acquisition of the Skorpion mine in Namibia, the Lisheen mine in Ireland and the mine at Black Mountain and the Gamsberg project in South Africa, the Vedanta Group's operations may also be affected by fluctuations in the exchange rate of the Namibian Dollar, the South African Rand and the Euro against the US dollar.

The Vedanta Group has in the past held or issued instruments such as options, swaps and other derivative instruments for purposes of mitigating exposure to exchange rate risk. The Vedanta Group does not enter into hedging instruments for speculative purposes.

The following table illustrates the potential effect on the Vedanta Group's EBITDA in Fiscal 2011 of a 10 per cent. movement in exchange rates of the currencies listed below against the US dollar.

<u>Currency</u>	<u>Closing US Dollar exchange rate as at 31 March 2011</u>	<u>Average US Dollar exchange rate in Fiscal 2011</u>	<u>Impact of a 10% movement in currency on EBITDA</u> (US\$ million)
Indian Rupee	44.65	45.58	449
Australian dollar	0.968	1.0694	10
Zambian Kwacha	4,770	4,906	22.8

The sensitivity data in the above table is based on production volumes, costs and prices for Fiscal 2011 and gives the estimated impact on EBITDA of changes in exchange rates assuming that all other variables remain constant.

10.2 Interest Rate Risk

The Vedanta Group is exposed to the interest rate risk on short-term and long-term floating rate instruments and also on the refinancing of fixed rate debt. The policy is to maintain a balance of fixed and floating interest rate borrowings. The proportion of fixed and floating rate debt is determined by current market interest rates. As at 31 March 2011, US\$6.4 billion of its total debt was at a fixed rate and the balance was at a floating rate.

The Vedanta Group's floating rate debt is largely linked to the US dollar London interbank offered rate (being the British Bankers' Association Interest Settlement Rate for the relevant currencies and period displayed on the appropriate page of the Reuters' screen) ("LIBOR"). The costs of floating rate borrowings may be affected by the fluctuations in the interest rates. The Vedanta Group has selectively used interest rate swaps, options and other derivative instruments to manage its exposure to interest rate movements. These exposures are reviewed by appropriate levels of management on a monthly basis. Based on the gross debt as at 31 March 2011, with all other variables remaining constant, a one percentage point increase in the US dollar LIBOR would impact the Vedanta Group's profit by US\$36 million.

The following table illustrates the potential effect on the Vedanta Group's interest payable on loans in Fiscal 2011 of a 0.5 per cent., 1 per cent. and 2 per cent. movement in interest rates.

<u>Movement in interest rates</u>	<u>Effect on net earnings US dollar interest rates</u> (US\$ million)
0.5%	12.7
1.0%	25.3
2.0%	50.7

10.3 Counterparty and Concentration of Credit Risk

The Vedanta Group is exposed to counterparty credit risks on its investments and receivables. Cash and liquid investments are held primarily in mutual funds and banks with high credit ratings. In respect of current asset investments, counterparty limits are in place to limit the amount of credit exposure to any one counterparty. Most of the surplus cash is invested in banks and mutual funds in India where there is a well-developed financial market.

A large majority of receivables due from third parties are secured either as advance receipt of money or by use of financial instruments such as letters of credit. There is no concentration of credit risk among the receivables of the Vedanta Group given the large number of customers and the business diversity. The history of collection of trade receivables shows a negligible provision for bad and doubtful debts. Therefore, the Vedanta Group does not expect any material risk on account of non-performance by any of the counterparties.

10.4 Commodity Price Risk

The Vedanta Group's principal commodities are copper, zinc, aluminium, iron ore and lead. All of these, except iron ore, are priced with reference to LME prices. Iron ore prices are not linked to any metal exchange prices but are generally influenced by the same factors that influence the LME prices for the other metals and are reflected in the benchmark price agreed between major iron ore suppliers and steel makers.

As a general policy, the Vedanta Group aims to sell its products at prevailing market prices. Hedging activity in commodities is undertaken on a strategic basis to a limited degree and is subject to strict limits laid down by the board and strictly defined internal controls and monitoring mechanisms.

The Vedanta Group uses commodity hedging instruments such as forwards, swaps, options and other derivative instruments to manage its commodity price risk in its copper and zinc businesses. Currently the Vedanta Group uses commodity forward contracts to partially hedge against changes in the LME prices of copper, zinc and lead, and market prices of iron ore. The Vedanta Group enters into these hedging instruments for the purpose of reducing the variability of its cash flows attributable to volatility in commodity prices. These hedging instruments are typically of a maturity of less than one year and almost always less than two years.

The Vedanta Group has in the past held or issued derivative instruments such as forwards, options and other derivative instruments for purposes of mitigating its exposure to commodity price risk. The Vedanta Group does not enter into hedging instruments for speculative purposes.

The Vedanta Group recognised losses of US\$76.9 million on hedging positions in Fiscal 2010 arising from strategic hedging of certain quantities of copper and zinc compared with a loss of US\$23 million in Fiscal 2009. As at 31 March 2011, net outstanding positions on these strategic hedges amounted to US\$nil.

The following table illustrates the impact on EBITDA for the Vedanta Group's copper, zinc and aluminium businesses of a US\$100 movement in LME prices based on Fiscal 2011 sales volumes, costs and exchange rates.

	Average LME price in Fiscal 2011 (US\$ per tonne)	Effect on EBITDA of US\$100/tonne change in LME Prices (US\$ million)
Copper	8,138	16
Aluminium	2,257	66
Zinc	2,185	72
Lead	2,244	7

The sensitivity data in the above table is based on the production volumes, costs and prices for Fiscal 2011 and gives the estimated impact on EBITDA of changes in prices assuming that all other variables remain constant.

10.5 Regulation of Hedging Activities

Borrowing and hedging activities in India are governed by the RBI, with whose policies the Vedanta Group must comply. The policies under which the RBI regulates these hedging activities can change from time to time and these policies may affect the effectiveness with which the Vedanta Group manages its exchange rate risk, interest rate risk and commodity price risk.

11. Management's Judgment and Estimation

The discussion and analysis of the Vedanta Group's financial condition and operating results are based upon the Vedanta Group's consolidated financial statements, which have been prepared in accordance with IFRS. In the course of preparing these financial statements, the management has made estimates based on and assumptions that impact the amounts recognised in the consolidated financial statements. For a discussion of the significant accounting policies, see note 2 to the Vedanta Group's consolidated audited financial statements for Fiscal 2011 which are incorporated by reference in this Prospectus. The Vedanta Group believes that the critical accounting estimates described below are those that are both important to reflect its financial condition and results and require difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

11.1 Mining Properties and Leases

The carrying value of mining properties and leases is determined by depreciating the assets over the life of the mine using the unit of production method based on proved and probable reserves. The estimation of proved and probable reserves is subject to assumptions relating to the life of the mine and may change when new information becomes available. Changes in reserves as a result of factors such as the production cost, recovery rates, grade of reserves or commodity prices could impact depreciation rates, asset carrying values and environmental and restoration provisions.

11.2 Useful Economic Lives of Assets and Impairment

Property, plant and equipment other than mining properties and leases are depreciated over their useful economic lives. Management reviews the useful economic lives at least once a year and any changes could affect the depreciation rates prospectively and hence the asset carrying values. The Vedanta Group also reviews its property, plant and equipment, including mining properties and leases, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable. In assessing the property, plant and equipment for impairment, factors leading to significant reduction in profits such as changes in commodity prices, the Vedanta Group's business plans and significant downward revision in the estimated mining reserves are taken into consideration. The carrying value of the assets of a cash generating unit and associated mining reserves is compared with the fair value of those assets, that is, the higher of net realisable value and value in use. Value in use is usually determined on the basis of discounted estimated future cash flows. This involves management estimates on commodity prices, market demand and supply, economic and regulatory climates, long-term mine plan and other factors. Any subsequent changes to cash flow due to changes in the above mentioned factors could impact on the carrying value of the assets.

11.3 Restoration, Rehabilitation and Environmental Costs

Provision is made for costs associated with the restoration and rehabilitation of mining sites as soon as the obligation to incur such costs arises. Such restoration and closure costs are typical of the extractive industry and they are normally incurred at the end of the life of the mine. The costs are estimated on the basis of mine closure plans and the estimated discounted costs of dismantling and removing these facilities and the costs of restoration are capitalised when incurred reflecting the Vedanta Group's obligations at that time. A corresponding provision is created on the liability side. The capitalised asset is charged to the income statement over the life of the asset through depreciation over the life of the operation and the provision is increased each period through unwinding the discount on the provision. Management estimates are based on local legislation and/or other agreements such as the KCM acquisition agreement. The actual costs and cash outflows may differ from estimates because of changes in laws and regulations, changes in prices, analysis of site conditions and changes in restoration technology.

As per local legislation, the Vedanta Group's Indian operations provide for restoration costs in accordance with statutory requirements. In Australia, appropriate provision has been made in accordance with the local legal requirement and in the case of KCM provision has been made with reference to a plan agreed with the Government of Zambia at the time of KCM's privatisation in April 2000 and pursuant to the acquisition agreement.

11.4 Provisions and Liabilities

Provisions and liabilities are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events that can be reasonably estimated. The timing of recognition requires the application of judgment to existing facts and circumstances which may be subject to change. The actual cash outflows takes place over many years in the future and hence the carrying amounts of provisions and liabilities are regularly reviewed and adjusted to take into account the changing circumstances and other factors that influence the provisions and liabilities.

11.5 Contingencies and Commitments

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Vedanta Group. Where the potential liabilities have a low probability of occurring or are very difficult to quantify reliably, the Vedanta Group treats them as contingent liabilities. Such liabilities are disclosed in the notes to the Vedanta Group's consolidated financial statements but are not provided for in the financial statements. Although there can be no assurance regarding the final

outcome of the legal proceedings, the Vedanta Group does not expect them to have a material adverse impact on its financial position or results from operations.

12. Vedanta Group's Interim Results for the First Half of Fiscal 2012

12.1 Introduction

Vedanta announced its interim results for the six months ended 30 September 2011 on 10 November 2011. Revenue for the first half of Fiscal 2012 was US\$6,553 million, an increase of 43 per cent. from the revenue for the first half of Fiscal 2011. EBITDA for the first half of Fiscal 2012 was US\$1.7 billion, an increase of 27 per cent. from the first half of Fiscal 2011. Underlying earnings per share for the first half of Fiscal 2012 were 68¢, a decrease of 35 per cent. from first half of Fiscal 2011, due to lower attributable profits from Vedanta's subsidiaries.

12.2 Revenue

(a) Vedanta Group

The Vedanta Group's revenue was US\$6,552.6 million in the first half of Fiscal 2012, an increase of US\$1,971.1 million, or 43 per cent., from US\$4,581.5 million in the first half of Fiscal 2011. This increase was driven by high volumes and realisations across the majority of the Vedanta Group's operations and the newly acquired zinc international business.

(b) Copper Business (India/Australia)

Revenue for the copper business in India and Australia was US\$2,198 million in the first half of Fiscal 2012, an increase of US\$876 million, or 66.2 per cent., from US\$1,322 million in the first half of Fiscal 2011. The increase was primarily due to higher daily average copper LME prices and volumes. Specifically:

- Mined metal production at the Vedanta Group's Australian mine was 11,000 tonnes in the first half of Fiscal 2012, a decrease of 3,000 tonnes, or 21.4 per cent., from 14,000 tonnes in the first half of Fiscal 2011. This decrease was primarily as a result of a rock fall incident at the mine in September 2011. Work on restoration of the mining operations has completed and the mine has now resumed near normal operations.
- Copper cathode production was 161,000 tonnes in the first half of Fiscal 2012, an increase of 16,000 tonnes, or 11 per cent., from the first half of Fiscal 2011. This increase was primarily due to a planned bi-annual maintenance shutdown during the first half of Fiscal 2011 and improved volumes in the second quarter of Fiscal 2012.

(c) Copper Business (Zambia)

Revenue from KCM's copper business in Zambia was US\$922.5 million in the first half of Fiscal 2012, an increase of US\$62.1 million, or 7.2 per cent., from US\$860.4 million in the first half of Fiscal 2011. This increase was primarily due to higher daily average copper LME prices and better integrated production. Specifically:

- Mined metal production was 52,000 tonnes in the first half of Fiscal 2012, an increase of 5,000 tonnes, or 10.6 per cent., from 47,000 tonnes in the first half of Fiscal 2011. This increase was primarily due to higher production at the Nchanga mine.
- Copper cathode production was 102,000 tonnes in the first half of Fiscal 2012, a decrease of 11,000 tonnes, or 9.7 per cent., from 113,000 tonnes in the first half of Fiscal 2011. This decrease was primarily due to a decrease in custom smelting as a result of the lower availability of concentrate.
- TLP production was 24,000 tonnes in the first half of Fiscal 2012, a decrease of 4,000 tonnes, or 14.3 per cent., from 28,000 tonnes in the first half of Fiscal 2011 due to lower feed grade.
- Finished integration production improved by three per cent. in the first half of Fiscal 2012 compared to the same period in Fiscal 2011.

(d) Zinc Business (India)

Revenue from the zinc business in India was US\$1,177.8 million in the first half of Fiscal 2012, an increase of US\$296.1 million, or 33.6 per cent., from US\$881.7 million in the first half of Fiscal

2011. This increase was primarily due to higher volumes, higher daily average zinc LME prices and higher by-product realisations. Specifically:

- Mined metal production was 398,000 tonnes in the first half of Fiscal 2012, an increase of 11,000 tonnes, or 2.8 per cent., from 387,000 tonnes in the first half of Fiscal 2011. The Rampura Agucha mine had a maintenance shutdown in the first quarter of Fiscal 2012, but was back to near-normal production in the second quarter of Fiscal 2012.
- Zinc refined metal production was 378,000 tonnes in the first half of Fiscal 2012, an increase of 37,000 tonnes, or 10.9 per cent., from 341,000 tonnes in the first half of Fiscal 2011. This was primarily due to the improved operational performance of the Vedanta Group's hydro smelters.
- Refined lead production was 33,000 tonnes in the first half of Fiscal 2012, an increase of 2,000 tonnes, or 6.5 per cent., from 31,000 tonnes in the first half of Fiscal 2011. This included the 2,000 tonnes from the new lead smelter.
- Sales of surplus lead concentrate were at 10,000 dmt in the first half of Fiscal 2012, containing an additional 0.55 million ounces of payable silver.
- Silver production was 2.63 million ounces in the first half of Fiscal 2012, an increase of 0.3 million ounces, or 12.9 per cent., from 2.33 million ounces produced in the first half of Fiscal 2011. This increase was primarily due to higher silver content in the mined ore.
- Revenue from silver was US\$104 million in the first half of Fiscal 2012, an increase of US\$59.5 million, or 133.7 per cent., from US\$44.5 million in the first half of Fiscal 2011.
- 405,000 tonnes of refined zinc and lead were sold in the first half of Fiscal 2012, an increase of 37,000, or 10.1 per cent., from 368,000 in the first half of Fiscal 2011. Out of the total amount sold, 239,000 tonnes were sold in the domestic market.

(e) **Zinc Business (International)**

Revenue for the international zinc business was US\$488.6 million in the first half of Fiscal 2012. Total equivalent zinc-lead production was 233,000 tonnes in the first half of Fiscal 2012. This comprised production of zinc-lead concentrate of 157,000 tonnes of metal in concentrate at the Black Mountain and Lisheen mines and refined zinc production of 76,000 tonnes at the Skorpion mine in the first half of Fiscal 2012. The production during the period was stable. The zinc international assets were integrated into the zinc business during the first half of Fiscal 2012 and therefore a comparison is not possible against the corresponding period of Fiscal 2011.

(f) **Aluminium Business**

Revenue from the aluminium business was US\$932.4 million in the first half of Fiscal 2012, an increase of US\$130.6 million, or 16.3 per cent., from US\$801.8 million in the first half of Fiscal 2011. The revenue from sales of surplus power from power plants in the aluminium business was US\$78 million, a decrease of US\$57 million, or 42.2 per cent., from US\$135 million in the first half of Fiscal 2011. Specifically:

- Aluminium production was 322,000 tonnes in the first half of Fiscal 2012, an increase of 20,000 tonnes, or 6.6 per cent., from 302,000 tonnes in the first half of Fiscal 2011. This increase is primarily attributable to the production of 201,000 tonnes from the Jharsuguda 500 ktpa aluminium smelter. Power failure during the period negatively impacted production capacity and affected around 170 pots.
- The Lanjigarh alumina refinery produced 451,000 tonnes of alumina in the first half of Fiscal 2012, an increase of 75,000 tonnes, or 19.9 per cent., from 376,000 tonnes in the first half of Fiscal 2011.
- Total aluminium sales were 308,000 tonnes in the first half of Fiscal 2012, an increase of 15,000 tonnes, or 5.1 per cent., from 293,000 tonnes in the first half of Fiscal 2011. Sales of aluminium in the domestic market were 245,000 tonnes, an increase of 7,000 tonnes, or 2.9 per cent., from 238,000 tonnes in the first half of Fiscal 2011.
- Sales of value added product increased by 25 per cent. in the first half of Fiscal 2012, as compared to the first half of Fiscal 2011. The share of value added products was 57 per cent.

of total sales in the first half of Fiscal 2012, significantly higher as compared to 48 per cent. in the first half of Fiscal 2011.

(g) Iron Ore Business

Revenue from the iron ore business was US\$627.5 million in the first half of Fiscal 2012, a decrease of US\$80.1 million, or 11.3 per cent., from US\$707.6 million in the first half of Fiscal 2011. This decrease was primarily due to lower volumes, lower mine grade of iron ore and accordingly lower sales realisations. Specifically:

- Production from the iron ore business in the first half of Fiscal 2012 was 5.5 million tonnes, a decrease of 3.1 million tonnes, or 36 per cent., from 8.6 million tonnes in the first half of Fiscal 2011. This decrease was primarily due to the non-extension of a mining contract at Orissa in November 2010, which had accounted for one million tonnes in the first half of Fiscal 2011, and the Supreme Court's ban on mining activities in the Chitradurga and Tumkur districts of the State of Karnataka from the end of August 2011.
- Total iron ore sales were 5.8 million tonnes in the first half of Fiscal 2012, a decrease of 0.9 million tonnes, or 13.4 per cent., from 6.7 million tonnes in the first half of Fiscal 2011. The reasons for this decrease are the same as those for the decrease in iron ore production discussed above.
- Domestic sales from Karnataka were higher at 1.9 million tonnes in the first half of Fiscal 2012, compared to 0.64 million tonnes in the first half of Fiscal 2011, prior to the mining ban imposed at the end of August 2011.

(h) Commercial Power Generation Business

Revenue from the commercial power generation business was US\$227.4 million in the first half of Fiscal 2012, an increase of US\$172 million, or 310.5 per cent., from US\$55.4 million in the first half of Fiscal 2011. This was due to increased generation from Sterlite Energy. Specifically:

- The Vedanta Group sold 2,851 million units of power in the first half of Fiscal 2012, an increase of 2,298 million units, or 415.6 per cent., from 553 million units in the first half of Fiscal 2011. This increase was primarily due to Sterlite Energy's two units of 600 MW each currently being in operation.
- Production during the three months to 30 September 2011 was affected due to heavy rainfall in the coal belt, affecting the Vedanta Group's ability to generate power at its rated capacity.

12.3 Operating Profit

(a) Vedanta Group

The Vedanta Group's operating profit was US\$1,171 million in the first half of Fiscal 2012, an increase of US\$186 million, or 18.9 per cent., from US\$985 million in the first half of Fiscal 2011. Attributable profit was US\$28 million in the first half of Fiscal 2012, as compared to US\$337 million in the first half of Fiscal 2011. Profits during the first half of Fiscal 2012 were adversely affected by losses at Vedanta Aluminium and Sterlite Energy and mark-to-market foreign exchange losses on account of depreciation of the Indian Rupee.

(b) Copper Business (India / Australia)

The segment result after special items for the copper business in India and Australia in the first half of Fiscal 2012 was US\$138.9 million, an increase of 57.3 per cent., from US\$88.3 million in the first half of Fiscal 2011. The increase in segment result was primarily attributable to lower net production costs, higher LME prices and marginally higher TcRc rates.

Net unit conversion cost for the copper business in India was negative 3.3¢ per lb in the first half of Fiscal 2012, a substantial improvement from 7.1¢ per lb in the first half of Fiscal 2011, primarily on account of improved by-product credit (mainly sulphuric acid), higher LME prices and higher volumes.

The TcRc rates received in the first half of Fiscal 2012 were marginally higher at 13.4¢ per lb compared with 12.7¢ per lb in the first half of Fiscal 2011. A large part of copper concentrate is procured under long term contracts.

(c) **Copper Business (Zambia)**

The segment result after special items for the Zambian copper business for the first half of Fiscal 2012 was US\$167.5 million, an increase of 57.1 per cent. from US\$106.6 million in the first half of Fiscal 2011. The increase in segment result was primarily due to higher LME prices and better integrated production, which was partially offset by higher production costs.

Unit costs of integrated production in the first half of Fiscal 2012 were 224.4¢ per lb, higher than the first half of Fiscal 2011 primarily on account of an increase in pre-stripping costs, wages and prices of other inputs.

(d) **Zinc Business (India)**

The segment result after special items for the Indian zinc business was US\$596.8 million in the first half of Fiscal 2012, an increase of 47.2 per cent. from US\$405.5 million in the first half of Fiscal 2011. The increase in operating profits was largely due to higher volumes, increase in LME prices and higher by-product realisations, which were partially off-set by higher cost of production.

Unit costs of production excluding royalties were marginally higher at US\$861 per tonne in the first half of Fiscal 2012, as compared with US\$831 per tonne in the first half of Fiscal 2011. Higher strip ratio at mines and higher coal costs were partially offset by improved by-product realisations and higher volumes.

LME-linked royalties increased from US\$166 per tonne in the first half of Fiscal 2011 to US\$189 per tonne in the first half of Fiscal 2012, due to higher LME prices.

(e) **Zinc Business (International)**

The segment result after special items for the international zinc business was US\$94.9 million. The production costs were 56.1¢ per lb as compared to 50.7¢ per lb in the period from acquisition of the international zinc business to the end of Fiscal 2011. The costs were negatively impacted due to higher energy costs and lower by-product credit. The zinc international assets were integrated into the zinc business during the first half of Fiscal 2012 and therefore a comparison is not possible against the corresponding period of Fiscal 2011.

(f) **Aluminium Business**

The segment result after special items for the aluminium business for the first half of Fiscal 2012 was a loss of US\$25.1 million, as compared to a profit of US\$47.2 million in the first half of Fiscal 2011. This was primarily due to higher production costs.

Unit costs of production increased to US\$2,282 per tonne in the first half of Fiscal 2012, compared with US\$1,860 per tonne in the first half of Fiscal 2011, primarily on account of the higher cost of alumina, higher cost of coal and higher power consumption at the Jharsuguda smelter due to the power outage in June 2011. Due to heavy rains in the coal mining area, supply logistics were impacted in the later part of the three months to 30 September 2011, resulting in the use of high cost imported coal and the purchase of power from third parties for a few days at the smelter to meet the power requirement. This negatively impacted the overall production cost. Operating costs at Korba were higher primarily due to higher coal, carbon and alumina costs.

This segment has been updated to include the surplus power sales from the power plants at Korba and Jharsuguda.

(g) **Iron Ore Business**

The segment result after special items for the iron ore business for the first half of Fiscal 2012 was US\$221.0 million, a decrease of 32.3 per cent. from US\$326.3 million in the first half of Fiscal 2011. This was due to lower volumes, lower mine grade of iron ore and, accordingly, lower sales realisations as well as higher operating costs due to increased royalties, higher logistics costs and an increase in the export duty from 5 per cent. to 20 per cent. from March 2011.

(h) **Commercial Power Generation Business**

The segment result after special items for the commercial power generation business for the first half of Fiscal 2012 was US\$12.4 million, a decrease of 5.3 per cent. from US\$13.1 million in the

first half of Fiscal 2011. This decrease was due to a fall in power tariffs because of lower demand in this period and higher costs.

Average power generation cost in the first half of Fiscal 2012 was 6.2¢ per unit, compared with 5.9¢ per unit in the first half of Fiscal 2011, reflecting higher coal costs. Coal supplies to Jharsuguda were adversely affected due to heavy rainfall in the coal belt and therefore the Vedanta Group had to purchase the higher cost local coal as well as imported coal in order to meet the shortfall.

12.4 Investment Revenue and Finance Costs

The Vedanta Group's investment revenue was US\$284.1 million for the first half of Fiscal 2012, an increase of US\$94.3 million, or 49.7 per cent., from US\$189.8 million for the first half of Fiscal 2011. This increase was a result of higher rates of return on investments. However, the additional income was partially offset by lower available cash for investments following the First Tranche Sale.

The Vedanta Group's finance costs were US\$394.5 million for the first half of Fiscal 2012, an increase of US\$146.2 million, or 58.9 per cent., from US\$248.3 million for the first half of Fiscal 2011. The increase in finance costs was due to higher debt and interest rates and higher interest costs as a result of the bond issued by Vedanta in June 2011, additional interest being charged on the capitalisation of projects and the cost of debt raised by SGL. For the first half of Fiscal 2012, interest costs of US\$132 million were capitalised on the total interest cost as compared to capitalisation of US\$77 million for the first half of Fiscal 2011.

Other gains/losses for the first half of Fiscal 2012 include a loss of US\$193.6 million compared to a gain of US\$179.5 million for the first half of Fiscal 2011. This was mainly due to mark-to-market losses on borrowings amounting to US\$253 million as a result of the depreciation of the Indian Rupee against the US dollar. This was partially offset by a gain of US\$59 million for the first half of Fiscal 2012 due to a change in the fair value of embedded derivatives on foreign currency convertible bonds.

12.5 Income Tax Expense and Non-controlling Interests

Income tax expense was US\$335.5 million for the first half of Fiscal 2012, an increase of US\$85.4 million, or 34.1 per cent., from US\$250.1 million for the first half of Fiscal 2011. This increase was primarily due to increased profitability. The effective tax rate for the first half of Fiscal 2012 of 36.6 per cent. was significantly higher than the 22.6 per cent. for the first half of Fiscal 2011, primarily due to losses at Vedanta Aluminium and Sterlite Energy wherein no deferred tax asset is recognised.

The profits attributable to non-controlling interests for the first half of Fiscal 2012 increased to US\$552.9 million from US\$519.2 million for the first half of Fiscal 2011. The profits attributable to non-controlling interests as a percentage of total profits increased to 95.2 per cent. for the first half of Fiscal 2012 from 60.6 per cent. for the first half of Fiscal 2011, primarily due to the higher profit from HZL which has higher non-controlling interests, losses at the aluminium business where there is lower non-controlling interest, losses on mark-to-market of US dollar borrowings at the Vedanta Group's Indian entities and costs incurred for the First Tranche Sale.

PART VI: OPERATING AND FINANCIAL REVIEW RELATING TO THE CAIRN INDIA GROUP

The following discussion of the financial condition and operating results of the Cairn India Group should be read in conjunction with (i) the financial information relating to the Cairn India Group set out in paragraph 2.2 of Part XIII: “Relevant Documentation and Documentation Incorporated by Reference” and incorporated by reference herein, (ii) Cairn India’s financial statements contained in Part VII: “Historical Financial Information Relating to Cairn India” of this Prospectus and (iii) the information relating to the business of the Cairn India Group described in Section B of Part I: “Information on the Vedanta Group, the Cairn India Group and the Combined Group” of this Prospectus. This discussion involves forward-looking statements that reflect the current view of management and involve risks and uncertainties. The actual results of the Cairn India Group could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in this Prospectus, particularly in the section titled “Risk Factors.” Investors should read the whole of this Prospectus and not rely just on summarised information.

Cairn India’s financial year ends on 31 March and its financial information included in its annual reports to shareholders for financial years ended 31 March 2009, 2010 and 2011 is based on its consolidated financial statements as at and for the 15 month period ended 31 March 2009 and for the years ended 31 March 2010 and 2011, presented in Indian Rupees and prepared in accordance with Indian GAAP. The discussion of the Cairn India Group’s financial condition and operating results below and elsewhere in this Prospectus are based on its consolidated financial statements for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 presented in US dollars and prepared in accordance with IFRS for purposes of preparing the consolidated financial statements of Cairn Energy, which was its parent company during the applicable period. References to a particular year in respect of the Cairn India Group’s financial information in this Prospectus and/or to a “Fiscal” year in respect of the Cairn India Group are to the year ended 31 December of that year and references to “H1” in respect of the Cairn India Group are to the period 1 January to 30 June in the relevant year.

1. Overview

As at 30 June 2011, the gross assets of the Cairn India Group were US\$5,052.5 million. For Fiscal 2010, the gain before tax was US\$856 million and for H1 2011, the gain before tax was US\$966 million. For Fiscal 2008, 2009 and 2010, the Cairn India Group’s revenue was US\$282.4 million, US\$156.7 million and US\$1,594.2 million, respectively, and profit was US\$77.8 million, US\$68.0 million and US\$761.7 million, respectively. For H1 2010 and H1 2011, the Cairn India Group’s revenue was US\$328.47 million and US\$1,400.3 million, respectively, and profit was US\$106.2 million and US\$922.9 million, respectively.

2. Factors Affecting the Cairn India Group’s Operating Results

2.1 General

For the periods under review, the operating results of the Cairn India Group have been primarily influenced by revenues from crude oil and natural gas production and costs associated with the Cairn India Group’s production, exploration, appraisal and development activities. Factors that currently affect the Cairn India Group include oil and gas prices, production volumes, cost recovery and profit allocation under the Cairn India Group’s PSCs, GSC terms, exchange rates and special Indian taxation regimes applicable to oil and gas activities. In addition to those factors, as the Cairn India Group continues to develop the Rajasthan Block its operating results, cash flows and financial position will be affected primarily by the cost components of its development activities, including the construction, installation and commissioning of the fourth train of the MPT, the construction of the pipeline connecting the Bhagyam field to the MPT facilities and the construction of the Bhogat marine terminal, cost inflation and interest rates. In addition, in respect of the Ravva field and the Cambay Basin field, the Cairn India Group may also need to invest capital to enhance recoverability and increase exploration efforts to increase the recoverable reserves.

2.2 International Prices for Crude Oil and Contract Prices for Natural Gas

Movements in the price of crude oil significantly affect the Cairn India Group’s operating results and declines in crude oil prices may adversely affect its revenues and profits. Substantial or extended declines in crude oil prices may have a material adverse effect on the financial condition of the Cairn India Group including its liquidity and ability to finance planned capital expenditure and its operating results. Historically, international prices for oil have been volatile and have fluctuated widely in response to changes in many factors. Lower oil prices may also reduce the economic viability of

projects planned or in development. In addition, lower oil prices may result in the impairment of higher cost reserves and other assets which may result in decreased earnings or losses. According to Platts, the price of Dated Brent, an international benchmark oil blend, as at 31 December 2008, 2009 and 2010 was US\$37, US\$78 and US\$81 per barrel, respectively. The price as at 30 June 2010 and 30 June 2011 was US\$75 and US\$111, respectively.

2.3 Changing Gas/Oil Mix of Production with the Commencement of Mangala Production

Most of the natural gas that the Cairn India Group produces is sold at prices agreed under long-term GSCs which limit its exposure to fluctuations in market prices for hydrocarbons. Since the commencement of production of crude oil from the Mangala field in August 2009, the Cairn India Group has become predominantly a crude oil producer and its revenues are subject to the volatility of world oil prices.

More generally, while higher international trading prices of crude oil will increase the Cairn India Group's revenues, lower prices of crude oil may reduce the amount of crude oil that the Cairn India Group can produce economically or reduce the economic viability of projects planned or in development. In addition, lower oil prices may result in the impairment of higher cost reserves and other assets, which may result in decreased earnings or losses.

2.4 Changes in Estimates of Proved and Proved Plus Probable Reserves

The Cairn India Group's estimates of reserves affect its depletion charge. IFRS measures depletion of property, plant and equipment—development/producing assets on a unit of production basis such that downwards revisions of proved estimates will result in an increase in the Cairn India Group's depletion charge. If the proved plus probable reserves for those fields were downgraded materially, it would be likely to have a material adverse impact on the amount available for borrowing under the Cairn India Group's bank facilities. As a result, the Cairn India Group's ability to continue production and operations in the Rajasthan Block and its other assets may be adversely affected.

2.5 Costs of Production

Costs of production consist of expenditure incurred towards the production of crude oil and natural gas including statutory levies, such as cess, royalties and production payments payable pursuant to the PSCs as well as operational expenditures such as costs relating to repairs on, and maintenance of, facilities, power generation and fuel for such facilities, water injection, insurance, and storage, transportation and freight of crude oil and natural gas, among others.

2.6 Cost Inflation

The capital expenditure estimates for the development of the Rajasthan Block involve certain assumptions concerning cost inflation for the life of the development project. While the Cairn India Group believes these cost assumptions to be reasonable, costs for oil and gas development projects have been escalating rapidly in recent years and, if it experiences adverse cost escalation, it will adversely affect its capitalised asset base, eventual return on capital employed and, depending on its severity, it may affect the Cairn India Group's ability to fund such cost escalations.

2.7 Interest Rate Fluctuations

The Cairn India Group intends to continue funding the development of the Rajasthan Block using a foreign currency facility or other facilities of a similar nature. See paragraph 7.5 (Borrowings) further below for more details regarding these facilities. As a result, changes in prevailing interest rates could impact the Cairn India Group's financial position.

To the extent that market interest rates rise significantly over the period in which the Cairn India Group is developing the Rajasthan Block, this will increase the capitalised interest component of its tangible asset base, affect returns on capital employed and increase the Cairn India Group's ultimate debt service costs.

2.8 Exchange Rate Fluctuations

The Cairn India Group's cash resources are subject to exchange rate risk as whilst its revenue and a significant percentage of its expenditure is denominated in US dollars, a portion of its expenditure is denominated in Indian Rupees. The Cairn India Group typically enters into hedging arrangements (in the form of US dollar put/Indian Rupees call options) to mitigate against fluctuations between the US dollar and the Indian Rupee. To the extent that the exchange rate between the US dollar and the

Indian Rupee fluctuates significantly over the period in which the Cairn India Group is developing the Rajasthan Block, this will increase the cost of its tangible asset base and may materially impact the returns on capital employed.

2.9 Terms of Production Sharing Contracts

When the Cairn India Group acquires an interest in a PSC it has what is called a “participating interest” in the field which, in simple terms, is an interest in a certain percentage of the resources in the field. PSCs provide for the sharing of field production volumes among the contracting parties in cash and/or kind. PSCs typically provide for costs recovery incurred from the revenues, subject to a recovery limit (of 100 per cent. for each of the Rajasthan Block, Cambay Basin Block and the Ravva Block pursuant to their respective PSCs).

The remaining cash flows, post off-set of costs, are shared between the contracting parties and the Government of India based on the profit sharing mechanism as set out in the governing PSC. Generally, the movement from lowest to highest profit sharing tranches with the Government of India is governed by the cumulative returns on investment for the operator.

2.10 Unsuccessful Exploration Efforts

Although the Cairn India Group is primarily focused on the timely development of the Northern Fields, it also has various attractive appraisal opportunities in Rajasthan and in its more mature areas that it wishes to pursue as well as exploration expenditure obligations under previous NELP licensing rounds. To the extent that these appraisal and exploration efforts do not yield discoveries that the Cairn India Group judges to be capable of commercial exploitation, the Cairn India Group is required to expense the related appraisal and exploration costs which may have a material adverse impact upon its operating results and financial position.

2.11 Statutory Levies (Taxes, Royalties and Cess)

In common with most jurisdictions, India imposes certain special taxes and levies on the production of hydrocarbons while also granting certain tax advantages to encourage exploration and development. Such indirect taxes or statutory levies such as cess, royalty, excise duty, sales tax and national calamity contingent duty that are levied on the products are an important component of the total expenditure. The Cairn India Group expects that its operating results will be positively affected by the seven-year income tax holiday that will apply to its production in the Rajasthan Block.

3. Critical Accounting Estimates

The preparation of financial statements and financial information in accordance with IFRS as adopted by the International Accounting Standards Board and amended from time to time, require management to exercise its judgment in applying the Cairn India Group’s accounting policies by making estimates and assumptions. Those areas involving a higher degree of judgment or complexity are discussed below.

3.1 Oil and Gas Accounting

Accounting for crude oil and natural gas exploratory activity is subject to special accounting rules which are unique to the oil and gas industry. The Cairn India Group adopts a successful efforts-based accounting policy for oil and gas assets.

Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the income statement. Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence by licence basis. Costs are held, un-depleted, within intangible exploration/appraisal assets until such time as the exploration phase on the licence area is complete or commercial reserves have been discovered.

Exploration expenditure incurred in the process of determining oil and gas exploration targets is capitalised initially within intangible exploration/appraisal assets and subsequently allocated to drilling activities. Exploration/appraisal drilling costs are initially capitalised on a well-by-well basis until the success or otherwise of the well has been established. The success or failure of each exploration/appraisal effort is judged on a well-by-well basis. Drilling costs are written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial.

Following appraisal of successful exploration wells, if commercial reserves are established and technical feasibility for extraction demonstrated, then the related capitalised intangible exploration/appraisal costs are transferred into a single field cost centre within property, plant and equipment—development/producing assets after testing for impairment (as further described below). Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs are written off in the income statement.

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated are capitalised within property, plant and equipment—development/producing assets on a field-by-field basis. Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any remaining costs associated with the part replaced are expensed.

Net proceeds from any disposal of an intangible exploration/appraisal asset are initially credited against the previously capitalised costs. Any surplus proceeds are credited to the income statement. Net proceeds from any disposal of development/producing assets are credited against the previously capitalised cost. A gain or loss on the disposal of a development/producing asset is recognised in the income statement to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

3.2 Depletion

The Cairn India Group depletes separately, where applicable, any significant components within property, plant and equipment—development/producing assets, such as fields, processing facilities and pipelines, which are significant in relation to the total cost of a development/producing asset.

The Cairn India Group depletes expenditure on property, plant and equipment—development/producing assets on a unit-of-production basis, based on proved and probable reserves on a field-by-field basis. In certain circumstances, fields within a single development area may be combined for depletion purposes.

3.3 Oil and Gas Reserves

The Cairn India Group estimates oil and gas reserves on a proved and probable entitlement interest basis. Gross reserve estimates are based on forecast production profiles over the remaining life of the field, determined on an asset-by-asset basis, using appropriate petroleum engineering techniques. Net entitlement reserves estimates are subsequently calculated using the Cairn India Group's current oil price and cost recovery assumptions.

3.4 Decommissioning

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production from a producing field. Costs arising from the installation of plant and other site preparation work, discounted to net present value, are provided for and a corresponding amount is capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to the income statement over the life of the operation through the depreciation of the asset, calculated on a unit-of-production basis based on proved and probable reserves, is included in the depletion and decommissioning charge in the income statement, and the unwinding of the discount on the provision. The cost estimates are reviewed periodically and are adjusted to reflect known developments which may have an impact on the cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, new disturbance and revisions to discount rates. The adjusted cost of the asset is depreciated prospectively over the lives of the assets to which they relate. The unwinding of the discount is shown as a finance cost in the income statement.

3.5 Borrowing Costs

Borrowing costs directly related to the acquisition, construction or production of a “qualifying capital project” (as defined under IFRS) under construction are capitalised and added to the project cost during construction until such time that the assets are substantially ready for their intended use (that is, when they are capable of commercial production). Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available out of money borrowed specifically to finance a project, the income generated from such short-term investments is also capitalised to reduce the total capitalised

borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Cairn India Group during the period.

3.6 Impairment

Intangible exploration/appraisal assets are reviewed regularly for indicators of impairment following the guidance in IFRS 6 “Exploration for and Evaluation of Mineral Resources” and tested for impairment where such indicators exist. In such circumstances, the exploration/appraisal asset is allocated to property, plant and equipment—development/producing assets within the same operating segment and tested for impairment. Any impairment arising is recognised in the income statement for the year. Where there are no development/producing assets within an operating segment, the exploration/appraisal costs are charged immediately to the income statement.

Impairment reviews on property, plant and equipment—development/producing assets are carried out on each cash-generating unit identified in accordance with International Accounting Standard (“IAS”) 36 “Impairment of Assets”. The Cairn India Group’s cash generating units are those assets which generate largely independent cash flows and are typically, but not always, single development areas.

At each reporting date, where there are indicators of impairment, the net book value of the cash generating unit is compared with the associated expected discounted future net cash flows. If the net book value is higher, then the difference is written off to the income statement as impairment. Discounted future net cash flows for IAS 36 purposes are calculated using (i) an estimated short and long-term oil price of US\$65 per barrel of oil (in Fiscal 2010, 2009 and 2008, the short-term price of US\$75 per bbl, US\$65 per bbl and US\$50 per bbl and the long-term price of US\$75 per bbl, US\$65 per bbl and US\$65 per bbl were used in calculation, respectively, and in H1 2011 the short-term and long-term price used in the calculation was US\$85 per bbl), (ii) the appropriate gas price as dictated by the relevant GSC and (iii) escalation for prices and costs of 3 per cent. and a discount rate of 12 per cent. (in Fiscal 2010, 2009 and 2008, the escalation for prices and costs of 3 per cent., 3 per cent. and 3 per cent. and a discount rate of 12 per cent., 10 per cent. and 10 per cent. were used respectively). Forecast production profiles are determined on an asset-by-asset basis, using appropriate petroleum engineering techniques.

Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

3.7 Revenue Recognition

Revenue represents the Cairn India Group’s share of oil, gas and condensate production, recognised on a direct entitlement basis, and tariff income received for third-party use of operating facilities and pipelines in accordance with agreements. Income received as operator from joint ventures is recognised on an accrual basis in accordance with the relevant joint venture agreements and is included within “Other operating income” in the income statement. Interest income is recognised on an accrual basis and is recognised within “Finance income” in the income statement.

3.8 Foreign Currencies

The functional currency for each entity in the Cairn India Group is determined as the currency of the primary economic environment in which it operates. The functional currency of Cairn India is the Indian Rupee. For all other principal operating subsidiaries, the functional currency is the US dollar, since that is the currency of the primary economic environment in which it operates. In the financial statements of individual companies of the Cairn India Group, transactions in currencies other than the functional currency are translated into the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in other currencies are translated into functional currency at exchange rates prevailing on the balance sheet date. All exchange differences are included in the income statement except where the monetary item is designated as an effective hedging instrument of the currency risk of designated forecast sales, where exchange differences are recognised in equity exchange differences on foreign currency borrowings relating to

assets under construction, for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purposes of consolidation, the income statement items of those entities for which the US dollar is not the functional currency are translated into US dollars at the average rates of exchange during the period. The related balance sheets are translated at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of such operations, and on foreign currency borrowings to the extent that they hedge the Cairn India Group's investment in such operations, are reported in other comprehensive inward and accumulated in equity.

On disposal of a foreign entity, the deferred cumulative exchange differences recognised in equity relating to that particular foreign operation would be recognised in the income statement.

4. Presentation of Operating Results

To facilitate an understanding of the key drivers of the Cairn India Group's historic operating results, a table indicating its percentage of net participating interests held in its principal exploration, development and production assets is presented below.

	Participating Interests				
	As at 31 December			As at 30 June	
	2008	2009	2010	2010	2011
Block					
Block PKGM-1 (Ravva Block)	22.5%	22.5%	22.5%	22.5%	22.5%
Block CB/OS-2-Exploration	60%	60%	60%	60%	60%
Block CB/OS-2-Development and production	40%	40%	40%	40%	40%
Block RJ-ON-90/1-Exploration	100%	100%	100%	100%	100%
Block RJ-ON-90/1-Development and production	70%	70%	70%	70%	70%
PR-OSN-2004/1	35%	35%	35%	35%	35%
SL 2007-01-001	100%	100%	100%	100%	100%
KG-ONN-2003/1	49%	49%	49%	49%	49%
GV-ONN-2003/1	49%	49%	Relinquished	Relinquished	Relinquished
VN-ONN-2003/1	49%	Relinquished	Relinquished	Relinquished	Relinquished
GV-ONN-2002/1	100%	Relinquished	Relinquished	Relinquished	Relinquished
KG-OSN-2009/3	—	—	100%	100%	100%
MB-DWN-2009/1	—	—	100%	100%	100%
Non-operated block					
KG-DWN-98/2	10%	10%	10%	10%	10%
GS-OSN-2003/1	49%	49%	Relinquished	49%	Relinquished
KK-DWN-2004/1	40%	40%	40%	40%	40%
RJ-ONN-2003/1	30%	30%	Relinquished	Relinquished	Relinquished
GV-ONN-97/1	Relinquished	Relinquished	Relinquished	Relinquished	Relinquished
CB-ONN-2001/1	Relinquished	Relinquished	Relinquished	Relinquished	Relinquished
CB-ONN-2002/1	30%	30%	Relinquished	Relinquished	Relinquished

5. Key Statistics by Asset for Operating Results

5.1 Rajasthan Block

Set out in the table below are certain key statistics with regard to activities from the Rajasthan Block for Fiscal 2008, 2009 and 2010 and for H1 2010 and H1 2011.

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
Production (entitlement interest under Rajasthan Block PSC)					
Oil and condensate (mboe)	—	1,236.42	20,591.4	4,191.3	12,713.6
Natural gas (mmcf)	—	—	—	—	—
Total (mboe)	—	1,236.42	20,591.4	4,191.3	12,713.6
Average price per unit (US\$)					
Oil and condensate (per boe)	—	66.04	68.59	67.91	95.37
Natural gas (per mcf)	—	—	—	—	—
Total (per boe)	—	66.04	68.59	67.91	95.37
Costs of production (per boe (US\$))	—	11.86	11.33	12.49	14.10
Depletion, depreciation and amortisation (per boe US\$)	—	10.78	15.14	23.42	17.30
Costs of production (US\$ million)	—	14.6	76.0	38.5	44.3
Depletion, depreciation and amortisation (US\$ thousand)	—	13,609	311,735	48,252	219,930
Unsuccessful exploration costs written off during the year/period (US\$ thousand)	1,660	19,714	(120)	4	—
Capital intangible exploration/appraisal expenditure in progress during the year/period (US\$ thousand)	276,137	245,401	255,644	253,826	262,642
Capital development/producing assets expenditure in progress during the year/period (US\$ thousand)	972,966	1,728,316	2,115,556	1,992,425	2,097,568

5.2 Block PKGM-1—Krishna-Godavari Basin—Ravva Field

Set out in the table below are certain key statistics with regard to activities from the Ravva field for Fiscal 2008, 2009 and 2010 and for H1 2010 and H1 2011.

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
Production (entitlement interest under the Ravva PSC)					
Oil and condensate (mboe)	1,631.40	1,336.56	1,201.56	618.76	578.57
Natural gas (mmcf)	2,753.42	1,916.62	2,100.63	1,004.29	1,084.97
Total (mboe)	2,090.30	1,656.00	1,551.67	786.16	759.40
Average price per unit (US\$)					
Oil and condensate (per boe)	102.05	63.38	79.86	79.62	114.67
Natural gas (per mcf)	3.86	3.83	4.12	3.80	3.85
Total (per boe)	84.86	55.6	67.97	67.38	93.04
Costs of production (per boe (US\$))	12.34	14.41	15.69	15.94	16.43
Depletion, depreciation and amortisation (per boe US\$)	11.83	11.71	12.47	12.36	13.12
Costs of production (US\$ million)	25.8	23.9	24.3	5.4	12.5
Depletion, depreciation and amortisation (US\$ thousand)	24,721	19,397	19,355	9,170	9,967
Unsuccessful exploration costs written off during the year/period (US\$ thousand)	8,409	4	200	199	4
Capital intangible exploration/appraisal expenditure in progress during the year/period (US\$ thousand)	41,520	42,229	42,096	42,074	42,504
Capital development/producing assets expenditure in progress during the year/period (US\$ thousand)	83,906	66,244	61,126	67,832	66,348

5.3 Block CB/OS-2—Cambay Basin—Lakshmi and Gauri Fields

Set out in the table below are certain key statistics with regard to activities from the Cambay Basin Block for Fiscal 2008, 2009 and 2010 and for H1 2010 and H1 2011.

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
Production (entitlement interest under the Cambay Basin PSC)					
Oil and condensate (mboe)	914.78	984.58	802.40	444.22	310.12
Natural gas (mmcf)	4,346.01	2,453.63	2,804.59	1,588.18	986.09
Total (mboe)	1,639.12	1,393.52	1,269.83	708.91	474.47
Average price per unit (US\$)					
Oil and condensate (per boe)	92.94	59.44	76.18	75.89	101.97
Natural gas (per mcf)	4.53	4.35	5.21	5.16	5.58
Total (per boe)	63.51	49.51	59.67	58.89	77.85
Costs of production (per boe (US\$))	7.44	6.80	7.03	6.65	14.78
Depletion, depreciation and amortisation (per boe US\$)	13.10	16.70	16.38	16.11	12.54
Costs of production (US\$ million)	12.0	8.8	9.4	4.5	5.1
Depletion, depreciation and amortisation (US\$ thousand)	20,545	23,460	19,923	10,565	5,948
Unsuccessful exploration costs written off during the year/period (US\$ thousand)	8	—	37	37	—
Capital intangible exploration/appraisal expenditure in progress during the year/period (US\$ thousand)	—	—	—	—	—
Capital development/producing assets expenditure in progress during the year/period (US\$ thousand)	59,954	37,107	19,656	28,889	14,802

6. Operating Results

Set out in the table below are the Cairn India Group's operating results for Fiscal 2008, 2009 and 2010 and for H1 2010 and H1 2011.

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	(US\$ million)				
Revenue					
Revenue from continuing operations	282.4	220.7	1,594.2	328.5	1,336.3
Exceptional revenue provision	—	(64.0)	—	—	64.0
	282.4	156.7	1,594.2	328.5	1,400.3
Cost of sales					
Costs of production	(38.2)	(48.7)	(252.4)	(65.9)	(199.1)
Pre-award costs	(6.4)	(4.7)	(1.9)	(0.8)	(2.7)
Unsuccessful exploration costs	(27.8)	(50.2)	(23.1)	(14.7)	(3.6)
Depletion and decommissioning charge	(46.2)	(56.0)	(351.9)	(73.5)	(235.8)
Gross (loss)/profit	163.8	(2.9)	964.9	173.6	959.1
Other operating income	10.8	11.7	11.0	6.5	5.1
Administrative expenses	(51.1)	(52.0)	(67.0)	(31.3)	(28.5)
Operating (loss)/profit	123.5	(43.2)	908.9	148.8	935.7
Finance income	56.2	42.6	24.3	11.0	24.9
Finance costs before exceptional items	(25.9)	(10.3)	(77.4)	(22.5)	(25.9)
Exceptional finance cost	—	(31.6)	—	—	31.6
Finance costs	(25.9)	(41.9)	(77.4)	(22.5)	5.7
(Loss)/profit before taxation	153.8	(42.5)	855.8	137.3	966.3
Taxation					
Taxation credit/(charge) on (loss)/profit before exceptional items	(76.0)	70.1	(94.1)	(31.1)	(3.0)
Exceptional tax credit	—	40.4	—	—	(40.4)
Taxation credit/(charge) on (loss)/profit	(76.0)	110.5	(94.1)	(31.1)	(43.4)
Profit for the period	77.8	68.0	761.7	106.2	922.9
Earnings per ordinary share—basic (cents)	4.18	3.59	40.14	5.60	48.68
Earnings per ordinary share—diluted	4.17	3.58	39.99	5.57	45.50

6.1 Discussion of Operating Results: Fiscal 2010 Compared to Fiscal 2009

(a) Revenue

The significant increases in revenue and production from Fiscal 2009 to Fiscal 2010 reflect the contribution made by the Rajasthan field, which in May 2010 saw the milestone of the first oil through the pipeline from Mangala. Revenue increased from US\$156.7 million (taking into account exceptional items) in Fiscal 2009 to US\$1,594.2 million in Fiscal 2010.

(b) Cost of Sales

(i) Costs of Production

Costs of production increased from US\$48.7 million in Fiscal 2009 to US\$252.4 million in Fiscal 2010. Costs of production include the cost of trucking oil from Rajasthan to the Kandla port until May 2010, when the primary delivery method was switched to the pipeline from MPT to Salaya. Due to the significant increase in volumes, the Cairn India Group's average production cost of US\$11.49 per boe in Fiscal 2010 (2009:US\$12.31) primarily reflects the operating cost of the Mangala field.

(ii) Depletion and Decommissioning Charge

Depletion and decommissioning charges on a continuing operations basis increased from US\$56 million in Fiscal 2009 to US\$351.9 million in Fiscal 2010 and the charge per boe increased from US\$11.92 per boe in Fiscal 2009 to US\$14.79 per boe in Fiscal 2010. Both increases are as a result of production from the Rajasthan Block. The depletion and decommissioning rate per boe is calculated using booked reserves. In the Rajasthan Block, if

the planned EOR and Barmer Hill trials are successful, the Cairn India Group would expect to increase its booked reserves. Consequently, the depletion and decommissioning rate per boe would decrease accordingly.

(iii) Unsuccessful Exploration Costs

Unsuccessful exploration costs dropped from US\$50.2 million in Fiscal 2009 to US\$23.1 million in Fiscal 2010, principally because in 2009 certain exploration costs relating to outside development areas in Rajasthan were written off.

(c) Other Operating Income

Other operating income consists of income received as a parent company / affiliate of CEIPL from various joint ventures where CEIPL is the operator. There was no significant change to operating income from Fiscal 2009 (US\$11.7 million) to Fiscal 2010 (US\$11 million).

(d) Administration Expenses

Administration expenses consist of staff costs including share based payments, consultancy and professional fees and other office overhead expenses net of re-charges to joint ventures. Increases from Fiscal 2009 to Fiscal 2010 reflect the 25 per cent. increase in number of staff employed by the Cairn Energy Group in the period.

(e) Finance Costs

Exceptional finance costs were incurred in Fiscal 2009 in relation to the provision for the Ravva profit petroleum dispute with the Government of India. There were no such exceptional costs in Fiscal 2010. Non-exceptional finance costs are net of amounts which are directly attributable to development projects and which are included within property, plant and equipment—development/producing assets. Directly attributable finance costs are capitalised up to the point that the related assets is brought into use. During Fiscal 2010, trains 1.2 and 1.3 of the MPT were completed, together with the heated pipeline to Salaya. No further finance costs are therefore capitalised in relation to these assets and consequently the charge against profit increased significantly in Fiscal 2010.

(f) Taxation

Tax charges in Fiscal 2010 of US\$253 million mainly consist of the minimum alternate tax due as a result of the Rajasthan Block operations. Deferred tax credits in Fiscal 2010 follow revisions to the estimated deferred tax balances remaining at the end of the tax holiday period in Rajasthan amounting to US\$159 million.

6.2 Discussion of Operating Results: Fiscal 2009 Compared to Fiscal 2008

(a) Revenue

Revenue was derived primarily from the Cairn India Group's entitlement share of oil and gas produced from the Ravva oil and gas field, Mangala field and the Lakshmi and Gauri oil and gas fields. Revenue decreased from US\$282.4 million in Fiscal 2008 to US\$156.7 million in Fiscal 2009, taking into account an exceptional revenue provision of US\$64 million in Fiscal 2009. Revenue decreased as a result of the natural decline in gross production levels from the existing producing fields combined with a lower price environment throughout Fiscal 2009. This decrease was partially offset by production from the Rajasthan Block, which commenced in August 2009. The exceptional revenue provision relates to the Cairn India Group's potential share of liability of US\$64 million arising from the disputed share of the Government of India's profit petroleum produced from the Ravva field as discussed in note 4 of the Cairn India Group's consolidated financial statements for Fiscal 2008 and 2009 which are incorporated by reference in this Prospectus.

(b) Cost of Sales

Costs of production increased from US\$44.6 million in Fiscal 2008 to US\$53.4 million in Fiscal 2009. The increase was primarily attributable to first production from the Rajasthan Block, which was delivered through trucking. As the Pipeline is now in place for delivery of production by pipeline, the Cairn India Group expects average costs of production per barrel from the

Rajasthan Block to decrease. The commencement of production from the Rajasthan Block also contributed towards an increase in cess and other statutory payments.

Unsuccessful exploration costs increased from US\$27.8 million in Fiscal 2008 to US\$50.2 million in Fiscal 2009, primarily due to the general exploration costs written off as a result of certain areas being relinquished within the Rajasthan Block upon the expiry of the exploration phase, the relinquishment of Blocks VN-ONN-2003, GV-ONN-2003 and RJ-ONN-2003 and a number of dry exploration wells.

Depletion and decommissioning charges increased from US\$46.2 million in Fiscal 2008 to US\$56 million in Fiscal 2009. The increase was as a result of the commencement of production in the Rajasthan Block. The depletion and decommissioning rate per boe is calculated using booked 2P reserves. In the Rajasthan Block, if the planned EOR and Barmer Hill trials are successful, the Cairn India Group expects to increase the booked reserves and consequently, the depletion and decommissioning rate per boe to decrease accordingly.

(c) Other Operating Income

Other operating income consists of income received as a parent company / affiliate of CEIPL from various joint ventures where CEIPL is the operator. Other operating income increased marginally from US\$10.8 million in Fiscal 2008 to US\$11.7 million in Fiscal 2009 as a result of an increase in activities in the Sri Lanka basin.

(d) Administrative Expenses

Administrative expenses consist primarily of employee-related costs, depreciation and amortisation, professional expenses, information technology and communications and other office-related costs. These costs are net of recoveries made from the joint ventures as allocated costs. Administrative expenses increased marginally from US\$51.1 million in Fiscal 2008 to US\$52 million in Fiscal 2009 as a result of growth in the Cairn India Group's corporate infrastructure. The average number of national staff employed has increased from 536 in Fiscal 2008 to 748 in Fiscal 2009. Accordingly, the number of employees and, corresponding, office-related costs have increased.

(e) Finance Costs

(i) Finance Income

Finance income decreased from US\$56.2 million in Fiscal 2008 to US\$42.6 million in Fiscal 2009 as a result of a decrease in average cash balances in bank deposits and money market instruments and lower interest rates during Fiscal 2009.

(ii) Finance Costs Before Exceptional Items

Finance costs before exceptional items decreased from US\$25.9 million in Fiscal 2008 to US\$10.3 million in Fiscal 2009 primarily due to decreased charges in respect of options held to manage Indian Rupee currency exposures, an increase in the capitalised borrowing costs and a decrease in foreign exchange losses.

(iii) Exceptional Finance Cost

The Cairn India Group's potential share of liability of US\$64.0 million arising from the disputed share of the Government of India's profit petroleum produced from the Ravva field discussed above carries an interest of US\$31.6 million. The potential interest charge of US\$31.6 million was recognised as a finance cost in Fiscal 2009. See note 4 of the Cairn India Group's consolidated financial statements for Fiscal 2008 and 2009 which are incorporated by reference in this Prospectus.

(f) Taxation

As the Cairn India Group made a loss before taxation of US\$42.5 million in Fiscal 2009, a tax credit of US\$70.1 million was recorded, compared to a tax expense of US\$76 million in Fiscal 2008 where the Cairn India Group made a profit before taxation of US\$153.8 million. This includes a current tax expense of US\$35.9 million offset by a deferred tax credit of US\$146.4 million (including an exceptional deferred tax credit of US\$40.4 million in respect of the exceptional revenue provision relating to the Cairn India Group's potential share of liability

of US\$64 million arising from the disputed share of the Government of India's profit produced from the Ravva field) in Fiscal 2009, compared with a tax expense of US\$13.7 million and a deferred tax charge of US\$62.3 million in Fiscal 2008. The increase in the current tax expense reflects an increase in the Indian minimum alternate tax rate from 10.56 per cent. to 15.53 per cent. on 1 April 2009. The increase in deferred tax credit arises from changes to the Indian tax legislation regarding the basis on which tax holidays can be claimed and an increase in the minimum alternate tax carry forward period from seven to 10 years.

6.3 Discussion of Operating results: H1 2011 compared to H1 2010

(a) Revenue

Revenue increased from US\$328 million in H1 2010 to US\$1,400.3 million in H1 2011 (taking into account the reversal of the US\$64 million provision set up in Fiscal 2009, following the conclusion in the Cairn India Group's favour of arbitration proceedings regarding the Government of India's disputed share of profit petroleum produced from the Ravva field), due to the increase in entitlement production from the Rajasthan Block from 4.19 mmboe to 12.71 mmboe, resulting in increased sales.

(b) Cost of Sales

(i) Costs of Production

Costs of production increased from US\$65.9 million in H1 2010 to US\$199.1 million in H1 2011, due to the increase in production from the Rajasthan Block leading to an increase of cess and other production linked expenditure.

(ii) Depletion and Decommissioning Charge

Depletion and decommissioning charges on a continuing operations basis increased from US\$73.5 million in H1 2010 to US\$235.85 million in H1 2011 and the charge per boe has increased from US\$12.30 per boe in H1 2010 to US\$16.91 per boe in H1 2011. This increase was mainly due to the increase in production from the Rajasthan Block.

(iii) Unsuccessful Explorative Costs

Unsuccessful exploration costs decreased from US\$14.7 million in H1 2010 to US\$3.6 million in H1 2011, principally because five wells were declared dry during H1 2010 and were written off at a cost of US\$7.6 million.

(c) Other Operating Income

Other operating income consists of income received as a parent company/affiliate of CEIPL from various joint ventures where CEIPL is the operator. Other operating income decreased from US\$6.5 million in H1 2010 to US\$5.1 million in H1 2011, due to a decrease in exploration activities on account of relinquished blocks.

(d) Administration Expenses

Administration expenses consist of staff, professional and consultancy charges and other administrative expenses. Administration expenses decreased from US\$31.3 million in H1 2010 to US\$28.5 million in H1 2011, as a result of an increase in recoveries.

(e) Finance Costs

Finance income increased from US\$11.0 million in H1 2010 to US\$24.9 million in H1 2011. This increase was mainly on account of an increase in the interest from bank deposits.

Finance costs increased from US\$22.5 million in H1 2010 to US\$25.9 million in H1 2011, due to a change in the weighted interest capitalisation percentage from 62.37 to 25, thereby resulting in an increase in borrowing cost.

The exceptional finance cost representing the Cairn India Group's potential interest charge of US\$31.6 million arising from its potential share of liability in the dispute regarding the Government of India's share of profit petroleum from the Ravva field has been reversed following conclusion of the arbitration proceedings in favour of the Cairn India Group.

(f) Taxation

Current tax charges were US\$33.1 million in H1 2010 and US\$191.9 million in H1 2011.

Profits at the Cairn India Group level increased from US\$137 million in H1 2010 to US\$966 million in H1 2011 and, as a result, current tax increased from US\$33 million to US\$192 million. The Cairn India Group benefited from increased tax holidays of US\$313 million in H1 2011 as compared to US\$45 million in H1 2010, due to the increase in revenues from the Rajasthan Block which is covered by a tax holiday. The minimum alternate tax credit in CEIPL was recognised in H1 2011 amounting to US\$82 million for H1 2011 and US\$69 million for the prior period unrecognised minimum alternate tax.

7. Liquidity and Capital Resources

7.1 General

The Cairn India Group commenced commercial production of crude oil from the Mangala field in the Rajasthan Block in August 2009. Although the current revenues from crude oil sales at the Mangala field and other fields in the other blocks are sufficient to meet the expenditures in the exploration, development and production of the Rajasthan Block, there may be situations when these expenditures exceed the revenues generated. Therefore any shortfall in the cash flow to meet this expenditure would be met through credit facilities.

In addition, Cairn India also anticipates an increase in the existing revenues from crude oil sales at the Rajasthan Block developments once production ramps up to its gross plateau production rate of approximately 175,000 bopd.

Cairn India intends to apply cash generated from its existing production operations to operational, exploration and development capital expenditure. While net cash from operations is a modest component of its cash sources, a shortfall compared with its projections may have a material adverse impact on the Cairn India Group's ability to meet its cash requirements if such shortfall coincides with other adverse developments in its assumptions regarding sources and use of cash.

For example, any of the following developments may, in isolation or in combination with others, materially impair the Cairn India Group's ability to fund its exploration and development plans and obligations:

- a material decline in world crude oil prices;
- a material overrun in production schedule;
- a significant escalation in costs producing a material overrun in its development budget;
- any material and adverse change to development project specifications to address technical challenges that Cairn India does not or cannot foresee;
- any material decrease in Cairn India's reserves estimates for the MBA Fields; and
- any material and adverse change in the taxation regime applicable to the Cairn India Group's activities.

The following table sets forth select cash flow data and the cash and cash equivalents for Fiscal 2008, 2009 and 2010 and for H1 2010 and H1 2011.

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	(US\$ million)				
Net cash generated from operating activities	189.5	115.3	874.6	136.6	1,048.6
Net cash used in investing activities	(953.7)	(559.3)	(759.7)	(62.7)	(717.4)
Net cash flows (used in)/from financing activities	1,057.7	128.8	(20.6)	145.6	(270.2)
Net increase/(decrease) in cash and cash equivalents	293.5	(315.2)	94.3	219.5	61
Exchange gains/(losses) on cash and cash equivalents	(152.3)	12.4	18.0	1.7	(0.8)
Closing cash and cash equivalents at beginning of year	487.8	629.0	326.2	326.2	438.5
Closing cash and cash equivalents at end of year	<u>629.0</u>	<u>326.2</u>	<u>438.5</u>	<u>547.4</u>	<u>498.7</u>

7.2 Cash Flows from Operating Activities

Net cash generated from operating activities was US\$189.5 million, US\$115.3 million and US\$874.6 million in Fiscal 2008, 2009 and 2010, respectively, and US\$136.6 million and US\$1,048.6 million in H1 2010 and H1 2011, respectively. The US\$759.3 million increase in cash flow from operating activities in Fiscal 2010 compared with Fiscal 2009 was due primarily to the revenue from the Rajasthan Block. The US\$74.2 million decrease in cash flow from operating activities in Fiscal 2009 compared to Fiscal 2008 was due primarily to the loss before taxation of US\$42.5 million incurred in Fiscal 2009, as compared to a profit before taxation of US\$153.8 million generated in Fiscal 2008, the US\$95.6 million exceptional revenue provision and exceptional finance costs relating to the disputed share of profit petroleum produced from the Ravva field made in Fiscal 2009 (discussed above), higher unsuccessful exploration costs, depletion, depreciation, decommissioning and amortisation, and higher trade and other payables movement in Fiscal 2009 as a result of the number of joint venture creditors decreasing in Fiscal 2009, higher income tax paid and movement in other provisions. The US\$912 million increase in cash flow from H1 2010 to H1 2011 was due to an increase in profit before taxation of US\$966.3 million in H1 2011 as compared to US\$137.3 million in H1 2010, higher depletion and amortisation and provisions movement.

7.3 Cash Flows from Investing Activities

Net cash used in investing activities was US\$953.7 million, US\$559.3 million and US\$759.7 million in Fiscal 2008, 2009 and 2010, respectively, and US\$62.7 million and US\$717.4 million in H1 2010 and H1 2011, respectively. Capital expenditure is the primary investing activity of the Cairn India Group and the development of the Rajasthan Block will dominate Cairn India's capital expenditure plans for at least the next three years. Investing activities also included an increase in bank deposits of US\$185.7 million in Fiscal 2010 (a decrease from US\$225.1 million in Fiscal 2009) from Fiscal 2008 due to the income stream from the Rajasthan Block in Fiscal 2010. In Fiscal 2009, the decrease of US\$225.1 million was due to the utilisation of funds for the development of the Rajasthan Block. In H1 2011, the increase of US\$654.7 million compared to H1 2010 was due to an increase in investment in bank deposits.

7.4 Cash Flows from Financing Activities

Net cash flows from financing activities was US\$1,057.7 million, US\$128.8 million and US\$(20.6) million in Fiscal 2008, 2009 and 2010, respectively, and US\$145.6 million and US\$(270.2) million in H1 2010 and H1 2011, respectively. In Fiscal 2010, the Cairn India Group received proceeds from issued debentures of US\$304 million, and repaid borrowings of US\$307 million. In Fiscal 2009, the Cairn India Group completed the refinancing of its US\$750 million revolving credit facility (the "USD Facility") and its INR40 billion (approximately US\$895.9 million) revolving credit facility (the "INR Facility"). In Fiscal 2008, Cairn India recorded US\$633 million for the private placement of shares and US\$425 million from the drawdown of the USD Facility. In H1 2011, the USD Facility was repaid to the extent of US\$268 million, whereas in H1 2010 the loan was drawn to US\$164.7 million. The USD Facility was cancelled with effect from 5 October 2011.

7.5 Borrowings

As at 4 December 2011 (being the latest practicable date prior to publication of this Prospectus), the Cairn India Group's total borrowings consist of INR12,500 million (US\$280 million) of debentures. There are no other undrawn facilities available to the Cairn India Group.

In addition, as at 4 December 2011 (being the latest practicable date prior to publication of this Prospectus), the Cairn India Group had US\$144.22 million of trade finance facilities in place to cover the issue of bank guarantees and letters of credit. Fixed rates of bank commission and charges apply to these. As at this date, US\$90.11 million was not utilised.

In October 2010 Cairn India completed an innovatively structured financing by raising INR22,500 million (US\$503.9 million) through Indian Rupee unsecured non-convertible debentures at competitive commercial terms. An amount of INR13,500 million (US\$302.4 million) was drawn immediately and the balance is available to be drawn down subject to certain conditions. The proceeds of this financing were used to refinance the existing INR40,000 million (US\$895.9 million) loan and other general corporate expenses. This access to the Indian debt capital market was a first for Cairn

India, which received subscription from a wide range of investors consisting of mutual funds and insurance companies.

The Cairn India Group currently has surplus cash in US dollars and Indian Rupees which it has placed in a combination of money market liquidity funds (also known as mutual funds in India), fixed term deposits with maturity dates of less than or equal to one year, with a number of international and Indian banks and financial institutions, ensuring sufficient liquidity to enable the Cairn India Group to meet its short/medium-term expenditure requirements.

The following table shows total borrowings of the Cairn India Group as at 31 December 2008, 2009 and 2010 and as at 30 June 2010 and 2011.

	As at 31 December			As at 30 June	
	2008	2009	2010	2010	2011
	(US\$ million)				
Bank loans ⁽¹⁾	603.6	878.8	444.8	939.2	132.0
Other loans			344.6	—	332.1
Total	603.6	878.8	789.4	939.2	464.1
Borrowings are repayable:					
Within one year	27.5	50.2	41.4	323.0	45.7
In the second year	27.5	50.2	417.1	96.9	342.4
In two to five years	449.8	650.1	330.9	481.4	75.9
After five years	98.8	128.3	—	37.9	—
Total borrowings	603.6	878.8	789.4	939.2	464.1
Less: payable within one year	27.5	50.2	41.4	323.0	45.7
Medium and long-term borrowings	576.1	828.6	748.0	616.2	418.4

Note

(1) Bank loans include interest for the purposes of the maturity analysis.

As at 4 December 2011 (being the latest practicable date prior to publication of this Prospectus), the total borrowings of the Cairn India Group were INR12,500 million (US\$280 million).

The Cairn India Group has financial facilities that contain various financial covenants. As at 4 December 2011 (being the latest practicable date prior to publication of this Prospectus), the Cairn India Group was in compliance with all of those covenants.

7.6 Capital Expenditures and Commitments

The following table shows the capital expenditures for the Cairn India Group for Fiscal 2008, 2009 and 2010 and for H1 2010 and H1 2011.

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	(US\$ million)			(US\$ million)	
Capital expenditures	613.3	796.6	784.3	370.5	240.2

The capital expenditure incurred during Fiscal 2008, 2009 and 2010 and H1 2010 and H1 2011 was mainly due to the development of the upstream and mid-stream project of the Mangala field in Rajasthan.

The major capital expenditure incurred during this period was towards the development of the Rajasthan Block, primarily the development of the Mangala field and the construction of the Pipeline. In particular, the expenditure incurred at the Mangala field was for the drilling of development wells, the construction of the MPT, the other surface facilities, such as the well pads, the Raageshwari Gas Terminal and other infrastructure necessary to make the Mangala field operational. The expenditure on the Pipeline included the construction of the terminal at Viramgam for storage and pumping and the spur lines to deliver crude oil to buyers. Capital expenditure on Phase II of the development of the Rajasthan Block has commenced and infill drilling campaigns were also undertaken in both the Ravva field and the Cambay Basin field to maintain the plateau production rates and enhance the recoverability from these fields.

The following table shows the committed capital expenditure of the Cairn India Group through obligations under existing PSCs and joint operating agreements as at 30 June 2011.

	<u>Exploration</u> (US\$ million)	<u>Development</u> (US\$ million)	<u>Total</u> (US\$ million)
India	154.0	305.4	459.4
Sri Lanka	172.5	—	172.5
Total	<u>326.5</u>	<u>305.4</u>	<u>631.9</u>

Exploration commitments relate to minimum work commitments in India and include US\$115.57 million on the KG-OSN-2009/3 block, where 3D seismic survey is planned in Fiscal 2011, US\$25.27 million relating to the MB-DWN-2009/1 block, where 2D seismic survey is being shot, and US\$12.26 million on the KG-ONN-2003/1 block, where further exploration and appraisal drilling is planned over the coming years. Exploration in Sri Lanka relates to the SL-2007-01-001 block, where a three well exploration programme commenced in August 2011.

Development commitments relate primarily to completion of the Rajasthan Block production facilities.

Capital commitments will be financed through a combination of working capital and operating cash flows and existing debt facilities of the Cairn India Group.

7.7 Capitalisation and Indebtedness

The capitalisation and indebtedness of the Cairn India Group as at 30 September 2011 is set out below. The information relating to 30 September 2011 has been extracted without material adjustment from unaudited accounting records of the Cairn India Group as at 30 September 2011.

	<u>As at 30 September 2011</u> (US\$ million)
Total current debt	
—Guaranteed	—
—Secured	—
—Unguaranteed / Unsecured	—
Total non-current debt (excluding current portion of long-term debt)	
—Guaranteed	—
—Secured	—
—Unguaranteed / Unsecured	275.4
Shareholders' equity	
—Share capital	426.9
—Legal reserve	—
—Other reserves ⁽¹⁾	3,486.9
Total shareholders' equity	<u>3,913.5</u>

(1) Net of Cairn India's investment in subsidiaries amounting to US\$5,952,189.

The net financial indebtedness of the Cairn India Group as at 30 September 2011 is set out below. The information relating to 30 September 2011 has been extracted without material adjustment from unaudited accounting records of the Cairn India Group as at 30 September 2011.

	<u>As at 30 September 2011</u>
	(US\$ million)
A. Cash and cash equivalents	577.0
B. Bank deposits	1,150.6
C. Liquidity (A) + (B)	1,727.6
D. Current Financial Receivable	—
E. Current bank debt	—
F. Current portion of non-current debt	—
G. Other current financial debt	—
H. Current financial debt (E) + (F) + (G)	—
I. Net Current Financial Indebtedness (H) – (D) – (C)	(1,727.6)
J. Non-current bank loans	—
K. Bonds issued	275.4
L. Other non-current loans	—
M. Non-Current Financial Indebtedness (J) + (K) + (L)	275.4
N. Net Financial Indebtedness (I) + (M)	(1,452.2)

8. Contractual Obligations

The following table sets out the Cairn India Group's total future capital commitments to settle contractual obligations as at 30 June 2011.

	Payment Due by Period						
	Total	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
	(US\$ million)						
Loans and other borrowings ⁽¹⁾	464.1	45.7	342.4	34.5	33.3	8.2	—
Derivative financial liabilities	7.1	7.1	—	—	—	—	—
Trade payables	8.1	8.1	—	—	—	—	—
Joint venture creditors	188.5	188.5	—	—	—	—	—
Finance leases ⁽¹⁾	1.2	1.1	0.1	—	—	—	—
Decommissioning provision ⁽²⁾	708.7	—	—	—	—	4.3	704.4
Revenue provision	326.0	326.0	—	—	—	—	—
Total	<u>1,703.7</u>	<u>576.5</u>	<u>342.5</u>	<u>34.5</u>	<u>33.3</u>	<u>12.5</u>	<u>704.4</u>

Notes

(1) Loans and borrowings and finance leases include interest for the purposes of the maturity analysis.

(2) The decommissioning provision is discounted at a rate of 7 per cent., to give the net present value which is carried at the balance sheet date. The gross amount is included in the maturity analysis table in accordance with the requirements of IFRS.

9. Capital Commitments

The following table sets out capital commitments representing Cairn India's share of obligations in relation to its interests in joint ventures.

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	(US\$ million)			(US\$ million)	
Oil and gas expenditure:					
Intangible exploration/appraisal assets	233.4	303.0	340.4	256.2	326.5
Property plant and equipment—development/producing assets	726.6	750.3	749.0	847.6	305.4
Contracted for	960.0	1,053.3	1,089.4	1,103.8	631.9

10. Off-Balance Sheet Arrangements

The Cairn India Group has no off-balance sheet entities.

10.1 Capital Commitments Contracted But Not Provided

The Cairn India Group has a number of continuing operational and financial commitments in the normal course of business. Capital commitments contracted but not provided as at 31 December 2010 amounted to US\$193.4 million, relating primarily to the total future minimum lease payments under non-cancellable operating leases entered into by joint ventures. Capital commitments contracted but not provided as at 30 June 2011 amounted to US\$98.53 million, relating primarily to the total future minimum lease payments under non-cancellable operating leases entered into by joint ventures. These are also included in the table in paragraph 9 (Capital Commitments) above, where appropriate.

10.2 Contingent Liabilities

(a) Indian Service Tax

CEIPL has received five show cause notices from the tax authorities in India for non-payment of service tax as a recipient of services from foreign suppliers. See paragraph 13.2(e) of Part X: "Additional Information" for more details.

Should future adjudication go against the Cairn India Group, it will be liable to pay the service tax of approximately INR1,281.8 million (US\$28.7 million) and potential interest of approximately INR505 million (US\$11.4 million), although this could be recovered in part where it relates to services provided to the joint venture of which the Cairn India Group is operator.

(b) Indian Tax Holiday on Gas Production

Section 80-IB(9) of the Indian Income Tax Act ("Section 80-IB(9)") allows the deduction of 100 per cent. of profits from the commercial production or refining of mineral oil. The term 'mineral oil' is not defined but has always been understood to refer to both oil and gas, either separately or collectively.

The 2008 Indian Finance Bill appeared to remove this deduction by stating, without amending Section 80-IB(9), that "for the purpose of section 80-IB(9), the term 'mineral oil' does not include petroleum and natural gas, unlike in other sections of the Act". Subsequent announcements by the Indian Finance Minister and the MoPNG have confirmed that the tax holiday would be available on the production of crude oil but have continued to exclude gas.

Cairn India filed a writ petition to the High Court of Gujarat in December 2008 challenging the restriction of Section 80-IB(9) to the production of oil. See paragraph 13.2(c) of Part X: "Additional Information" for more details.

In the event this challenge is unsuccessful, the potential liability for tax and related interest on the tax holiday claimed on gas production for all periods to 31 March 2010, the end of the tax holiday, is approximately US\$45.7 million.

10.3 Guarantees

It is normal practice for the Cairn India Group to issue guarantees in respect of obligations during the normal course of business.

The Cairn India Group had provided the following guarantees as at 31 December 2010:

- Various guarantees under the Cairn India Group's bank facilities (see notes 22 and 27 of the historical financial information contained in Section B of Part VII: "Historical Financial Information Relating to Cairn India") for the Cairn India Group's share of minimum work programme commitments for Fiscal 2010 of US\$62.0 million (Fiscal 2009: US\$18.5 million); and
- Parent company guarantees for the Cairn India Group's obligations under PSCs, sales and other contracts.

The Cairn India Group had provided the following guarantees as at 30 June 2011:

- Various guarantees under the Cairn India Group's bank facilities for the Cairn India Group's share of minimum work programme commitments for H1 2011 of US\$64.4 million (H1 2010: US\$41.6 million); and
- Parent company guarantees for the Cairn India Group's obligations under PSCs, GSCs and other contracts.

Pursuant to Vedanta's covenant under the Cairn India Purchase Agreement to, following Completion, use its best endeavours to secure the release of members of the Cairn Energy Group from the guarantees provided by them in relation to the obligations of the Cairn India Group, any such release of the Cairn Energy Group will require the consent of the Government of India. Pending Government of India consent, Vedanta is liable to indemnify the Cairn Energy Group from all losses, claims and liabilities that the Cairn Energy Group may suffer on account of such guarantees and indemnities being invoked.

11. Risk Management

11.1 General

The upstream oil and gas industry, by its nature, exposes the Cairn India Group to operational, market, counterparty and contractual risks, as well as to other risks including environmental, health and safety risks, information technology and security risks and general political and regulatory risks. The main risks that are expected to affect the Cairn India Group's financial position and profitability are: commodity price risk, liquidity risk, project development risk, interest rate risk, exchange rate risk, operational risk and credit risk.

Cairn India has in place a risk management policy which establishes the principles by which risks are managed across the Cairn India Group. This is supported by the business risk management guidelines which define the necessary procedural controls and provide guidance on what procedures need to be applied in order to meet the requirements of the policy. The Cairn India risk management process detailed in the business risk management guidelines comprises the steps of risk identification, assessment, prioritisation, identification of mitigating controls and the allocation of risk action plans. The outcome from this process is included in a Cairn India risk register and risk matrix which are updated and reviewed on a regular basis. The business risk management guidelines also include instructions on the assessed risks escalation procedure to asset and country management.

Cairn India has established a risk management organisational structure, which is overseen by a Cairn India risk management committee ("RMC") that reports to Cairn India's audit committee. The chair of the RMC rotates between the Chief Operating Officer and the Finance Head of Cairn India. Risks are also reviewed at asset/project and site levels and the outcome is considered during the preparation of the consolidated Cairn India risk register. The RMC meets regularly to review the Cairn India risk register for its completeness and to ensure a robust and effective risk management process is being implemented throughout the business. Cairn India's treasury function is responsible for managing investment and funding requirements including banking and cash flow monitoring. The RMC must also recognise and manage interest and foreign exchange exposure whilst ensuring that Cairn India has adequate liquidity at all times to meet its immediate cash requirements. Cairn India's insurance for operational risk is managed by its legal function in conjunction with its insurance brokers, Agnew Higgins Pickering and Company Limited.

The risk management reporting is managed through the RMC, which reports the consolidated risk exposure of the Cairn India Group, through Cairn India's audit committee, to the board of directors. Cairn India's audit committee reviews and agrees policies for managing each of the risks discussed below.

Cairn India may, from time to time, opt to use derivative financial instruments to minimise its exposure to fluctuations in interest rates, foreign exchange rates and movements in crude oil prices. It is Cairn India's policy not to trade in derivative financial instruments.

11.2 Commodity Price Risk

The Cairn India Group encounters numerous risks associated with volatility in the international prices for crude oil and natural gas. Pricing for crude oil and natural gas has been volatile and unpredictable for several years and the Cairn India Group expects this volatility to continue. Continuous changes in prices create uncertainty and can have a significant impact on the profitability of the Cairn India Group's assets. Historically, prices for crude oil have fluctuated widely for many reasons, including:

- global and regional supply and demand, and expectations regarding future supply and demand, for crude oil and petroleum products;
- geopolitical uncertainty, in particular, due to political, economic and military developments in oil producing regions, such as the Middle East;
- weather conditions and natural disasters;
- access to pipelines, railways and other means of transporting crude oil, gas and petroleum products;
- prices and availability of alternative fuels;
- the ability of the members of the Organisation of Petroleum Exporting Countries and other crude oil producing nations to set and maintain specified levels of production and prices; and
- Indian governmental regulations and actions, including export restrictions, pricing requirements and taxes.

Pursuant to the Rajasthan Block PSC, sales of crude oil produced from the Rajasthan Block are to be valued at a weighted average FOB selling price per barrel of a basket of international crude oils quoted on Platts. Although parties are obliged to select a mixture and weighting of crude oils which would produce a quality similar to the crude oil and condensate produced in the Rajasthan Block, the average selling prices of such crude oils can differ from quoted market prices due to the effects of uneven volume distributions during the period, different delivery terms compared to quoted benchmarks, different conditions in local markets and other factors. In addition, market prices for sales of crude oil may be affected by volatile trading patterns in the commodity futures market.

There are implicit product price hedges in place through the pricing mechanisms applicable to the CB-OS/2 and Ravva GSCs. The requirement for hedging instruments to unwind these pricing mechanisms is reviewed on an ongoing basis. Ravva, CB-OS/2 and Rajasthan oil sales are made to approved government nominated buyers or approved third parties at floating prices.

The quality adjustment (discount) in the price of Rajasthan crude oil is based on yields of benchmark crude and underlying crude oil and is calculated by taking out the difference between GPW of both crude oils. The GPW is dependent upon the international produce prices of light and middle distillates and heavy ends and has been extremely volatile in the past. To minimise the volatility of the GPW discount, in July 2010 the Cairn India Group began hedging the GPW exposure and had outstanding contracts of 0.75 mmbbls as at 31 December 2010 (2009: nil) and of 3.85 mmbbls as at 30 June 2011 (30 June 2010: nil).

No other material commodity price hedging has been undertaken during Fiscal 2008, 2009, 2010 or H1 2011. There were no other material outstanding commodity price contracts at the start of Fiscal 2010 or the end of Fiscal 2010, at the start of H1 2011 or at the end of H1 2011. The respective boards of Cairn India and its subsidiaries continue to monitor the position.

11.3 Liquidity Risk

The Cairn India Group currently has surplus cash which it has placed in a combination of money market liquidity funds (mutual funds) and fixed term deposits with a number of international and Indian banks and financial institutions, ensuring sufficient liquidity to enable the Cairn India Group to meet its short/medium-term expenditure requirements.

The Cairn India Group is conscious of the current economic environment and constantly monitors counterparty risk. Policies are in place to limit counterparty exposure. The Cairn India Group monitors counterparties using published ratings and other measures where appropriate.

11.4 Project Development Risk

Development of the Northern Fields is a large and complex project and Cairn India manages the associated risks through a gated system of project control which monitors and verifies the project progress through each of the pre-development, development and post-development phases.

11.5 Interest Rate Risk

The total interest rate position of the Cairn India Group, including all financial investments and debt, is managed by its Finance Head. The Cairn India Group's interest rate exposure is mainly related to interest-bearing net cash balances and interest-bearing net debt balances. The objective of the Cairn India Group's interest rate risk management is to reduce the volatility of interest expense in the income statement, provide cash flow certainty and control the market value of its net debt position in line with defined risk limits.

11.6 Foreign Exchange Risk

The pricing currency of the crude oil markets, including raw materials and services for upstream developments, is the US dollar. The IFRS consolidated financials are prepared in US dollars and the functional currency of each company in the Cairn India Group is US dollars, other than the parent company, Cairn India, which is currently Indian Rupee functional. However, the Cairn India Group has significant exposure to the Indian Rupee in terms of expenditure in Indian Rupees against receivables in US dollars. It is envisaged that a majority of operational and production expenditure in India will be in Indian Rupees. For example, the exposure to the Indian Rupee in terms of manpower cost, purchasing of local equipment, local construction contracts, overhead charges and other local supplies. Other major exposures to the Indian Rupee are cess and any other production linked statutory payments.

The Cairn India Group manages exposures that arise from non-functional currency receipts and payments by matching receipts and payments in the same currency and actively managing the residual net position. Generally, the exposure has been limited given that receipts and payments have mostly been in US dollars and the functional currency of most companies in the Cairn India Group is US dollars.

As a result of developments in the Rajasthan Block, there has been an increased exposure between the Indian Rupee and the US dollar in the current period. This has now been significantly mitigated with the INR Facility which allows matching of drawings and payments.

In order to minimise the Cairn India Group's exposure to foreign currency fluctuations, currency assets are matched with currency liabilities by borrowing or entering into foreign exchange contracts in the applicable currency if deemed appropriate. The Cairn India Group also aims, where possible, to hold surplus cash, debt and working capital balances in functional currency which in most cases is the US dollar, thereby matching the reporting currency and functional currency of most companies in the Cairn India Group. This minimises the impact of foreign exchange movements on the Cairn India Group's balance sheet.

Where residual net exposures do exist and they are considered significant, Cairn India and the Cairn India Group may from time to time opt to use derivative financial instruments to minimise its exposure to fluctuations in foreign exchange and interest rates.

In Fiscal 2007 and 2008 the Cairn India Group entered into forward foreign exchange options to hedge the exposure of future Indian Rupee requirements as part of the Rajasthan Block development. These options unwound during Fiscal 2009. The fair value of the outstanding currency derivatives in the Cairn India Group as at 31 December 2010 was US\$1.3 million (2009: US\$nil) and as at 30 June 2011 was US\$0.64 million (30 June 2010: US\$0.5 million).

11.7 Operational Risk

Operational risk is the risk of loss or adverse consequences resulting from inadequate or failed internal processes, people or systems, or from external events. The Cairn India Group is exposed to operating risks, including reservoir risk, risk of loss of crude oil and natural gas and natural calamities risk in respect of all its installations and facilities. Although the Cairn India Group carries insurance against such events and would expect that the majority of any replacement costs would be covered by such insurance, the Cairn India Group is not insured against loss of profits.

11.8 Credit Risk

The Cairn India Group has obtained payment guarantees or letters of credit from buyers as payment security on both the CB-OS/2 GSCs. With respect to the Ravva and Rajasthan Blocks, there are no payment securities except a standby letter of credit from Essar Oil Limited for sales made from the Rajasthan Block, however, other buyers are either nominated by the Government of India or are reputed private companies with good credit and payment records.

Credit risk from investments with banks and other financial institutions is managed by the treasury functions in accordance with the Cairn India Group's board-approved policies. Investments of surplus funds are only made with approved counterparties who meet the appropriate rating and/or other criteria and are only made within approved limits. Cairn India's board continually re-assesses the Cairn India Group's policy and updates it as required. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty failure.

Investments by the Cairn India Group in money market liquidity funds are only made with AAA-rated funds. For investment in US dollar money market funds, the Cairn India Group requires AAA rating by any one of the three credit rating agencies, namely Standard & Poor's, Moody's or Fitch. For investment in liquid funds, treasury funds (also known as liquid plus fund) and short-term floater funds or Indian Rupee mutual funds, the Cairn India Group requires an AAA rating by any one of the three credit rating agencies, namely CRISIL, ICRA Limited or CARE Ratings and where the investment policy is primarily limited to money market instruments.

12. Period from 1 July 2011 to 30 September 2011

12.1 Overview

The financial information in this paragraph in relation to Q3 2011 is unaudited and has been prepared for the purposes of this Prospectus on an IFRS basis from the underlying accounting records of the Cairn India Group.

As at 30 September 2011, the gross assets of the Cairn India Group were US\$5,395.8 million. For Q3 2011, the profit before tax was US\$332.4 million. For Q3 2011, the Cairn India Group's revenue was US\$570.4 million and profit after tax was US\$256.8 million. For the quarter ending 30 September 2011, Cairn India's net production from the Rajasthan Block was approximately 40,669 boepd.

12.2 Results of Operations

The factors affecting the Cairn India Group's results of operations during Q3 2011 were as set out in paragraph 2 above. According to Platts, the price of Dated Brent, an international benchmark oil blend was US\$105.245 as at 30 September 2011.

The Q3 2011 revenue of the Cairn India Group was US\$570 million, with an average daily net production of 46,615 bopd and average price realised of US\$101.9 per boe. Net production from the Rajasthan Block was approximately 40,669 boepd.

Cost of sales of US\$171.4 million in Q3 2011 include US\$98.4 million of direct production costs and US\$71.8 million of depletion and decommissioning charges. Other operating income receivable relating to joint venture operating fee income was US\$2.4 million for Q3 2011. Administrative expenses were US\$17.6 million for the quarter.

Net finance costs for the quarter were US\$51.4 million, with finance income earned of US\$15.6 million being offset by interest and finance costs of US\$27.3 million and unwinding-of-discounts charges of US\$2.0 million. The Cairn India Group realised a foreign exchange loss of US\$37.6 million in the period.

Tax charges of profits were US\$75.6 million in Q3 2011.

12.3 Principal Assets

The Cairn India Group's percentage of net working interests held in its principal exploration, development and production assets as at 30 September 2011 was unchanged from that set out in paragraph 4 above.

(a) **Rajasthan Block**

(i) **Upstream**

Work continues with the commissioning of additional production facilities at the MPT to achieve processing capacity beyond 175,000 bopd by the end of the first quarter of Fiscal 2012. Further investments are planned to augment processing capacity and pipeline infrastructure to deliver the currently envisaged basin potential.

Development drilling and well completion activities continue to progress well. As at 30 September 2011, a total of 148 Mangala development wells have been drilled, of which 81 wells are currently producing and 29 injector wells are injecting water into the reservoirs. The other wells will be brought on-stream in a staged manner. The focused effort on drilling of high capacity horizontal wells in the Mangala field with the excellent reservoir performance supports higher plateau levels.

Work on the development of the Bhagyam field is ongoing. A total of 47 Bhagyam development wells had been drilled as at 30 September 2011. Well results from the Bhagyam development drilling have been in line with Cairn India's management's expectations. Discussions continue with the Government of India on expediting approvals for the Bhagyam start-up and production is expected to commence in the fourth quarter of 2011. The reservoir and facilities will require some time for gradual and safe ramp up to reach the currently approved plateau of 40,000 bopd.

Development work is currently underway in the Aishwariya field and production is expected to commence in the second half of Fiscal 2012, subject to obtaining approval from Cairn India's joint venture partner and the Government of India.

(ii) **Midstream**

The MPT to Salaya section of the Pipeline, with its delivery infrastructure, continues to safely deliver crude oil to various buyers and has recorded more than 3 million lost time injury ("LTI") free man hours to date. In Q3 2011, more than 11 mmbbls of crude oil were safely delivered through the Pipeline with a system availability of more than 99 per cent. Construction work is ongoing on the remaining 80 km Salaya to Bhogat section of the pipeline including the Bhogat terminal and marine facility and is expected to be completed in the second half of Fiscal 2012.

(iii) **Resource base including EOR**

The first phase of the EOR pilot in the Mangala field, consisting of four injectors, one producer and three observation wells are drilled, completed and hooked up to the facilities. The water injection phase commenced in December 2010 and after initial completion of baseline water flood for more than six months, polymer injection started in August 2011. The results to date are encouraging and bring Cairn India one step closer to monetising the EOR potential.

A pilot hydraulic fracturing programme to test the potential of the Barmer Hill formation is planned, subject to Government of India approval. The pilot programme will allow evaluation of the appropriate cost effective technology for a fully optimised development of this low permeability oil resource base. A declaration of commerciality for the Barmer Hill formation was submitted to the Government of India in March 2010 and an FDP is under preparation.

The currently envisaged basin potential stands at 240,000 bopd. Following a review of reservoir performance at Mangala, development drilling results from Bhagyam and a re-evaluation of the resource base in Aishwariya, the Cairn India Group is confident of delivering a significant part of the currently envisaged basin potential from the MBA fields. FDP revisions for the three fields are being prepared in conjunction with the ONGC and will be submitted for regulatory approvals in due course.

(b) **Ravva Field**

In Q3 2011, the Cairn India Group's entitlement production from the Ravva field was 278.9 mmbbls oil and gas condensate and 572 mmscf natural gas at an average price of US\$125.5 per boe and US\$3.9 per mcf, respectively.

As the Ravva field is a mature asset, various steps such as a 4D seismic survey, drilling of infill wells and workover campaigns are being undertaken to slow production decline and identify additional opportunities to increase reserves. Infill drilling and workover activities at Ravva to augment oil production and water injection have been completed. The purpose of the infill campaign is to help slow production decline, add incremental reserves and increase the water injection capacity in the field. The successful infill drilling campaign has resulted in joint venture being able to slow down production decline. The 4D inversion processing work has been completed and the ongoing interpretation work is expected to be completed by the end of February 2012.

Cairn India and its joint venture partners are focussed on identifying bypassed oil zones in the reservoir, slowing down the production decline rate and evaluating the scope of further potential in the deeper zones.

The Ravva asset has achieved more than six million LTI free man hours to date and had an uptime of 98 per cent. during Q3 2011.

(c) Cambay Basin

In Q3 2011, the Cairn India Group's entitlement production from the Cambay Basin Block was 113.9 mmmboe oil and gas condensate and 353 mmscf at an average price of US\$100.9 per boe and US\$5.5 per mcf, respectively.

To sustain oil production from the block, an infill drilling campaign is planned in the Lakshmi field. The spare gas processing capacity of the Cambay Basin facilities is planned to be utilised by tolling and processing ONGC's gas from its North Tapti field (adjacent to the Lakshmi field). The ONGC has completed the North Tapti pipeline tie-in with the Cambay Basin facilities. The tolling and processing of gas shall commence after ONGC commissions the pipeline and obtains the necessary approvals. Cairn India believes that this is in the best interests of all stakeholders and the efforts to optimise infrastructure usage in the block.

The block has recorded more than nine million LTI free man hours over the last seven years, which reinforces Cairn India's commitment to the highest safe operating standards. The Cambay Basin Block facilities had an uptime of more than 97 per cent. during Q3 2011.

(d) Sri Lanka

CLPL has notified the appropriate authorities in the Government of Sri Lanka of a gas discovery in the CLPL-Dorado-91H/1z well, drilled in the SL 2007-01-001 block, Mannar Basin, Sri Lanka. A gross 25 metre hydrocarbon column in a sandstone sequence has been interpreted from wireline log and modular dynamic tester data to be predominantly gas bearing with some additional liquid hydrocarbon potential. Further drilling is required to establish the commerciality of the discovery. The second well in the three well programme was spud on 4 October 2011.

12.4 Cash and Cash Flows

Net cash generated from operating activities in Q3 2011 was US\$599.2 million as a result of the continuing stable production levels in Rajasthan and a realised price of US\$101.9 per boe. Net cash used in investing activities was US\$398.2 million in Q3 2011, largely due to surplus funds being placed on deposit for greater than three months. Net cash flows used in financing activities were US\$102.9 million in Q3 2011, largely due to the repayment of borrowings during the quarter. Cash and cash equivalents as at 30 September were US\$577.0 million.

12.5 Capital Expenditure and Capital Commitments

Capital expenditure for Cairn India in Q3 2011 consisted of US\$69 million on development and US\$ 72 million on exploration. This was mainly due to the development of the up-stream and mid-stream project of the Mangala field in Rajasthan.

In Q3 2011, the Cairn India Group had total capital commitments representing its share of obligations in respect of its interests in joint ventures of US\$471.0 million, comprising exploration commitments of US\$260.9 million and development commitments of US\$210.1 million.

PART VII: HISTORICAL FINANCIAL INFORMATION RELATING TO CAIRN INDIA

SECTION A: ACCOUNTANT'S REPORT ON THE HISTORICAL AUDITED FINANCIAL INFORMATION RELATING TO CAIRN INDIA FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2010 AND THE SIX MONTHS ENDED 30 JUNE 2011

The Directors
Vedanta Resources plc
16 Berkeley Street
London W1J 8DZ

6 December 2011

Dear Sirs

Cairn India Limited

We report on the financial information set out in Section B of Part VII for the years ended 31 December 2009 and 2010 and for the six months ended 30 June 2011 (the "Financial Information"). The Financial Information has been prepared for inclusion in the prospectus dated 6 December 2011 of Vedanta Resources plc on the basis of the accounting policies set out in note 1 to the financial information. This report is required by item 20.1 of Annex I of Commission Regulation (EC) 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to Commission Regulation (EC) 809/2004, consenting to its inclusion in the prospectus.

We have not audited or reviewed the financial information for the 6 month period ended 30 June 2010 and accordingly do not express an opinion thereon.

Responsibilities

The Directors of Vedanta Resources plc are responsible for preparing the Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the Financial Information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the Financial Information gives, for the purposes of the prospectus dated 6 December 2011, a true and fair view of the state of affairs of Cairn India Limited as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) 809/2004.

Yours faithfully

Ernst & Young LLP

**SECTION B: HISTORICAL FINANCIAL INFORMATION RELATING TO CAIRN INDIA FOR
FISCAL 2009 AND 2010 AND THE SIX MONTHS ENDED 30 JUNE 2011**

**CAIRN INDIA LIMITED
GROUP INCOME STATEMENT**

<u>Continuing operations</u>	Notes	For the six months ended 30 June		For the year ended 31 December	
		2011	2010	2010	2009
			(unaudited)		
			(US\$ million)		
Revenue					
Revenue from continuing operations	2	1,336.3	328.5	1,594.2	220.7
Exceptional revenue provision	2,4	64.0	—	—	(64.0)
		1,400.3	328.5	1,594.2	156.7
Cost of sales					
Production costs		(199.1)	(65.9)	(252.4)	(48.7)
Pre-award costs		(2.7)	(0.8)	(1.9)	(4.7)
Unsuccessful exploration costs		(3.6)	(14.7)	(23.1)	(50.2)
Depletion and decommissioning charge		(235.8)	(73.5)	(351.9)	(56.0)
Gross profit/(loss)		959.1	173.6	964.9	(2.9)
Other operating income	2	5.1	6.5	11.0	11.7
Administrative expenses		(28.5)	(31.3)	(67.0)	(52.0)
Operating profit/(loss)	3	935.7	148.8	908.9	(43.2)
Finance income	6	24.9	11.0	24.3	42.6
Finance costs before exceptional items	7	(25.9)	(22.5)	(77.4)	(10.3)
Exceptional finance cost	4,7	31.6	—	—	(31.6)
Finance costs		5.7	(22.5)	(77.4)	(41.9)
Profit/(loss) before taxation		966.3	137.3	855.8	(42.5)
Taxation					
Taxation credit/(charge) on profit/(loss) before exceptional items	8	(3.0)	(31.1)	(94.1)	70.1
Exceptional tax charge	4,8	(40.4)	—	—	40.4
Taxation (charge)/credit on profit/(loss)		(43.4)	(31.1)	(94.1)	110.5
Profit for the period attributable to equity holders of the parent		922.9	106.2	761.7	68.0
Earnings per ordinary share—basic (cents)	9	48.68	5.60	40.14	3.59
Earnings per ordinary share diluted	9	48.50	5.57	39.98	3.58

CAIRN INDIA LIMITED
GROUP STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June 2011		For the year ended 31 December	
	2011	2010	2010	2009
		(unaudited)		
		(US\$ million)		
Profit for the year	922.9	106.2	761.7	68.0
Other comprehensive income				
Deficit on valuation of financial assets	—	—	—	(1.9)
Currency translation differences	0.1	(1.3)	2.9	22.6
Other comprehensive income for the period	0.1	(1.3)	2.9	20.7
Total comprehensive income for the period attributable to equity holders of the parent	923.0	104.9	764.6	88.7

CAIRN INDIA LIMITED
GROUP BALANCE SHEET

	Notes	As at 30 June	As at 31 December	
		2011	2010	2009
(US\$ million)				
Non-current assets				
Intangible exploration/appraisal assets	10	391.9	376.5	340.6
Property, plant & equipment—development/producing assets	11	2,178.7	2,196.2	1,831.5
Property, plant and equipment—other	12	4.9	5.4	5.9
Intangible assets—other	13	3.4	3.6	3.6
Deferred tax assets	18	228.6	80.1	—
		2,807.5	2,661.8	2,181.6
Current assets				
Inventory	14	24.6	28.7	10.7
Trade and other receivables	15	712.6	504.4	270.8
Bank deposits	16	953.6	452.6	267.4
Income tax assets		54.9	—	8.1
Cash and cash equivalents	16	498.7	438.5	326.2
Derivative financial instruments	24	0.6	2.9	—
		2,245.0	1,427.1	883.2
Total assets		5,052.5	4,088.9	3,064.8
Current liabilities				
Trade and other payables	17	489.4	409.3	310.2
Obligations under finance leases	19	1.0	1.4	1.5
Provisions	21	328.7	62.1	36.3
Income tax liabilities		40.0	35.8	5.9
Derivative financial instruments	24	7.1	—	—
		866.2	508.6	353.9
Non-current liabilities				
Loans and borrowings	16,20	404.2	673.7	666.1
Obligations under finance leases	19	0.2	0.6	2.0
Provisions	21	123.0	180.7	30.5
Deferred tax liabilities	18	—	—	79.1
		527.4	855.0	777.7
Total liabilities		1,393.6	1,363.6	1,131.6
Net assets		3,658.9	2,725.3	1,933.2
Equity attributable to equity holders of the parent				
Called-up share capital	22	427.7	427.4	426.5
Share premium	22	6,785.8	6,781.6	6,770.5
Foreign currency translation	22	(99.9)	(100.0)	(102.9)
Retained earnings		(3,454.7)	(4,383.7)	(5,160.9)
Total Equity		3,658.9	2,725.3	1,933.2

CAIRN INDIA LIMITED
GROUP STATEMENT OF CASH FLOWS

	For the six months ended 30 June		For the year ended 31 December		
	Notes	2011	2010 (unaudited)	2010	2009
			(US\$ million)		
Cash flows from operating activities					
Profit/(loss) before taxation		966.3	137.3	855.8	(42.5)
Exceptional revenue provision		(64.0)	—	—	64.0
Unsuccessful exploration costs		3.6	14.7	23.1	50.2
Depletion, depreciation, decommissioning and amortisation		239.3	76.0	359.1	62.8
Share-based payments charge		7.4	7.5	15.5	9.8
Finance income		(24.9)	(11.0)	(24.3)	(42.6)
Finance costs		25.9	22.5	77.4	10.3
Exceptional finance costs		(31.6)	—	—	31.6
Net interest paid		(27.7)	(15.1)	(67.0)	(9.3)
Income tax paid		(242.3)	(46.1)	(221.5)	(33.1)
Foreign exchange differences		(0.6)	(1.1)	(1.9)	2.5
Movement on inventory of oil and condensate		4.1	(21.7)	(18.0)	(9.6)
Trade and other receivables movement		(167.3)	(79.8)	(210.1)	1.1
Trade and other payables movement		4.9	59.2	60.7	(15.1)
Provisions movement		364.9	(5.8)	25.8	35.2
Derivative financial instruments movement		(9.4)	—	—	—
Net cash generated from operating activities		<u>1,048.6</u>	<u>136.6</u>	<u>874.6</u>	<u>115.3</u>
Cash flows from investing activities					
Expenditure on intangible exploration/appraisal assets		(19.5)	(85.0)	(152.7)	(35.6)
Expenditure on tangible development/producing assets		(218.0)	(270.1)	(456.4)	(782.2)
Purchase of property, plant & equipment—other		(1.4)	(1.2)	(2.9)	(1.5)
Purchase of intangible assets—other		(1.5)	(1.7)	(4.0)	(3.0)
Movement in funds on bank deposits		(501.9)	267.1	(185.7)	225.1
Interest received		24.9	28.2	42.0	37.9
Net cash used in investing activities		<u>(717.4)</u>	<u>(62.7)</u>	<u>(759.7)</u>	<u>(559.3)</u>
Cash flows from financing activities					
Arrangement and facility fees		(5.8)	(19.7)	(28.5)	(34.9)
Proceeds from exercise of share options		4.5	1.3	12.0	—
Payment of finance lease liabilities		(0.9)	(0.7)	(1.5)	(2.4)
(Repayment)/proceeds of borrowings		(268.0)	164.7	(307.2)	166.1
Proceeds from issue of debentures		—	—	304.6	—
Net cash flows (used in)/from financing activities		<u>(270.2)</u>	<u>145.6</u>	<u>(20.6)</u>	<u>128.8</u>
Net increase/(decrease) in cash and cash equivalents		61.0	219.5	94.3	(315.2)
Opening cash and cash equivalents at beginning of year		438.5	326.2	326.2	629.0
Exchange (losses)/gains on cash and cash equivalents		(0.8)	1.7	18.0	12.4
Closing cash and cash equivalents	16	<u>498.7</u>	<u>547.4</u>	<u>438.5</u>	<u>326.2</u>

CAIRN INDIA LIMITED
GROUP STATEMENTS OF CHANGES IN EQUITY

	<u>Equity share capital</u>	<u>Foreign currency translation</u>	<u>Retained earnings</u>	<u>Total Equity</u>
	(US\$ million)			
At 1 January 2009	7,197.0	(125.5)	(5,258.3)	1,813.2
Profit for the year	—	—	68.0	68.0
Other Comprehensive Income	—	22.6	(1.9)	20.7
Total comprehensive income for the year	—	22.6	66.1	88.7
Share-based payments	—	—	9.8	9.8
Intercompany loan waivers	—	—	21.5	21.5
At 1 January 2010	7,197.0	(102.9)	(5,160.9)	1,933.2
Profit for the year	—	—	761.7	761.7
Other Comprehensive Income	—	2.9	—	2.9
Total comprehensive income for the year	—	2.9	761.7	764.6
Exercise of share options by employees	12.0	—	—	12.0
Share-based payments	—	—	15.5	15.5
At 1 January 2011	7,209.0	(100.0)	(4,383.7)	2,725.3
Profit for the period	—	—	922.9	922.9
Other Comprehensive Income	—	0.1	—	0.1
Total comprehensive income for the period	—	0.1	922.9	923.0
Exercise of share options by employees	4.5	—	—	4.5
Share-based payments	—	—	6.1	6.1
At 30 June 2011	<u>7,213.5</u>	<u>(99.9)</u>	<u>(3,454.7)</u>	<u>3,658.9</u>
For the six month period ended 30 June 2010 (unaudited)				
At 1 January 2010	7,197.0	(102.9)	(5,160.9)	1,933.2
Profit for the period	—	—	106.2	106.2
Other Comprehensive Income	—	(1.3)	—	(1.3)
Total comprehensive income for the period	—	(1.3)	106.2	104.9
Exercise of share options by employees	1.3	—	—	1.3
Share-based payments	—	—	7.5	7.5
At 30 June 2010	<u>7,198.3</u>	<u>(104.2)</u>	<u>(5,047.2)</u>	<u>2,046.9</u>

1. ACCOUNTING POLICIES

(a) Basis of preparation

Cairn India Limited is a limited company which was incorporated in India on 21 August 2006 and is domiciled in India. Cairn India Limited is a subsidiary of Cairn UK Holdings Limited which is a wholly owned subsidiary of Cairn Energy PLC, the ultimate parent of the Company. Cairn Energy PLC is listed on the Official List and traded on the London Stock Exchange. The principal activities of the Company and its subsidiary undertakings are the exploration for and development and production of oil and gas in the Indian sub-continent. The Company is listed on the Bombay and National Stock Exchanges in India. In accordance with Indian Companies Act requirements, Cairn India Limited prepares its financial statements in accordance with India Accounting Standards for financial periods to 31 March.

As required for the purposes of compliance with Item 20.1 of Annex 1 of Commission Regulation (EC) 809/2004 the consolidated historical financial information is presented for the six month period ended 30 June 2011 and for the year ended 31 December 2010 being the latest period for which Cairn Energy PLC has prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”). Comparative financial information is presented for the six month period ended 30 June 2010 (unaudited) and for the year ended 31 December 2009.

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in US Dollars and all values are rounded to the nearest 0.1 million dollars (US\$m) except when otherwise indicated.

(b) Accounting standards

The interim financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) as they apply to financial statements for annual statements beginning 1 January 2011 and on a basis consistent with the accounting policies to be adopted in Vedanta’s annual accounts for the year ending 31 March 2012. In accordance with Indian Companies Act requirements, Cairn India Limited prepares its annual financial statements in accordance with India Accounting Standards.

(c) Presentation currency

The functional currency of Cairn India Limited, the parent company of the Cairn India Group, is Indian Rupee. These interim accounts have been presented in US Dollars (\$), the functional currency of most companies within the Cairn India Group. It is deemed to be more appropriate to present the financial statements in line with the functional currency of the majority of the Cairn India Group. The Cairn India Group’s policy on foreign currencies is detailed in note 1(o).

(d) Basis of consolidation

The consolidated interim financial information incorporates the results of the Company and all its subsidiaries, being the companies that it controls. This control is normally evidenced when the Cairn India Group is able to govern a company’s financial and operating policies so as to benefit from its activities or where the Cairn India Group owns, either directly or indirectly, the majority of a company’s equity voting rights unless in exceptional circumstances it can be demonstrated that ownership does not constitute control.

All intercompany balances and transactions, including unrealised profits arising from intra-Group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(e) Joint Ventures

The Cairn India Group participates in several unincorporated Joint Ventures which involve the joint control of assets used in the Cairn India Group’s oil and gas exploration and producing activities. Cairn accounts for its share of assets, liabilities, income and expenditure of Joint Ventures in which

the Cairn India Group holds an interest, classified in the appropriate Balance Sheet and Income Statement headings. Cairn India's principal licence interests are jointly controlled assets.

Cairn India's principal licence interests are as follows:

	<u>Working Interest %</u>
<i>India</i>	
Block PKGM-1 (Ravva)	22.50
Block KG-DWN-98/2	10.00
Block KG-ONN-2003/1	49.00
Block CB/OS-2 Development areas	40.00
Block RJ-ON-90/1 Development areas	70.00
Block KK-DWN-2004/1	40.00
Block PR-OSN-2004/1	35.00
Block KG-OSN-2009/3	100.00
Block MB-DWN-2009/1	100.00
<i>Sri Lanka</i>	
SL-2007-01-001	100.00

(f) Revenue and other income

Revenue from operating activities

Revenue represents Cairn's share of oil, gas and condensate production, recognised on a direct entitlement basis, and tariff income received for third party use of operating facilities and pipelines in accordance with agreements.

Other income

Income received as operator from Joint Ventures is recognised on an accruals basis in accordance with Joint Venture agreements and is included within 'Other operating income' in the Income Statement. Interest income is recognised on an accruals basis and is recognised within 'Finance income' in the Income Statement.

(g) Intangible exploration / appraisal assets and property, plant & equipment—development/producing assets

Cairn follows a successful efforts based accounting policy for oil and gas assets.

Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Income Statement.

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence by licence basis. Costs are held, un-depleted, within intangible exploration/appraisal assets until such time as the exploration phase on the licence area is complete or commercial reserves have been discovered.

Exploration expenditure incurred in the process of determining oil and gas exploration targets is capitalised initially within intangible exploration/appraisal assets and subsequently allocated to drilling activities. Exploration/appraisal drilling costs are initially capitalised on a well-by-well basis until the success or otherwise of the well has been established. The success or failure of each exploration/appraisal effort is judged on a well-by-well basis. Drilling costs are written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial.

Following appraisal of successful exploration wells, if commercial reserves are established and technical feasibility for extraction demonstrated, then the related capitalised intangible exploration/appraisal costs are transferred into a single field cost centre within property, plant & equipment—development/producing assets after testing for impairment (see below). Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs are written off to the Income Statement.

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated are capitalised within property, plant & equipment—development/producing assets on a field-by-field basis. Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any remaining costs associated with the part replaced are expensed.

Net proceeds from any disposal of an intangible exploration/appraisal asset are initially credited against the previously capitalised costs. Any surplus proceeds are credited to the Income Statement. Net proceeds from any disposal of development/producing assets are credited against the previously capitalised cost. A gain or loss on disposal of a development/producing asset is recognised in the Income Statement to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

Depletion

Cairn depletes separately, where applicable, any significant components within property, plant & equipment—development/producing assets, such as fields, processing facilities and pipelines, which are significant in relation to the total cost of a development/producing asset.

Cairn depletes expenditure on property, plant & equipment—development/producing assets on a unit-of-production basis, based on proved and probable reserves on a field-by-field basis. In certain circumstances, fields within a single development area may be combined for depletion purposes.

Impairment

Intangible exploration/appraisal assets are reviewed regularly for indicators of impairment following the guidance in IFRS 6 ‘Exploration for and Evaluation of Mineral Resources’ and tested for impairment where such indicators exist. In such circumstances the exploration/appraisal asset is allocated to property, plant & equipment—development/producing assets within the same operating segment and tested for impairment. Any impairment arising is recognised in the Income Statement for the period. Where there are no development/producing assets within an operating segment, the exploration/appraisal costs are charged immediately to the Income Statement.

Impairment reviews on property, plant & equipment—development/producing assets are carried out on each cash-generating unit identified in accordance with IAS 36 ‘Impairment of Assets’. Cairn’s cash generating units are those assets which generate largely independent cash flows and are normally, but not always, single development areas.

At each reporting date, where there are indicators of impairment, the net book value of the cash generating unit is compared with the associated expected discounted future net cash flows. If the net book value is higher, then the difference is written off to the Income Statement as impairment. Discounted future net cash flows for IAS 36 purposes are calculated using an estimated short and long term oil price of \$85/bbl or the appropriate gas price as dictated by the relevant gas sales contract, escalation for prices and costs of 3%, and a discount rate of 12%. Forecast production profiles are determined on an asset-by-asset basis, using appropriate petroleum engineering techniques.

Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

(h) Property, plant & equipment—other

The initial cost of property, plant & equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing an asset to working condition and location for its intended use, including relevant borrowing costs and any expected costs of decommissioning. Expenditure incurred after the property, plant & equipment have been put into operation, such as repairs and maintenance, are normally charged to the income statement in the period in which the costs are incurred. Major shut-down and overhaul expenditure is capitalised.

Property, plant & equipment are stated at cost less accumulated depreciation and any provision for impairment. Depreciation commences when the assets are ready for their intended use. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

	<u>Annual Rate (%)</u>	<u>Depreciation Method</u>
Tenants' improvements	10 - 33*	straight line
Vehicles and equipment	25 - 50*	straight line

* Depreciation is charged over the shorter of the economic life or the remaining term of the lease.

(i) Intangible assets—other

Intangible assets have finite useful lives, are measured at cost less accumulated amortisation and impairment, and amortised over their expected useful economic lives as follows:

	<u>Annual Rate (%)</u>	<u>Amortisation Method</u>
Software costs	25 - 50	straight line

(j) Inventory

Inventories are stated at the lower of cost and net realisable value, less any provision for obsolescence.

Net realisable value is determined based on estimated selling price, less further costs expected to be incurred to completion and disposal.

(k) Financial instruments

Financial asset investments

Financial asset investments are classified as available for sale under IAS 39 and are initially recorded at cost and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses on financial asset investments are recognised directly in equity. On disposal or impairment of the investments, the gains and losses in equity are recycled to the income statement.

Investments in unquoted equity instruments that do not have a market price and whose fair value cannot be reliably measured are measured at cost.

Equity investments are recorded in non-current assets unless they are expected to be sold within one year.

Liquid investments

Liquid investments represent short term current asset investments that do not meet the definition of cash and cash equivalents for one or more of the following reasons:

- They have a maturity profile greater than 90 days; and/or
- They may be subject to a greater risk of changes in value than cash; and/or
- They are held for investment purposes.

The change in fair value of trading investments incorporates any dividend and interest earned on the held for trading investments.

Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. An allowance for impairment for trade receivables is made where there is an event, which based on previous experience, is an indication of a reduction in the recoverability of the carrying value of the trade receivables.

Trade payables

Trade payables are stated at their nominal value.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, short-term deposits with banks and short-term highly liquid investments that are readily convertible into cash which are subject to insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments.

Loans and borrowings

Interest bearing loans and overdrafts are recorded at the proceeds received. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis and charged to the income statement using the effective interest method. They are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Borrowing costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time that the assets are substantially ready for their intended use i.e. when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available out of money borrowed specifically to finance a project, the income generated from such short term investments is also capitalised to reduce the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Cairn India Group during the period.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Finance leases

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Income Statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

The Group has reviewed the terms and conditions of the lease arrangements and determined that all risks and rewards of ownership lie with the Group and has therefore accounted for the contracts as finance leases.

Derivative financial instruments

In order to hedge its exposure to foreign exchange, interest rate and commodity price risks, the Group enters into forward, option, swap contracts and other derivative financial instruments. The Cairn India Group does not hold derivative financial instruments for speculative purposes.

Derivative financial instruments are initially recorded at their fair value on the date of the derivative transaction and are re-measured at their fair value at subsequent balance sheet dates.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement. The hedged item is recorded at fair value and any gain or loss is recorded in the income statement and is offset by the gain or loss from the change in the fair value of the derivative.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recorded in equity. This includes certain non-derivative liabilities that are designated as instruments used to hedge the foreign currency risk on future, highly probable, forecast sales. Amounts deferred to

equity are recycled in the income statement in the periods when the hedged item is recognised in the income statement.

Derivative financial instruments that do not qualify for hedge accounting are marked to market at the balance sheet date and gains or losses are recognised in the income statement immediately.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

(l) Equity

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(m) Taxation

Tax expense represents the sum of tax currently payable and deferred tax.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is provided, using the balance sheet method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Exceptions to this principle are:

- Tax payable on the future remittance of the past earnings of subsidiaries, associates and joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future;
- Deferred income tax is not recognised on goodwill impairment which is not deductible for tax purposes or on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- Deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant Cairn India Group entity intends to settle its current tax assets and liabilities on a net basis.

(n) Decommissioning and other provisions

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production from a producing field. Costs arising from the installation of plant and other site preparation work, discounted to net present value, are provided for and a corresponding amount is capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to the income statement over the life of the operation through the depreciation of the asset, calculated on a unit-of-production basis based on

proved and probable reserves, is included in the 'Depletion and decommissioning charge' in the Income Statement, and the unwinding of the discount on the provision. The cost estimates are reviewed periodically and are adjusted to reflect known developments which may have an impact on the cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, new disturbance and revisions to discount rates. The adjusted cost of the asset is depreciated prospectively over the lives of the assets to which they relate. The unwinding of the discount is shown as a finance cost in the income statement.

Costs for restoration of subsequent site damage which is caused on an ongoing basis during production are provided for at their net present values and charged to the income statement as extraction progresses. Where the costs of site restoration are not anticipated to be significant, they are expensed as incurred.

Other provisions are recognised when the Cairn India Group has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle such an obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows to net present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Unwinding of the discount is recognised in the income statement as a finance cost. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

(o) Foreign currencies

The functional currency for each entity in the Cairn India Group is determined as the currency of the primary economic environment in which it operates. The functional currency of Cairn India Limited is India Rupee. For all other principal operating subsidiaries, the functional currency is US dollars, since that is the currency of the primary economic environment in which it operates. In the financial statements of individual Cairn India Group companies, transactions in currencies other than the functional currency are translated into the functional currency at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in other currencies are translated into functional currency at exchange rates prevailing on the balance sheet date. All exchange differences are included in the income statement, except, where the monetary item is designated as an effective hedging instrument of the currency risk of designated forecast sales, where exchange differences are recognised in equity exchange differences on foreign currency borrowings relating to assets under construction, for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purposes of consolidation, the income statement items of those entities for which the US dollar is not the functional currency are translated into US dollars at the average rates of exchange during the period. The related balance sheets are translated at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of such operations, and on foreign currency borrowings to the extent that they hedge the Cairn India Group's investment in such operations, are reported in other comprehensive inward and accumulated in equity.

On disposal of a foreign entity, the deferred cumulative exchange differences recognised in equity relating to that particular foreign operation would be recognised in the income statement.

Rates of exchange to \$1 were as follows:

	30 June 2011	Average six months to 30 June 2011	30 June 2010	Average six months to 30 June 2010	31 December 2010	Average year to 31 December 2010	31 December 2009	Average year to 31 December 2009
Indian Rupee	44.700	44.955	46.445	45.730	44.712	45.662	46.410	48.265

(p) Employee benefits

Pension schemes

The Cairn India Group operates or participates in a number of insured benefit and defined contribution pension schemes, the assets of which are (where funded) held in separately administered

funds. The cost of providing benefits under the plans is determined each period separately for each plan using the projected unit credit method by independent qualified actuaries.

Actuarial gains and losses arising in the period are recognised in full in the income statement of the period. For defined contribution schemes, the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the period.

Share schemes

Certain employees (including executive directors) of the Cairn India Group receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards with market-related vesting conditions are determined by an external valuer and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the Cairn India Group's estimate of shares that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date at which point the estimate is adjusted to reflect the current expectations. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

Termination benefits

Cairn recognises a liability for termination benefits at the point where the Cairn India Group is committed to making the payments in return for employee redundancy.

(q) Operating lease commitments

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

(r) Exceptional items

Exceptional items are those items that management considers, by virtue of their size or incidence, should be disclosed separately to ensure that the financial information allows an understanding of the underlying performance of the business. The determination as to which items should be disclosed separately requires a degree of judgement.

(s) Significant accounting judgements, estimates and assumptions

Judgements

In the process of applying Cairn's accounting policies, the Cairn India Group has made the following judgements, which have the most significant accounting impact in the consolidated financial results:

Ravva arbitration provision

Cairn have fully provided for revenues withheld by buyers in relation to the disputed share of Ravva profit petroleum due to GoI. Cairn are taking all legal routes open to defend the Cairn India Group's position and to recover the revenues which Cairn believe have been wrongfully withheld. Success through any of these routes should result in a return of cash to the group and the release of the provision.

Key estimations and assumptions

The Cairn India Group has used estimates and assumptions in arriving at certain figures within the financial statements. The resulting accounting estimates may not equate with the actual results which will only be known in time. Those areas believed to be key areas of estimation are noted below, with further details of the assumptions contained in the relevant note.

Oil and gas reserves

Cairn estimates oil and gas reserves on a proved and probable entitlement interest basis. Gross reserve estimates are based on forecast production profiles over the remaining life of the field, determined on an asset-by-asset basis, using appropriate petroleum engineering techniques. Net entitlement reserves estimates are subsequently calculated using the Cairn India Group's current oil price and cost recovery assumptions.

Impairment testing

Discounted future net cash flows for IAS 36 purposes are calculated using commodity price, cost and discount rate assumptions on forecast production profiles. See notes 1(d), 1(g) and 1(k) for further details.

Depletion

Depletion charges are calculated on a field-by-field basis using oil and gas reserve estimates and future capital cost assumptions. See note 1(g).

Decommissioning estimates

The Cairn India Group's provision for decommissioning oil and gas assets is based on current estimates of the costs for removing and decommissioning producing facilities, the forecast timing of settlement of decommissioning liabilities and the appropriate discount rate. See note 21.

Share-based payments

Charges for share-based payments are based on the fair value at the date of the award. The shares are valued using appropriate modelling techniques and inputs to the models include assumptions on lever rates, trigger points, discounts rates and volatility. See note 5.

Deferred tax

For certain of the Cairn India Group's Indian assets, the measurement of deferred tax liabilities requires the estimation of an effective rate of tax to apply over a tax holiday period. This effective rate is determined by the extent to which temporary differences are forecast to unwind during the tax holiday period and requires an estimation of future depletion charges expected to apply to the relevant assets based on current oil and gas reserve estimates. Details on further estimates and assumptions used in calculating deferred tax liabilities are given in note 1(m).

(t) Segmental analysis

For management purposes the Cairn India Group is organised as one business unit which includes the exploration, development and production of oil and gas. No operating segments have been aggregated to form this reportable segment. Management monitors the results of the business unit at the business unit level for the purposes of making decisions about resource management and performance assessment.

2. REVENUE AND OTHER INCOME

	For the six months ended 30 June		For the year ended 31 December	
	2011	2010	2010	2009
			(US\$ million)	
Revenue from sale of oil, gas and condensate	1,335.8	327.7	1,592.8	219.8
Tariff income	0.5	0.8	1.4	0.9
	1,336.3	328.5	1,594.2	220.7
Exceptional revenue provision	64.0	—	—	(64.0)
Revenue from operating activities	1,400.3	328.5	1,594.2	156.7
Interest receivable (note 6)	24.9	11.0	24.3	42.6
Other operating income—Joint Venture operator fee income	5.1	6.5	11.0	11.7
Total income	1,430.3	346.0	1,629.5	211.0

The conditions for approval of the sale of CIL to Vedanta offered by GoI included the acceptance of Royalty payable by ONGC being allowable for cost recovery in respect of the Rajasthan block RJ-ON-90/1. Based on the PSC provisions and legal advice received, Cairn Energy has been consistently of the view that Royalty is not a contract cost and therefore should not be allowable for cost recovery. While Cairn Energy continued to be of the view that ONGC's and GoI's position on Royalty is without merit, Cairn Energy also believed that these issues slowed the momentum in some of the Rajasthan block developments. Without the active support of GoI and ONGC, it will not be possible for Cairn India to achieve the full potential of the resource base in this block. Therefore both Cairn Energy and Vedanta agreed to accept the GoI conditions, through a shareholders ballot, and Cairn India has recalculated its production entitlement interest based on Royalty paid by ONGC being allowed for cost recovery. Given uncertainty over the timing of payment to ONGC, Cairn India has recognised a provision of \$326.0m in respect of revenues now attributable to ONGC.

In the six month period ended 30 June 2011, there were 3 customers who each accounted for more than 10% of revenue from sale of oil, gas and condensate. Revenues attributable to these customers were \$737.8m, \$342.0m and \$205.8m.

In the six month period ended 30 June 2010, there were 4 customers who each accounted for more than 10% of revenue from sale of oil, gas and condensate. Revenues attributable to these customers were \$165.8m, \$48.1m, \$46.9m and \$41.5m.

In the year ended 31 December 2010, there were two customers who each accounted for more than 10% of revenue from sale of oil, gas and condensate. Revenues attributable to these customers were \$853.5m and \$351.0m.

In the year ended 31 December 2009, there were four customers who each accounted for more than 10% of revenue from sale of oil, gas and condensate. Revenues attributable to these customers were \$71.3m, \$56.2m, 36.6m and \$23.3m.

All revenues are generated from oil and gas interests based in India.

3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:

	For the six months ended 30 June		For the year ended 31 December	
	2011	2010	2010	2009
	(US\$ million)			
Pre-award costs	2.7	0.8	1.9	4.7
Unsuccessful exploration costs	3.6	14.7	23.1	50.2
Movement in inventory of oil and condensate and spare parts	(4.1)	21.7	18.0	9.6
Depletion & decommissioning charge of property, plant & equipment—development/producing assets	235.8	73.5	351.9	56.0
Depreciation of property, plant & equipment—other	1.9	1.6	3.4	3.4
Amortisation of intangible assets—other	1.6	1.9	3.7	3.4
Operating lease costs—land and buildings	0.2	0.1	0.4	0.3

All profits and losses in the current and preceding periods were derived from continuing operations

4. EXCEPTIONAL ITEMS

	For the six months ended 30 June		For the year ended 31 December	
	2011	2010	2010	2009
	(US\$ million)			
Revenue	64.0	—	—	(64.0)
Finance costs	31.6	—	—	(31.6)
Taxation	(40.4)	—	—	40.4
	55.2	—	—	(55.2)

Ravva arbitration

The calculation of the GoI's share of petroleum produced from the Ravva field has been the subject of differing interpretations for some years and an arbitration to settle the matter was launched in 2003. The biggest single issue, the treatment of an item known as the ONGC carry, was found in Cairn's favour by the arbitration panel in 2004. This was subsequently appealed by the GoI, following which it had been disclosed as a contingent liability in the notes to the financial statements. Cairn India's share of this liability was \$64.0m principal, plus interest of \$31.6m.

Following the procedure laid out in the Ravva Production Sharing Contract (PSC), the GoI's appeal was made to the Malaysian courts and in January 2009 they decided to set aside the arbitration award made in favour of Cairn India. Although not the final step in the legal process, the GoI then instructed the buyers of the Ravva crude not to pass over the revenues to Cairn until such time as they believed that the liability had been settled in full.

A further judgement was delivered by the Malaysian Court of Appeal in September 2009 which reversed the Malaysian Court's January 2009 ruling and had the effect of re-instating the original award in favour of Cairn India. Despite the September judgement re-instating the original arbitration award, the GoI continued to prevent the buyers passing revenues to Cairn throughout the remainder of the year.

Consequently, on a conservative basis, Cairn provided for the full \$95.6m liability as an exceptional item. The disputed share of profit petroleum of \$64.0m was charged against revenue and the potential interest charge of \$31.6m was recognised as a finance cost. An associated deferred tax credit of \$40.4m was also been recognised, making a net impact on profit after tax of \$55.2m. Payments withheld by the buyers of Ravva crude on the instruction of GoI have been offset against current profit petroleum payments due to GoI with the remaining excess offset against the provision, see note 21.

The GoI's final appeal to the Malaysian Supreme Court was heard in January 2011. On 11 October 2011 the Supreme Court's decision was delivered in favour of Cairn India, dismissing the GoI appeal.

With the final appeal dismissed and all withheld sums having been recovered, the provision has therefore been released in full.

5. STAFF COSTS

	For the six months ended 30 June		For the year ended 31 December	
	2011	2010	2010	2009
	(US\$ million)			
Wages and salaries	55.1	45.4	92.5	84.9
Pension costs	3.0	3.5	6.6	6.2
Share-based payments charge	7.4	8.9	19.9	16.6
	<u>65.5</u>	<u>57.8</u>	<u>119.0</u>	<u>107.7</u>

Staff costs are shown gross before amounts recharged to Joint Ventures and include the costs of share-based payments. The share-based payments charge includes amounts in respect of both equity and cash-settled phantom options and associated National Insurance Contributions.

Pension costs comprise \$0.1m (30 June 2010: \$0.7m, 31 December 2010: \$1.0m, 31 December 2009: \$1.1m) in respect of defined benefits schemes and \$2.9m (30 June 2010: \$2.8m, 31 December 2010: \$5.6m, 31 December 2009: \$5.1m) in respect of defined contributions schemes.

The average number of full time equivalent employees, including executive directors and individuals employed by the Group working on Joint Venture operations, was:

	For the six months ended 30 June		For the year ended 31 December	
	2011	2010	2010	2009
Number of employees—India	1,118	1,053	1,079	857

Cairn Energy PLC Group Share Options

The ultimate parent company of the Group operates a number of share-based schemes in respect of shares in Cairn Energy PLC for the benefit of its employees as outlined below.

During 2009 each Cairn Energy ordinary share of 6²/₁₃ pence was sub-divided into 10 new ordinary shares of ⁸/₁₃ pence each. Outstanding share options were revised by increasing the option or award by a factor of 10 and reducing the exercise price by a factor of 10. The undernoted details of share options have been restated as if this sub-division had been in place throughout 2009.

Pre-2006 Plans and 2009 Plan

Under the 2002 Unapproved Share Option Plan (the '2002 Plan'), at 1 January 2011, certain executive directors and employees had been granted options to subscribe for ordinary shares which are exercisable between 2006 and 2016, at prices between £0.3055 and £2.153. At 30 June 2011, there were 1,256,790 outstanding (31 December 2010: 1,668,720 options outstanding, 31 December 2009: 3,332,090 options outstanding) with a weighted average remaining contractual life of 4.44 years (31 December 2010: 5.02 years, 31 December 2009: 6.09 years) (options exercised in six months to 30 June 2011: 411,930, year to 31 December 2010: 1,663,370, year to 31 December 2009: 885,730).

The options outstanding at the end of the period under the 2002 Plan can be broken down into the following weighted average exercise price (WAEP) variants:

Exercisable between	WAEP (£)	As at 30 June	As at 31 December	
		2011	2010	2009
		Number	Number	Number
2006 - 2013	0.3055	20,000	20,000	120,000
2007 - 2014	0.8735	120,740	129,740	129,740
2008 - 2015	1.152	313,000	374,000	575,500
2009 - 2016	2.153	803,050	1,144,980	2,506,850
		<u>1,256,790</u>	<u>1,668,720</u>	<u>3,332,090</u>

The above share option schemes are subject to performance conditions on exercise. The option holder may exercise 50% of their options if the average annual compound growth in the total shareholder return of Cairn Energy PLC has been 5%. If the growth has been in excess of 10% the option holder may exercise all of their options, with a sliding scale of percentage, between 50% to 100% exercisable if the growth is between 5% and 10%.

The following tables detail the number and WAEP of share options for the Cairn Energy PLC share option schemes in which employees of the Group have an interest at the Balance Sheet date:

	2002 Plan	
	<u>Number</u>	<u>WAEP (£)</u>
Outstanding at 1 January 2011	1,668,720	1.807
Exercised during six months to 30 June 2011	<u>(411,930)</u>	<u>1.977</u>
Outstanding at the end of the period	<u>1,256,790</u>	<u>1.751</u>
Exercisable at the end of the period	1,256,790	

No options were granted in the six months to 30 June 2011.

The following table details the number and WAEP of share options for the various Cairn Energy PLC share option schemes in which employees of the Group have an interest as at 31 December 2010:

	2002 Plan	
	<u>Number</u>	<u>WAEP (£)</u>
Outstanding at 1 January 2010	3,332,090	1.864
Exercised during 2010	<u>(1,663,370)</u>	<u>1.921</u>
Outstanding at the end of the year	<u>1,668,720</u>	<u>1.807</u>
Exercisable at the end of the year	1,668,720	

No options were granted in 2010.

The following table details the number and WAEP of share options for the various Cairn Energy PLC share option schemes in which employees of the Group have an interest as at 31 December 2009:

	2002 Plan	
	<u>Number</u>	<u>WAEP (£)</u>
Outstanding at 1 January 2009	4,344,970	1.887
Granted during 2009	—	—
Lapsed during 2009	<u>(127,150)</u>	<u>2.082</u>
Exercised during 2009	<u>(885,730)</u>	<u>1.946</u>
Outstanding at the end of the year	<u>3,332,090</u>	<u>1.864</u>
Exercisable at the end of the year	3,332,090	

There were no options granted in 2009.

Cairn Energy PLC share options were exercised on a regular basis throughout the period. The weighted average share price during the six months ended 30 June 2011 was £4.343 (year to 31 December 2010: £4.073, year to 31 December 2009: £2.418).

The Cairn Energy PLC share options have been valued using a binomial model. The main inputs to the model include the number of options, share price, leaver rate, trigger points, discount rate and volatility.

- Leaver rate assumptions are based on past history of employees leaving the Company prior to options vesting and are revised to equal the number of options that ultimately vest.
- Trigger points are the profit points at which the relevant percentage of employees are assumed to exercise their options.
- The risk-free rate is based on the yield on a zero coupon Government bond with a term equal to the expected term on the option being valued.

- Volatility was determined as the annualised standard deviation of the continuously compounded rates of return on the shares of a peer group of similar companies selected from the FTSE, over a ten year period to the date of award.

	<u>2002 Plan</u>
Vesting	85.74% - 89.48%
Trigger points	25% profit - 15%
	50% profit - 25%
	75% profit - 25%
	100% profit - 15%
	125% profit - 10%
	No trigger - 10%
Risk-free rate	4.0% - 4.8%
Volatility	40.24%

Cairn India Limited Share Options

The Group operates a number of share-based schemes in respect of shares in Cairn India Limited for the benefit of its employees. These are outlined below.

Cairn India Senior Management Plan

The Cairn India Senior Management Plan ('CISMP') was adopted by the company in November 2006. This is a discretionary arrangement that allowed the company to grant pre IPO options over its shares to a limited number of its key senior management team. Following the completion of Cairn India's floatation, no further options will be granted pursuant to this arrangement.

The vesting conditions for the outstanding options which have been granted under the CISMP are the achievement of certain Rajasthan production levels. Option exercises will be settled by an allotment of shares in Cairn India Limited to the relevant individual.

The options granted under the CISMP are exercisable at Rs.33.70. At 30 June 2011, there were 2,238,078 options outstanding (31 December 2010 and 31 December 2009: 2,238,078 options outstanding) with a weighted average remaining contractual life of 1.26 years (31 December 2010: 1.75 years, 31 December 2009: 2.75 years).

The following table details the number and WAEP of share options for the CISMP:

	WAEP (Rs.)	<u>As at 30 June</u>	<u>As at 31 December</u>	
		<u>2011</u>	<u>2010</u>	<u>2009</u>
		<u>Number</u>	<u>Number</u>	<u>Number</u>
Outstanding at the beginning of the period . . .	33.70	2,238,078	2,238,078	2,238,078
Outstanding at the end of the period	<u>33.70</u>	<u>2,238,078</u>	<u>2,238,078</u>	<u>2,238,078</u>
Exercisable at the end of the period	—	—	—	—
Weighted average remaining contractual life of outstanding options		1.26 years	1.75 years	2.75 years

The CISMP options have been valued using the Black Scholes model. The main inputs to the model include the number of options, share price, trigger points, discount rate, expected life of the options and volatility. Volatility was determined as the annualized standard deviation of the continuously compounded rates of return on the shares over a period of time.

The fair value of the options is based on an independent valuation using the following assumptions:

Vesting %	25% - 50%
Volatility	39.67% - 45.99%
Risk-free rate	6.82% - 7.46%

Cairn India Employee Stock Option Plan (2006)

The Cairn India Employee Stock Option Plan (2006)—(‘CIESOP’), which was adopted by Cairn India Limited in November 2006, is a discretionary arrangement that allows the company to grant options over its shares to selected employees and executive directors.

Under the plan, Cairn India will grant options equivalent to 88,265,718 equity shares (when aggregated with the number of options to be granted pursuant to the Cairn India Performance Option Plan (2006) (CIPOP) of the face value of Rs.10 each at an exercise price that will be determined by the Remuneration Committee, but not less than the fair market value of the equity shares on the date of grant to each of the eligible employees of Cairn India.

Options will generally vest on the third anniversary of grant, subject to the individuals remaining in employment. In accordance with generally prevailing practice in India, the ability to exercise these options will not be subject to the satisfaction of any additional performance conditions. Option exercises will be settled by an allotment of shares to the relevant individual.

During 2010 certain options were converted to the CIESOP phantom option plan on identical terms to their grant under the CIESOP plan.

The following table details the number and WAEP of share options issued under the CIESOP at the Balance Sheet date:

	<u>Number</u>	<u>WAEP (Rs.)</u>
Outstanding at the beginning of the period	14,045,944	241.09
Lapsed during the period	(780,005)	259.37
Exercised during the period	(1,225,525)	165.35
Outstanding at the end of the period	<u>12,040,414</u>	<u>247.62</u>
Exercisable at the end of the period	1,547,182	
Weighted average fair value of options granted in period	—	
Weighted average remaining contractual life of outstanding options	7.93 years	

The following table details the number and WAEP of share options issued under the CIESOP at 31 December 2010:

	<u>Number</u>	<u>WAEP (Rs.)</u>
Outstanding at the beginning of the year	14,932,933	205.82
Granted during the year	3,027,463	331.25
Lapsed during the year	(686,790)	233.78
Exercised during the year	(3,227,662)	164.05
Outstanding at the end of the year	<u>14,045,944</u>	<u>241.09</u>
Exercisable at the end of the year	2,772,707	
Weighted average fair value of options granted in year	Rs. 141.56	
Weighted average remaining contractual life of outstanding options	8.28 years	

The following table details the number and WAEP of share options issued under the CIESOP at 31 December 2009:

	<u>Number</u>	<u>WAEP (Rs.)</u>
Outstanding at the beginning of the year	11,139,570	185.31
Granted during the year	5,405,144	240.05
Lapsed during the year	(886,282)	190.12
Converted to phantom options during the year	(725,500)	165.06
Outstanding at the end of the year	<u>14,932,932</u>	<u>205.82</u>
Exercisable at the end of the year	—	
Weighted average fair value of options granted in year	Rs. 122.24	
Weighted average remaining contractual life of outstanding options	6.09 years	

The CIESOP options have been valued using the Black Scholes model. The main inputs to the model are as per the CISMP above.

The fair value of the options is based on an independent valuation using the following assumptions:

Vesting %	100%
Volatility	36.4% - 53.73%
Risk-free rate	6.91% - 9.2%

CIESOP share options were exercised on a regular basis throughout the year. The weighted average share price during the six months to 30 June 2011 was Rs. 337.25 (year ended 31 December 2010: Rs. 309.48, year ended 31 December 2009: not applicable as no exercises took place during 2009).

Cairn India Performance Option Plan (2006)

The Cairn India Performance Option Plan ('CIPOP') was adopted by Cairn India in November 2006, and is a discretionary arrangement that allows the company to grant options over its shares to selected employees and executive directors.

Under the plan, Cairn India will grant options equivalent to 88,265,718 equity shares (when aggregated with the number of options to be granted pursuant to the CIESOP) of the face value of Rs.10 each at an exercise price of Rs.10 each to each of the eligible employees of the Cairn India.

The vesting of these options will generally be dependent on both continued employment and the extent to which predetermined performance conditions are met over a specified period of at least three years. Initially, the performance condition attached to options granted pursuant to the CIPOP will be based on the total shareholder return (TSR) of Cairn India compared to the TSR of a group of exploration, production and integrated oil companies.

During 2010 certain options were converted to the CIPOP phantom option plan on identical terms to their grant under the CIPOP plan.

The following table details the number and WAEP of share options issued under the CIPOP at the Balance Sheet date:

	<u>Number</u>	<u>WAEP (Rs.)</u>
Outstanding at the beginning of the period	2,439,652	10.00
Lapsed during the period	(91,394)	10.00
Exercised during the period	(272,098)	10.00
Outstanding at the end of the period	<u>2,076,160</u>	<u>10.00</u>
Exercisable at the end of the period	—	
Weighted average fair value of options granted in period	—	
Weighted average remaining contractual life of outstanding options	1.26 years	

The following table details the number and WAEP of share options issued under the CIPOP at 31 December 2010:

	<u>Number</u>	<u>WAEP (Rs.)</u>
Outstanding at the beginning of the year	2,817,814	10.00
Granted during the year	584,144	10.00
Lapsed during the year	(121,378)	10.00
Exercised during the year	(840,928)	10.00
Outstanding at the end of the year	<u>2,439,652</u>	<u>10.00</u>
Exercisable at the end of the year	—	
Weighted average fair value of options granted in year	Rs. 323.39	
Weighted average remaining contractual life of outstanding options	1.57 years	

The following table details the number and WAEP of share options issued under the CIPOP at 31 December 2009:

	<u>Number</u>	<u>WAEP (Rs.)</u>
Outstanding at the beginning of the year	3,443,947	10.00
Granted during the year	994,768	10.00
Lapsed during the year	(703,947)	10.00
Converted to phantom options during the year	<u>(916,954)</u>	<u>10.00</u>
Outstanding at the end of the year	<u>2,817,814</u>	<u>10.00</u>
Exercisable at the end of the year	—	
Weighted average fair value of options granted in year	Rs. 226.4	
Weighted average remaining contractual life of outstanding options	1.73 years	

The CIPOP options have been valued using the Black Scholes model. The main inputs to the model are as per the CISM above.

The fair value of the options is based on an independent valuation using the following assumptions:

Vesting %	100%
Volatility	37.49% - 53.73%
Risk-free rate	5.78% - 9.37%

CIPOP share options were exercised on a regular basis throughout the year. The weighted average share price during the six months to 30 June 2011 was Rs. 337.25 (year ended 31 December 2010: Rs. 309.48, year ended 31 December 2009: not applicable as no exercises took place during 2009).

Cairn India Employee Share Related Bonuses

Cairn India granted benefits to certain employees whereby they receive a cash sum that is calculated by reference to the improvement in Cairn India share price.

The vesting of these cash-settled 'phantom options' will generally be dependent on both continued employment and the extent to which the predetermined performance conditions of the CIESOP and CIPOP are met over a specified period of three years.

During 2010 certain options were converted to the CIESOP and CIPOP phantom option plan on identical terms to their grant under the CIESOP and CIPOP plan.

The following table details the number and WAEP of cash-settled 'phantom options' at the Balance Sheet date:

	<u>CIESOP Phantom</u>		<u>CIPOP Phantom</u>	
	<u>Number</u>	<u>WAEP (Rs.)</u>	<u>Number</u>	<u>WAEP (Rs.)</u>
Outstanding at the beginning of the period	453,898	252.79	1,517,581	10.00
Lapsed during the period	(78,593)	253.37	—	10.00
Exercised during the period	<u>—</u>	<u>—</u>	<u>(263,547)</u>	<u>10.00</u>
Outstanding at the end of the period	<u>375,305</u>	<u>252.67</u>	<u>1,254,034</u>	<u>10.00</u>
Exercisable at the end of the period	—		—	
Weighted average fair value of options granted in period	—		—	
Weighted average remaining contractual life of outstanding options	0.87 years		1.11 years	

The following table details the number and WAEP of cash-settled 'phantom options' at 31 December 2010:

	CIESOP Phantom		CIPOP Phantom	
	Number	WAEP (Rs.)	Number	WAEP (Rs.)
Outstanding at the beginning of the year	1,233,499	189.87	2,422,962	10.00
Granted during the year	93,572	331.25	354,711	10.00
Lapsed during the year	(33,842)	143.62	(72,809)	10.00
Exercised during the year	(839,331)	173.46	(1,187,283)	10.00
Outstanding at the end of the year	453,898	252.79	1,517,581	10.00
Exercisable at the end of the year	—	—	—	—
Weighted average fair value of options granted in year	Rs. 124.37		Rs. 324.37	
Weighted average remaining contractual life of outstanding options	1.32 years		1.55 years	

The following table details the number and WAEP of cash-settled 'phantom options' at 31 December 2009:

	CIESOP Phantom		CIPOP Phantom	
	Number	WAEP (Rs.)	Number	WAEP (Rs.)
Outstanding at the beginning of the year	362,556	218.19	784,859	10.00
Granted during the year	211,362	240.05	1,060,472	10.00
Lapsed during the year	(65,919)	233.60	(339,323)	10.00
Converted from options during the year	725,500	165.06	916,954	10.00
Outstanding at the end of the year	1,233,499	189.87	2,422,962	10.00
Exercisable at the end of the year	—	—	—	—
Weighted average fair value of options granted in year	Rs. 130.17		Rs. 273.71	
Weighted average remaining contractual life of outstanding options	1.30 years		1.80 years	

The cash-settled phantom options have been valued using the Black Scholes model. The main inputs to the model are as per the CISM above.

The fair value of the options is based on an independent valuation using the following assumptions:

	CIESOP Phantom	CIPOP Phantom
Vesting %	100%	100%
Volatility	26.21% - 49.69%	26.21% - 49.69%
Risk-free rate	4.86% - 9.59%	4.86% - 9.59%

CIESOP and CIPOP Phantom options were exercised on a regular basis throughout 2010, and the CIPOP Phantom options were exercised on a regular basis throughout the first six months of 2011. The weighted average share price during the six months to 30 June 2011 was Rs. 337.25 (year ended 31 December 2010: Rs. 309.48, year ended 31 December 2009: not applicable as no exercises took place during 2009).

6. FINANCE INCOME

	For the six months ended 30 June		For the year ended 31 December	
	2011	2010	2010	2009
		(US\$ million)		
Bank interest	24.9	10.9	24.2	42.4
Other interest	—	0.1	0.1	0.2
	24.9	11.0	24.3	42.6

7. FINANCE COSTS

	For the six months ended 30 June		For the year ended 31 December	
	2011	2010	2010	2009
	(US\$ million)			
Bank loan and overdraft interest	18.0	25.9	68.4	25.3
Other finance charges	7.2	5.8	22.5	11.8
	25.2	31.7	90.9	37.1
Less: borrowing costs capitalised (note 11)	(6.0)	(19.5)	(28.5)	(35.1)
	19.2	12.2	62.4	2.0
Other finance costs:				
—unwinding of discount	4.0	0.9	2.6	1.7
—fair value movement on currency exchange options	1.3	2.0	2.0	3.7
Exchange loss	1.4	7.4	10.4	2.9
	25.9	22.5	77.4	10.3
Exceptional interest on Ravva arbitration (note 4)	(31.6)	—	—	31.6
	(5.7)	22.5	77.4	41.9

Under UK tax law, borrowing costs which are capitalised in the accounts will generally be deductible expenses for tax in the period in which they are capitalised. Under Indian tax law, capitalised costs must be apportioned between property, plant & equipment and intangible assets based on the nature of the assets which were funded by the borrowing. To the extent that the borrowing costs relate to property, plant & equipment, they will be deductible for tax according to the normal tax depreciation rules. Borrowing costs relating to intangibles will be a deductible expense, for Indian tax purposes, in the period in which they are capitalised.

8. TAXATION

(a) Analysis of tax (credit)/expense in period

	Notes	For the six months ended 30 June		For the year ended 31 December	
		2011	2010	2010	2009
		(US\$ million)			
Current tax:					
Indian Regular Tax on profits for the period at 42.23% (June 2010: 42.23%, December 2010: 42.23%, December 2009: 42.23%)		16.3	12.0	28.4	6.2
Indian Regular Tax on profits for the period at 33.22% (June 2010: 33.60%, December 2010: 33.47%, December 2009: 33.99%)		—	(1.2)	(1.3)	6.4
Indian Minimum Alternate Tax on profits for the period at 19.93% (June 2010: 17.43%, December 2010: 17.95%, 31 December 2009: 14.53%)		171.2	22.3	208.8	17.5
Overseas taxes		4.4	—	2.9	—
Adjustments in respect of prior periods		—	—	14.4	5.8
Withholding taxes deducted at source		—	—	0.1	—
Total current tax		191.9	33.1	253.3	35.9
Deferred tax:					
Temporary differences in respect of non-current assets		(188.9)	24.3	(73.6)	(101.5)
Other temporary differences		—	(26.3)	(85.6)	(4.5)
		(188.9)	(2.0)	(159.2)	(106.0)
Exceptional deferred tax					
Temporary differences in respect of Ravva arbitration		40.4	—	—	(40.4)
		40.4	—	—	(40.4)
Total deferred tax	18	(148.5)	(2.0)	(159.2)	(146.4)
Tax (credit)/expense on profit/(loss)		43.4	31.1	94.1	(110.5)

(b) **Factors affecting tax (credit)/expense in period**

A reconciliation of income tax (credit)/expense applicable to profit/(loss) before income tax at the applicable tax rate to income tax expense at the Cairn India Group's effective income tax rate is as follows:

	For the six months ended 30 June		For the year ended 30 December	
	2011	2010	2010	2009
	(US\$ million)			
Profit/(loss) before taxation	966.3	137.3	855.8	(42.5)
Tax at the weighted average rate of corporation tax of 41.95% (June 2010: 42.97%, December 2010: 42.71%, December 2009: 43.82%)	405.4	59.0	365.5	(18.6)
Effects of:				
Minimum Alternate Tax payable	(67.7)	(0.3)	56.8	17.5
Adjustments in respect of prior periods—current tax	—	—	14.4	5.8
Temporary differences not recognised	4.0	12.3	7.0	57.4
Share-based payments	0.1	2.0	4.1	2.8
Indian tax holiday	(313.3)	(45.6)	(205.4)	(163.9)
Other non-deductible expenses and non-taxable income	7.1	1.1	0.9	(0.6)
Withholding tax	—	—	0.1	—
Foreign exchange movements	7.8	2.6	(17.4)	(10.9)
Brought forward losses utilised	—	—	(131.9)	—
Total tax (credit)/expense	43.4	31.1	94.1	(110.5)

The applicable tax rate was the weighted average rate for the period of the Indian, Netherlands, Australian, United Kingdom, Jersey, Sri Lankan, Singaporean and Mauritian tax rates. The weighted average rate is subject to fluctuations from year to year based on the level of profits and losses which arise to the Cairn India Group in each jurisdiction.

At 30 June 2011, the Cairn India Group had losses of approximately \$88.4m (30 June 2010: \$419.3m, 31 December 2010: \$117.3m, 31 December 2009: \$509.9m) available for offset against future trading profits chargeable to Indian Corporate Income Tax. Under Indian tax laws, losses may be carried forward for a period of up to eight years. As it is currently not expected that profits against which \$88.4m (30 June 2010: \$60.9m, 31 December 2010: \$72.9m, 31 December 2009 \$35.4m) of losses can be offset will arise in the foreseeable future, no deferred tax asset has been recognised. In prior periods, losses were not recognised for deferred tax purposes as it was not considered probable that they would be utilised against future trading profits chargeable to Indian tax because they would expire during the period of tax holiday in India (30 June 2010: \$358.4m, 31 December 2010: \$44.4m, 31 December 2009: \$474.5m).

At 30 June 2011, the Cairn India Group had no losses (30 June 2010: \$609.4m, 31 December 2010: \$178.6m, 31 December 2009: \$527.3m) available for offset against future trading profits chargeable to UK Corporation Tax. None of these trading losses were recognised for deferred tax in prior periods as it was not considered sufficiently probable that they would be used.

At 30 June 2011, the Cairn India Group had losses of approximately \$13.7m (30 June 2010: \$13.7m, 31 December 2010: \$13.7m, 31 December 2009: \$13.6m) available for offset against future trading profits chargeable to Netherlands Corporate Income Tax, but there are restrictions on the use of these losses. Cairn also had losses of approximately \$0.6m (30 June 2010: \$0.3m, 31 December 2010: \$0.6m, 31 December 2009: \$0.6m) available for offset against future profits chargeable to Australian Corporate Tax, but there are restrictions on the use of these losses. Under Australian tax law, losses may generally be carried forward indefinitely. No deferred tax asset has been recognised in respect of the Dutch or Australian losses, as there is no probability that they will be used.

Tax losses incurred in one jurisdiction cannot usually be offset against profits or gains arising in another jurisdiction.

9. EARNINGS PER ORDINARY SHARE

The earnings per ordinary share is calculated on a profit of \$922.9m (30 June 2010: \$106.2m, 31 December 2010: \$761.7m, 31 December 2009: \$68.0m) and on a weighted average of 1,901,707,253 ordinary shares (30 June 2010: 1,896,963,491, 31 December 2010: 1,897,538,765, 31 December 2009: 1,896,667,816).

The diluted earnings per ordinary share is calculated on the above profit and on 1,908,936,316 ordinary shares (30 June 2010: 1,905,373,545, 31 December 2010: 1,905,204,908, 31 December 2009: 1,900,717,328). The ordinary shares used in the diluted earnings per share calculation is the sum of the weighted average ordinary shares referred to above plus 7,229,063 (30 June 2010: 8,410,054, 31 December 2010: 7,666,143, 31 December 2009: 4,049,512) dilutive potential ordinary shares relating to share options.

10. INTANGIBLE EXPLORATION/APPRAISAL ASSETS

<u>Cost</u>	<u>US\$ million</u>
At 1 January 2009	370.6
Additions	40.3
Transfers to property, plant & equipment—development/producing assets	(19.0)
Unsuccessful exploration costs	(50.2)
Foreign exchange	<u>(1.1)</u>
At 1 January 2010	340.6
Additions	60.8
Unsuccessful exploration costs	(23.1)
Foreign exchange	<u>(1.8)</u>
At 1 January 2011	376.5
Additions	19.0
Unsuccessful exploration costs	<u>(3.6)</u>
At 30 June 2011	<u>391.9</u>
Net book value at 30 June 2011	391.9
Net book value at 31 December 2010	376.5
Net book value at 31 December 2009	340.6
Net book value at 1 January 2009	370.6

Exploration costs transferred to property, plant and equipment—development/producing assets (note 11) during 2009 of \$19.0m represent general exploration costs allocated to successful exploration activities in Rajasthan in accordance with the Cairn India Group's accounting policy.

At the period end, the Cairn India Group reviews intangible exploration/appraisal assets for indicators of impairment defined under IFRS 6. Where an indicator is identified, the asset is tested for impairment. No indicators of impairment have been identified at the Balance Sheet date or at the preceding period ends.

11. PROPERTY, PLANT & EQUIPMENT—DEVELOPMENT/PRODUCING ASSETS

	<u>US\$ million</u>
Cost	
At 1 January 2009	1,392.6
Additions	751.7
Transfers from property, plant & equipment—development/producing assets	<u>19.0</u>
At 1 January 2010	2,163.3
Additions	<u>716.6</u>
At 1 January 2011	2,879.9
Additions	<u>218.3</u>
At 30 June 2011	<u>3,098.2</u>
Depletion and decommissioning	
At 1 January 2009	275.8
Charge for the year	<u>56.0</u>
At 1 January 2010	331.8
Charge for the year	<u>351.9</u>
At 1 January 2011	683.7
Charge for the year	<u>235.8</u>
At 30 June 2011	<u>919.5</u>
Net book value at 30 June 2011	2,178.7
Net book value at 31 December 2010	2,196.2
Net book value at 31 December 2009	1,831.5
Net book value at 1 January 2009	1,116.8

Included within additions during the year is an amount of \$6.0m of directly attributable borrowing costs (31 December 2010: \$28.5m, 31 December 2009: \$35.1m).

The net book value at 30 June 2011 includes \$209.9m (31 December 2010: \$135.3m, 31 December 2009: \$584.2m) in respect of assets under construction which are not yet subject to depletion.

Exploration costs transferred from intangible exploration/appraisal assets (note 10) during 2009 of \$19.0m represent general exploration costs allocated to successful exploration activities in Rajasthan in accordance with the Cairn India Group's accounting policy.

At the period end the Cairn India Group reviewed the carrying value of cash generating units within property, plant & equipment—development/producing assets for indicators of impairment or reversal of prior year impairment. This review determined that no indicators existed. No indicators of impairment existed at 31 December 2010 or at 31 December 2009.

12. PROPERTY, PLANT & EQUIPMENT—OTHER

	<u>Land, buildings and tenants' Improvements</u>	<u>Vehicles and Equipment</u>	<u>Total</u>
	(US\$ million)		
Cost			
At 1 January 2009	11.0	5.9	16.9
Additions	0.3	1.3	1.6
Disposals	<u>(2.7)</u>	<u>(1.2)</u>	<u>(3.9)</u>
At 1 January 2010	8.6	6.0	14.6
Additions	—	2.9	2.9
Disposals	<u>—</u>	<u>(0.9)</u>	<u>(0.9)</u>
At 1 January 2011	8.6	8.0	16.6
Additions	0.5	0.9	1.4
Disposals	<u>—</u>	<u>(0.9)</u>	<u>(0.9)</u>
At 30 June 2011	<u>9.1</u>	<u>8.0</u>	<u>17.1</u>
Depreciation			
At 1 January 2009	5.8	3.3	9.1
Charge for the year	2.1	1.3	3.4
Disposals	<u>(2.7)</u>	<u>(1.1)</u>	<u>(3.8)</u>
At 1 January 2010	5.2	3.5	8.7
Charge for the year	1.8	1.6	3.4
Transfer between categories	<u>(0.9)</u>	0.9	—
Disposals	<u>—</u>	<u>(0.9)</u>	<u>(0.9)</u>
At 1 January 2011	6.1	5.1	11.2
Charge for the period	0.8	1.1	1.9
Disposals	<u>—</u>	<u>(0.9)</u>	<u>(0.9)</u>
At 30 June 2011	<u>6.9</u>	<u>5.3</u>	<u>12.2</u>
Net book value at 30 June 2011	2.2	2.7	4.9
Net book value at 31 December 2010	2.5	2.9	5.4
Net book value at 31 December 2009	3.4	2.5	5.9
Net book value at 1 January 2009	5.2	2.6	7.8

The net book value of assets held under finance leases or hire purchase contracts at 30 June 2011 was \$1.6m (31 December 2010: \$2.4m, 31 December 2009: \$4.0m). There were no additions during the period (31 December 2010: \$nil, 31 December 2009: \$1.8m) of property, plant & equipment—other held under finance leases or hire purchase contracts. Leased assets are pledged as security for the related finance lease or hire purchase liability.

13. INTANGIBLE ASSETS—OTHER

	<u>Software costs</u>	<u>Total</u>
	(US\$ million)	
Cost		
At 1 January 2009	12.8	12.8
Additions	3.0	3.0
Disposals	(1.5)	(1.5)
At 1 January 2010	14.3	14.3
Additions	4.0	4.0
Disposals	(2.0)	(2.0)
At 1 January 2011	16.3	16.3
Additions	1.5	1.5
Disposals	(0.5)	(0.5)
At 30 June 2011	<u>17.3</u>	<u>17.3</u>
Amortisation and impairment		
At 1 January 2009	8.8	8.8
Charge for the year	3.4	3.4
Disposals	(1.5)	(1.5)
At 1 January 2010	10.7	10.7
Charge for the year	3.7	3.7
Disposals	(1.7)	(1.7)
At 1 January 2011	12.7	12.7
Charge for the year	1.6	1.6
Disposals	(0.4)	(0.4)
At 30 June 2011	<u>13.9</u>	<u>13.9</u>
Net book value at 30 June 2011	3.4	3.4
Net book value at 31 December 2010	3.6	3.6
Net book value at 31 December 2009	3.6	3.6
Net book value at 1 January 2009	4.0	4.0

14. INVENTORY

	<u>As at 30 June</u>	<u>As at 31 December</u>	
	2011	2010	2009
	(US\$ million)		
Oil and condensate inventories	18.7	25.6	10.7
Spare parts inventories	5.9	3.1	—
	<u>24.6</u>	<u>28.7</u>	<u>10.7</u>

15. TRADE AND OTHER RECEIVABLES

	<u>As at 30 June</u>	<u>As at 31 December</u>	
	2011	2010	2009
	(US\$ million)		
Trade receivables	395.0	254.4	30.2
Other debtors	70.3	47.3	66.0
Joint Venture debtors	204.7	199.8	155.7
	<u>670.0</u>	<u>501.5</u>	<u>251.9</u>
Prepayments	42.6	2.9	18.9
	<u>712.6</u>	<u>504.4</u>	<u>270.8</u>

Due to the nature of the business, 8 (31 December 2010: 8, 31 December 2009: 6) customers account for 100% of trade receivables.

As at 30 June 2011, 31 December 2010 and 31 December 2009, the ageing analysis of trade and other receivables, excluding prepayments, is set out below:

	Total	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
	(US\$ million)					
30 June 2011						
Neither past due nor impaired	658.1	658.1	—	—	—	—
Past due but not impaired	11.9	11.9	—	—	—	—
Past due and impaired	120.0	23.5	—	—	12.9	83.6
Allowance for doubtful debts	(120.0)	(23.5)	—	—	(12.9)	(83.6)
As at 30 June 2011	670.0	670.0	—	—	—	—
31 December 2010						
Neither past due nor impaired	471.2	471.2	—	—	—	—
Past due but not impaired	30.3	26.3	0.6	0.6	1.2	1.6
Past due and impaired	83.7	—	—	2.5	—	81.2
Allowance for doubtful debts	(83.7)	—	—	(2.5)	—	(81.2)
As at 31 December 2010	501.5	497.5	0.6	0.6	1.2	1.6
31 December 2009						
Neither past due nor impaired	241.9	241.9	—	—	—	—
Past due but not impaired	10.0	8.4	—	—	—	1.6
Past due and impaired	79.6	—	—	6.4	2.1	71.1
Allowance for doubtful debts	(79.6)	—	—	(6.4)	(2.1)	(71.1)
As at 31 December 2009	251.9	250.3	—	—	—	1.6

The movement in allowance for doubtful debts individually or collectively impaired is set out below:

	Trade receivables	Other debtors	Joint Venture debtors	Total
	(US\$ million)			
As at 1 January 2009	0.2	12.2	60.9	73.3
Amounts written off during year*	—	(12.2)	—	(12.2)
(Decrease)/Increase in allowance capitalised in the Balance Sheet	(0.1)	—	18.6	18.5
As at 1 January 2010	0.1	—	79.5	79.6
(Decrease)/Increase in allowance capitalised in the Balance Sheet	(0.1)	—	4.2	4.1
As at 1 January 2011	—	—	83.7	83.7
Increase in allowance capitalised in the Balance Sheet	—	—	36.3	36.3
As at 30 June 2011	—	—	120.0	120.0

* The movements during the year relate to amounts with corresponding balances in trade receivables, deferred income or other creditors in the Balance Sheet and therefore do not affect the Income Statement.

In determining the recoverability of a trade or other receivable, the Cairn India Group carries out a risk analysis based on the type and age of the outstanding receivable.

Included in the allowance for doubtful debts are individually impaired Joint Venture debtors with a balance of \$120.0m (31 December 2010: \$83.7m, 31 December 2009: \$79.5m). These predominantly relate to outstanding Rajasthan cash calls which are currently being pursued by management.

16. NET FUNDS

	As at 30 June		As at 31 December	
	2011	2010	2010	2009
	(US\$ million)			
Bank deposits	953.6	0.1	452.6	267.4
Cash and cash equivalents	498.7	547.4	438.5	326.2
Loans and borrowings	(404.2)	(830.7)	(673.7)	(666.1)
Net cash/(debt)	<u>1,048.1</u>	<u>(283.2)</u>	<u>217.4</u>	<u>(72.5)</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods from overnight deposits to three months depending on the cash requirements of the Cairn India Group.

As at 30 June 2011 the Group had available \$629.5m of undrawn committed facilities, as disclosed in note 23, in respect of which all conditions precedent had been met.

17. TRADE AND OTHER PAYABLES

	As at 30 June	As at 31 December	
	2011	2010	2009
	(US\$ million)		
Trade payables	8.1	4.7	2.8
Amounts owed to parent and fellow subsidiaries	0.6	1.2	4.9
Other taxation and social security	0.5	8.4	0.6
Other creditors	84.4	70.3	32.4
Joint venture creditors	188.5	119.8	103.9
Accruals	23.0	27.2	11.4
Joint venture accruals	184.3	177.7	154.2
	<u>489.4</u>	<u>409.3</u>	<u>310.2</u>

18. DEFERRED TAXATION

	Assets	Liabilities (US\$ million)	Total
At 1 January 2009	—	(225.5)	(225.5)
Charge to Income Statement	—	146.4	146.4
At 1 January 2010	—	(79.1)	(79.1)
Credit to Income Statement	80.1	79.1	159.2
At 1 January 2011	80.1	—	80.1
Credit to Income Statement	148.5	—	148.5
At 30 June 2011	228.6	—	228.6
Deferred taxation—India			
Accelerated allowances	(105.4)	—	(105.4)
Other temporary differences	334.0	—	334.0
Total deferred taxation as at 30 June 2011	228.6	—	228.6
Deferred taxation—India			
Accelerated allowances	(60.1)	—	(60.1)
Other temporary differences	140.2	—	140.2
Total deferred taxation as at 31 December 2010	80.1	—	80.1
Deferred taxation—India			
Accelerated allowances	—	(133.7)	(133.7)
Other temporary differences	—	54.6	54.6
Total deferred taxation as at 31 December 2009	—	(79.1)	(79.1)

At the Balance Sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was \$830.8m (31 December 2010: \$525.5m, 31 December 2009: \$310.4m). No liability has been recognised in respect of these differences because Cairn is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At the Balance Sheet date, a deferred tax asset was not recognised in respect of Cairn India Group losses of \$102.7m (31 December 2010: \$265.8m, 31 December 2009: \$1,051.4m) where it is not probable that they can be utilised in future periods.

19. OBLIGATIONS UNDER FINANCE LEASES

The Cairn India Group has finance leases for various items of tenants' improvements and office equipment, all of which provide the specific entity which holds the lease with the option to purchase. Future finance lease commitments are as follows:

	Minimum lease payments			Present value of minimum lease payments		
	As at 30 June	As at 31 December		As at 30 June	As at 31 December	
	2011	2010	2009	2011	2010	2009
	(US\$ million)					
Amounts payable:						
Within one year	1.0	1.5	1.8	0.9	1.4	1.5
Between two and five years	0.2	0.6	2.2	0.2	0.6	2.0
	1.2	2.1	4.0	1.1	2.0	3.5
Less: future finance charges	(0.1)	(0.1)	(0.5)	—	—	—
Present value of lease obligations	1.1	2.0	3.5	1.1	2.0	3.5

The average lease term is between 3 and 6 years. For the six month period ended 30 June 2011, the average effective borrowing rate was 23.90% (year to 31 December 2010: 23.88%, year to 31 December 2009: 19.33%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The fair value of the Cairn India Group's lease obligations approximates their carrying amount. The Cairn India Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

20. LOANS AND BORROWINGS

	As at 30 June 2011	As at 31 December 2010	2009
	(US\$ million)		
Loans and borrowings	404.2	673.7	666.1

Details on the Cairn India Group's loan facilities can be found in note 23.

21. PROVISIONS

	Decommissioning	Other provisions	Ravva arbitration provision	Revenue Provision	Total
	(US\$ million)				
At 1 January 2009	23.7	3.0	—	—	26.7
Change in decommissioning estimate	1.6	—	—	—	1.6
Increase of provision	—	12.2	95.6	—	107.8
Provision utilised	—	(6.0)	(65.0)	—	(71.0)
Discount unwound in the year	1.7	—	—	—	1.7
At 1 January 2010	27.0	9.2	30.6	—	66.8
Change in decommissioning estimate	147.6	—	—	—	147.6
Increase of provision	—	0.8	28.2	—	29.0
Provision utilised	—	(3.2)	—	—	(3.2)
Discount unwound in the year	2.6	—	—	—	2.6
At 1 January 2011	177.2	6.8	58.8	—	242.8
Change in decommissioning estimate	(63.4)	—	—	—	(63.4)
Increase in provision	—	0.7	38.8	326.0	365.5
Provision utilised	—	(0.6)	—	—	(0.6)
Discount unwound in the period	5.0	—	—	—	5.0
Reversal of unused amounts	—	—	(97.6)	—	(97.6)
At 30 June 2011	118.8	6.9	—	326.0	451.7
At 30 June 2011					
Current	—	2.7	—	326.0	328.7
Non-current	118.8	4.2	—	—	123.0
	<u>118.8</u>	<u>6.9</u>	<u>—</u>	<u>326.0</u>	<u>451.7</u>
At 31 December 2010					
Current	—	3.3	58.8	—	62.1
Non-current	177.2	3.5	—	—	180.7
	<u>177.2</u>	<u>6.8</u>	<u>58.8</u>	<u>—</u>	<u>242.8</u>
At 31 December 2009					
Current	—	5.7	30.6	—	36.3
Non-current	27.0	3.5	—	—	30.5
	<u>27.0</u>	<u>9.2</u>	<u>30.6</u>	<u>—</u>	<u>66.8</u>

Decommissioning costs are expected to be incurred between 2017 and 2041 (31 December 2010: 2016 and 2041, 31 December 2009: 2015 and 2041). The provision has been estimated using existing

technology at current prices and discounted using a real discount rate of 7% p.a. (31 December 2010: 7%. 31 December 2009: 7%). An internal assessment of the estimated costs of decommissioning the Rajasthan producing facilities undertaken during 2010 led to an increase in the decommissioning estimate of \$147.6m. Further more detailed third party re-assessment was carried out during 2011, which reduced the estimate by \$63.4m

Other provisions include \$6.2m (31 December 2010: \$6.3m, 31 December 2009: \$8.8m) relating to phantom options awarded to certain employees in India.

A provision of \$95.6m regarding the Ravva arbitration proceedings was made during 2009. Payments were withheld during 2009 and 2010 by the buyers of Ravva crude on the instruction of GoI. These were recovered against current profit petroleum payments due to GoI during 2011 and as a result in 2011 the provision was increased to its full value of \$97.6m. On 11 October 2011 the Ravva arbitration proceedings were concluded in favour of the group and the provision was therefore reversed in full.

Cairn has recalculated entitlement interest shares of production based on Royalty paid by ONGC being allowed for cost recovery. Given uncertainty over the timing of payment to ONGC, Cairn has recognised a provision in respect of revenues now attributable to ONGC of \$326.0m.

22. ISSUED CAPITAL AND RESERVES

Authorised Share Capital

	Number Rs. 10 Ordinary
At 1 January 2009, 31 December 2009, 31 December 2010 and 30 June 2011	2,250,000,000

	Number Rs. 10 Ordinary (million)	Rs. 10 Ordinary (US\$ million)
Allotted, issued and fully paid ordinary shares		
At 1 January 2009 and 31 December 2009	1,896.7	426.5
Issued and allotted for employee share options	<u>4.1</u>	<u>0.9</u>
At 31 December 2010	1,900.8	427.4
Issued and allotted for employee share options	<u>1.5</u>	<u>0.3</u>
At 30 June 2011	<u>1,902.3</u>	<u>427.7</u>

Share premium

	US\$ million
At 1 January 2009 and 31 December 2009	6,770.5
Arising on shares issued for employee share options	<u>11.1</u>
At 31 December 2010	6,781.6
Arising on shares issued for employee share options	<u>4.2</u>
At 30 June 2011	<u>6,785.8</u>

Reserves

Foreign currency translation

Unrealised foreign exchange gains and losses arising on consolidation of subsidiary undertakings are taken directly to reserves in accordance with IAS 21 'The effects of changes in foreign exchange rates'.

In accordance with IAS 21, foreign exchange differences arising on intra-group loans are not eliminated on consolidation; this reflects the exposure to currency fluctuations where the subsidiaries involved have differing functional currencies. These intra-group loans are not considered to be an investment in a foreign operation.

23. FINANCIAL RISK MANAGEMENT: OBJECTIVES AND POLICIES

The main risks arising from the Cairn India Group's financial instruments are liquidity risk, interest rate risk, foreign currency risk, commodity price risk and credit risk. The Board review and agree policies for managing each of these risks and these are summarised below:

The Cairn India Group's treasury function and local operational offices are responsible for these risks, other than credit risk relating to trade receivables for their respective businesses, in accordance with the policy set by the Cairn India Board. Management of these risks is carried out by monitoring of cash flows, investment and funding requirements using a variety of techniques. These potential exposures are managed whilst ensuring that the Cairn India Group has adequate liquidity at all times in order to meet any immediate cash requirements. Trade receivable credit risk is managed by the local operational management teams.

The primary financial instruments comprise bank loans, non-convertible debentures, cash, short and medium-term deposits, money market liquidity and mutual funds, intra-group loans, forward contracts, foreign exchange options, and other receivables and financial liabilities held at amortised cost. The Cairn India Group's strategy has been to finance its operations through a mixture of retained profits and bank borrowings. Other alternatives such as equity and other forms of non investment-grade debt finance are reviewed by the Cairn India Board, when appropriate, to fund substantial acquisitions or oil and gas projects.

Liquidity risk

During 2009, the Cairn India Group had an \$850m revolving credit facility to fund Rajasthan developments from a consortium of international banks and the International Finance Corporation.

In October 2009, the Cairn India Group completed a \$1.6bn re-financing for the Rajasthan project through a unique combination of \$750m international US dollar borrowings ("USD Facility") and a domestic borrowing ("INR Facility") of INR 40bn (INR 4,000 crore; \$850m). The domestic borrowing programme was given "AAA" by CARE.

As at 30 June 2011 Cairn India had a \$750m international US dollar borrowings facility ("USD Facility"). The USD Facility of \$750m was provided by a consortium of overseas commercial banks led by Standard Chartered Bank and the International Finance Corporation, a member of the World Bank Group. Under the terms of the facility agreement, security in terms of a share pledge over the shares in Cairn Energy Hydrocarbons Limited (a 100% indirect subsidiary of Cairn India Limited which holds 50% of the Group's interest in Rajasthan) has been provided. As at 30 June 2011 a sum of \$120.5m was outstanding under the USD Facility. Cairn India cancelled and repaid the facility in October 2011.

Until October 2010 Cairn India had a \$1.6bn debt facility through a unique combination of the \$750m international US dollar borrowings and a domestic borrowing ("INR Facility") of INR 40bn (\$850m). The domestic borrowing programme was given an "AAA" rating by CARE. In October 2010, Cairn India raised INR 22.5bn (\$500m) through INR Unsecured Non-convertible Debentures, at competitive commercial terms. INR 13.5bn (\$300m) was drawn immediately and the balance is available to drawdown subject to certain conditions. The proceeds of this financing were used to refinance the existing INR 40bn (\$850m) loan and other general corporate expenses. This access to the Indian Debt Capital Market was a first for Cairn India, which received subscriptions from a wide range of investors consisting of mutual funds and insurance companies. Cairn India settled and cancelled the INR facility following the Debenture issue. By June 2012 INR 6.25bn (\$135m) of the drawn Non-convertible debentures of INR 13.5bn will be repayable.

The INR Facility of INR 40bn (\$850m) was underwritten by the State Bank of India, who syndicated to other banks and financial institutions, including Canara Bank, Bank of India, Oriental Bank of Commerce, Bank of Baroda, HDFC Bank and Infrastructure Development and Finance Corporation.

As at 30 June 2011, the Cairn India Group had \$160m of trade finance facilities (31 December 2010: \$160m, 31 December 2009: \$31.2m) in place to cover the issue of bank guarantees / letter of credit. Fixed rates of bank commission and charges apply to these. \$67.2m was utilised as at 30 June 2011 (31 December 2010: \$65.8m, 31 December 2009: \$12.7m).

The Cairn India Group currently has surplus cash which it has placed in a combination of money market liquidity funds, fixed term deposits and mutual funds with a number of International and

Indian banks and financial institutions, ensuring sufficient liquidity to enable the Cairn India Group to meet its short/medium-term expenditure requirements.

The Cairn India Group is conscious of the current environment and constantly monitors counterparty risk. Policies are in place to limit counterparty exposure. The Cairn India Group monitors counterparties using published ratings and other measures where appropriate.

Interest rate risk

Surplus funds are placed on short/medium-term deposits at floating rates. It is Cairn's policy to deposit funds with banks or other financial institutions that offer the most competitive interest rate at time of issue. The requirement to achieve an acceptable yield is balanced against the need to minimise liquidity and counterparty risk.

Short/medium-term borrowing arrangements are available at floating rates. The treasury functions may from time to time opt to manage a proportion of the interest costs by using derivative financial instruments like interest rate swaps. At this time, however, there are no such instruments outstanding against the same.

Interest rate risk table

The following table demonstrates the sensitivity of the Cairn India Group's profit/(loss) before tax to a change in interest rates (through the impact on floating rate borrowings and investments).

	<u>Increase/(decrease) in basis points</u>	<u>Increase/(decrease) on profit/(loss) before tax</u> (US\$ million)
Six months to 30 June 2011	50	1.6
Year ended 31 December 2010	50	0.5
Year ended 31 December 2009	50	4.7

In addition there would be a change of \$0.3m in development/producing assets carrying value as a result of capitalisation of the borrowing costs for the Rajasthan development (2010: \$1.7m, 2009: \$3.6m).

The amounts calculated are based on actual drawings and investments in the periods for a 50 basis point movement in the total rate of interest on each loan or investment.

Foreign currency risk

Cairn manages exposures that arise from non-functional currency receipts and payments by matching receipts and payments in the same currency and actively managing the residual net position. Generally the exposure has been limited given that receipts and payments have mostly been in US dollars and the functional currency of most companies in the Cairn India Group is US dollars.

The Cairn India Group also aims where possible to hold surplus cash, debt and working capital balances in functional currency which in most cases is US dollars, thereby matching the reporting currency and functional currency of most companies in the Cairn India Group. This minimises the impact of foreign exchange movements on the Cairn India Group's Balance Sheet.

Where residual net exposures do exist and they are considered significant the Company and Cairn India Group may from time to time, opt to use derivative financial instruments to minimise its exposure to fluctuations in foreign exchange and interest rates.

Currently, as a result of the Rajasthan developments, the exposure between the Indian Rupee and US has increased. This is significantly mitigated by the USD and the non-convertible Debentures which assist with the matching of drawings and payments.

Cairn India has entered into derivative contracts to hedge against its INR exposure, primarily future Indian Rupee requirements as part of the Rajasthan Development. The outstanding hedge as at 30 June 2011 was \$218m (\$185m as at 31 December 2010, \$nil as at 31 December 2009).

The following table demonstrates the sensitivity to movements in the \$:INR exchange rates, with all other variables held constant, on the Cairn India Group's monetary assets and liabilities. The Cairn India Group's exposure to foreign currency changes for all other currencies is not material.

	<u>Effect on profit/(loss) before tax</u>	<u>Effect on Equity</u>
	(US\$ million)	
Six months ended 30 June 2011		
10% increase in Indian Rupee to \$	(4.3)	2.6
10% decrease in Indian Rupee to \$	4.3	(2.6)
Year ended 31 December 2010		
10% increase in Indian Rupee to \$	(4.0)	4.0
10% decrease in Indian Rupee to \$	4.0	(4.0)
Year ended 31 December 2009		
10% increase in Indian Rupee to \$	(2.5)	11.0
10% decrease in Indian Rupee to \$	2.5	(11.0)

Commodity price risk

There are implicit product price hedges in place through the pricing mechanisms applicable to CB-OS/2 and Ravva Gas Sales Contracts (GSCs). The requirement for hedging instruments to unwind these pricing mechanisms is reviewed on an ongoing basis. These implicit product price hedges do not give rise to any embedded derivatives under IAS 39.

Ravva, CB-OS/2 and Rajasthan oil sales are made to approved government nominated buyers or approved third parties at floating prices.

The quality adjustment (discount) in the price of Rajasthan crude oil is based on yields of benchmark crude and underlying crude oil and is calculated by taking out the difference between Gross Product Worth (GPW) of both crude oils. The GPW is dependent upon the international product prices of light & middle distillates and heavy ends and has been extremely volatile in the past. To minimise the volatility of the GPW discount in July 2010 Cairn India Group began hedging the GPW exposure and have outstanding contracts of 3.85 million barrels as on 30 June 2011 (0.75 million barrels as on 31 December 2010, nil at 31 December 2009).

No other material commodity price hedging has been undertaken during this period or during the previous year. There were no other material outstanding commodity price contracts at the start of the period or the end of the period. The Board continues to monitor the position.

Credit risk

Payment guarantees or letters of credit from buyers have been obtained as payment security on CB-OS/2 (for Natural Gas). With respect to the sale of Rajasthan crude to Essar Oil Ltd a standby letter of credit has been taken. For all other Ravva and Rajasthan sales there are no payment securities. The buyers are either nominated by the Government of India or are private companies with good credit and payment records.

Investment credit risk for investments with banks and other financial institutions is managed by the Treasury functions in accordance with the Cairn India Board approved policies. Investments of surplus funds are only made with approved counterparties who meet the appropriate rating and/or other criteria, and are only made within approved limits. The Cairn India Board continually re-assesses the Cairn India Group's policy and updates it as required. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty failure.

The Investment policy limits the placing of deposits to syndicate banks, International Banks with Moody's long term Deposit rating of A2 and above, Indian Banks having long/medium term deposit/Certificate of Deposit/Debt rating of AAA by any one of the credit rating agency (CRISIL, ICRA or CARE) and Board approved domestic banks. The counterparty limit varies from \$44m to \$750m for various categories of banks. Investments in USD money market liquidity funds are limited to schemes rated AAA by any one of the three credit rating agencies (S&P, Moody's and Fitch). For INR investments are only placed with Board approved domestic debt mutual funds. Counterparty limits in

case of money market mutual funds varies from \$17m to \$111m subject to maximum of 10% of the fund.

At the period end the Cairn India Group does not have any significant concentrations of bad debt risk other than that disclosed in note 15. As at 30 June 2011, the Cairn India Group had investments with 20 counterparties to ensure no concentration of counterparty investment risk.

The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the Balance Sheet date.

Capital Management

The objective of the Cairn India Group's capital management structure is to ensure that there remains sufficient liquidity within the Group to carry out committed work programme requirements. The Cairn India Group monitors the long term cash flow requirements of their businesses in order to assess the requirement for changes to the capital structure to meet that objective and to maintain flexibility.

To maintain or adjust the capital structure, the Cairn India Group may adjust the dividend payment to shareholders, return capital, issue new shares for cash, repay debt, put in place new debt facilities or other such restructuring activities as appropriate.

No significant changes were made to the objectives, policies or processes during the six month period ended 30 June 2011, the year ended 31 December 2010 or the year ended 31 December 2009.

Cairn India Group capital and net debt were made up as follows:

	As at 30 June	As at 31 December	
	2011	2010	2009
	(US\$ million)		
Loans and borrowings	404.2	673.7	666.1
Trade and other payables	489.4	409.3	310.2
Less cash and bank deposits	(1,452.3)	(891.1)	(593.6)
Net (funds)/debt	(558.7)	191.9	382.7
Equity	3,605.7	2,725.3	1,933.2
Group capital and net debt	3,047.0	2,917.2	2,315.9
Gearing ratio	—	6.6%	16.5%

24. FINANCIAL INSTRUMENTS

The Cairn India Group calculates the fair value of assets and liabilities by reference to amounts considered to be receivable or payable on the Balance Sheet date. The Cairn India Group's financial assets and liabilities, together with their fair values are as follows:

	Carrying amount			Fair value		
	As at 30 June	As at 31 December		As at 30 June	As at 31 December	
	2011	2010	2009	2011	2010	2009
	(US\$ million)					
Financial assets						
Bank deposits	953.6	452.6	267.4	953.6	452.6	267.4
Cash and cash equivalents	498.7	438.5	326.2	498.7	438.5	326.2
Derivative financial assets	0.6	2.9	—	0.6	2.9	—
Trade receivables	395.0	254.4	30.2	395.0	254.4	30.2
Joint Venture debtors	204.7	199.8	155.7	204.7	199.8	155.7
	<u>2,052.6</u>	<u>1,348.2</u>	<u>779.5</u>	<u>2,052.6</u>	<u>1,348.2</u>	<u>779.5</u>

All of the above financial assets are current and unimpaired with the exception of trade receivables and Joint Venture debtors and prepayments. An analysis of the ageing of trade and other receivables is provided in note 15.

	Carrying amount			Fair value		
	As at 30 June	As at 31 December		As at 30 June	As at 31 December	
	2011	2010	2009	2011	2010	2009
	(US\$ million)					
Financial liabilities						
Loans and borrowings	404.2	673.7	666.1	404.2	673.7	666.1
Derivative financial liabilities	7.1	—	—	7.1	—	—
Trade payables	8.1	4.7	2.8	8.1	4.7	2.8
Amounts owed to parent and fellow subsidiaries	0.6	1.2	4.9	0.6	1.2	4.9
Joint venture creditors	188.5	119.8	103.9	188.5	119.8	103.9
Finance leases	1.1	2.0	3.5	1.1	2.0	3.5
Decommissioning provision	118.8	177.2	27.0	118.8	177.2	27.0
Revenue provision	326.0	—	—	326.0	—	—
	1,054.4	978.6	808.2	1,054.4	978.6	808.2

The carrying value of short-term receivables and payables are assumed to approximate their fair values where discounting is not material.

Fair value hierarchy

The Cairn India Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During 2009 the Group's available-for-sale financial assets was transferred from Level 1 to Level 3 where the fair value was reduced to \$nil. The loss of \$1.9m on the reduction to fair value is recognised in other comprehensive income. There were therefore no financial instruments at 31 December 2009 to disclose.

At 30 June 2011 and 31 December 2010, the Cairn India Group had the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	2011
	(US\$ million)			
30 June 2011				
Assets measured at fair value				
Financial assets at fair value through profit or loss—derivative financial assets	—	0.6	—	0.6
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss—derivative financial assets	—	(7.1)	—	(7.1)
	—	6.5	—	6.5
31 December 2010				
Assets measured at fair value				
Financial assets at fair value through profit or loss—derivative financial assets	—	2.9	—	2.9
	—	2.9	—	2.9

Maturity analysis

The following table sets out the amount, by maturity, of the Cairn India Group's financial liabilities:

	Total	Less than one year	One to two years	Two to three years	Three to four years	Four to five years	More than five years
	(US\$ million)						
At 30 June 2011							
Loans and borrowings*	464.1	45.7	342.4	34.5	33.3	8.2	—
Derivative financial liabilities	7.1	7.1	—	—	—	—	—
Trade payables	8.1	8.1	—	—	—	—	—
Joint Venture creditors	188.5	188.5	—	—	—	—	—
Finance leases*	1.2	1.1	0.1	—	—	—	—
Decommissioning provision**	708.7	—	—	—	—	4.3	704.4
Revenue provision	326.0	326.0	—	—	—	—	—
	1,703.7	576.5	342.5	34.5	33.3	12.5	704.4
At 31 December 2010							
Loans and borrowings*	789.4	41.4	417.1	138.3	111.6	81.0	—
Trade payables	4.7	4.7	—	—	—	—	—
Joint Venture creditors	119.8	119.8	—	—	—	—	—
Finance leases*	2.1	1.5	0.6	—	—	—	—
Decommissioning provision**	1,197.0	—	—	—	—	3.1	1,193.9
	2,113.0	167.4	417.7	138.3	111.6	84.1	1,193.9
At 31 December 2009							
Loans and borrowings*	878.8	50.2	50.2	250.6	220.3	179.2	128.3
Trade payables	2.8	2.8	—	—	—	—	—
Joint Venture creditors	103.9	103.9	—	—	—	—	—
Finance leases*	4.0	1.8	1.6	0.6	—	—	—
Decommissioning provision**	90.8	—	—	—	—	—	90.8
	1,080.3	158.7	51.8	251.2	220.3	179.2	219.1

* Loans and borrowings and finance leases include interest for the purposes of the maturity analysis.

** The decommissioning provision is discounted at a rate of 7% to give the net present value which is carried at the balance sheet date. The gross amount is included in the maturity analysis table in accordance with the requirements of IFRS.

25. CAPITAL COMMITMENTS

	As at 30 June 2011	As at 31 December 2010	As at 31 December 2009
	(US\$ million)		
Oil and gas expenditure:			
Intangible exploration/appraisal assets	326.5	340.4	303.0
Property plant & equipment—development/producing assets	305.4	749.0	750.3
Contracted for	631.9	1,089.4	1,053.3

The above capital commitments represent Cairn's share of obligations in relation to its interests in Joint Ventures. As all Cairn Joint Ventures are jointly controlled assets, these commitments represent Cairn's share of the capital commitment of the Joint Ventures themselves.

26. PENSION COMMITMENTS

The Cairn India Group has no pension commitments as at the Balance Sheet date (31 December 2010: \$nil. 31 December 2009: \$nil).

27. OTHER FINANCIAL COMMITMENTS

Operating leases—as lessee

Cairn India Group entities have entered into commercial leases for certain land and buildings and for plant, machinery and office equipment. The leases have an average life of between 1 and 6 years (31 December 2010: between 1 and 6 years, 31 December 2009: between 1 and 6 years). There are no restrictions placed on the lessee by entering into these leases.

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Minimum lease payments		
	As at 30 June	As at 31 December	
	2011	2010	2009
	(US\$ million)		
Land and buildings, within:			
One year	0.1	1.6	3.0
Two to five years	—	—	1.5
	<u>0.1</u>	<u>1.6</u>	<u>4.5</u>
Other, within:			
One year	95.3	187.0	119.8
Two to five years	3.1	4.8	247.2
	<u>98.4</u>	<u>191.8</u>	<u>367.0</u>

Included within other operating lease commitments is Cairn's share of operating leases entered into by Joint Ventures of \$95.3m (31 December 2010: \$187.0m, 31 December 2009: \$119.8m) due within one year and \$3.1m (31 December 2010: \$4.8m, 31 December 2009: \$247.2m) due between two and five years. These are also included in 'Capital Commitments' disclosed in note 25 where appropriate.

28. CONTINGENT LIABILITIES

Indian Service Tax

One of the subsidiary companies of the Cairn India Group has received four show cause notices from the tax authorities in India for non-payment of service tax as a recipient of services from foreign suppliers.

These notices cover periods from 16th August 2002 to 31st March 2009. A writ petition has been filed with Chennai High Court challenging the liability to pay service tax as recipient of services in respect of first show cause notice (16th August 2002 to 31st March 2006) and challenging the scope of some services in respect of second show cause notice (1st April 2006 to 31st March 2007). The reply for second and third show cause notice has also been filed before the authorities.

Should the adjudication go against the Cairn India Group, it will be liable to pay the service tax of approximately \$28.7m (INR 1,282m) plus potential interest of approximately \$11.4m (INR 505m), although this could be recovered in part where it relates to services provided to the Joint Venture of which Cairn India is operator.

Indian Tax Holiday on Gas Production

Section 80-IB(9) of the Income Tax Act, 1961 allows the deduction of 100% of profits from the commercial production or refining of mineral oil. The term 'mineral oil' is not defined but has always been understood to refer to both oil and gas, either separately or collectively. The 2008 Indian Finance Bill appeared to remove this deduction by stating without amending section 80-IB(9) that "for the purpose of section 80-IB(9), the term 'mineral oil' does not include petroleum and natural gas, unlike in other sections of the Act". Subsequent announcements by the Finance Minister and the Ministry of Petroleum and Natural Gas have confirmed that the tax holiday would be available on production of crude oil but have continued to exclude gas.

Cairn India filed a writ petition to the Gujarat High Court in December 2008 challenging the restriction of section 80-IB to the production of oil. Gujarat High Court did not admit the writ

petition on the ground that the matter needs to be first decided by lower tax authorities. An SLP has been filed before the Supreme Court against the decision of the Gujarat High court.

In the event this challenge is unsuccessful, the potential liability for tax and related interest on tax holiday claimed on gas production for all periods to 31st March 2010 is approximately \$45.7m.

Guarantees

It is normal practice for the Cairn India Group to issue guarantees in respect of obligations during the normal course of business.

The Cairn India Group had provided the following guarantees at 30 June 2011:

- Various guarantees under the Cairn India Group's bank facilities (see note 23) for the Cairn India Group's share of minimum work programme commitments for the current period of \$64.4m (31 December 2010: \$62.0m, 31 December 2009: \$18.5m).
- Parent company guarantees for the Cairn India Group's obligations under PSC, sales and other contracts.

29. RELATED PARTY TRANSACTIONS

The following table provides the balances which are outstanding with parent company and fellow subsidiaries at the Balance Sheet date:

	As at 30 June	As at 31 December	
	2011	2010	2009
	(US\$ million)		
Amounts owed to parent company and fellow Cairn Energy PLC subsidiaries	0.6	1.2	4.9
	<u>0.6</u>	<u>1.2</u>	<u>4.9</u>

The amounts outstanding are unsecured, repayable on demand and will be settled in cash. Interest, where charged, is at market rates. No guarantees have been given.

During the six month period ended 30 June 2011, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (year ended 31 December 2010: nil, year ended 31 December 2009: nil).

(a) Remuneration of key management personnel

The remuneration of directors, who are the key management personnel of the Cairn India Group, is set out below in aggregate.

	For the six months ended 30 June		For the year ended 31 December	
	2011	2010	2010	2009
	(US\$ million)			
Short-term employee benefits	5.6	3.9	5.6	6.8
Pension contributions	0.1	0.1	0.2	0.1
Share-based payments	0.7	1.1	0.7	1.2
	<u>6.5</u>	<u>5.1</u>	<u>6.5</u>	<u>8.1</u>

(b) **Other transactions**

The following table provides the transactions with parent and fellow Cairn Energy PLC Group companies recorded in the profit/(loss) for the period all of which were carried out on an arm's length basis:

	For the six months ended 30 June		For the year ended 31 December	
	2011	2010	2010	2009
		(US\$ million)		
Reimbursement of expenses to parent and group companies	0.2	—	3.9	1.0
LTIPs/share-based payments charge	—	—	—	0.6
	<u>0.2</u>	<u>—</u>	<u>3.9</u>	<u>1.6</u>

During 2009, an intercompany loan balance of \$21.5m was waived by the ultimate parent company.

30. POST BALANCE SHEET EVENTS

On 11 October 2011 the Malaysian Supreme Court's decision on the GoI's final appeal relating to the Ravva dispute was delivered, ruling in favour of Cairn.

With the final appeal having been dismissed and all withheld sums recovered, this has therefore been treated as an adjusting post balance sheet event in these accounts, in line with the requirements of IAS 10. This has resulted in the full release of the provision and associated deferred tax credit as disclosed in note 4.

**SECTION C: UNAUDITED FINANCIAL INFORMATION RELATING TO CAIRN INDIA
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2011**

Introduction

The following is unaudited interim financial information for Cairn India for the three months ended 30 September 2011. This financial information has been prepared for the purposes of this document on an IFRS basis consistent with the accounting policies to be adopted in Vedanta's annual accounts for the year ending 31 March 2012 from the underlying accounting records of Cairn India. Investors should read the whole of this document and should not just rely on the unaudited interim financial information set out in this Section C.

**CAIRN INDIA LIMITED
GROUP INCOME STATEMENT**

	For the three months ended 30 September 2011 <hr style="border: 0.5px solid black;"/> (unaudited) (US\$ million)
Revenue	
Revenue from continuing operations	570.4
Cost of sales	
Pre-award costs	(0.4)
Production costs	(98.4)
Unsuccessful exploration costs	(0.8)
Depletion and decommissioning charge	<u>(71.8)</u>
Gross profit	399.0
Other operating income	2.4
Administrative expenses	<u>(17.6)</u>
Operating profit	383.8
Finance income	15.6
Finance costs	<u>(67.0)</u>
Profit before taxation	332.4
Taxation	
Taxation charge on profit	<u>(75.6)</u>
Profit for the period	<u>256.8</u>

CAIRN INDIA LIMITED
GROUP STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 30 September 2011 <hr style="border: 0.5px solid black;"/> (unaudited) (US\$ million)
Profit for the period	256.8
Other comprehensive income	
Currency translation differences	<u>(5.6)</u>
Other comprehensive income for the period	<u>(5.6)</u>
Total comprehensive income for the period	<u><u>251.2</u></u>

CAIRN INDIA LIMITED
GROUP BALANCE SHEET

	As at 30 September 2011 <u>(unaudited)</u> (US\$ million)
Non-current assets	
Intangible exploration/appraisal assets	463.6
Property, plant & equipment—development/producing assets	2,201.4
Property, plant and equipment—other	4.2
Intangible assets—other	3.8
Deferred tax assets	208.0
	<u>2,881.0</u>
Current assets	
Inventory	24.7
Trade and other receivables	762.5
Bank deposits	1,150.6
Cash and cash equivalents	577.0
	<u>2,514.8</u>
Total assets	<u><u>5,395.8</u></u>
Current liabilities	
Trade and other payables	500.2
Obligations under finance leases	0.7
Provisions	549.9
Income tax liabilities	27.6
Derivative financial instruments	4.6
	<u>1,083.0</u>
Non-current liabilities	
Loans and borrowings	275.4
Obligations under finance leases	0.1
Provisions	123.5
	<u>399.0</u>
Total liabilities	<u><u>1,482.0</u></u>
Net assets	<u><u>3,913.8</u></u>
Equity attributable to equity holders of the parent	
Called-up share capital	426.9
Share premium	6,786.9
Foreign currency translation	(105.5)
Retained earnings	(3,194.5)
Total Equity	<u><u>3,913.8</u></u>

CAIRN INDIA LIMITED
GROUP STATEMENT OF CASH FLOWS

	For the three months ended 30 September 2011 <hr style="border: none; border-top: 1px solid black; margin: 0;"/> (unaudited) <hr style="border: none; border-top: 1px solid black; margin: 0;"/> (US\$ million)
Cash flows from operating activities	
Profit before taxation	332.4
Unsuccessful exploration costs	0.8
Depletion, depreciation, decommissioning and amortisation	73.8
Share-based payments charge	3.4
Finance income	(15.6)
Finance costs	67.0
Net interest paid	(26.3)
Income tax paid	(32.8)
Foreign exchange differences	(5.1)
Movement on inventory of oil and condensate	(0.1)
Trade and other receivables movement	(53.1)
Trade and other payables movement	36.5
Movement in other provisions	216.4
Derivative financial instruments movement	<u>1.9</u>
Net cash generated from operating activities	<u>599.2</u>
Cash flows from investing activities	
Expenditure on intangible exploration/appraisal assets	(51.6)
Expenditure on tangible development/producing assets	(131.2)
Purchase of property, plant & equipment—other	(0.3)
Purchase of intangible assets—other	(1.4)
Movement in funds on bank deposits	(229.3)
Interest received	<u>15.6</u>
Net cash used in investing activities	<u>(398.2)</u>
Cash flows from financing activities	
Arrangement and facility fees	(1.3)
Proceeds from exercise of share options	0.3
Payment of finance lease liabilities	(0.2)
Repayment of borrowings	<u>(101.7)</u>
Net cash flows used in financing activities	<u>(102.9)</u>
Net increase in cash and cash equivalents	98.1
Opening cash and cash equivalents at beginning of period	498.7
Exchange gains on cash and cash equivalents	<u>(19.8)</u>
Closing cash and cash equivalents	<u>577.0</u>

CAIRN INDIA LIMITED
GROUP STATEMENTS OF CHANGES IN EQUITY

	For the three months ended 30 September 2011			
	Equity share capital	Foreign currency translation	Retained earnings	Total Equity (unaudited)
	(US\$ million)			
At 30 June 2011	7,213.5	(99.9)	(3,454.7)	3,658.9
Profit for the period	—	—	256.8	256.8
Other comprehensive income	—	(5.6)	—	(5.6)
Total comprehensive income for the period	—	(5.6)	256.8	251.2
Employee share options	0.3	—	—	0.3
Share-based payments	—	—	3.4	3.4
At 30 September 2011	<u>7,213.8</u>	<u>(105.5)</u>	<u>(3,194.5)</u>	<u>3,913.8</u>

PART VIII: UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE COMBINED GROUP

SECTION A: REPORT ON UNAUDITED PRO-FORMA FINANCIAL INFORMATION ON THE COMBINED GROUP

Deloitte.

Athene Place
66 Shoe Lane
London
EC4A 3BQ

The Board of Directors
on behalf of Vedanta Resources plc
16 Berkeley Street
London W1J 8DZ
United Kingdom

J.P. Morgan Limited
125 London Wall
London EC2Y 5AJ
United Kingdom

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

6 December 2011

Dear Sirs,

Vedanta Resources plc (the “Company”)

We report on the pro forma financial information (the “Pro forma financial information”) set out in section B of this Part VIII: “Unaudited Pro Forma Financial Information on the Combined Group” of the prospectus dated 6 December 2011 (the “Prospectus”), which has been prepared on the basis described in Section B, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 March 2011. This report is required by Annex I item 20.2 of Commission Regulation (EC) No 809/2004 (the “Prospectus Directive Regulation”) and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company the (“Directors”) to prepare the Pro forma financial information in accordance with Annex I item 20.2 and Annex II items 1 to 6 of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, in accordance with Annex I item 20.2 of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP
Chartered Accountants

Deloitte LLP is a limited liability partnership registered in England & Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu ('DTT'), a Swiss Verein, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTT and its member firms.

Description	Vedanta Resources 30 September 2011	Adjustment— Cairn India 30 September 2011	Adjustment— Reclassification (note 1)	Adjustment— Acquisition Accounting (note 2)	Adjustment— Consideration & Debt (note 3)	Pro forma combined
	(US\$ million)					
Short Term Borrowings	(3,740.0)	—	—	—	—	(3,740.0)
Trade and Other Payables						
Current	(3,411.2)	(500.2)	—	—	—	(3,911.4)
Obligations under finance lease	—	(0.7)	—	—	—	(0.7)
Other Current Financial Liabilities (Derivatives)	(88.6)	(4.6)	—	—	—	(93.2)
Provisions Current	(16.8)	(549.9)	—	—	—	(566.7)
Current Tax Liabilities	(50.9)	(27.6)	—	—	—	(78.5)
Current Liabilities	(7,307.5)	(1,083.0)	—	—	—	(8,390.5)
Net Current Assets	2,207.9	1,431.8	—	—	(1,002.8)	2,636.9
Medium and Long Term						
Borrowing	(7,045.8)	(275.4)	—	—	(3,514.2)	(10,835.4)
Convertible Loan Notes	(2,270.5)	—	—	—	—	(2,270.5)
Trade and Other Payables						
Non-Current	(181.4)	—	—	—	—	(181.4)
Obligations under finance lease	—	(0.1)	—	—	—	(0.1)
Other Financial Liabilities (Derivatives)	(127.2)	—	—	—	—	(127.2)
Deferred Tax Liabilities	(1,211.4)	—	—	(4,988.7)	—	(6,200.1)
Provisions	(260.7)	(123.5)	—	—	—	(384.2)
Retirement Benefits	(50.6)	—	—	—	—	(50.6)
Non equity non-controlling Interests	(11.9)	—	—	—	—	(11.9)
Non-Current Liabilities	(11,159.5)	(399.0)	—	(4,988.7)	(3,514.2)	(20,061.4)
Total Liabilities	(18,467.0)	(1,482.0)	—	(4,988.7)	(3,514.2)	(28,451.9)
Net Assets	12,248.2	3,913.8	—	6,538.0	(4,517.0)	18,183.0

Notes to Unaudited Pro Forma Combined Group Consolidated Financial Information:

- Vedanta's statement of net assets does not have separate line items for 'Intangible-Others' and 'Property, plant and equipment-Others' similar to Cairn India's statement of net assets. The reclassifications have thus been made to intangible assets and property, plant and equipment, respectively, in order to conform to Vedanta's presentation.
- The preliminary purchase price allocation to assets and liabilities assumed is as follows:

	US\$ million
Adjustment in respect of excess purchase consideration	
Fair value of existing 28.5 per cent. stake (see Note 3)	3,849.0
Purchase consideration for balance 30 per cent. (see Note 3)	4,517.0
Total purchase consideration	8,366.0
Net assets of Cairn India as at 30 September 2011	3,913.8
Vedanta share 58.5 per cent. of net assets (see Note 4)	(2,289.6)
Purchase consideration in excess of net assets	6,076.4
	US\$ million
Excess purchase consideration recognised as oil and gas reserves	6,076.4
Non-controlling interest gross up to oil and gas reserves	4,310.6
Deferred tax gross up to oil and gas reserves	4,988.7
Total adjustment to oil and gas reserves recognised on acquisition	15,375.7

The total adjustment to oil and gas reserves recognised on acquisition is derived by grossing up the excess purchase consideration recognised as oil and gas reserves with the non-controlling interest at 41.5 per cent. and deferred tax using the Indian statutory tax rate of 32.445 per cent.

The US\$15.4 billion adjustment has been allocated to property, plant and equipment rather than goodwill as typically, on an acquisition of upstream oil and gas operations, the company is paying for the attributable oil and gas reserves of the target. As such, if there is a difference between the purchase price and the attributable net assets of the acquired company this would normally be

allocated to the exploration assets of the business, hence the allocation of the US\$15.4 billion to property, plant and equipment and not goodwill.

3. The components of the purchase price are as follows:

	<u>US\$ million</u>
Consideration for purchase of shares from Cairn Energy (Completion) ⁽ⁱ⁾	4,517.0
Fair value of existing 28.5 per cent. stake (as investment in associate) ⁽ⁱⁱ⁾	3,849.0
	<u>8,366.0</u>

(i) Proposed acquisition at Completion of 575,760,620 shares of Cairn India Shares, representing 30 per cent. of the issued share capital of Cairn India, from the Cairn Energy Group at a price of INR 355 per share pursuant to the Cairn India Purchase Agreement (translated at rate of INR 45.2500 = US\$1.00).

The preliminary purchase price of US\$4,517.0 million will be funded by borrowings of US\$3,514.2 million consisting of US\$3,014.2 million related to the Acquisition Facility and the Bridge Facility and Axis loans of US\$500.0 million. Management has assumed that the Acquisition Facility and the Bridge Facility will be refinanced into medium and long term borrowings. The difference between the preliminary purchase price of US\$4,517.0 million and borrowings of US\$3,514.2 million amounting to US\$1,002.8 million has been shown as a deduction made to liquid investments.

(ii) Vedanta Group's 28.5 per cent. investment in Cairn India as on 30 September 2011 has been accounted for as investment in associates under equity method of accounting. The value of investment in associates as on 30 September 2011 is the fair value of purchase consideration for 28.5 per cent. stake.

4. The 58.5 per cent. shareholding represents the Vedanta Group's total shareholding held in diluted shares of Cairn India after the proposed transaction.
5. Save for the adjustments set out above, no adjustment has been made to reflect any trading or other transactions undertaken by the Company or the Vedanta Group since the date of the unadjusted information.

PART IX: TAXATION

1. Certain United Kingdom Tax Considerations

The following statements are of a general nature and are based on current UK tax law and on the current practice of Her Majesty's Revenue & Customs ("HMRC"), as at the date of this Prospectus, both of which are subject to change, possibly with retroactive effect. They are intended to address only certain UK tax consequences for Vedanta Shareholders who are resident or ordinarily resident in (and only in) the UK (except where expressly stated otherwise), who are the beneficial owners of the Ordinary Shares and who hold the Ordinary Shares as capital assets. They do not address the UK tax consequences which may be relevant to other classes of Vedanta Shareholders such as dealers in securities, insurance companies, collective investment schemes or Vedanta Shareholders who acquired their Ordinary Shares in connection with employment. The statements assume that the holder of Ordinary Shares is not a company which either directly or indirectly controls 10 per cent. or more of the Company's share capital, voting power or profits and that the Vedanta Shareholder does not hold the Ordinary Shares in trust.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular prospective subscriber for or purchaser of Ordinary Shares. Accordingly, prospective subscribers for or purchasers of Ordinary Shares who are in any doubt as to their tax position regarding the acquisition, ownership and disposition of the Ordinary Shares or who are subject to tax in a jurisdiction other than the United Kingdom should consult their own tax advisers.

2. UK Vedanta Shareholders

2.1 Taxation of Dividends

Under current UK law, the Company will not be required to withhold tax at source from any dividend payments it pays on Ordinary Shares. An individual Vedanta Shareholder who is UK resident for tax purposes will, subject to their personal circumstances, be liable to UK income tax on dividends received on the Ordinary Shares. The income tax charge in respect of dividends for UK resident Vedanta Shareholders will (depending on the amount of the holder's overall taxable income) be at the dividend ordinary rate of 10 per cent., the dividend upper rate of 32.5 per cent. or the dividend additional rate of 42.5 per cent. For this purpose, dividends are treated as the top slice of an individual shareholder's income.

Individual Vedanta Shareholders who are UK resident for tax purposes will be entitled to a tax credit equal to one ninth of the value of a cash dividend received from the Company and will be taxed on the amount of the dividend plus the tax credit. For basic rate taxpayers, the credit discharges their UK income tax liability in respect of the dividend. Taxpayers subject to the dividend upper rate or dividend additional rate will have additional tax to pay, subject to their personal circumstances.

Corporate Vedanta Shareholders that are UK resident for tax purposes will prima facie be subject to UK corporation tax on dividends received on the Ordinary Shares unless the dividend falls within an exempt class and certain conditions are satisfied. Whether an exempt class applies and the other conditions are met will depend on the circumstances of the corporate holder. Although it is likely that most dividends paid on the Ordinary Shares to corporate holders that are UK resident for tax purposes would fall within one or more of the classes of dividend qualifying for exemption from corporation tax, the exemptions are not comprehensive and are subject to anti-avoidance rules. Corporate Vedanta Shareholders that are UK resident for tax purposes should consult their own professional advisers if they are in any doubt as to whether an exempt class applies or whether the necessary conditions are satisfied.

2.2 Taxation of Capital Gains

A disposal or deemed disposal of Ordinary Shares by a Vedanta Shareholder who is (at any time in the relevant tax year) resident, or, in the case of an individual, ordinarily resident in the UK may, subject to any available exemptions or reliefs, give rise to a chargeable gain or allowable loss for the purposes of UK taxation of chargeable gains.

Special rules apply to tax gains on disposals made by individuals at a time when they are temporarily not resident or ordinarily resident in the UK.

Any chargeable gain (or allowable loss) will be calculated by reference to the consideration received for the disposal of the Ordinary Shares less the allowable cost to the Vedanta Shareholder of acquiring such Ordinary Shares.

For Vedanta Shareholders within the charge to UK corporation tax, indexation allowance on the acquisition cost may be available to reduce the amount of chargeable gain realised on a disposal of Ordinary Shares but will not create or increase an allowable loss.

2.3 Other UK Tax Considerations

The attention of Vedanta Shareholders who are UK resident or, if individuals, ordinarily resident or domiciled for tax purposes is drawn to the provisions of section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, a portion of capital gains made by non-UK resident subsidiaries could be attributed to an investor who holds, alone or together with associated persons, more than a 10 per cent. interest in the Company, if the Company itself is considered to be a 'close' company for UK tax purposes.

The attention of holders of Ordinary Shares who are UK resident or, if individuals, ordinarily resident for tax purposes is drawn also to section 746 of the Corporation Tax Act 2010 and section 698 of the Income Tax Act 2007 under which HMRC may seek to cancel tax advantages from certain transactions in securities.

3. Non-UK Vedanta Shareholders

Vedanta Shareholders who are not resident or ordinarily resident in the UK for tax purposes and do not carry on a trade, profession or vocation through a branch, agency or permanent establishment in the UK with which the Ordinary Shares are connected will not generally be liable to UK taxation on dividends received on the Ordinary Shares or on gains arising on the sale or other disposal of their Ordinary Shares.

Vedanta Shareholders who are not resident in the UK but who are carrying on a trade in the UK for tax purposes with which their holding of Ordinary Shares is connected may, depending on their circumstances, be liable to UK income tax or corporation tax on dividends paid by the Company.

Vedanta Shareholders who are not resident in the UK for tax purposes but who are carrying on a trade, profession or vocation in the UK through a branch, agency or, in the case of a corporate Vedanta Shareholder, permanent establishment and have used, held or acquired Ordinary Shares for the purposes of such trade, profession or vocation may also be subject to UK tax on chargeable gains on a disposal of those Ordinary Shares (subject to any available exemptions or reliefs).

3.1 UK stamp duty and UK stamp duty reserve tax

The following comments are intended as a guide to the general UK stamp duty and UK stamp duty reserve tax ("SDRT") position and do not apply to persons such as market makers, brokers, dealers, intermediaries and persons connected with depositary arrangements or clearance services, to whom special rules apply.

There is generally no liability to UK stamp duty or UK SDRT on the issue of Ordinary Shares by the Company.

UK stamp duty (at the rate of 0.5 per cent. of the amount of the value of the consideration for the transfer, rounded up where necessary to the nearest £5) is payable on any instrument of transfer of the Ordinary Shares executed within the UK or which relates to any property situated, or any matter or thing done or to be done, in the UK where the value of the consideration provided exceeds £1,000.

UK SDRT is charged (at the rate of 0.5 per cent. of the amount of the value of the consideration for the transfer) on certain agreements to transfer chargeable securities. Ordinary Shares will constitute chargeable securities for these purposes. An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration given for the Ordinary Shares. The due stamping of an instrument which transfers the relevant chargeable securities pursuant to the agreement (or, if the agreement was conditional, the date on which the agreement became unconditional), will generally 'frank' the agreement, removing the SDRT charge which would otherwise apply.

Where Ordinary Shares are issued or transferred to issuers of depositary receipts or providers of clearance services, or in certain circumstances, their nominees or agents, stamp duty or SDRT may be payable at a rate of 1.5 per cent. of the amount of the value of the consideration for the transfer or, in certain circumstances, the value of the Ordinary Shares concerned. Clearance service providers may opt, in certain circumstances, for stamp duty or SDRT to be chargeable without regard to the higher rate charge of 1.5 per cent. or to the exemption for dealings in the Ordinary Shares whilst in the system.

HMRC have announced that the 1.5 per cent. charge does not apply to an issue of shares into a clearance service or depositary receipt system within the EU. However, a subsequent transfer of such shares to a clearance service or depositary receipt system outside the EU may give rise to a 1.5 per cent. charge. The law in this area is particularly susceptible to change and specialist advice should be sought by those affected.

Under the CREST system (which is the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (the “CREST Regulations”)) in respect of which Euroclear UK and Ireland Limited is the operator (as defined in the CREST Regulations) (“CREST”), no stamp duty or SDRT will arise on a transfer of Ordinary Shares into CREST unless such transfer is made for a consideration in money or money’s worth, in which case a liability to SDRT will arise at the normal rate of 0.5 per cent. of the amount of the value of the consideration for the transfer. Paperless transfers of Ordinary Shares within CREST will generally be liable to SDRT (rather than stamp duty) at the rate of 0.5 per cent. of the amount or value of the consideration for the transfer. Any SDRT will be collected by CREST and accounted for by CREST to HMRC.

PART X: ADDITIONAL INFORMATION

1. Responsibility

The Company and its Directors (whose names appear on page 42 of this Prospectus) accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

2. Corporate History

- 2.1 The Company was incorporated and registered in England and Wales on 22 April 2003 as a private company limited by shares under the name Angelchange Limited and with registered number 04740415. On 26 June 2003, the Company changed its name to Vedanta Resources Limited. On 20 November 2003, the Company re-registered as a public limited company under the Companies Act 1985 and changed its name to Vedanta Resources plc.
- 2.2 The registered office of the Company is located at 2nd Floor, Vinters Place, 68 Upper Thames Street, EC4V 3BJ, London, United Kingdom. The head office of the Company is at 16 Berkeley Street, W1J 8DZ, London, United Kingdom and its telephone number is +44 (0) 207 499 5900.
- 2.3 The principal legislation under which the Company operates is the Companies Acts and the regulations made under them.
- 2.4 By a resolution of the Directors dated 13 November 2003, Deloitte LLP, whose registered office is at 2 New Street Square, EC4A 3BZ, London, United Kingdom, was appointed as the first auditors of the Company and remain the auditors of the Company as at the date of this Prospectus. Deloitte LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.
- 2.5 Listing took place on 10 December 2003, when the Ordinary Shares were admitted to the Official List of the FSA and to trading on the LSE's main market for listed securities.

3. Share Capital of the Company

- 3.1 The authorised share capital of the Company as at 4 December 2011, being the last practicable date prior to publication of this Prospectus, was as follows:

<u>Class of Shares</u>	<u>Number</u>	<u>Amount</u>
Ordinary Shares of US\$0.10 each	400,000,000	US\$40,000,000
Sterling deferred shares of £1.00 each	50,000	£50,000

- 3.2 The issued and fully paid share capital of the Company as at 4 December 2011, being the last practicable date prior to publication of this Prospectus, was as follows:

<u>Class of Shares</u>	<u>Number</u>	<u>Amount</u>
Ordinary Shares of US\$0.10 each	296,908,045	US\$29,690,804.5
Sterling deferred shares of £1.00 each	50,000	£50,000

- 3.3 On incorporation, the Company's authorised share capital was £1,000 divided into 1,000 ordinary shares of £1.00 each, one of which was issued to the subscriber to the Company's memorandum of association. On 16 May 2003, the subscriber share was transferred to Volcan.
- 3.4 Since incorporation, there have been the following changes in the authorised and issued share capital of the Company:
 - (a) by a written resolution of the Company's shareholders on 13 November 2003, the authorised share capital of the Company was increased to £50,000 and 48,999 shares were allotted and issued to Volcan and 1,000 shares were allotted and issued to Mr. Dwarka Prasad Agarwal, each of the shares being paid up as to a quarter of their nominal value;

- (b) by ordinary and special resolutions passed at the Company's extraordinary general meeting held on 4 December 2003, the Vedanta Shareholders resolved:
- (i) that the 50,000 ordinary shares of £1.00 each in the Company then in issue be re-designated as 50,000 deferred shares of £1.00 each in the Company with the rights and restrictions relating to such deferred shares set out in the Articles;
 - (ii) to increase the authorised share capital of the Company to US\$40,000,000 and £50,000 by the creation of 400,000,000 additional Ordinary Shares of US\$0.10 each;
 - (iii) generally and unconditionally to authorise the Directors, for the purposes of section 80 of the Companies Act 1985, to exercise all powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Companies Act 1985) up to an aggregate amount of US\$9,585,330, such authority to expire on 4 December 2008 (unless previously revoked, varied or extended by the Company in a general meeting); and
 - (iv) to empower the Directors, pursuant to section 95(1) of the Companies Act 1985, to allot equity securities (within the meaning of section 94 of the Companies Act 1985) of the Company for cash pursuant to the authority described in sub-paragraph (iii) above for a period until the conclusion of the 2004 annual general meeting of the Company as if section 89 of the Companies Act 1985 did not apply to such allotment but limiting such power to (A) the Ordinary Shares to be issued pursuant to Volcan's transfer of the entire issued share capital of Twin Star to the Company, (B) the Ordinary Shares to be issued pursuant to the offering of Ordinary Shares carried out at the time of the Listing and option granted to J.P. Morgan Securities Ltd. in connection with the Listing, (C) the over-allotment of equity securities in connection with a rights issue and (D) the allotment (otherwise than pursuant to (A), (B) and (C) above) of equity securities up to an aggregate nominal amount of US\$1,437,800 (being 5 per cent. of the issued ordinary share capital of the Company following the offering of Ordinary Shares carried out at the time of the Listing) and issued under the Vedanta Reward Plan discussed at paragraph 5.4(a) of Part III: "Directors, Executive Officers and Significant Employees and Corporate Governance" of this Prospectus;
- (c) by ordinary and special resolutions passed at the Company's annual general meeting on 29 July 2004, the Vedanta Shareholders resolved:
- (i) generally and unconditionally to authorise the Directors, for the purposes of section 80 of the Companies Act 1985, to exercise all powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Companies Act 1985) up to an aggregate nominal amount of US\$9,559,200, such authority to expire at the conclusion of the Company's annual general meeting in 2005;
 - (ii) to empower the Directors, pursuant to section 95(1) of the Companies Act 1985, to allot equity securities (within the meaning of section 94 of the Companies Act 1985) of the Company for cash pursuant to the authority described in paragraph (i) above and sell relevant shares (as defined in section 94(5) of the Companies Act 1985) held by the Company as treasury shares (as defined in section 94(3A) of the 1985 Act) for cash (as defined in section 16D(2) of the Companies Act 1985), as if section 89(1) of the Companies Act 1985 did not apply to any such allotment or sale, provided that this power be limited to the allotment of equity securities for cash and the sale of treasury shares:
 - (A) in connection with or pursuant to a rights issue, open offer or any other pre-emptive offer in favour of (1) Vedanta Shareholders in proportion (as nearly as practicable) to the respective number of Ordinary Shares held by them on the record date for such allotment and (2) holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities, but subject to such exclusions or other arrangements as the Directors may deem necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal or practical problems arising under the laws of any overseas territory or the requirements of

any regulatory body or stock exchange in any territory or any other matter whatsoever; and

- (B) otherwise than pursuant to (i) above, up to an aggregate nominal amount of US\$1,433,880,

such authority to expire at the conclusion of the Company's annual general meeting in 2005;

- (d) by an ordinary resolution passed at the Company's extraordinary general meeting on 27 March 2006, the shareholders of the Company resolved that the Directors be generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985, to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Companies Act 1985) up to an aggregate nominal amount of US\$3,275,956, such authority to expire at the conclusion of the annual general meeting of the Company in 2011 or on 26 March 2011, whichever is the earlier;

- (e) by ordinary and special resolutions passed at the Company's annual general meeting on 2 August 2006, the Vedanta Shareholders resolved:

- (i) generally and unconditionally to authorise the Directors, for the purposes of section 80 of the Companies Act 1985, to exercise all powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Companies Act 1985) up to an aggregate nominal amount of: (A) US\$3,275,956 in connection with the US\$725 million 4.60 per cent. guaranteed convertible bonds due 2026 issued by Vedanta Finance (Jersey) Limited, a wholly-owned subsidiary of the Company; and (B) (otherwise than pursuant to (A) above) US\$9,558,417, such authority to expire at the conclusion of the Company's annual general meeting in 2007 or on 1 August 2007, whichever is the earlier;

- (ii) to empower the Directors, pursuant to section 95(1) of the Companies Act 1985, to allot equity securities (within the meaning of section 94 of the Companies Act 1985) of the Company for cash pursuant to the authority described in sub-paragraph (i) above and sell relevant shares (as defined in section 94(5) of the Companies Act 1985) held by the Company as treasury shares (as defined in section 94(3A) of the 1985 Act) for cash (as defined in section 16D(2) of the Companies Act 1985), as if section 89(1) of the Companies Act 1985 did not apply to any such allotment or sale, provided that this power be limited to the allotment of equity securities for cash and the sale of treasury shares:

- (A) in connection with or pursuant to a rights issue, open offer or any other pre-emptive offer in favour of Vedanta Shareholders and holders or any other class of equity securities entitled to participate therein, in proportion (as nearly as practicable) to the respective number of equity securities held by them on the record date for such allotment but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, treasury shares, record dates or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever, and

- (B) otherwise than pursuant to (A) above, up to an aggregate nominal amount of US\$1,433,905,

such authority to expire at the conclusion of the Company's annual general meeting in 2007;

- (f) by ordinary and special resolutions passed at the Company's annual general meeting on 1 August 2007, the Vedanta Shareholders resolved:

- (i) generally and unconditionally to authorise the Directors, for the purposes of section 80 of the Companies Act 1985, to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Companies Act 1985) up to an aggregate nominal amount of: (A) US\$3,275,956 in connection with the US\$725 million

4.60 per cent. guaranteed convertible bonds due 2026 issued by Vedanta Finance (Jersey) Limited, a wholly-owned subsidiary of the Company; and (B) (otherwise than pursuant to sub-paragraph (A) above) US\$9,582,896, such authority to expire at the conclusion of the annual general meeting of the Company in 2008 or on 31 October 2008, whichever is the earlier;

(ii) to empower the Directors, pursuant to section 95(1) of the Companies Act 1985, to allot equity securities (within the meaning of section 94 of the Companies Act 1985) of the Company for cash pursuant to the authority described in (i) above and sell relevant shares (as defined in section 94(5) of the Companies Act 1985) held by the Company as treasury shares (as defined in section 94(3A) of the Companies Act 1985) for cash (as defined in section 162D(2) of the Companies Act 1985), as if section 89(1) of the Companies Act 1985 did not apply to any such allotment or sale, provided that that power shall be limited to the allotment of equity securities for cash and the sale of treasury shares;

(A) in connection with or pursuant to a rights issue, open offer or any other pre-emptive offer in favour of (1) Vedanta Shareholders in proportion (as nearly as practicable) to the respective number of Ordinary Shares held by them on the record date for such allotment and (2) holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities, but subject to the exclusions or other arrangements as the Directors may deem necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and

(B) otherwise than pursuant to (A) above, up to an aggregate nominal amount of US\$1,437,578,

such power to expire at the conclusion of the annual general meeting of the Company in 2008 or on 31 October 2008, whichever is the earlier;

(g) by ordinary and special resolutions passed at the Company's annual general meeting on 31 July 2008, the Vedanta Shareholders resolved:

(i) generally and unconditionally to authorise the Directors, pursuant to section 80 of the Companies Act 1985, to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Companies Act 1985) up to an aggregate nominal amount of: (A) US\$3,275,956 in connection with the US\$725 million 4.60 per cent. guaranteed convertible bonds due 2026 issued by Vedanta Finance (Jersey) Limited, a wholly-owned subsidiary of the Company; and (B) (otherwise than pursuant to sub-paragraph (A) above) US\$9,986,611, such authority to expire at the conclusion of the annual general meeting of the Company in 2009 or on 31 October 2009, whichever is the earlier;

(ii) to empower the Directors, pursuant to section 95(1) of the Companies Act 1985, to: (A) allot equity securities (within the meaning of section 94 of the Companies Act 1985) of the Company for cash pursuant to the authority conferred by resolution (i) above; and (B) sell relevant shares (as defined in section 94(5) of the Companies Act 1985) held by the Company as treasury shares (as defined in section 94(3A) of the Companies Act 1985) ('treasury shares') for cash (as defined in section 162D(2) of the Companies Act 1985), as if section 89(1) of the Companies Act 1985 did not apply to any such allotment or sale, provided that that power shall be limited to the allotment of equity securities for cash and the sale of treasury shares:

(A) in connection with or pursuant to a rights issue, open offer or any other pre-emptive offer in favour of (1) Vedanta Shareholders in proportion (as nearly as practicable) to the respective number of Ordinary Shares held by them on the record date for such allotment and (2) holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities, but subject to such exclusions or

other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, treasury shares, record dates or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and

- (B) otherwise than pursuant to (A) above, up to an aggregate nominal amount of US\$1,440,653,

such power to expire at the conclusion of the annual general meeting of the Company in 2009 or on 31 October 2009, whichever is the earlier;

- (h) by ordinary and special resolutions passed at the Company's annual general meeting on 27 July 2009, the Vedanta Shareholders resolved:

- (i) generally and unconditionally to authorise the Directors, for the purposes of section 80 of the Companies Act 1985, to exercise all powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Companies Act 1985) up to an aggregate nominal amount of (A) US\$2,788,008 in connection with the US\$725 million 4.60 per cent. guaranteed convertible bonds due 2026 issued by Vedanta Finance (Jersey) Limited, a wholly-owned subsidiary of the Company, and (B) (otherwise than pursuant to (A) above) US\$9,142,546, such authority to expire at the date of the Company's annual general meeting in 2010 or on 27 October 2010, whichever is earlier;

- (ii) to empower the Directors, pursuant to section 95(1) of the Companies Act 1985, to allot equity securities (within the meaning of section 94 of the Companies Act 1985) of the Company for cash pursuant to the authority described in (i) above and sell relevant shares (as defined in section 94(5) of the Companies Act 1985) held by the Company as treasury shares (as defined in section 94(3A) of the 1985 Act) for cash (as defined in section 16D(2) of the Companies Act 1985), as if section 89(1) of the Companies Act 1985 did not apply to any such allotment or sale, provided that this power be limited to the allotment of equity securities for cash and the sale of treasury shares:

- (A) in connection with or pursuant to a rights issue, open offer or any other pre-emptive offer in favour of (1) Vedanta Shareholders in proportion (as nearly as practicable) to the respective number of Ordinary Shares held by them on the record date for such allotment and (2) holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities, but subject to such exclusions or other arrangements as the Directors may deem necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever;

- (B) otherwise than pursuant to (A) above, up to an aggregate nominal amount of US\$1,371,382,

such authority to expire at the date of the Company's annual general meeting in 2010 or on 27 October 2010, whichever is earlier;

- (i) by ordinary and special resolutions passed at the Company's annual general meeting on 28 July 2010, the Vedanta Shareholders resolved:

- (i) generally and unconditionally to authorise the Directors for the purposes of section 551 of the Companies Act 2006 to allot Ordinary Shares and grant rights to subscribe for, or to convert any security into, Ordinary Shares in the Company up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the Companies Act 2006) of US\$9,063,265, such authority to expire at the date of the Company's annual general meeting in 2011 or on 1 October 2011, whichever is earlier;

- (ii) to empower the Directors, pursuant to section 570(1) and 573 of the Companies Act 2006, to allot equity securities (as defined in section 560(3) of the Companies Act 2006) of the Company for cash pursuant to the authority described in (i) above and sell

Ordinary Shares (as defined in section 560(1) of the Companies Act 2006) held by the Company as treasury shares for cash, as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, provided that this power be limited to the allotment of Ordinary Shares for cash and the sale of treasury shares:

- (A) in connection with or pursuant to a rights issue, open offer or any other pre-emptive offer in favour of (1) Vedanta Shareholders in proportion (as nearly as practicable) to the respective number of Ordinary Shares held by them on the record date for such allotment and (2) holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities, but subject to such exclusions or other arrangements as the Directors may deem necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and
 - (B) otherwise than pursuant to (A) above, up to an aggregate nominal amount of US\$1,359,490, such authority to expire at the date of the Company's annual general meeting in 2011 or on 1 October 2011, whichever is earlier;
- (j) by ordinary and special resolutions passed at the Company's annual general meeting on 27 July 2011, the Vedanta Shareholders resolved:
- (i) generally and unconditionally to authorise the Directors for the purposes of section 551 of the Companies Act 2006 to allot Ordinary Shares and grant rights to subscribe for, or to convert any security into, Ordinary Shares up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the Companies Act 2006) of US\$9,090,041 such authority to expire at the conclusion of the annual general meeting of the Company in 2012 or on 1 October 2012, whichever is the earlier;
 - (ii) to empower the Directors, pursuant to sections 570(1) and 573 of the Companies Act 2006 to allot equity securities (as defined in section 560(3) of the Companies Act 2006) of the Company for cash pursuant to the authority described in (i) above and sell Ordinary Shares (as defined in section 560(1) of the Companies Act 2006) held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities for cash and the sale of treasury shares:
 - (A) in connection with or pursuant to a rights issue, open offer or any other pre-emptive offer in favour of (1) Vedanta Shareholders in proportion (as nearly as practicable) to the respective number of Ordinary Shares held by them on the record date for such allotment and (2) holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities, but subject to such exclusions or other arrangements as the Directors may deem necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and
 - (B) otherwise than pursuant to sub-paragraph (A) above, up to an aggregate nominal amount of US\$1,363,506,

such authority to expire at the conclusion of the annual general meeting of the Company in 2012 or on 1 October 2012, whichever is the earlier; and
- (k) as at 1 April 2009 (the first day covered by the Vedanta Group's historical financial information), 288,130,685 Ordinary Shares were in issue fully paid or credited as fully paid.

Pursuant to the authorities granted as referred to above, the Company issued the following numbers of Ordinary Shares:

<u>Financial year ended</u>	<u>Number of Ordinary Shares in issue at the commencement of the period</u>	<u>Number of Ordinary Shares in issue at the end of the period</u>
31 March 2009	288,130,685	288,878,266
31 March 2010	288,878,266	296,101,246
31 March 2011	296,101,246	296,845,751

Note:

- (1) The number of deferred shares in issue fully paid or credited as fully paid did not change during these periods, being 50,000 deferred shares of £1.00 each in the Company.

3.5 Repurchase of Ordinary Shares

The Company has obtained shareholder authority at each annual general meeting since its initial annual general meeting on 29 July 2004 to purchase its own Ordinary Shares. The Company most recently obtained shareholder authority at the annual general meeting held on 27 July 2011 to purchase up to 27,270,123 Ordinary Shares. Such authority remains in place until the conclusion of the Company’s annual general meeting in 2012 or 1 October 2012, whichever is earlier. The minimum price (excluding expenses) which must be paid for such Ordinary Shares is US\$0.10. The maximum price (excluding expenses) payable is an amount equal to the higher of (i) 105 per cent. of the average of the middle market quotations of the Ordinary Shares as derived from the Official List for the five business days immediately preceding the day on which such Ordinary Shares are contracted to be purchased and (ii) the value of an Ordinary Share calculated on the basis of the higher of the price quoted for: (A) the last independent trade of or (B) the highest current independent bid for any number of Ordinary Shares on the trading venue where the purchase is carried out.

Pursuant to the authorities granted at the relevant annual general meetings, the Company has bought back Ordinary Shares in each of the financial periods as indicated in the table below.

<u>Financial year ended</u>	<u>Number of Ordinary Shares authorised to be bought back</u>	<u>Number of Ordinary Shares actually bought back</u>
31 March 2009 ⁽¹⁾	28,813,069	9,577,810
31 March 2010 ⁽²⁾	27,427,638	11,502,873
31 March 2011 ⁽³⁾	27,189,796	1,704,333
Total	<u>83,430,503</u>	<u>22,785,016</u> ⁽⁴⁾

Notes:

- (1) Pursuant to the authority granted under a shareholders’ resolution dated 31 July 2008.
(2) Pursuant to the authority granted under a shareholders’ resolution dated 27 July 2009.
(3) Pursuant to the authority granted under a shareholders’ resolution dated 28 July 2010.
(4) Equal to 7.67 per cent. of the issued share capital of the Company as at 31 March 2011.

3.6 Save as disclosed in paragraphs 3.4 and 3.5 of this Part X, paragraph 6 (History and Development of the Vedanta Group) in Section A of Part I: “Information on the Vedanta Group, the Cairn India Group and the Combined Group” of this Prospectus, paragraph 5.4 (Share Schemes) of Part III: “Directors, Executive Officers, Significant Employees and Corporate Governance” of this Prospectus and the convertible bonds detailed in paragraph 5.2 (Borrowings) of Part V: “Operating and Financial Review Relating to Vedanta” of this Prospectus, (i) no share capital of the Company or any of its subsidiaries has within the period covered by the historical financial information incorporated by reference herein been issued or been agreed to be issued fully or partly paid, either for cash or for a consideration other than cash and no such issue is now proposed; and (ii) no share capital of the Company or any of its subsidiaries is under option or agreed, conditionally or unconditionally, to be put under option.

3.7 The Company remains subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash and the provisions of section 561 of the Companies Act 2006 (which confers on shareholders rights of pre-emption in respect of the allotment of equity securities which

are, or are to be, paid up in cash) apply to the balance of the authorised but unissued share capital of the Company which is not the subject of the disapplications referred to in paragraph 3.4 above.

4. Articles of Association

The Articles, which were adopted by a special resolution of the Company passed by shareholders at the annual general meeting held on 28 July 2010, include provisions to the following effect:

4.1 Objects

In accordance with the Companies Act 2006, the Company's objects are unrestricted.

4.2 Share Rights

Subject to the provisions of the Companies Acts and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board of Directors shall determine.

Subject to the provisions of the Companies Acts and without prejudice to any rights attached to any existing shares or class of shares, shares may be issued which are to be redeemed or are to be liable to be redeemed at the option of the Company or the holder. The terms and conditions and manner of redemption may be determined by the Board of Directors provided that this is done before the shares are allotted.

Subject to the provisions of the Companies Acts relating to authority, pre-emption rights or otherwise and of any resolution of the Company in general meeting passed pursuant to those provisions, the Board of Directors may reclassify, allot (with or without conferring a right of renunciation), grant options over, or otherwise dispose of the unissued shares of the Company to such persons on such terms and conditions and at such times as it thinks fit.

4.3 Allotment and Pre-emption

Subject to the provisions of the Companies Acts, the Board of Directors has general and unconditional authority to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount equal to the section 551 amount for each prescribed period.

The Board of Directors is empowered for each prescribed period to allot equity securities for cash pursuant to and within the terms of the authority to allot such securities as if section 561 of the Companies Act 2006 did not apply to any such allotment, provided that its power shall be limited to (i) the allotment of equity securities in connection with a pre-emptive issue; and (ii) the allotment (otherwise than pursuant to (i) above) of equity securities up to an aggregate nominal amount equal to the section 561 amount.

Before the expiry of a prescribed period the Company may make an offer or agreement which would or might require equity securities or other relevant securities to be allotted after such expiry. The Board of Directors may allot equity securities or other relevant securities in pursuance of that offer or agreement as if the prescribed period during which that offer or agreement was made had not expired.

For the purposes of this paragraph 4.3:

“pre-emptive issue” means an offer of equity securities to Vedanta Shareholders or an invitation to Vedanta Shareholders to apply to subscribe for equity securities and, if in accordance with their rights the Board of Directors so determines, holders of other equity securities of any class (whether by way of rights issue, open offer or otherwise) where the equity securities respectively attributable to the interests of Vedanta Shareholders or holders of other equity securities, if applicable, are proportionate (as nearly as practicable) to the respective numbers of Ordinary Shares or other equity securities, as the case may be, held by them, but subject, in each case, to such exclusions or other arrangements as the Board of Directors may deem necessary or expedient in relation to fractional entitlements or any legal, regulatory or practical problems under the laws or regulations of any overseas territory or the requirements of any regulatory body or stock exchange;

“prescribed period” means any period for which the authority conferred by the Articles is given by ordinary or special resolution stating the section 551 amount and/or the power conferred by the Articles is given by special resolution stating the section 561 amount;

“section 551 amount” means, for any prescribed period, the amount stated in the relevant ordinary or special resolution; and

“section 561 amount” means, for any prescribed period, the amount stated in the relevant special resolution.

4.4 **Voting Rights**

Subject to any rights or restrictions as to voting attached to any class of shares by or in accordance with the Articles, at any general meeting every member who is present in person or by proxy shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for each share of which he is the holder. The Articles provide that the deferred shares of £1 each in the capital of the Company do not entitle the holders to receive notice of or to attend, speak or vote at any general meeting of the Company.

No member shall, unless the Board of Directors otherwise determines, be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll, unless all moneys presently payable by him in respect of that share have been paid to the Company. If the member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under section 793 of the Companies Act 2006 and has failed to supply to the Company the information required by such notice within 14 days, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, such member shall likewise, unless the Board of Directors otherwise determines, not be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll.

No members' resolution in writing shall be effective.

4.5 **Dividends**

Subject to the provisions of the Companies Acts, the Company may by ordinary resolution declare dividends to be paid to members in accordance with their respective rights, but no dividend shall exceed the amount recommended by the Board of Directors.

Subject to the provisions of the Companies Acts, the Board of Directors may pay interim dividends if it appears to the Board of Directors that they are justified by the profits of the Company available for distribution. The Board of Directors may also pay at intervals settled by it, any dividend at a fixed rate if it appears to the Board of Directors that the profits available for distribution justify the payment. If the Board of Directors acts in good faith, it shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

Dividends may be declared and paid in any currency or currencies that the Board of Directors shall determine. The Board of Directors may also determine the exchange rate and the relevant date for determining the value of the dividend in any currency.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid; but no amount paid on a share in advance of the date on which a call is payable shall be treated for the purpose of the Articles as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; but, if any share is allotted or issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

A general meeting declaring a dividend may, on the recommendation of the Board of Directors, by ordinary resolution direct that it shall be satisfied wholly or partly by the distribution of assets, including without limitation paid up shares or debentures of another body corporate. The Board of Directors may make any arrangements it thinks fit to settle any difficulty arising in connection with the distribution, including without limitation (i) the fixing of the value for distribution of any assets, (ii) the payment of cash to any member on the basis of that value in order to adjust the rights of members, and (iii) the vesting of any asset in a trustee.

The Board of Directors may also, if authorised by an ordinary resolution of the Company, offer any holder of shares the right to elect to receive shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the Board of Directors) of all or any dividend

specified by the ordinary resolution. The offer shall be on the terms and conditions and be made in the manner specified in the Articles or, subject to those provisions, specified in the ordinary resolution.

The Board of Directors may deduct from any dividend or other moneys payable to any member in respect of a share any moneys presently payable by him to the Company in respect of that share.

No dividend or other moneys payable in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to the share.

Unless the Board of Directors otherwise determines, no payment by way of dividend shall be made in respect of shares if such shares represent at least 0.25 per cent. of the nominal value of the issued shares of their class (excluding any shares of that class held as treasury shares) and the member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under section 793 of the Companies Act 2006 and has failed to supply to the Company the information required by such notice within 14 days, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular. Furthermore, such a holder shall not be entitled to elect to receive shares instead of a dividend.

Any dividend which has remained unclaimed for 12 years from the date on which it became due for payment shall, if the Board of Directors so resolves, be forfeited and cease to remain owing by the Company. The payment of any unclaimed dividend or other moneys in respect of a share may (but need not) be paid by the Company into an account separate from the Company's own account. Such payment shall not constitute the Company a trustee in respect of it.

4.6 **Winding Up**

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Insolvency Act 1986, (i) divide among the members *in specie* the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members; (ii) vest the whole or any part of the assets in trustees on such trusts for the benefit of the members; and (iii) determine the scope and terms of those trusts, but no member shall be compelled to accept any assets on which there is a liability.

4.7 **Lien and Forfeiture**

The Company will have a first and paramount lien on every share (not being a fully paid share) for all moneys payable to the Company (whether presently payable or not) in respect of that share. The Company may sell, in such manner as the Board of Directors determines, any share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been sent to the holder of the share, or to the person entitled to it by transmission, demanding payment and stating that if the notice is not complied with the share may be sold.

Subject to the terms of allotment, the Board of Directors may from time to time make calls on the members in respect of any moneys unpaid on their shares (whether in respect of nominal value or premium). Each member shall (subject to receiving at least 14 clear days' notice specifying when and where payment is to be made) pay to the Company the amount called on his shares as required by the notice. If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the Board of Directors may give the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by the Company by reason of such non-payment. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

4.8 **Transfer of Shares**

Subject to any applicable restrictions, each member may transfer all or any of his shares which are in certificated form by instrument of transfer in any usual form or in any other form which the Board of Directors may approve. An instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer need not be under seal.

Subject to the provisions of the CREST Regulations, the Board of Directors may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class by means of CREST.

The Board of Directors may, in its absolute discretion, refuse to register the transfer of a certificated share which is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis.

The Board of Directors may also refuse to register the transfer of a certificated share unless the instrument of transfer:

- (a) is lodged, duly stamped (if stampable), at the office or at another place appointed by the Board of Directors accompanied by the certificate for the share to which it relates and such other evidence as the Board of Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) is in respect of only one class of shares; and
- (c) it is in favour of not more than four transferees.

In the case of a transfer of a certificated share by a recognised person, the lodging of a share certificate will only be necessary if and to the extent that a certificate has been issued in respect of the share in question.

Unless the Board of Directors otherwise determines, a transfer of shares will not be registered if the transferor or any other person appearing to be interested in the transferor's shares having been issued with a section 793 notice (which is a notice whereby a public company may require a person it knows, or has reasonable cause to believe, has an interest in its shares (or to have had an interest in the previous three years) to confirm or deny the fact, and, if the former, to disclose certain information about the interest, including information about any other person with an interest in the shares), has failed to supply the information required by such notice within 14 days and the shares in respect of which such notice has been served represent at least 0.25 per cent. of their class, unless (i) the member is not himself in default as regards supplying the information requested and the transfer, when presented for registration, is accompanied by a certificate by the member in such form as the Board of Directors may in its absolute discretion require to the effect that after due and careful enquiry the member is satisfied that no person in default as regards supplying such information is interested in any of the shares of the transfer, or (ii) the transfer is an approved transfer, or (iii) registration is required by the CREST Regulations.

4.9 Variation of Rights

Subject to the provisions of the Companies Acts, if at any time the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of allotment of the shares of that class) be varied or abrogated, whether or not the Company is being wound up, either: (i) with the consent of the holders of three-quarters in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares), which consent shall be by means of one or more instruments or one or more communication sent in electronic form to such address (if any) for the time being notified by or on behalf of the Company for that purpose or a combination of both; or (ii) with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class, but not otherwise.

4.10 Alteration of Share Capital

The Company may, subject to the passing of a resolution authorising it to do so, in accordance with the Companies Act 2006:

- (a) consolidate and divide all or any of its share capital into shares of larger nominal amounts than its existing shares; and
- (b) subject to the provisions of the Companies Acts, sub-divide its shares, or any of them, into shares of smaller nominal amount and the resolution may determine that, as between the shares resulting from the sub-division, any of them may have any preference or advantage as compared with the other.

Subject to the provisions of the Companies Acts, the Company may by special resolution reduce its share capital, capital redemption reserve, share premium account and any redenomination reserve in any way.

4.11 Purchase of Own Shares

Subject to and in accordance with the provisions of the Companies Acts and without prejudice to any relevant special rights attached to any class of shares, the Company may purchase any of its own shares of any class (including without limitation redeemable shares) in any way and at any price (whether at par or above or below par) and may hold such shares as treasury shares.

4.12 Borrowing Powers

The Board of Directors may exercise all powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. There is no requirement on the Directors to restrict the borrowings of the Company or its subsidiaries.

4.13 Number of Directors

Unless otherwise determined by ordinary resolution, the number of Directors (other than alternate directors) shall not be subject to any maximum, but shall not be less than two.

4.14 Directors' Appointment and Retirement by Rotation

Directors may be appointed by the Company by ordinary resolution or by the Board of Directors. If appointed by the Board of Directors, a Director holds office only until the next annual general meeting and shall not be taken into account in determining the directors who are to retire by rotation at the meeting. If not re-appointed at such annual general meeting, he shall vacate office at its conclusion. A Director shall not be required to hold any shares in the capital of the Company by way of qualification.

At every annual general meeting one-third of the Directors or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office; but if any Director has at the start of the annual general meeting been in office for three years or more since his last appointment or re-appointment, he shall retire at that annual general meeting.

Subject to the provisions of the Companies Acts and the Articles, the Directors to retire by rotation shall be, first, those who wish to retire and not be re-appointed to office, and, second, those who have been longest in office since their last appointment or re-appointment. As between persons who became or were last re-appointed directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. The Directors to retire on each occasion (both as to number and identity) shall be determined by the composition of the Board of Directors at the date of the notice convening the annual general meeting. No Director shall be required to retire or be relieved from retiring or be retired by reason of any change in the number or identity of the directors after the date of the notice but before the close of the meeting.

A Director who retires at an annual general meeting may, if willing to act, be re-appointed. If he is not re-appointed, he shall retain office until the meeting appoints someone in his place, or if it does not do so, until the end of the meeting.

4.15 Remuneration of Directors

The emoluments of any Director holding executive office for his services as such shall be determined by the Board of Directors, and may be of any description.

The ordinary remuneration of the Directors who do not hold executive office for their services (excluding amounts payable under any other provision of the Articles) shall not exceed in aggregate £1,000,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such Director shall be paid a fee for their services (which shall be deemed to accrue from day-to-day) at such rate as may from time to time be determined by the Board of Directors. In addition, any Director who does not hold executive office and who performs special services which in the opinion of the Board of Directors are outside the scope of the ordinary duties of a Director, may (without prejudice to the provisions of the Articles) be paid such

extra remuneration by way of additional fee, salary, commission or otherwise as the Board of Directors may determine.

The Directors may be paid all travelling, hotel, and other expenses properly incurred by them in connection with their attendance at meetings of the Board of Directors or committees of the Board of Directors, general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

4.16 Gratuities, Pensions, Share Schemes and Insurance

The Board of Directors may (by establishment of, or maintenance of, schemes or otherwise) provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present director of the Company or any of its subsidiary undertakings or any body corporate associated with, or any business acquired by, any of them, and for any member of his family (including a spouse and a former spouse) or any person who is or was dependent on him, and may (as well before as after he ceases to hold such office or employment) contribute to any fund and pay premiums for the purchase or provision of any such benefit.

Without prejudice to any other provisions of the Articles, the Board of Directors may exercise all the powers of the Company to establish, maintain, and contribute to any scheme for encouraging or facilitating the holding of shares in the Company or in any connected company by or for the benefit of current or former directors of the Company or any connected company or any company otherwise allied or associated with the Company or connected company or the spouses, civil partners, former spouses, former civil partners, families, connections or dependants of any such persons and, in connection with any such scheme, to establish, maintain and contribute to a trust for the purpose of acquiring and holding shares in the Company or any connected company and to lend money to the trustees of any such trust or to any individual referred to above.

Without prejudice to the provisions of the Articles, the Board of Directors may exercise all the powers of the Company to purchase and maintain insurance for or for the benefit of any person who is or was: (i) a Director of the Company, or any body which is or was the holding company or subsidiary undertaking of the Company, or in which the Company or such holding company or subsidiary undertaking has or had any interest (whether direct or indirect) or with which the Company or such holding company or subsidiary undertaking is or was in any way allied or associated; or (ii) a trustee of any pension fund in which employees of the Company or any other such body is or has been interested, including without limitation insurance against any liability incurred by such person in respect of any act or omission in the actual or purported execution or discharge of his duties or in the exercise or purported exercise of his powers or otherwise in relation to his duties, powers or offices in relation to the relevant body or fund.

4.17 Authorisation of Directors' Interests

For the purposes of section 175 of the Companies Act 2006, the Directors may authorise any matter proposed to them in accordance with the Articles which would, if not so authorised, constitute or give rise to an infringement of duty by a director under section 175 of the Companies Act 2006. Such authorisation shall only be effective if:

- the matter in question shall have been proposed by any person for consideration at a meeting of the Directors, in accordance with the Directors' procedures, if any, for the time being relating to matters for consideration by the Directors or in such other manner as the Directors may approve;
- any requirement as to the quorum at the meeting of the Directors at which the matter is considered is met without counting the Director in question and any other Directors with a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company (the "Interested Directors"); and
- the matter was agreed to without the Interested Directors voting or would have been agreed to if the votes of the Interested Directors had not been counted.

Any authorisations shall extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter so authorised and be subject to such conditions or limitations as the Directors may specify, whether at the time such authorisation is given or subsequently, and may be terminated by the Directors at any time. A Director shall comply with any obligations

imposed on him by the Directors pursuant to any such authorisation. A Director shall not, by reason of his office or the fiduciary relationship thereby established, be accountable to the Company for any remuneration or other benefit which derives from any matter authorised by the Directors under the Articles and any contract, transaction or arrangement relating thereto shall not be liable to be avoided on the grounds of any such remuneration or other benefit or on the ground of the director having any interest as referred to in section 175 of the Companies Act 2006.

4.18 **Restrictions on Voting in Cases of Directors' Interests**

Except as otherwise provided by the Articles, a Director shall not vote at a meeting of the Board of Directors or a committee of the Board of Directors on any resolution of the Board of Directors concerning a matter in which he has an interest (other than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company) which is to his knowledge material unless his interest arises only because the resolution concerns one or more of the following matters:

- (a) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of, the Company or any of its subsidiary undertakings;
- (b) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the director has assumed responsibility (in whole or part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;
- (c) a contract, arrangement or transaction concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (d) a contract, arrangement or transaction concerning any other body corporate in which he is interested, directly or indirectly, and whether as an officer, shareholder, creditor or otherwise, if he does not to his knowledge hold an interest (as that term is used in sections 820 to 825 of the Companies Act 2006) representing 1 per cent. or more of either any class of the equity share capital (excluding any shares of that class held as treasury shares) of such body corporate (or any other body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purpose of this Article to be a material interest in all circumstances);
- (e) a contract, arrangement or transaction for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and
- (f) a contract, arrangement or transaction or proposal concerning any insurance which the Company is empowered to purchase or maintain for, or for the benefit of, any directors of the Company or for persons who include directors of the Company.

Where proposals are under consideration concerning the appointment (including without limitation fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any body corporate in which the Company is interested, the proposals may be divided and considered in relation to each Director separately. In such cases each of the Directors concerned shall be entitled to vote in respect of each resolution except that concerning his own appointment.

If a question arises at a meeting of the Board of Directors or of a committee of the Board of Directors as to the entitlement of a Director to vote, the question may, before the conclusion of the meeting, be referred to the chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive except in a case where the nature or extent of the interests of the director concerned have not been fairly disclosed. If any such question arises in respect of the chairman of the meeting, it shall be decided by resolution of the Board of Directors (on which the chairman shall not vote) and such resolution will be final and conclusive except in a case where the nature and extent of the interests of the chairman have not been fairly disclosed.

4.19 General Meetings

The Board of Directors may call general meetings whenever and at such times and places as it shall determine and on receipt of a requisition of members pursuant to the Companies Acts.

An annual general meeting shall be called by at least 21 clear days' notice and a meeting of the Company other than an annual general meeting shall be called by at least 14 days' notice.

Subject to the provisions of the Companies Acts, to the provisions of the Articles and to any restrictions imposed on any shares, the notice shall be sent to every member and every Director. The auditors are entitled to receive all notices of, and other communications relating to, any general meeting which any member is entitled to receive.

The notice shall specify the time and place of the meeting (including without limitation any satellite meeting place arranged for the purposes of the Articles, which shall be identified as such in the notice) and the general nature of the business to be transacted. In the case of an annual general meeting, the notice shall specify the meeting as such and shall include such other information as is required by the Companies Acts. In the case of a meeting to pass a special resolution, the notice shall specify the intention to propose the resolution as a special resolution and shall include the text of the resolution.

The accidental omission to send a notice of a meeting or of a resolution intended to be moved at a meeting, or to send any notification where required by the Companies Acts or the Articles in relation to the publication of a notice of meeting on a website, or to send a form of proxy where required by the Companies Acts or the Articles, to any persons entitled to receive it, or the non-receipt for any reason of any such notice or resolution or notification or form of proxy by that person, whether or not the Company is aware of such omission or non-receipt, shall be disregarded for the purpose of determining whether notice of the meeting or of any resolution to be moved at the meeting is duly given.

The Board of Directors and, at any general meeting, the chairman may make any arrangement and impose any requirement or restriction it or he considers appropriate to ensure the security of a general meeting including, without limitation, requirements for evidence of identity to be produced by those attending the meeting, the searching of their personal property and the restriction of items that may be taken into the meeting place. The Board of Directors and, at any general meeting, the chairman are entitled to refuse entry to a person who refuses to comply with these arrangements, requirements or restrictions.

No business shall be transacted at any general meeting unless a quorum is present, but the absence of a quorum shall not preclude the choice or appointment of a chairman, which shall not be treated as part of the business of the meeting. Save as otherwise provided by the Articles, two persons present in person or by proxy and entitled to vote on the business to be transacted shall be a quorum.

The Chairman of the Board of Directors or, in his absence, any deputy chairman of the Company or, in his absence, some other Director nominated by the Board of Directors, shall preside as chairman of the meeting. If neither the Chairman, deputy chairman nor such other Director (if any) is present within five minutes after the time appointed for holding the meeting or is not willing to act as chairman, the Directors present shall elect one of their number to be chairman. If there is only one director present and willing to act, he shall be chairman. If no director is willing to act as chairman, or if no director is present within five minutes after the time appointed for holding the meeting, the members present and entitled to vote shall choose one of their number to be chairman.

A Director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares in the capital of the Company.

A resolution put to the vote of a general meeting shall be decided on a show of hands unless, before or on the declaration of the result of a vote on the show of hands or on the withdrawal of any other demand for a poll, a poll is duly demanded. Subject to the provisions of the Companies Acts, a poll may be demanded by: (i) the chairman of the meeting; or (ii) (except on the election of the chairman of the meeting or on a question of adjournment) at least five members present in person or by proxy having the right to vote on the resolution; or (iii) any member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the

right to vote on the resolution (excluding any voting rights attached to shares held as treasury shares); or (iv) any member or members present in person or by proxy holding shares conferring a right to vote on the resolution being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right (excluding any shares in the Company conferring a right to vote on the resolution which are held as treasury shares).

Unless a poll is duly demanded (and the demand is not withdrawn before the poll is taken) a declaration by the chairman that a resolution has been passed or passed unanimously, or with a particular majority, or lost, or not passed by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

In the case of an equality of votes, whether on a show of hands or a poll, the chairman of the meeting, shall not be entitled to a casting vote in addition to any other vote he may have.

4.20 Indemnity and Defence Expenditure

Subject to the provisions of, and so far as may be permitted by and consistent with the Companies Acts (but so that the Articles do not extend to any matter insofar as would cause them or any part of them to be void under the Companies Acts), every current or former director, secretary or other officer of the Company or any Group Company (as defined below) may be indemnified by the Company out of its own funds against: (a) any liability incurred by or attaching to him in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company; and (b) any other liability incurred by or attaching to him in the actual or purported execution and/or discharge of his duties (including those duties, powers and discretions in relation to any Group Company (as defined below) or any company that is a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006) and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office including (without prejudice to the generality of the foregoing, any liability suffered or incurred by him in disputing, defending, investigating or providing evidence in connection with any actual or threatened or alleged claims, demands, investigations or proceedings, whether civil, criminal or regulatory, or in connection with any application under section 661(3) or (4) or section 1157 of the Companies Act 2006. Where a current or former director, secretary or other officer of the Company is indemnified against any liability in accordance with the Articles, such indemnity shall extend to all costs, charges, losses, expenses and liabilities incurred by him in relation thereto.

Subject to the provisions of and so far as may be permitted by the Companies Acts (but so that the Articles do not extend to any matter insofar as would cause them or any part of them to be void under the Companies Acts), the Company (i) shall provide any current or former director, secretary or other officer of the Company or any Group Company (as defined below) with funds to meet expenditure incurred or to be incurred by him of the nature described in sections 205(1) or 206 of the Companies Act 2006 and (ii) may do anything to enable any such person to avoid incurring such expenditure.

“Group Company” for the purposes of this paragraph means the Company or any body which is or was its parent undertaking or subsidiary undertaking or another subsidiary undertaking of any such parent undertaking.

5. Mandatory Bids and Acquisitions

5.1 Mandatory Bids

The UK City Code on Takeovers and Mergers (the “City Code”) is issued and administered by the UK Panel on Takeovers and Mergers. The Company is subject to the City Code and therefore Vedanta Shareholders are entitled to the protections afforded by the City Code. Under Rule 9 of the City Code, if a person:

- (a) acquires an interest in shares in the Company which, when taken together with Ordinary Shares in which he or persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of the Company; or

- (b) who, together with persons acting in concert with him, is interested in Ordinary Shares which in the aggregate carry not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company, acquires additional interests in Ordinary Shares which increase the percentage of Ordinary Shares carrying voting rights in which that person is interested,

the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or its concert parties during the previous 12 months.

5.2 Compulsory Acquisition and Sell-out Rights

Under sections 974 to 991 of the Companies Act 2006, if an offeror acquires or unconditionally contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares in the Company (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer. The offeror would do so by sending a notice to outstanding Vedanta Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later (provided that no dissenting shareholder has petitioned the court) it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding holders of shares. The consideration offered to the holders whose shares are compulsorily acquired under the Companies Act 2006 must, in general, be the same as the consideration that was available under the takeover offer, including, where there was any choice of consideration under the takeover offer, the same choice.

In addition, pursuant to section 983 of the Companies Act 2006, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares in the Company (in value and by voting rights) to which the offer relates, any Vedanta Shareholder to which the offer relates who has not accepted the offer may require the offeror to acquire their shares on the same terms as the takeover offer. The offeror would be required to give any holder of shares notice of their right to be bought out within one month of that right arising. These sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying them of their sell-out rights. If a holder of shares exercises their rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

- 5.3 There have not been any public takeover bids by third parties in respect of the share capital of the Company in the last or current Fiscal year.

6. Major Interests in Shares

- 6.1 So far as the Company is aware, as at 4 December 2011, being the latest practicable date prior to publication of this Prospectus, the following person (other than Mr. Anil Agarwal) held directly or indirectly three per cent. or more of the Company's voting rights, being the level at which notification is required to be made to the Company pursuant to the Disclosure and Transparency Rules.

<u>Name</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of voting issued Ordinary Share capital</u>
Volcan Investments Limited ⁽¹⁾	167,953,056	63.19

Note:

- (1) The above amount and percentage is based upon 265,796,234 voting Ordinary Shares. See paragraph 6.2 below for further details.

- 6.2 As at 4 December 2011, being the latest practicable date prior to publication of the Prospectus, there were 265,796,234 voting Ordinary Shares in issue. This amount does not include the 6,904,995 Ordinary Shares held through global depository receipts with no voting rights, 22,502,483 Ordinary Shares held in treasury by Vedanta and a further 1,704,333 Ordinary Shares which were purchased pursuant to Vedanta's buyback programme by an independent company, Gorey Investments, which does not vote on these shares. The shares held by Gorey Investments are treated in the consolidated accounts of Vedanta as outstanding treasury shares.

- 6.3 Volcan does not have and will not have voting rights attached to the Ordinary Shares it holds that are different to those held by the other Vedanta Shareholders.
- 6.4 Save as set out in this Part X: “Additional Information”, Part II: “Relationship with Major Shareholder” and Part III: “Directors, Executive Officers, Significant Employees and Corporate Governance”, the Company is not aware of any person who immediately following Readmission, directly or indirectly, jointly or severally, will or could exercise control over the Company.
- 6.5 The Ordinary Shares are in registered form and, subject to the provisions of the CREST Regulations, the Directors may permit the holding of any class of shares in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where Ordinary Shares are held in certificated form, share certificates will be sent to the registered members by first class post.
- 6.6 The legislation under which the Ordinary Shares have been created is the Companies Acts and regulations made under the Companies Acts. The Ordinary Shares are denominated in US dollars. The ISIN of the Ordinary Shares is GB0033277061.
- 6.7 As at the date of this Prospectus, there are no arrangements known to the Company the operation of which may at a subsequent date result in a change in control of the Company.

7. Pension, Retirement or Similar Benefits

The Vedanta Group operates pension schemes for the majority of its employees in India, Australia, Zambia, Namibia, South Africa and Ireland.

7.1 Defined Contribution Schemes

(a) India

(i) Central Provident Fund

The Central Provident Fund relates to all full time Indian employees of the Vedanta Group. The amount contributed by the Vedanta Group is a designated percentage of 12 per cent. of basic salary less contributions made as part of the Pension Fund (see paragraph 7.1(a)(iii) below), together with an additional contribution of 12 per cent. of salary made by the employee or maximum permissible percentage of basic salary as opted for by the individual employees. The benefit is paid to the employee on their retirement or resignation from the Vedanta Group.

(ii) Superannuation

Superannuation is applicable only to senior executives. Certain companies hold policies with the LIC, to which they contribute a fixed amount relating to superannuation, and the pension annuity is met by the LIC as required, taking into consideration the contributions made. Accordingly, this scheme has been accounted for on a defined contribution basis and contributions are charged directly to the Vedanta Group’s income statement.

(iii) Pension Fund

The Pension Fund was established on 16 November 1995 and is managed by the Government of India. The employee makes no contribution to this fund, but the employer makes a contribution of 8.33 per cent. of the employee’s salary each month, subject to a specified ceiling per employee. This must be provided for every permanent employee on the payroll.

At the age of superannuation, contributions cease and the individual receives a monthly payment based on the level of contributions through the years, and on their salary scale at the time they retire, subject to a maximum ceiling of salary level. The Government of India funds these payments and, therefore, the Vedanta Group has no additional liability beyond the contributions that it makes, regardless of whether the fund is in surplus or deficit.

(b) **Australia**

The Vedanta Group also operates defined contribution pension schemes in Australia. The contribution of a proportion of an employee's salary into a superannuation fund is a compulsory legal requirement in Australia. The employer contributes 9 per cent. of the employee's gross remuneration where the employee is covered by the industrial agreement and 12 per cent. of the basic remuneration for all other employees, into the employee's fund of choice. All employees have the option to make additional voluntary contributions.

(c) **Zambia**

The KCM Pension Scheme is applicable to full time permanent employees of KCM (subject to the fulfilment of certain eligibility criteria). The management of the scheme is vested in the trustees consisting of representatives of the employer and the members. The employer makes a monthly contribution to the KCM Pension Scheme of an amount equal to 11 per cent. of that month's pensionable salary and the member makes monthly contributions to the fund of an amount equal to 5 per cent. of that month's pensionable salary.

All contributions to the KCM Pension Scheme in respect of a member cease to be payable when the member attains normal retirement age of 55 years, or upon leaving the service of the employer, or when the member is permanently medically incapable of performing duties in the service of the employer. Upon such cessation of contribution on the grounds of normal retirement, or being rendered medically incapable of performing duties, or early voluntary retirement within five years of retirement, the member is entitled to receive an immediate annual pension equal to his accrued pension. The member is allowed to commute their accrued pension subject to certain rules and regulations. The trustees of the KCM Pension Scheme may also allow the purchase of an annuity for the benefit of members from a life assurance company or other providers of annuities, subject to statutory regulations.

The Vedanta Group has no additional liability beyond the contributions that it makes, regardless of whether the KCM Pension Scheme is in surplus or deficit. Accordingly, this scheme has been accounted for on a defined contribution basis and contributions are charged directly to the Vedanta Group's income statement.

(d) **Namibia**

The Skorpion Zinc Provident Fund is a defined contribution fund and is compulsory for all full time employees of Skorpion under the age of 60. Company contribution to the fund is a fixed percentage of 8 per cent. per month of pensionable salary, whilst the employee contributes 7 per cent. with the option of making additional voluntary contributions over and above the normal contribution up to a maximum of 12 per cent.

Normal retirement age is 60 years and the benefit payable is the member's fund credit which is equal to all employer and employee contributions plus interest. The same applies when an employee resigns from the company. The fund provides a death benefit which is two times annual salary in the event of death before retirement. The latest actuarial valuation was performed on 28 February 2011 and at such time the fund was assessed as being financially sound. Current membership total is 747.

(e) **South Africa**

Black Mountain has two retirement funds, both administered by Alexander Forbes, a registered financial services provider. Both funds form part of the Alexander Forbes umbrella fund and are defined contribution funds. The purpose of the funds is to provide retirement benefits and death cover to all eligible employees.

(f) **Ireland**

The Lisheen Pension Plan is for all employees of Lisheen. Lisheen pays 5 per cent. and employees pay 5 per cent. with the option to make additional voluntary contributions if desired. Executive contributions are 15 per cent. by the company with the option to make additional voluntary contributions if desired. The fund provides a death cover that is three times salary for employees and four times salary for executives. Pension and life cover ceases at 65.

7.2 Defined Benefit Schemes

(a) India

The Indian gratuity schemes are defined benefit schemes which are open to all Vedanta Group employees in India who have a minimum of five years of service with their employing company. These schemes are funded by the Vedanta Group in some subsidiaries. Based on actuarial valuation, a provision is recognised in full for the projected obligation over and above the funds held in the scheme. Where there is no funding held by the scheme, full provision is recognised in the balance sheet. Under these schemes, benefits are provided based on final pensionable pay. The assets of the schemes are held in separate funds and a full actuarial valuation of the schemes is carried out on an annual basis.

(i) **Bharat Aluminium Company Ltd.**

All BALCO employees who retire on or before 31 March 2011 are covered by the LIC. Remaining contributions to the LIC have been made up to 31 March 2013 and have been accounted for on a defined contribution basis. The gratuity scheme is accounted for as a defined benefit scheme for all BALCO employees scheduled to retire after 31 March 2013 and who are not covered by the LIC. A provision is recognised based on the latest actuarial valuation which was performed as at 31 March 2011 using the projected unit actuarial method. At that date the fund was in deficit.

(ii) **Hindustan Zinc Limited**

HZL contributes to the LIC based on an actuarial valuation every year. HZL's gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2011 using the projected unit actuarial method. At that date the fund was in deficit.

(iii) **Madras Aluminium Company Limited**

MALCO contributes to the LIC based on an actuarial valuation every year. Its gratuity scheme is accounted for on a defined benefit basis. An actuarial valuation was performed as at 31 March 2011 using the projected unit credit actuarial method. At that date the fund was in deficit.

(iv) **Sesa Goa Limited**

SGL contributes to the LIC based on an actuarial valuation performed every year. SGL's gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2011 using the projected unit actuarial method. At that date the fund was in deficit.

(v) **Sterlite Industries (India) Limited**

Sterlite does not contribute to the LIC. Liabilities with regard to the gratuity scheme are fully provided in the balance sheet and are determined by actuarial valuation as at the balance sheet date and as per gratuity regulations for the company. The latest actuarial valuation was performed as at 31 March 2011 using the projected unit actuarial method. At that date the fund was in deficit.

(vi) **Talwandi Sabo Power Limited**

TSPL contributes to the LIC based on an actuarial valuation. Liabilities with regard to the gratuity scheme are fully provided in the balance sheet and are determined by actuarial valuation as at the balance sheet date and as per gratuity regulations for the company. The latest actuarial valuation was performed as at 31 March 2011 using the projected unit actuarial method. At that date the Fund was INR611,883 (US\$13,704) in credit.

(vii) **Vedanta Aluminium Limited**

Vedanta Aluminium contributes to the LIC based on an actuarial valuation. Liabilities with regard to the gratuity scheme are fully provided in the balance sheet and are determined by actuarial valuation as at the balance sheet date and as per gratuity regulations for the company. The latest actuarial valuation was performed as at

31 March 2011 using the projected unit actuarial method. At that date the fund was in deficit.

(b) **Zambia**

Konkola Copper Mines plc

Specified permanent employees of KCM are entitled to receive medical and retirement severance benefits. This comprises two months' basic pay for every completed year of service with an earliest service start date of 1 July 2004. Under this scheme, benefits are provided based on final pensionable pay and a full actuarial valuation of the scheme is carried out on an annual basis. The accruals are not contributed to any fund and are in the form of provisions in KCM's accounts.

On the death of an employee during service, a lump sum amount is paid to the employee's dependants. This amount is equal to 60 months' basic pay for employees who joined before 1 April 2000 and 30 months' basic pay for employees who joined on or after 1 April 2000. For fixed term contract employees, the benefit payable on death is 30 months' basic pay.

7.3 In Fiscal 2011, the total costs related to pension schemes was US\$51.6 million.

8. Dividend Policy

8.1 Subject to the provisions of the Companies Act 2006, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the Vedanta Shareholders, but no dividend shall exceed the amount recommended by the Board of Directors. The Board may pay interim dividends if it appears to the Board that they are justified by the profits of the Company available for distribution. Interim and final dividends are paid in January and August in the approximate proportions of one-third and two-thirds of the total annual dividend.

8.2 The treasury shares are not entitled to dividends. Dividends will be declared and paid in US dollars unless a Vedanta Shareholder elects to receive dividends in pounds sterling. The Board of Directors may also determine the exchange rate and the relevant date for determining the value of the dividend in pounds sterling.

8.3 There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

9. Property, Plant and Equipment

9.1 The Vedanta Group's material assets are its mining claims, permits and licences, which are summarised in paragraph 8 of Section A of Part I: "Information on the Vedanta Group, the Cairn India Group and the Combined Group" of this Prospectus.

9.2 Cairn India's material assets are summarised in the mineral expert's report on Cairn India prepared by DeGolyer and MacNaughton (the "Mineral Expert's Report"), which is included in Section B of Part IV: "Ore Reserves and Mineral Resources Information" of this Prospectus.

10. Subsidiaries

10.1 The Company is the holding company of the Vedanta Group.

10.2 The following table shows details of the Company's principal subsidiaries. The issued share capital of each of these companies is fully paid and each is included in the consolidated accounts of the Vedanta Group.

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Economic percentage held by Vedanta</u>	<u>Immediate holding company</u>	<u>Immediate percentage held by Vedanta⁽¹⁾</u>
Wholly-owned subsidiaries:				
Finsider International Company Limited . . .	England	100.00	Richter	100.00
Konkola Resources plc	England	100.00	VRHL	100.00
Lakomasko BV	Netherlands	100.00	VRHL	100.00
Monte Cello Corporation NV	Netherlands	100.00	Twin Star	100.00
Richter Holdings Ltd	Cyprus	100.00	VRCL	100.00
THL Zinc Ventures Limited	Mauritius	100.00	Sterlite Infra	100.00
Twin Star Energy Holdings Limited	Mauritius	100.00	VRHL	100.00

Subsidiaries	Country of incorporation	Economic percentage held by Vedanta	Immediate holding company	Immediate percentage held by Vedanta⁽¹⁾
Twin Star Holdings Limited	Mauritius	100.00	VRHL	100.00
Twin Star Mauritius Holdings Limited	Mauritius	100.00	TSEHL	100.00
Vedanta Finance (Jersey) Limited	Jersey	100.00	Vedanta	100.00
Vedanta Jersey Investments Limited	Jersey	100.00	Vedanta	100.00
Vedanta Resources Cyprus Limited (“VRCL”)	Cyprus	100.00	VRFL	100.00
Vedanta Resources Finance Limited (“VRFL”)	England	100.00	VRHL	100.00
Vedanta Resources Holdings Limited	England	100.00	Vedanta	100.00
Vedanta Resources Investments Limited	England	100.00	Vedanta	100.00
Vedanta Resources Jersey Limited	Jersey	100.00	Vedanta	100.00
Vedanta Resources Jersey II Limited	Jersey	100.00	Vedanta	100.00
Welter Trading Limited	Cyprus	100.00	VRCL	100.00
Westglobe Limited	Mauritius	100.00	Richter	100.00
Non wholly-owned subsidiaries:				
Allied Port Services Pvt Ltd	India	87.28	Vedanta Aluminium	100.00
Amica Guesthouse (Pty) Ltd	Namibia	57.53	SZPL	100.00
Azela Limited	Ireland	57.53	KLL	100.00
Bharat Aluminium Company Ltd.	India	29.01	Sterlite	51.00
Black Mountain Mining (Pty) Ltd	South Africa	42.57	THL Zinc	74.00
Copper Mines of Tasmania Pty Ltd	Australia	56.88	MCBV	100.00
Fujariah Gold	United Arab Emirates	56.88	CMT	100.00
Goa Maritime Private Limited	India	28.71	SRL	50.00
Hindustan Zinc Limited	India	36.93	SOVL	64.92
Killoran Concentrates Limited	Ireland	57.53	VLFL	100.00
Killoran Lisheen Finance Limited	Ireland	57.53	VLFL	100.00
Killoran Lisheen Holdings Limited	Ireland	57.53	KLL	100.00
Killoran Lisheen Limited (“KLL”)	Ireland	57.53	VLFL	100.00
Killoran Lisheen Mining Limited	Ireland	57.53	VLFL	100.00
Konkola Copper Mines plc	Zambia	79.40	VRHL	79.40
Lisheen Milling Limited	Ireland	57.53	VLFL	100.00
Lisheen Mine Partnership	Ireland	57.53	VBM	100.00
Madras Aluminium Company Limited	India	94.54	Twin Star	94.54
Malco Industries Limited	India	57.53	Sterlite	100.00
MALCO Power Company Limited	India	57.53	Sterlite	100.00
Monte Cello BV (“MCBV”)	Netherlands	56.88	Sterlite	100.00
Namzinc (Pty) Ltd	Namibia	57.53	SZPL	100.00
Paradip Port Services Pvt Limited	India	42.58	Sterlite	74.00
Pecvest 17 Proprietary Ltd.	South Africa	57.53	THL Zinc	100.00
Rosh Pinah Healthcare (Pty) Ltd	Namibia	36.82	SZPL	64.00
Roshkor Township (Pty) Limited	Namibia	28.77	SZPL	100.00
Sesa Goa Limited	India	57.41	Finsider	48.32
Sesa Industries Limited	India	50.64	SGL	88.25
Sesa Mining Corporation Limited	India	55.13	SRL	100.00
Sesa Resources Limited	India	57.41	SGL	100.00
Skorpion Mining Company (Pty) Ltd	Namibia	57.53	SZPL	100.00
Skorpion Zinc (Pty) Ltd (“SZPL”)	Namibia	57.53	VNHL	100.00
Sterlite Energy Limited	India	56.88	Sterlite	100.00
Sterlite Industries (India) Limited	India	56.88	Twin Star	54.00
Sterlite Infra Limited	India	56.88	Sterlite	100.00
Sterlite Opportunities and Ventures Limited	India	56.88	Sterlite	100.00
Sterlite (USA), Inc.	USA	56.88	Sterlite	100.00
Talwandi Sabo Power Limited	India	56.88	Sterlite Energy	100.00
Thalanga Copper Mines Pty Ltd	Australia	56.88	MCBV	100.00
THL Zinc Holding BV	Netherlands	57.53	Sterlite Infra	100.00
THL Zinc Holding Cooperative U.A.	Netherlands	57.53	THL Zinc	100.00
THL Zinc Namibia Holdings (Pty) Ltd	Namibia	57.53	Sterlite Infra	100.00
THL Zinc Limited	Mauritius	100.00	THL Zinc	100.00
Vedanta Aluminium Limited	India	87.28	Twin Star	45.50
Vedanta Base Metals (Ireland) Limited (“VBU”)	Ireland	57.53	VLFL	100.00

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Economic percentage held by Vedanta</u>	<u>Immediate holding company</u>	<u>Immediate percentage held by Vedanta⁽¹⁾</u>
Vedanta Lisheen Finance Limited (“VLFL”)	Ireland	57.53	THL Zinc	100.00
Vedanta Lisheen Mining Limited	Ireland	57.53	VLFL	100.00
Vizag General Cargo Berth Pvt. Limited . . .	India	42.58	Sterlite	100.00

Note:

- (1) The Vedanta Group owns directly, or indirectly through subsidiaries, more than half of the voting power of all of its subsidiaries as mentioned in the above table and the Vedanta Group is able to govern its subsidiaries’ financial and operating policies so as to benefit from their activities.

10.3 Cairn India is the holding company of the Cairn India Group and beneficially owns 100 per cent. of the issued share capital, directly or indirectly, in each of its 30 subsidiary companies, details of which are set out in the table below. The issued share capital of each company is fully paid.

<u>Subsidiaries</u>	<u>Country of incorporation</u>
Direct subsidiaries:	
Cairn India Holdings Limited	Jersey
CIG Mauritius Holding Private Limited	Mauritius
Indirect subsidiaries:⁽¹⁾	
Cairn Energy Asia Pty Limited	Australia
Cairn Energy Australia Pty Limited	Australia
Cairn Energy Cambay BV	Netherlands
Cairn Energy Cambay Holding BV	Netherlands
Cairn Energy Discovery Limited	United Kingdom
Cairn Energy Group Holdings BV	Netherlands
Cairn Energy Gujarat Block 1 Limited	United Kingdom
Cairn Energy Gujarat BV	Netherlands
Cairn Energy Gujarat Holding BV	Netherlands
Cairn Energy Holdings Limited	United Kingdom
Cairn Energy Hydrocarbons Limited	United Kingdom
Cairn Energy India Holdings BV	Netherlands
Cairn Energy India Pty Limited	Australia
Cairn Energy India West BV	Netherlands
Cairn Energy India West Holding BV	Netherlands
Cairn Energy Investments Australia Pty Limited	Australia
Cairn Energy Netherlands Holdings BV	Netherlands
Cairn Exploration (No. 2) Limited	United Kingdom
Cairn Exploration (No. 4) Limited	United Kingdom
Cairn Exploration (No. 6) Limited	United Kingdom
Cairn Exploration (No. 7) Limited	United Kingdom
Cairn Lanka (Private) Limited	Sri Lanka
Cairn Petroleum India Limited	United Kingdom
CEH Australia Limited	British Virgin Islands
CEH Australia Pty Limited	Australia
CIG Mauritius Private Limited	Mauritius
Sydney Oil Company Pty Limited	Australia
Wessington Investments Pty Limited	Australia

Note:

- (1) Cairn India Holdings Limited and CIG Mauritius Holding Private Limited are wholly-owned subsidiary undertakings of Cairn India. All other abovementioned subsidiary undertakings are direct or indirect, wholly-owned subsidiary undertakings of either Cairn India Holdings Limited or CIG Mauritius Holding Private Limited.

10.4 Save as described above, there are no undertakings in which the Company or Cairn India hold a proportion of the share capital which are likely to have a significant effect on the assessment of the Combined Group’s assets and liabilities, financial position or profits and losses.

11. Working Capital

The Company is of the opinion that, taking account of its existing debt facilities, the Vedanta Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this Prospectus.

12. Significant Change

12.1 Vedanta

Save for the issue by Vedanta of drawdown notices on 2 December 2011 for the drawdown of a total of US\$3,014.18 million under the Cairn India Acquisition Facilities and the drawdown of US\$500 million under the Axis Bank loans on 25 October 2011, there has been no significant change in the financial or trading position of the Company since 30 September 2011, the date to which the last interim financial information for the Vedanta Group was prepared.

12.2 Cairn India

There has been no significant change in the financial or trading position of Cairn India since 30 September 2011, the date to which the last interim financial information contained in this Prospectus was prepared.

13. Litigation

13.1 Vedanta

Save as disclosed below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), which may have or have had during the 12 months preceding the date of this Prospectus, a significant effect on the Company's and/or the Vedanta Group's financial position or profitability:

(a) Bharat Aluminium Company Ltd.

BALCO is involved in litigation relating to its alleged engagement in the illegal felling of trees situated on forest land.

BALCO is involved in public interest litigations filed by an organisation known as Sarthak and a private individual, Mr. Bhupesh Baghel, before the Forest Bench of the Supreme Court alleging encroachment by BALCO over the land on which the Korba facility is situated. The petitioners allege that the land belongs to the State Government of Chhattisgarh and that BALCO has engaged in illegal felling of trees on the land and usage of forest land in violation of the Indian Forest Act. The Supreme Court has referred the matter to the CEC which submitted its report on the petitions to the Supreme Court on 17 October 2007 recommending that BALCO be directed to seek ex-post facto approval for the diversion of forest land in BALCO's possession for non-forest use. This matter is currently pending.

On 29 February 2008, the Supreme Court had separately issued an order directing that no trees were to be felled pending resolution of the above dispute. The petitioners filed an application alleging contempt by BALCO of the Supreme Court's order which was heard on 26 March 2010 and then referred by the Supreme Court to the CEC on 23 April 2010. The CEC has since sought information and documents from the petitioners, BALCO and the Government of Chhattisgarh on the allegations made and will submit its report to the Supreme Court following which the matter will be listed for hearing.

In the event that the Supreme Court rules against BALCO, BALCO may be required to pay the net present value of the land in question to convert the forest land to non-forest use. The maximum amount payable, based on the highest prescribed rate, is approximately US\$14.2 million.

(b) Hindustan Zinc Limited

(i) HZL is involved in litigation proceedings relating to the renewal of one of its mining leases.

On 16 March 2010, HZL filed an application before the Supreme Court seeking clarification on an order of the Supreme Court dated 19 February 2010 in relation to a writ petition filed by T. N. Godavarman against the Union of India. In its order, the Supreme Court had directed that lease-holders, whose applications for renewal of licenses were pending, would be prohibited from undertaking any mining operation until further orders were made. This was, in the view of a large number of lease-holders, exploiting the deeming provision under Rule 24A of the Indian Mineral (Development and Regulation) Rules, 1960, pursuant to which a mining lease is deemed extended in

the event the application for its renewal is not disposed of by the relevant State Government before expiry of the lease.

As a result of the order dated 19 February 2010, HZL's application for renewal of its lease was deferred. However, HZL has contended that such order would not apply to it as its mining lease for the Zawar mines had not expired. Further, HZL has contended that the Supreme Court, in its order dated 19 February 2010, had not restrained the Forest Advisory Committee of the MoEF from processing an application for renewal on the merits of the application. Accordingly, HZL has submitted that the Supreme Court clarify that the Forest Advisory Committee is not prohibited from considering HZL's renewal application and that in the event the Committee granted approval, the Government of Rajasthan should be directed to renew the lease. Further, HZL has submitted that it be permitted to continue mining operations pending renewal of its mining lease. The MoEF has submitted an application for renewal and the case is awaiting listing.

The claim amount is not currently quantifiable.

(ii) **Demands against HZL by the Department of Mines and Geology and the Ministry of Mines relating to HZL's alleged unlawful occupation and unauthorised mining of associated minerals other than zinc and lead at its Rampura Agucha, Rajpura Dariba and Zawar mines.**

The Department of Mines and Geology of the State of Rajasthan issued several show cause notices to HZL in August, September and October 2006, aggregating US\$83.5 million in demand, in relation to alleged unlawful occupation and unauthorised mining of associated minerals other than zinc and lead by HZL at its Rampura Agucha, Rajpura Dariba and Zawar mines in Rajasthan during the period from July 1968 to March 2006. In addition, the Department of Mines and Geology has also demanded an aggregate of INR55 million (US\$1.2 million), being the sum equivalent to the alleged arrears in royalty payments at such mines as a result of incorrect computation by HZL during the period from April 1971 to March 2000. HZL has filed writ petitions in the High Court of Rajasthan and in 2006 obtained a stay in respect of these demands.

A writ petition was filed by HZL in October 2006 against the Union of India through the Ministry of Mines and others before the High Court of Rajasthan with regard to a demand notice dated 20 October 2006 issued by the Mining Engineer of Rajasthan to HZL. As per the terms of the notice, the Ministry of Mines stated that the mining lease granted to HZL was for the extraction of zinc and lead but that HZL was also extracting cadmium and silver and was thus in violation of the terms of the lease for the Rampura Agucha mine. The Department of Mines and Geology claimed INR2,435.88 million (US\$54.6 million) from HZL for the extraction of cadmium and silver.

HZL asserted in its writ petition that the lease was granted for lead, zinc and associated minerals and that cadmium and silver are associated minerals. Further it has stated that the contested minerals are found alongside lead and silver in an inseparable form and cannot be extracted separately. HZL has also submitted that it has been paying the royalty on cadmium and silver, which has been duly accepted by the Department of Mines and Geology (which is part of the Ministry of Mines) without objection. The High Court issued an order in October 2006 granting a stay and restrained the Department of Mines and Geology from undertaking any measures to recover the penalty. In January 2007, the High Court issued another order granting the Ministry of Mines more time to file its reply and the High Court also directed the Ministry of Mines not to issue any orders cancelling the lease. The Department of Mines and Geology has since filed its reply and the matter is pending, with the date of the next hearing awaited.

(c) **Madras Aluminium Company Limited**

(i) **Claims by the Tamil Nadu Electricity Board against MALCO regarding MALCO's alleged failure to pay applicable electricity consumption tax on self-generated power.**

MALCO filed a writ petition before the High Court of Madras against the claim made by the Tamil Nadu Electricity Board (a statutory body constituted by the State

Government of Tamil Nadu to function as the State Transmission Utility and Licensee) and the Government of Tamil Nadu that MALCO failed to pay the applicable electricity consumption tax on self-generated power from MALCO's CPP at Mettur Dam during the period from May 1999 to June 2003. MALCO has sought exemption from the levy of electricity consumption tax (see paragraph 13.1(c)(ii) below for further details).

Further, the Electricity Board has also alleged that MALCO failed to pay applicable electricity duty, tax and additional duty on the surplus power that MALCO sold to one of its associates. MALCO has asserted that it has no liability to the Electricity Board in this regard as the sale of surplus power is done only through the Electricity Board. The Electricity Board issued a disconnection notice on 4 August 2001 which was stayed by the High Court of Madras by orders dated 24 August 2001 and 15 September 2003. The matter was last heard on 9 February 2011 when the High Court passed an order remanding the matter to the State Government of Tamil Nadu with a direction to reconsider the representation made by MALCO seeking exemption from the payment of tax on the consumption of electricity and pass a detailed order on the merits within a period of three months.

The claim is valued at US\$25.7 million in aggregate as at 23 July 2004.

(ii) **Self-generation levy (New Act—2003).**

The State Government of Tamil Nadu has imposed a tax on the consumption of self-generated electricity under the Indian Sale and Consumption of Electricity Act, 2003. MALCO, together with other petitioners, filed a writ petition before the High Court of Madras challenging the validity of this tax on constitutional grounds which was dismissed by the Single Bench of the High Court. MALCO, along with the other petitioners, then filed an appeal to the Division Bench of the High Court which was also dismissed on 22 September 2008. The writ appeal was also dismissed against the other petitioners. However, MALCO's writ appeal was not included in the list of writ appeals that were dismissed. The other petitioners then filed a special leave petition before the Supreme Court against the orders of the Division Bench of the High Court. The Supreme Court held that those companies which were granted exemption under the Old Electricity Act of 1962 shall continue to enjoy the same. In line with the Supreme Court's order, MALCO's writ appeal in respect of the same issue was dismissed on 22 September 2008. If the High Court decides the exemption case in MALCO's favour under the Old Electricity Act, MALCO may become entitled to protection from the tax on consumption of self-generated electricity under the Tamil Nadu Tax on Sale and Consumption of Electricity Act, 2003.

The State Government of Tamil Nadu has enacted legislation in an effort to negate the effect of the Supreme Court's order. Some of the petitioners have challenged the same and the matter is pending for the next hearing.

The claim amount is not currently quantifiable as the tax liability (if any) will be calculated up until the time when this matter is resolved.

(d) **Richter Holdings Ltd**

Richter is involved in a tax dispute with the Indian Tax Department.

In 2007, Vedanta acquired SGL through the acquisition of all of the outstanding shares of Finsider, which held Mitsui's 51.0 per cent. interest in SGL, by its wholly-owned subsidiaries Richter Holdings Ltd ("Richter") and Westglobe Limited. In October 2009, the Indian Income Tax Department (the "Indian Tax Department") issued a show cause notice to Richter requesting Richter to explain why it did not withhold taxes in respect of its acquisition of Finsider from Mitsui. The Indian Tax Department contended that the acquisition of Finsider amounted to an indirect acquisition of SGL and accordingly the acquisition of Finsider gave rise to capital gains which were taxable under Indian tax laws.

Richter filed a writ petition in the High Court of Karnataka to quash the show cause notice. On 24 March 2011, the Single Judge directed Richter to submit its arguments to the Indian Tax Department. Richter filed an appeal against the order of the Single Judge on 19 April 2011 in the Division Bench of the High Court which ordered a stay on the order of the Single

Judge for two months and directed a notice to be issued to the Indian Tax Department to show cause why the appeal of Richter should not be admitted. The High Court disposed of the writ appeal and directed Richter to approach the Indian Tax Department and present its case. The High Court also granted liberty to Richter to approach the High Court directly in the event Richter is not satisfied with the order of the Indian Tax Department on the issue of jurisdiction. Richter is currently attending proceedings before the Indian Tax Department.

Vedanta believes that none of its Group companies are liable for such withholding tax and intends to contest this dispute vigorously.

The claim amount is not currently quantifiable.

(e) **Sesa Goa Limited**

(i) **SGL is involved in proceedings relating to orders passed by the Government of Karnataka banning the export of iron ore.**

On 5 August 2010, SGL filed a writ petition before the High Court of Karnataka against the State of Karnataka and others alleging that the State of Karnataka's orders dated 26 July 2010 and 28 July 2010 had resulted in a ban on the export of iron ore from the Government of Karnataka. The High Court, by an order dated 19 November 2010, disposed of the writ petition and upheld the orders passed by the Government of Karnataka. SGL then filed a special leave petition in the Supreme Court against the High Court's order. By its orders dated 20 January 2011 and 11 February 2011, the Supreme Court noted the Government of Karnataka's contention that the ban on the export of iron ore was intended to be a temporary measure for a period of about six months to enable the Government of Karnataka to put in place certain regulatory measures to prevent the illegal mining of iron ore in Karnataka. In connection with this, the Government of Karnataka published the Karnataka (Prevention of Illegal Mining, Transportation, Storage of Material) Rules, 2011 in the official gazette on 1 April 2011. Subsequently, the Supreme Court, by an order dated 5 April 2011, granted an interim stay with effect from 20 April 2011 on the operation of the orders passed by the Government of Karnataka, noting that the State Government was yet to put in place the infrastructure and personnel required to implement the new rules. On 11 July 2011, the Supreme Court disposed of the petition stating that the orders of the Government of Karnataka were of a temporary nature until the regulations came into force and that, since the regulations had already come into force, the orders of the Government of Karnataka are exhausted and no longer in force.

The claim amount is not currently quantifiable.

(ii) **SGL is involved in proceedings relating to SGL's challenge of the constitutional validity of the Goa Rural Improvement and Welfare Cess Act, 2000.**

SGL filed two writ petitions before the High Court of Bombay against the State of Goa and others in relation to the levy of cess by the Government of Goa on mineral ore and coke and the transportation thereof. SGL has challenged the constitutional validity of the Goa Rural Improvement and Welfare Cess Act, 2000 on the ground that this Act is beyond the legislative competence of the State legislature. SGL has requested the High Court to direct that the respondents refund the sum paid by SGL to date along with interest at 12 per cent. per annum. Further, SGL has filed various applications before the High Court requesting a stay on the demand notices issued by the Directorate of Transport of the Government of Goa on 27 July 2010, 16 August 2010, 28 September 2010 and 12 January 2011 for INR62,755,860 (US\$1.41 million), INR12,555,000 (US\$281,187), INR513,495,380 (US\$11.5 million) and INR12,555,000 (US\$281,187), respectively. SGL has filed stay applications in respect of the demand notices received. The High Court of Bombay, by its order dated 8 July 2011, has refused to grant an interim stay, but stated that no action shall be initiated under section 9 of the relevant Act. In addition, the High Court has stated that the recovery, if any, under this Act shall be subject to the result of these writ petitions. The next hearing date has not yet been scheduled.

(iii) **SGL is involved in arbitration proceedings with Goa Energy Pvt. Ltd and Videocon Limited regarding a power supply agreement.**

On 2 April 2004, GEPL, SIL, Videocon and Sesa Kembla (prior to merging with SGL) entered into a power supply agreement pursuant to which SGL and SIL would supply gas for the generation of electricity from a power plant which was to be set up by GEPL.

On 11 December 2010, GEPL and Videocon filed an arbitration petition against SGL and SIL before the Principal District Judge of North Goa, India. GEPL has requested that pending the arbitration proceedings, SGL and SIL be restrained from selling, supplying and creating any rights in favour of third parties with respect to additional gas to be produced or the captive use of such additional gas in the power plant proposed to be set up by GEPL.

On 4 February 2011, SGL and SIL also filed arbitration petitions requesting a security amount of INR90,773,899 (US\$2 million) together with interest payable as charges towards the supply of gas to GEPL and for providing a right of first refusal to GEPL pending resolution of the dispute. Further, SIL and SGL have asked for an injunction restraining GEPL from transferring, creating any third-party rights or encumbering GEPL's 100 per cent. equity ownership of GEPL's power plant to any third party other than SGL and SIL. On 20 August 2011, both parties jointly filed an application stating that the settlement between the parties had reached an advanced stage and, therefore, they sought time to complete the necessary documentation. The matters are now fixed for hearing on 4 February 2012.

On 3 November 2011, SGL announced that it had agreed to acquire the entire issued share capital of GEPL. A condition precedent to completion of this acquisition is that the arbitration proceedings be withdrawn. Completion is expected to take place by the end of December 2011.

The claim amount is not currently quantifiable.

(iv) **SGL is involved in proceedings relating to the alleged infringement of a patent.**

On 28 August 2002, Sun Coke Energy Inc. ("Sun Coke") filed an infringement suit before the Additional District Judge of Goa, India alleging infringement by Sesa Kembla, a company which was subsequently merged with SGL, of a patent granted to Sun Coke for 14 years effective from 10 September 1991. The infringement suit was filed in relation to the payment of a licence fee for not less than INR37.5 million (US\$839,866) and restraining from using the invention or any part thereof. In October 2006, Sun Coke filed a notice of opposition before the Indian Controller of Patents and Designs in Mumbai against the patent granted to Sesa Kembla (now called SGL). The Controller of Patents passed an order on 2 February 2009 approving the amendment to SGL's patent. The review application filed by Sun Coke against the order has also been quashed vide order dated 11 September 2009. The date of the hearing for the main opposition proceeding has not yet been fixed.

In January 2007, the Additional District Judge stayed proceedings in the civil suit on the ground that the grant of the patent to Sesa Kembla in 2005 had rendered the proceedings infructuous and that the correct forum for deciding the validity of the patent was the appellate court. Sun Coke filed a writ petition before the High Court of Bombay asking the High Court to set aside the order of the Additional District Judge. On 28 March 2011, the High Court disposed of the writ petition challenging the order of the Additional District Judge and directed that the parties appear before the District Court for hearing. Both parties are in the process of working out compromise terms in the matter before the Controller of Patents as well as the matter before the District Court. The next hearing is scheduled for 17 December 2011.

(v) **Investigation by the Serious Fraud Investigation Office into the affairs of SGL.**

On 23 October 2009, the Ministry of Corporate Affairs of the Government of India ordered that the SFIO investigate into the affairs of SGL and its then subsidiary, SIL (which has since been amalgamated with SGL with effect from 14 February 2011), in respect of alleged mismanagement, malpractices and financial and other irregularities,

including alleged siphoning and diversion of funds. These alleged events occurred primarily in the period prior to the acquisition of SGL by the Vedanta Group. The Ministry of Corporate Affairs ordered that a report be submitted to the central government. Vedanta understands from the Ministry's order that this investigation has been initiated pursuant to a report of the Registrar of Companies in Goa, India dated 8 October 2009 which recommended such an investigation into allegations made in certain complaints filed by a shareholder, Ms. Krishna Bajaj, against SGL, SIL and Mitsui (and SGL's directors) regarding alleged siphoning of funds and mismanagement. The SFIO investigation is now complete and on 26 May 2011 SGL received a copy of the report by the SFIO on the investigation into SGL's affairs pursuant to section 235 of the Indian Companies Act. Certain allegations are made in the SFIO's report relating to under-invoicing in the exporting of iron ore, over-invoicing in the importing of coal, commission to Mitsui and other violations under the Indian Companies Act during the period from 2001 to 2007. The report has recommended that action be taken against the directors of SGL during the aforementioned period. In response to the report recovered from the SFIO, SGL has filed its representation on 21 June 2011 and an additional representation on 1 July 2011 to the secretary of the Ministry of Corporate Affairs, with a copy to the SFIO, explaining in detail SGL's position on the allegations made in the SFIO's report and denying the allegations made therein.

The financial impact, if any, of the investigation is not presently quantifiable.

(vi) **Criminal proceedings against SGL and its directors.**

In 2000, Ms. Krishna Bajaj, a shareholder of SGL, filed a complaint against the then directors of SIL before the Court of the Metropolitan Magistrate in Mumbai, India that the shares issued on a preferential basis by SIL in 1993 to the shareholders of SGL were not listed within 12 to 18 months of the offer as stated in the offering document. The Magistrate completed its inquiry and made charges against the four individuals who served as directors of SIL at the time of the issue of the shares. These four individuals appeared before the Magistrate on 16 June 2009 and pleaded not guilty to the charges. The four directors have filed a criminal application in the High Court of Bombay challenging the Magistrate's order of framing charges against them. Proceedings before the Magistrate have been stayed by an order dated 15 April 2010 until disposal of the matter before the High Court. The next hearing has not yet been scheduled.

In 2003, Ms. Bajaj also filed another complaint against SIL, SGL and their then directors alleging that when SGL had offered in 2003 to buyback the shares of SIL issued on a preferential basis in 1993 from the minority shareholders of SIL (including herself), it had committed the same offence alleged against the then directors of SIL described in the preceding paragraph and, accordingly, SIL, SGL and their then directors should also be liable for the failure to list the shares of SIL and for other allegations of irregularities under the Indian Companies Act. In October 2006, the Magistrate issued an order for process against SIL, SGL and their then directors, against which a criminal writ petition was filed by SIL, SGL and their then directors before the High Court of Bombay. The High Court of Bombay ruled in favour of SIL, SGL and their then directors and quashed Ms. Bajaj's petition.

Ms. Bajaj has filed a special leave petition in the Supreme Court challenging the order of the High Court. Ms. Bajaj requested the admission of the special leave petition and asked for a stay on the order passed by the High Court. The Supreme Court subsequently issued notices to all the parties and proceedings are on-going. No stay on the High Court's order has been granted. Ms. Bajaj submitted an application to implead the SFIO as a party to the proceedings. The matter was heard on 11 November 2011 and Ms. Bajaj's application was allowed. The next date of the hearing has not yet been fixed.

The financial impact, if any, of the complaint is not presently quantifiable.

(vii) **Amalgamation of SIL and SGL.**

The scheme of amalgamation of SIL with SGL was approved on 18 December 2008 by the High Court of Bombay in Goa, India. Ms. Krishna Bajaj, a shareholder of SGL,

filed an appeal to the Division Bench against the approval of the High Court submitting that the High Court should not have approved the scheme on the basis that it was against the public interest, the exchange ratio was not favourable and the inspection report by the Ministry of Corporate Affairs revealed irregularities. On 21 February 2009, the Division Bench set aside the order passed by the High Court with the result that the merger was not operative.

SIL subsequently filed a petition in the Supreme Court challenging the order of the Division Bench. The Supreme Court directed the Ministry of Corporate Affairs to file an affidavit disclosing the allegations against SIL and others pursuant to a concurrent SFIO investigation. The Ministry of Corporate Affairs filed their affidavit with the report from the SFIO. On 7 February 2011, the Supreme Court allowed the appeal and upheld the judgment of the Single Bench of the High Court of Bombay which approved the scheme of amalgamation of SIL with SGL. Ms. Bajaj subsequently filed a review petition against the Supreme Court's judgment. SGL has received a copy of the review application, but there has been no notice or stay order from the Supreme Court. By an order dated 20 July 2011, the Supreme Court dismissed the review petition filed by Ms. Bajaj.

The financial impact, if any, of the claim is not presently quantifiable.

(viii) **SGL is involved in various proceedings regarding alleged breach of environmental laws.**

(A) **Writ petition filed by the Goa Foundation.**

SGL is a defendant in a writ petition and civil application filed by the Goa Foundation, a private organisation, against the State of Goa and others before the High Court of Bombay challenging the grant of a mining lease to a private party on the ground that such lease was located in an ecologically fragile zone and that the required clearance under applicable environmental legislation had not been obtained. The petitioner brought to the High Court's attention the decision of the Indian Board of Wildlife on 21 January 2002 requiring all land falling within 10 km of the boundaries of national parks and sanctuaries to be notified as eco-fragile. Further, in a separate writ petition filed by the Goa Foundation, the Supreme Court passed an order directing the Government of India to issue orders of closure against units that are continuing to operate in violation of environmental laws.

In view of the proceedings before the Supreme Court, the High Court proceedings have been stayed until the Supreme Court decision has been pronounced. The Government of India issued an order dated 2 March 2005 directing all State Governments and union territory administrations to immediately close down all defaulting units. This order was stayed by the Supreme Court on 11 March 2005. On 11 May 2005, the Supreme Court modified its order and held that those mining units which are operating without the required clearance are to be governed by the 2 March 2005 order. Proceedings before the High Court have been adjourned until a final decision on the writ petition filed before the Supreme Court is pronounced.

The claim amount in this case is not presently quantifiable.

(B) **Notices issued by the Goa State Pollution Control Board.**

The Goa State Pollution Control Board ("GSPCB") has issued notices to some of the Vedanta Group's Goa mines pursuant to the provisions of the Indian Air Act and the Indian Water Act in relation to the non-receipt of clearances from the relevant wildlife authority and has directed the Vedanta Group to suspend operations in its mine units located in Codli village with immediate effect. The notices were with regard to SGL's Codli mines bearing T.C. No. 69/51 and 70/52. The Vedanta Group has filed an appeal against this direction before the Administrative Tribunal in North Goa and has obtained a stay on the direction of the GSPCB. In a letter dated 26 August 2010, the Indian Deputy Conservator of Forests closed the offence against SGL with the direction that no mining

activities should take place in Survey Nos. 46 and 54 of Codli without approval under the Indian Forest Act. On 24 September 2010, SGL filed an affidavit informing the Administrative Tribunal of the letter received from the Deputy Conservator of Forests. SGL has received the necessary approval from the Chief Wildlife Warden for TC No. 70/52 and the same was produced before the Administrative Tribunal. The proceedings are on-going and this matter is now adjourned to 22 December 2011.

The financial impact of this matter is not presently quantifiable.

(C) Writ petitions filed by certain residents of Amona.

Certain local residents of Amona have filed a writ petition against SGL and SIL (which has since been amalgamated with SGL) before the High Court of Bombay alleging pollution due to industrial activities in the village of Amona and seeking an order to shut down one of SGL's plants located in Amona and to appoint NEERI to conduct an inquiry into the adverse effects of graphite pollution on humans, agriculture and fishing.

The High Court appointed NEERI to conduct such an inspection and NEERI submitted a report to the court in December 2008 which was largely in SGL's favour. The High Court subsequently directed the parties to file their responses to the report and ordered a further inspection by the GSPCB to check the level of river pollution in Amona. The report submitted by the GSPCB concluded that no pollution was caused to the river by SGL's plants. The High Court directed the GSPCB to evaluate whether the drainage to the river caused any pollution during the monsoon season and the GSPCB has since filed its inspection report with the High Court without any adverse observation against SGL. The petitioners have filed an application for amendment of the petition. By order dated 8 August 2011, the petitioners' application to amend the petition was allowed by virtue of which Damodar Mangalji & Co. Limited, GEPL and IBM were added as parties to the petition. The next hearing date has not yet been scheduled.

The claim amount is not currently quantifiable.

(D) Writ petitions filed by Mr. Akash Naik and the Goa Foundation and Mr. Vithal S. Gaonkar.

Mr. Akash Naik, a resident of Advalpal village in Goa, India, along with the Goa Foundation and others filed a writ petition in the High Court of Bombay against the State of Goa, SGL and others, challenging the operation of the mining lease at the Orasso Dongor mine owned by SGL. They allege that (i) the mining lease has lapsed, (ii) the lease did not have prior clearance under the provisions of the Indian Forest Act and (iii) environmental clearance and other approvals issued to SGL are in violation of Indian law and without a valid lease subsisting. Further, Mr. Naik has sought an order from the High Court restraining SGL from continuing its mining operations under Phases 1 and 2 of the lease and directing SGL to remove the illegal mining waste. On 6 January 2010, the High Court directed SGL to remove the mining waste accumulated during Phase 1 of operations by the end of April 2010 and noted SGL's commitment that it would inform the High Court prior to commencing mining activity in Phases 1 and 2 in the event that its revised mining plans are approved by the IBM.

On 9 April 2010, Mr. Vithal S. Gaonkar, a resident of Advalpal village in India, filed a writ petition in the High Court of Bombay against the State of Goa and SGL in relation to waste removal activities of SGL on account of the threat to the lives and property of the villagers. Mr. Gaonkar is seeking that SGL be refrained from relocating the waste until it obtains requisite permission of the authorities and/or after obtaining a report from an independent technical agency in the matter of scientific re-location of the waste. On 29 April 2010, the High Court passed an order directing SGL not to remove the mining waste from Phase 1 and appointing NEERI to oversee the work of removing the mining waste from Phase 1.

On 3 August 2010, the High Court ordered that NEERI submit a report by 31 December 2010 suggesting how such mining waste should be removed and ordered SGL to complete the removal by 31 March 2011. NEERI's report which was filed with the High Court was not in favour of removal of the mining waste. In addition, as SGL has now obtained IBM's approval of its revised mining plans, SGL has filed an application before the High Court seeking approval to commence mining work for Phase 2 of the mine. The Goa Foundation has filed a writ petition seeking an injunction from the High Court against SGL to restrain it from carrying out Phase 2 operations. SGL has filed its reply before the High Court and also filed an application requesting the High Court to relieve SGL of completing the exercise of removal of the waste in view of NEERI's recommendation. The Goa Foundation has filed an application to set aside NEERI's report. The next hearing is scheduled for 7 December 2011.

The claim amount in these cases is not presently quantifiable.

(E) Writ petition filed by villagers of Shirgao.

Certain villagers of Shirgao filed a writ petition in January 2008 before the High Court of Bombay against Sirigao Nagarik Sanghatana Sirigao-Goa, the State of Goa, SMC and certain others alleging environmental degradation and adverse impact on water resources due to mining activities carried out by certain companies including SGL. The petitioners also filed an application on 3 May 2008 seeking immediate stoppage of mineral ore transport or any further mining activity which creates noise, air or dust pollution.

On 8 July 2010, the High Court directed that the GSPCB file a report with the High Court regarding compliance by these mining companies of the directions issued by it and on the terms and recommendations of the order of the High Court dated 23 February 2010. Pursuant to an order dated 14 March 2011, the High Court appointed the National Geophysical Research Institute to study and identify the water resources and directed that a report be filed by with the High Court within a period of two months. The National Geophysical Research Institute requested an extension of time to complete their study and, accordingly, by order dated 26 July 2011 the High Court granted an extension to December 2011. The matter is now posted for hearing on 9 January 2012.

The claim amount is not currently quantifiable.

(ix) SGL is involved in proceedings relating to alleged violation of its lease for the land on which its pig iron plant in Amona is located.

SGL has filed two civil appeals before the Administrator of Comunidade of North Zone Mapusa in Goa in relation to a notice issued by the Comunidade of Amona to SGL in December 2005 (which was subsequently modified in February 2006) stating that SGL had violated the terms of the lease entered into between SGL and the Comunidade of Amona in relation to the land where the pig iron plant of SGL is located. The Comunidade of Amona alleges that SGL had sub-leased part of the land to a private company. The notice requests SGL to reply and explain within a period of 30 days as to why the lease should not be forfeited. The matter has been adjourned to 6 January 2012.

The claim amount in this matter is not presently quantifiable. In the event of an adverse order against SGL, this plant may have to be relocated.

(x) SGL is challenging the Government of Karnataka's imposition of a forest development tax on SGL's sales of iron ore.

On 27 October 2008, SGL filed a writ petition in the High Court of Karnataka against the Government of Karnataka and others challenging the imposition of the forest development tax at a rate of 12 per cent. of the value of iron ore sold by SGL from the mining leases in the forest area pursuant to the terms of the notification dated 16 August 2008 issued by the Government of Karnataka and the memorandum/common order dated 30 September 2008 issued by the Deputy Conservator of Forests.

The High Court initially granted an interim stay against the implementation of the notification. However, pursuant to its order dated 19 August 2009, the Division Bench of the High Court set aside the interim order and permitted the respondents to levy forest development tax and directed that the demand be restricted to only 50 per cent. of the forest development tax as an interim arrangement pending disposal of the writ petition. An application was filed by SGL before the High Court seeking modification of the High Court's order, however, the application was not taken up for hearing. In November 2009, SGL filed a special leave petition before the Supreme Court against the High Court's order. On 30 November 2009, the Supreme Court directed the High Court to dispose of SGL's application for modification of the order dated 19 August 2009 and directed SGL to furnish a bank guarantee towards payment of the forest development tax. The matter was heard on 5 April 2010 and SGL was directed by the High Court to pay 25 per cent. of the demand in cash and furnish a bank guarantee for the remaining 25 per cent. The matter is currently fixed for final hearing, however, the date of the hearing has not yet been scheduled.

The claim amount is not currently quantifiable.

(f) **Sterlite Opportunities and Ventures Limited**

SOVL has commenced proceedings against the Government of India which has disputed SOVL's exercise of its call option to purchase the Government of India's remaining 29.5 per cent. ownership interest in HZL.

Under the terms of the shareholders' agreement between the Government of India and SOVL regarding HZL, SOVL was granted two call options to acquire all of the shares in HZL held by the Government of India at the time of exercise. The first call option was exercised by SOVL on 29 August 2003.

The setting up of an arbitration tribunal is awaited in relation to a dispute between the Government of India and SOVL with respect to SOVL's exercise of its second call option to acquire the remaining shares in HZL held by the Government of India. The Government of India has refused to act upon the second call option, stating that the call option violates the provisions of the Indian Companies Act by restricting the right of the Government of India to transfer its shares.

The amount of SOVL's claim against the Government of India is not currently quantifiable as SOVL is seeking specific performance as a remedy. However, based solely on the market price of HZL's shares on the NSE on 31 March 2011 of INR137.55 (US\$3.1) per share, and not including the other factors that the independent appraiser may consider, one possible estimation of the exercise price to acquire all of the Government of India's 1,247,950,590 shares in HZL would be INR171,656 million (approximately US\$3.8 billion).

Please see further paragraph 9.2 of Section A of Part I: "Information on the Vedanta Group, the Cairn India Group and the Combined Group" of this Prospectus.

(g) **Sterlite Industries (India) Limited**

(i) **Sterlite has commenced proceedings against the Government of India which has disputed Sterlite's exercise of its call option to purchase the Government of India's remaining 49 per cent. ownership interest in BALCO.**

Under the terms of the shareholders' agreement between the Government of India and Sterlite, Sterlite was granted two call options to acquire all of the shares in BALCO held by the Government of India at the time of exercise.

Arbitration proceedings have recently concluded in relation to a dispute between the Government of India and Sterlite with respect to Sterlite's exercise of its second call option to acquire the remaining shares in BALCO. On 25 January 2011, the arbitration tribunal rejected Sterlite's claims on the grounds that the clauses in the shareholders' agreement relating to the call option, the right of first refusal, the tag-along rights and the restriction on the transfer of shares violate the provisions of the Indian Companies Act. On 23 April 2011, Sterlite filed an application under section 34 of the Indian Arbitration Act in the High Court of Delhi to set aside the tribunal's award to the

extent that the award holds these clauses ineffective and inoperative. This application is listed for hearing on 10 March 2012.

The amount of Sterlite's claim against the Government of India is not quantifiable as Sterlite is seeking specific performance as a remedy.

Please see further paragraph 9.1 of Section A of Part I: "Information on the Vedanta Group, the Cairn India Group and the Combined Group" of this Prospectus.

- (ii) **Sterlite is involved in various litigation proceedings relating to the proposed cancellation of permits and environmental approvals as a result of Sterlite's alleged violation of certain air, water and hazardous waste management regulations at its Tuticorin plant.**

Various writ petitions were filed before the High Court of Madras sometime between 1996 and 1998 by the National Trust for Clean Environment and certain private citizens in relation to the operations of Sterlite's copper smelting plant at Tuticorin in the State of Tamil Nadu in India which has been in operation since 1997. These writ petitions allege that sulphur dioxide emissions from Sterlite's copper smelting operations at Tuticorin are causing air, water and hazardous waste pollution resulting in damage to the marine ecosystem and the lives of people living in and around Tuticorin. The petitioners are seeking an order from the High Court that Sterlite cease its current operations at Tuticorin and the environmental permits granted to Sterlite by the TNPCB and the MoEF in relation to the Tuticorin smelter plant be revoked.

The above writ petitions were heard on 12 February 2010. Sterlite contended that these writ petitions have become infructuous and should be dismissed on the grounds that Sterlite (i) has complied with all the conditions imposed, (ii) is successfully running the copper smelter, (iii) has received periodic consents from the TNPCB and (iv) has also received environmental clearances from the MoEF for its various expansion projects. However, on 28 September 2010, the High Court ordered the closure of Sterlite's Tuticorin smelter.

Sterlite filed a special leave petition before the Supreme Court for a stay on the High Court's order dated 28 September 2010. On 1 October 2010, the Supreme Court, after hearing Sterlite's petition, granted an interim stay over the High Court's order. The interim stay on the High Court's order was directed to continue at a hearing on 25 August 2011. The Supreme Court has in the interim asked NEERI to file an independent status report on the operations of the Vedanta Group's copper smelting plant at Tuticorin, after a joint inspection with officials of the CPCB, the TNPCB and the petitioners. NEERI has filed its report before the Supreme Court and the TNPCB and the petitioners have filed their comments in respect of the NEERI report. Subsequently, the Supreme Court reviewed the status report filed by the TNPCB and directed the TNPCB to file a synopsis specifying the deficiencies with reference to the NEERI report and suggest control measures that should be taken by Sterlite, so that the Supreme Court can consider the direction to be issued to Sterlite for remedial measures which can be monitored by the TNPCB. After the Supreme Court heard the arguments presented at the last hearing on 6 September 2011, it reserved its order for passing interim directions and directed the interim stay to continue until the next hearing date.

At a hearing on 11 October 2011, the Supreme Court directed the TNPCB to issue directions within two weeks from the date of its order to Sterlite's copper smelter unit to implement the improvement measures suggested by NEERI, the TNPCB and the CPCB. The Supreme Court further directed the TNPCB to decide on the timeframe for Sterlite's compliance with the improvement measures. The Supreme Court's interim stay order continues and the facility continues to operate as per rated capacity. The case is listed for hearing during the first week of January 2012.

The financial impact, if any, of the writ petition is not presently quantifiable.

In December 2009, a private individual, Mr. Pushparayan, filed a writ petition against Sterlite in the High Court of Madras challenging the grant of environmental clearance

for Sterlite's expansion project from 400,000 mtpa to 800,000 mtpa of copper production. The petitioner is seeking an order from the High Court declaring the environmental clearance as incorrect in law for want of a public hearing regarding the aforesaid expansion of the smelter plant.

The writ petition filed has been admitted without any adverse order or direction and was heard on 5 January 2010. Sterlite's submission to the High Court that the petitioner should have filed an appeal before the National Environmental Appellate Authority of India was not accepted by the High Court who directed the matter be decided on merits. On 16 April 2010, counter affidavits were filed by the TNPCB and the MoEF. Further, the Additional Solicitor General representing the MoEF has argued the case on merits and another respondent, State Industries Promotion Corporation of Tamil Nadul Ltd., has filed its counter affidavit. The writ petition has been adjourned pending review of the special leave petition by the Supreme Court. The next hearing has been scheduled for the first week of March 2012.

The financial impact, if any, of the writ petitions is not presently quantifiable.

(iii) **Appeal proceedings brought by SEBI to overrule the SAT's decision that Sterlite has not violated regulations prohibiting fraudulent and unfair trading practices.**

In April 2001, SEBI ordered prosecution proceedings to be brought against Sterlite, alleging that Sterlite had violated Indian regulations prohibiting fraudulent and unfair trading practices by manipulating the price of its shares in connection with its proposed acquisition of shares in INDAL and its proposed open offer to the shareholders of INDAL in 1998. SEBI also alleged that MALCO provided funds to an entity Vedanta allegedly controlled to enable its associate to purchase Sterlite's shares as part of a connected price manipulation exercise. SEBI's April 2001 order also prohibited Sterlite from accessing the capital markets for a period of two years. SEBI's order was then overruled by the SAT on 22 October 2001 citing a lack of sufficient material evidence to establish that Sterlite had, directly or indirectly, engaged in market manipulation and that SEBI had exercised its jurisdiction incorrectly in prohibiting Sterlite from accessing the capital markets. On 9 November 2001, SEBI appealed to the High Court of Bombay. A hearing date has still not been scheduled and no further action or procedures have taken place since 2001.

In addition to the civil proceedings before the Court of the Metropolitan Magistrate in Bombay, SEBI also initiated criminal proceedings in 2001 against Sterlite, Vedanta's Executive Chairman (Mr. Anil Agarwal), Sterlite's Director of Finance (Tarun Jain) and MALCO's then Chief Financial Officer before the Court of the Metropolitan Magistrate in Mumbai. When SEBI's order was overturned in October 2001, Sterlite filed a petition before the High Court of Bombay to defend these criminal proceedings on the grounds that the SAT had overruled SEBI's order on price manipulation. On 2 December 2005, the High Court granted an interim stay of the criminal proceedings and the matter is pending at the stage of final arguments. The then directors and officers were summoned to appear before the Court of the Metropolitan Magistrate on 18 November 2010. The matter has since been adjourned to various dates and is now posted to 26 December 2011. A memorandum has been filed with the Court of the Metropolitan Magistrate informing the continuation of a stay granted by the High Court of Bombay on criminal proceedings. Subsequently, the matter is being shown in the category of "stayed matters".

The claim amount in respect of both the civil and criminal proceedings is not presently quantifiable.

(iv) **Certain proceedings are ongoing between Asarco, Sterlite and Sterlite USA.**

Sterlite and Sterlite (USA), Inc. ("Sterlite USA") entered into an agreement with Asarco, a US-based copper mining, smelting and refinery company, to purchase substantially all of the operating assets of Asarco on 30 May 2008. This agreement was renegotiated and a new agreement was entered into on 6 March 2009. The new agreement provided for the settlement and release of any potential claims against Sterlite and Sterlite USA arising out of the old agreement. The consummation of the

new agreement was contingent upon the confirmation of a Chapter 11 plan of reorganisation proposed by Asarco and sponsored by Sterlite USA (the “Debtor Plan”) by the US Bankruptcy Court for the Southern District of Texas, Corpus Christi Division. As part of Asarco’s reorganisation plans, various parties, including Grupo Mexico S.A.B. de C.V. through its subsidiaries, also proposed a reorganisation plan (the “Parent Plan”). The US District Court considered both plans and on 13 November 2009 it confirmed the Parent Plan and rejected the Debtor Plan. Sterlite and Sterlite USA filed an appeal against this decision of the US District Court, but the appeal was dismissed as being equitably moot.

On 17 March 2010, Asarco filed a complaint in the US Bankruptcy Court for the Southern District of Texas, Corpus Christi Division against Sterlite and Sterlite USA alleging that Sterlite and Sterlite USA had breached the agreement dated 30 May 2008 by refusing to pay the US\$2.6 billion purchase price and refusing to assume the liabilities and contractual obligations as allegedly required by that agreement.

Asarco is seeking to recover from Sterlite and Sterlite USA damages it allegedly suffered as a result of the alleged breach and certain other amounts, including costs associated with Asarco’s efforts to complete its reorganisation and costs, disbursements and attorneys’ fees in connection with the proceedings. Asarco has claimed these damages to be in the range of US\$553 million to US\$1,509 million and has also claimed applicable pre-judgment interest.

Sterlite and Sterlite USA believe that Asarco’s claim has no merit and that Asarco did not suffer any damages as it received substantially higher consideration under the Parent Plan than possible under the May 2008 agreement. The May 2008 agreement was only a stalking horse bid, the consummation of which was subject to various approvals from creditors of Asarco’s estate, the US Bankruptcy Court and competition from any other bidders. The Parent Plan paid all the creditors in full along with interest and provided substantial benefits to the equity holders. Asarco’s estate provided substantial tax benefits to the equity holders. The Parent Plan provided for a cash contribution of US\$2.205 billion to the estate of Asarco, a promissory note of US\$280 million to the trust set up for the benefit of asbestos claimants, assumption of certain liabilities and the waiver of certain claims against Asarco. Asarco’s estate also provided substantial tax benefits to the equity holders. Asarco disclosed in its joint disclosure statement that it filed during the bankruptcy proceedings, its view that the recovery, if any, against such potential claims may be approximately US\$100 million.

After confirmation of the Parent Plan, Asarco terminated the March 2009 agreement and drew down the US\$50 million provided as deposit under the new agreement. Sterlite and Sterlite USA have also filed a separate application to the US Bankruptcy Court for the return of the US\$50 million drawn by Asarco and legal costs. The trial in respect of Asarco’s complaint and Sterlite’s application was also completed on 17 August 2011 and the court’s decision is awaited.

(v) **Dispute with the Central Excise Department of the Government of India.**

The Central Excise Department of the Government of India has issued an ex-parte notice for reversal of Cenvat credit of INR3,150 million (US\$70,548,712) along with interest of INR8.78 million (US\$1,966,405) for the non-compliance with rules 4(5a) and 4(6) of the Cenvat Credit Rules, in respect of the non-return of job work challans (or notices) for the period March to September 2009 within a stipulated time. In addition, it also alleged that Sterlite violated the licence conditions for the period 2005 to 2009. A total of four writ petitions have been filed before the High Court of Madras by the Department of Excise. These writ petitions and an associated contempt petition were heard on 29 July 2010 by the High Court of Madras and were reserved for orders. By a common order passed in writ petitions numbers 8123/2010 and 8135/2010, the High Court remanded the matter to be heard and determined by a fresh set of officers in the case of writ petition 8123/2010 and granted a stay in respect of writ petition 8135/2010 pending disposal of the fresh inquiry. By another common order passed in writ petition numbers 9744/2010 and 9745/2010, the High Court dismissed the writ petitions. Consequently, the High Court dismissed the contempt petition filed by Sterlite.

The Central Excise Department has deputed an Assistant Commissioner of Central Excise to conduct an inquiry for the alleged non-compliance with rules 4(5a) and 4(6) of the Cenvat Credit Rules, in respect of the non-return of job work challans (notices). As far as any violation of the advance license conditions is concerned, the Central Excise Department has completed the investigation and has not served any show cause notice over the subject matter.

Sterlite filed two writ appeals before the High Court of Madras challenging the orders dated 29 April 2011 passed in respect of writ petition numbers 8135 and 9744. These writ appeals were admitted on 1 August 2011 and after hearing the arguments of Sterlite, the High Court directed the respondents to maintain the status quo. These writ appeals came up for hearing on 29 August 2011 and have been adjourned to 12 September 2011. The matter has been adjourned and the next hearing date has yet to be scheduled. The interim order has been extended until the next hearing date.

(h) **Thalanga Copper Mines Pty Ltd**

TCM is involved in a law suit relating to damage to public property as a result of its mining activity.

On 9 October 2007, the State of Queensland filed a petition before the Supreme Court in Queensland, Australia against TCM and its joint venture partner, BML Holdings Pty Ltd (“BML”), pursuant to section 179 of the Australian Property Law Act, 1974 in relation to the relocation of a public road to a site where there is no subsidence.

In the second half of 2005, a nearby road, Gregory road, developed cracking. The Australian Department of Main Roads in Queensland issued a notice to BML requiring reimbursement for the cost of relocating the road to an area where the road would not be subject to subsidence. BML obtained an indemnity under its public liability insurance policy of up to AUD30 million and its insurance company, QBE Australia, a member of the QBE Insurance Group, is currently dealing with the claim directly with the department of main roads.

The QBE Insurance Group’s geological technical expert has found an alternative of backfilling and/or buttressing the highway reward pit in order to stabilise cracking in the road at a cost of AUD12 million to AUD16 million whereas the Department of Main Roads has submitted that construction of a new road would cost AUD27 million. Mediation meetings have been arranged at which the Department of Main Roads had made an offer of AUD\$4.5 million, to which QBE Australia has made a counter-offer of AUD\$0.5 million. The mediation has been adjourned to 12 December 2011.

(i) **Twin Star Holdings Limited**

Tax demands against the subsidiaries of Twin Star.

The Indian Tax Department issued block assessment orders dated December 2001 and January 2002 for unpaid income tax (including interest) of approximately US\$57.3 million against three former Indian subsidiaries of Twin Star which previously held Twin Star’s interests in Sterlite and MALCO and which are in the process of being wound up. Twin Star has furnished bank and corporate guarantees for the amount of the tax claims and interest thereon.

The three subsidiaries filed an appeal against the block assessment orders. The Commissioner of Income Tax (Appeals) vide orders dated 31 October 2003 and 4 November 2003 disallowed the Indian Tax Department’s assessment of undisclosed income totalling approximately US\$74.6 million (in respect of which income tax (including interest) of approximately US\$57.5 million had been assessed) and allowed the Indian Tax Department’s assessment of undisclosed income totalling approximately US\$4.5 million (in respect of which income tax (excluding interest) of approximately US\$2.9 million had been assessed).

The three subsidiaries as well as the Indian Tax Department filed separate appeals against the orders of the Commissioner of Income Tax (Appeals) before the Income Tax Appellate Tribunal. The Income Tax Appellate Tribunal vide order dated 30 April 2007 upheld the decision of the Commissioner of Income Tax (Appeals) and dismissed the appeal filed by the Indian Tax Department. The appeals filed by the Indian Tax Department before the High

Court were dismissed on the ground that no substantial question of law arose. Special leave petitions have been filed by the three subsidiaries before the Supreme Court. A hearing has yet to be scheduled.

The Indian Tax Department subsequently issued notices to the three subsidiaries seeking to reopen the assessment of undisclosed income and assess the alleged income. The three subsidiaries have filed writ petitions in the High Court against these reassessment proceedings. An interim stay has been granted and further hearings before the High Court are in progress.

(j) **Vedanta Aluminium Limited**

Petitions have been filed in the Supreme Court and the High Court of Orissa to seek the cessation of construction of Vedanta Aluminium's refinery in Lanjigarh and related mining operations in Niyamgiri Hills.

In 2004, a writ petition was filed by Daitari Pradhan against Sterlite, Vedanta Aluminium, the State of Orissa, OMC, Orissa Infrastructure Development Corporation ("OIDC") and others by a private individual before the High Court of Orissa. The petition alleges that the proposed grant of the mining lease by OMC to Vedanta Aluminium and Sterlite to mine bauxite in the Niyamgiri Hills at Lanjigarh in the State of Orissa would violate the provisions of the Indian Forest Act. The petition further alleges that the felling of trees and construction of the alumina refinery by Sterlite and Vedanta Aluminium and the development of the mine would be in violation of the Indian Forest Act and would have an adverse impact on the environment. The petition seeks to (i) restrain the grant by OMC of the mining lease to Vedanta Aluminium and Sterlite to mine bauxite in the Niyamgiri Hills at Lanjigarh, (ii) declare the memorandum of understanding entered into between OMC and Vedanta Aluminium void, (iii) a court direction for the immediate cessation of construction of the alumina refinery by Vedanta Aluminium and (iv) an unspecified amount of compensation from Sterlite and Vedanta Aluminium for damage caused to the environment.

A writ petition regarding the same issue described above was also filed before the Supreme Court by certain non-governmental organisations and individuals. The CEC heard the petitioners and filed its report to the Supreme Court. The Supreme Court, after considering the CEC's report and submissions made by the MoEF and the petitioners, approved the forest diversion proposal for mining in the Niyamgiri mines of OMC with Sterlite as the beneficiary of the bauxite on the terms and conditions specified in the order. As a result of the order of the Supreme Court, the proceedings before the High Court of Orissa became infructuous as the issues were already determined. Subsequent to the order of the Supreme Court, the MoEF granted environmental clearance in respect of the Niyamgiri mines. Thereafter, on 24 August 2010, the MoEF declined to grant the forest clearance for the Niyamgiri mines and rendered the environmental clearance non-operational.

On 8 March 2011, OMC challenged the order of the MoEF by way of a special leave petition to the Supreme Court. On 1 April 2011, the Supreme Court admitted OMC's plea against the MoEF. Upon the direction of the Supreme Court, the application has been converted into a writ petition and was listed before the Supreme Court on 21 April 2011. On this date, the Supreme Court directed the MoEF and other parties to file their replies within four weeks. The matter will be listed for hearing in January 2012. The lack of the clearance granted by the MoEF in respect of the Niyamgiri mines would prevent Sterlite from procuring bauxite from the Niyamgiri mines and thereby be unable to supply bauxite to the alumina refinery of Vedanta Aluminium.

Vedanta Aluminium was issued two notices by the MoEF dated 31 August 2010 to show cause as to (i) why the environmental clearance of its existing one mtpa alumina refinery should not be revoked and directions should not be issued for closure of its existing refinery and (ii) why the terms of reference issued on 12 March 2009 for the expansion of its alumina refinery from one mtpa to six mtpa should not have been withdrawn.

Vedanta Aluminium submitted its response to the show cause notices highlighting that there has not been any violation of the conditions of the existing environmental clearance and that the expansion has been implemented in terms of the applicable notification of the MoEF, albeit the environmental clearance for the expansion remains outstanding.

On 20 October 2010, in respect of the first show cause notice, the MoEF permitted Vedanta Aluminium to carry on its business operations subject to compliance with certain conditions.

On 20 October 2010, in respect of the second show cause notice, the MoEF withdrew the terms of reference issued on 12 March 2009 and directed Vedanta Aluminium to cease further construction of the expansion of its alumina refinery from one mtpa to six mtpa. Vedanta Aluminium filed a writ petition in the High Court of Orissa challenging this order and requesting a reconsideration of the expansion plans under the relevant circular of the MoEF. The High Court has heard the matter and has dismissed Vedanta Aluminium's writ petition and upheld the actions of the MoEF. However, in line with the MoEF's submission to the High Court that, if Vedanta Aluminium makes a fresh application, such application shall be considered (as in other cases), Vedanta Aluminium made a fresh application to the MoEF. As the MoEF has not considered Vedanta Aluminium's application, Vedanta Aluminium filed a review petition before the High Court on 26 September 2011. On 28 September 2011, the High Court directed that the matter be listed for hearing after the High Court's holiday period. The matter has not yet been listed for hearing.

Sterlite and Vedanta Aluminium have entered into three separate leases with OI DC which specify that Sterlite and Vedanta Aluminium are required to start construction at the three sites within a stipulated time period and to subsequently install plant and machinery and begin commercial production within a specified period from the date of taking possession of the premises. As a result of the pending litigation with respect to the Lanjigarh facility described further above, Vedanta Aluminium has not been in compliance with the conditions of the leases. However, Sterlite and Vedanta Aluminium have not received any notice from OI DC with respect to such non-compliance. Vedanta Aluminium applied to OI DC for an extension of the terms of the leases on 25 August 2006 and such extension has neither been approved nor denied.

The claim amount relating to the litigation regarding Vedanta Aluminium's refinery in Lanjigarh and related mining operations in Niyamgiri Hills is not presently quantifiable.

13.2 Cairn India

Save as disclosed below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Vedanta is aware), which may have or have had during the 12 months preceding the date of this Prospectus, a significant effect on Cairn India's and/or the Combined Group's financial position or profitability.

(a) Ravva Block Arbitration.

The calculation of the Government of India's share of petroleum produced from the Ravva Block has been the subject of differing interpretations for some years and an arbitration to settle the matter was launched in 2002. The material issue of the arbitration, the treatment of an item known as the ONGC carry, was found in the Cairn India Group's favour by the arbitration panel in 2004. This was subsequently appealed by the Government of India, following which it was disclosed as a contingent liability in the notes to the financial statements of both Cairn Energy and Cairn India. The Cairn India Group's share of this liability was US\$64 million principal, plus interest of US\$31.6 million. The Government of India appealed to the Malaysian courts (the seat of arbitration) who in January 2009 set aside the arbitration award made in favour of the Cairn India Group. The Government of India then instructed the buyers of the Ravva crude to withhold the revenues due to the Cairn India Group until such time as they believed that the liability had been settled in full. Following the Cairn India Group's appeal, a further judgment was delivered by the Malaysian Court of Appeal in September 2009 which reversed the Malaysian court's January 2009 ruling and had the effect of re-instating the original award in favour of the Cairn India Group. The Government of India filed an appeal before the Federal Court of Malaysia on 27 May 2010 against the judgment of the Malaysian Court of Appeal. The Federal Court of Malaysia heard the appeal on 19 January 2011. On 11 October 2011, the Federal Court gave its final ruling which was in favour of the Cairn India Group by dismissing the Government of India's appeal. All withheld sums have now been recovered and this dispute no longer poses a material risk to the Cairn India Group.

(b) **Ravva JV Arbitration Proceedings: Base Development Cost.**

The Ravva JV is an unincorporated joint venture to which the Cairn India Group is a party. The Ravva JV received a demand from the DGH for the period from 2000 to 2005 for US\$166.4 million in respect of an alleged underpayment of profit petroleum to the Government of India, of which the Cairn India Group's share would be US\$37.4 million (approximately INR1,688 million) plus potential interest at the applicable rate (LIBOR plus 2 per cent.). This claim relates to the Government of India's allegation that the Ravva JV has recovered costs in excess of the BDC cap imposed in the Ravva PSC and that the Ravva JV has also allowed these excess costs in the calculation of the post-tax rate of return. Additionally, the Ravva JV has also contested the basis of the calculation in the above claim from the DGH. Even if upheld, the Cairn India Group believes that the DGH has miscalculated the sums that would be due to the Government of India in such circumstances. The Ravva JV (with the exception of ONGC) has initiated arbitration proceedings. The arbitration panel published its award on 18 January 2011, which was broadly in favour of the Ravva JV, that the Ravva JV was entitled to recover the development costs over and above the BDC cap, but the cost overruns in respect of the base development were not recoverable. The Government of India had also been ordered to pay 50 per cent. of the Ravva JV's legal costs. Cairn India has received a notice of appeal by the Government of India before the High Court of Malaysia to set aside the arbitration panel's award. In addition, the Government of India has filed an application under section 34 of the Indian Arbitration Act before the High Court of New Delhi to set aside the panel's award.

(c) **Special Leave Petition by the Cairn India Group.**

The Cairn India Group filed a writ petition with the High Court of Gujarat in December 2008 challenging the restriction of Section 80-IB (9) to the production of oil. Section 80-IB(9) allows the deduction of 100 per cent. of profits from the commercial production or refining of mineral oil. The term 'mineral oil' is not defined but has always been understood to refer to both oil and gas, either separately or collectively. The 2008 Indian Finance Bill appeared to remove this deduction by stating (without amending Section 80-IB(9)) that "for the purpose of Section 80-IB(9), the term 'mineral oil' does not include petroleum and natural gas, unlike in other sections of the Act". Subsequent announcements by the Indian Finance Minister and the MoPNG have confirmed that a tax holiday would be available on production of crude oil but have continued to exclude gas. The High Court did not admit the writ petition on the ground that the matter needs to be first decided by the lower tax authorities. A special leave petition has been filed before the Supreme Court against the decision of the High Court.

In the event that this challenge is unsuccessful, the potential liability for tax and related interest on the tax holiday claimed on gas production for all periods to 30 September 2011 is approximately INR2,414 million (US\$54.1 million). A hearing date has not yet been scheduled and will be subject to court availability.

(d) **Writ petitions: Cairn Energy India Pty Limited and Cairn Energy Hydrocarbons Limited.**

CEIPL and CEHL have filed two writ petitions before the High Court of Rajasthan seeking to set aside the letter and show cause notice issued by the Rajasthan Sales Tax Department and others demanding 4 per cent. value added tax ("VAT") (or any similar tax or levy imposed in any jurisdiction) on sales of crude oil on the basis of an intra-state sale (as opposed to an inter-state sale). CEIPL and CEHL currently pay 2 per cent. central sales tax. The Government of Rajasthan and others have filed their affidavits and CEIPL and CEHL have filed a rejoinder. At a hearing on 16 November 2011, the High Court passed an order directing the parties to appear before the Commissioner of Commercial Tax on 12 December 2011 and to file a detailed representation. The matter will then be decided by the Commissioner no later than two months after the representation is filed before him. CEIPL is currently in the process of filing the submission before the Commissioner of Commercial Tax. Currently, the amount of disputed central sales tax for the period up to 30 September 2011 is approximately INR3,455 million (US\$78.6 million) with interest thereon of INR258 million (US\$5.8 million).

(e) **Service Tax: Cairn Energy India Pty Limited.**

CEIPL received five show cause notices from the Indian tax authorities for non-payment of service tax as a recipient of services from foreign suppliers. These notices cover the period from 16 August 2002 to 31 March 2010. A writ petition has been filed with the High Court of Chennai challenging the liability to pay service tax as a recipient of services in respect of the first show cause notice (for the period 16 August 2002 to 31 March 2006) and challenging the scope of some services in respect of the other show cause notices (for the period 1 April 2006 to 31 March 2011). The writ petition in relation to the first show cause notice was decided in favour of the Cairn India Group resulting in the quashing of the demand notice of INR474.7 million (US\$10.6 million). The reply for the other show cause notices has been filed before the relevant authorities.

Should future adjudication be unfavourable to the Cairn India Group, it will be liable to pay the service tax of approximately INR1,281.8 million (US\$28.7 million) and potential interest (calculated up to 30 September 2011) of approximately INR577 million (US\$12.9 million), although this could be recovered in part where it relates to services provided to the joint venture of which the Cairn India Group is operator.

14. Material Contracts

Vedanta Group

Set out in paragraphs 14.1, 14.2, 14.3, 14.4(b), 14.5 and 14.6(a) and (c) below are summaries of each contract (not being contracts entered into in the ordinary course of business) which has been entered into by the Company or any member of the Vedanta Group (i) within the two years immediately preceding the date of this Prospectus and which are or may be material to the Vedanta Group; or (ii) which contain any provision under which any member of the Vedanta Group has any obligation or entitlement which is, or may be, material to the Vedanta Group as of the date of this Prospectus.

Cairn India Group

Set out in paragraphs 14.4 and 14.6(b) below are summaries of each contract (not being contracts entered into in the ordinary course of business) which has been entered into by Cairn India or any member of the Cairn India Group (i) within the two years immediately preceding the date of this Prospectus and which are or may be material to the Cairn India Group; or (ii) which contain any provision under which any member of the Cairn India Group has any obligation or entitlement which is, or may be, material to the Cairn India Group as at the date of this Prospectus.

14.1 Material Contracts with Volcan

(a) **Volcan Relationship Agreement**

Please refer to the description in paragraph 3 of Part II: “Relationship with the Major Shareholder” of this Prospectus.

(b) **Shared Services Agreement**

Vedanta entered into the Shared Services Agreement on 5 December 2003 in connection with the Listing. Under the Shared Services Agreement, Sterlite and Vedanta agreed to continue to provide STL and Sterlite Gold with certain advisory services on an ongoing basis consisting primarily of access to certain of the directors, officers and employees of the Vedanta Group.

Under the Shared Services Agreement:

- (i) a party may terminate the Shared Services Agreement or a particular service which is provided pursuant to the Shared Services Agreement if another party commits a material breach of the Shared Services Agreement or upon another party becoming subject to or entering into arrangements in the context of insolvency. A party may also terminate a particular service on three months’ notice;
- (ii) the services under the Shared Services Agreement will be provided by Sterlite or Vedanta, as the case may be, to STL or Sterlite Gold and the transactions between the parties will be on an arm’s length basis;

- (iii) the cost of access to certain of the directors, officers and employees of such member of the Vedanta Group shall be paid by STL or Sterlite Gold, as the case may be, to Sterlite or Vedanta, as appropriate; and
- (iv) the cost of the services provided pursuant to the Shared Services Agreement is calculated by apportioning the total salary cost to Sterlite or the Vedanta Group of the employment of the relevant director, officer or employee to STL or Sterlite Gold, as appropriate, based on the time spent for each such member of the Vedanta Group.

On 13 April 2006, a letter agreement was executed by Vedanta, Sterlite, STL and Sterlite Gold amending the Shared Services Agreement with the following effect:

- (i) the list of employees of Vedanta who may be hired under the Shared Services Agreement was amended to reflect those individuals who actually performed the services;
- (ii) the amount to be paid to Vedanta was amended based on estimated cost plus 20 per cent.; and
- (iii) only 25 per cent. of Mr. Anil Agarwal's salary costs are taken into account when determining the charge to STL and Sterlite Gold in recognition of the more limited services Mr. Agarwal has provided to STL and Sterlite Gold since the Listing.

Volcan sold its interest in Sterlite Gold to Vedanta in 2006. On 27 September 2007, Vedanta sold its entire interest in Sterlite Gold to an unaffiliated third party and, as at such date, Sterlite Gold ceased to be an affiliated company of Vedanta.

In Fiscal 2009, 2010 and 2011, Vedanta received US\$25,047, US\$27,154 and nil, respectively, from STL under the Shared Services Agreement.

14.2 Material Contracts Relating to the Cairn Acquisition

(a) Cairn India Purchase Agreement

On 15 August 2010, Vedanta entered into the Cairn India Purchase Agreement with CUKHL and others pursuant to which Twin Star agreed to purchase from CUKHL 40 per cent. to 51 per cent. of the fully diluted share capital of Cairn India (subject to downwards adjustment) at a price of INR355 per Cairn India Share. The number of Cairn India Shares acquired under the Cairn India Purchase Agreement was to be reduced below 51 per cent. by the number of Cairn India Shares validly tendered in the Open Offer, subject to a maximum reduction of 11 per cent. of Cairn India's fully diluted share capital at Completion resulting in the Vedanta Group acquiring 40 per cent. of Cairn India pursuant to the Cairn India Purchase Agreement on Completion.

The Cairn India Purchase Agreement provided for Vedanta to pay a non-compete fee to Cairn Energy of INR50 per Cairn India Share acquired from members of the Cairn Energy Group pursuant to the Cairn India Purchase Agreement in consideration for Cairn Energy agreeing not to engage in the business of oil or gas extraction and/or its transport or processing in India, Sri Lanka, Pakistan and Bhutan or any other business which competes with the business of the Cairn India Group. Please refer to the amendment deed dated 27 June 2011 summarised in paragraph 14.2(b) below.

Cairn Energy and Vedanta agreed reciprocal put and call arrangements in relation to the portion of the Cairn India Shares retained by the Cairn Energy Group. The put and call obligations relate to such number of Cairn India Shares from time to time as is equal to 51 per cent. of the fully diluted share capital of Cairn India at Completion minus the aggregate of: (i) the number of Cairn India Shares actually acquired by Vedanta from the Cairn Energy Group at Completion, (ii) the number of Cairn India Shares acquired under the exercise of any such options from time to time and (iii) the number of Cairn India Shares sold by Cairn Energy (and/or members of the Cairn Energy Group) after Completion, provided they first offered any such shares to Vedanta at INR405 per share (payable in US dollars at completion of such pre-emptive purchase based on a fixed exchange rate of INR46.765:US\$1) within six months of Completion. The put and call options are exercisable in two tranches of up to 5 per cent. of the issued share capital of Cairn India at the time of exercise, commencing on 31 July 2012 and 31 July 2013 for a six month period each. Cairn Energy may sell Cairn India Shares

which are the subject of the options prior to the expiry of the period the options remain exercisable, but must first offer them to Vedanta at INR405 per Cairn India Share (payable in US dollars based on a fixed exchange rate of INR46.765:US\$1). Please refer to the summary of an amendment deed relating to these call options agreed by the parties on 18 March 2011 summarised in paragraph 14.2(b) below.

The Cairn Acquisition was conditional upon (i) the approval of the shareholders of Vedanta and Cairn Energy at general meetings (such approval having been obtained on 7 October 2010 and 13 December 2010, respectively); (ii) completion of the Open Offer (which occurred on 30 April 2011); and (iii) to the extent related to the Rajasthan Block, the Cambay Basin Block and/or the Ravva Block: (a) no material PSC, operating agreement, material licence, lease or permit of the Cairn India Group being terminated or otherwise coming to an end, (b) no formal notice having been issued by a competent authority that any of the events in (a) above will occur as a result of or with effect from the Cairn Acquisition and (c) all requested or required governmental consents having been given. All conditions have been satisfied or waived and consequently Completion will take place by 8 December 2011.

(b) Amendment Deeds to the Cairn India Purchase Agreement

The Cairn India Purchase Agreement was amended on 25 November 2010 to extend the date by which the approval of Vedanta Shareholders was to be obtained to 13 December 2010.

On 18 March 2011, SEBI notified Vedanta that the put and call options and the right of first refusal contained in the Cairn India Purchase Agreement were in violation of Indian securities regulations. As a result of the determination by SEBI, and in order to allow the Open Offer to proceed, on 23 March 2011 Vedanta, Twin Star, Cairn Energy and CUKHL entered into an amendment deed pursuant to which Vedanta and Twin Star agreed that the call options and rights of first refusal contained in the Cairn India Purchase Agreement would not be exercisable or enforceable and CUKHL agreed that the put options contained in the Cairn India Purchase Agreement would not be exercisable or enforceable.

On 6 April 2011, the Cairn India Purchase Agreement was amended to extend the longstop date for Completion to 20 May 2011. On 20 May 2011, the Cairn India Purchase Agreement was amended to extend the long stop date for Completion to 17 June 2011, after which time either Vedanta or Cairn Energy may terminate the Cairn India Purchase Agreement by giving five business days' notice.

On 20 April 2011, the Cairn India Purchase Agreement was amended with the effect that the 200 million Cairn India Shares acquired by SGL pursuant to the Petronas Acquisition, as well as Cairn India Shares acquired in the Open Offer, would operate to decrease the number of Cairn India Shares to be acquired under the Cairn India Purchase Agreement. This was subject to the provision that Twin Star would never acquire less than 40 per cent. of the fully diluted equity share capital of Cairn India pursuant to the Cairn India Purchase Agreement.

On 31 May 2011, the Cairn India Purchase Agreement was further amended to allow the parties to agree such other consideration, date and time of Completion and conditions to Completion as the parties may agree in writing and the satisfaction of certain obligations of both CUKHL and TSEHL either on Completion or such other date as the parties may agree in writing.

On 27 June 2011, the Cairn India Purchase Agreement was further amended. The amendment deed provided for:

- (i) 191,920,207 Cairn India Shares (being 10 per cent. of the fully diluted equity share capital of Cairn India) to be acquired by Twin Star on or before 11 July 2011, with the balance of 30 per cent. of the fully diluted equity share capital of Cairn India to be acquired by Twin Star on Completion after satisfaction or waiver of the relevant conditions precedent set out in the Cairn India Purchase Agreement;
- (ii) extension of the long stop date for satisfaction of the conditions precedent to Completion to 15 December 2011, after which either Vedanta or Cairn Energy may terminate the Cairn India Purchase Agreement (save for certain provisions relating to the First Tranche Sale) by giving five business days' notice; and

- (iii) removal of all provisions relating to the INR50 per Cairn India Share non-compete fee and removal of the associated non-compete undertakings of the Cairn Energy Group.

(c) **ONGC Agreement**

Cairn India, Vedanta, Cairn Energy, CEIPL, CEHL, SGL and TSEHL entered into an agreement with ONGC on 30 November 2011 pursuant to which the parties agreed that (i) the royalty paid since commencement of production at the Rajasthan Block and as may be payable in future by ONGC is cost recoverable as a contract cost under the Rajasthan Block PSC and (ii) in respect of the Rajasthan Block, each party to the Rajasthan Block PSC will pay cess, as required under the relevant laws in force, in proportion to their respective participating interests under such PSC.

Pursuant to the ONGC Agreement, ONGC will be entitled to recover the royalty as a contract cost under the Rajasthan Block PSC, meaning that the Cairn India Group will indirectly bear a share of this royalty. Royalty is currently payable at 20 per cent. of the well head price of crude oil produced (on a cum royalty basis), which translates to approximately 15 per cent. of the value received from the sale of crude oil. The total royalty payable in the Rajasthan Block was INR1,321 million (US\$29.59 million) in the year ended 31 March 2010, INR18,386 million (US\$411.78 million) in the year ended 31 March 2011 and INR15,769 million (US\$353.17 million) in the six months ended 30 September 2011. Cairn India will within five business days of Completion pay an amount of US\$545.28 million to ONGC on account of cost recovery of royalty paid by ONGC until 30 September 2011. The royalty being cost recoverable led to a decline in the Cairn India Group's revenues and profits after tax for the nine months ended 30 September 2011 of approximately US\$589 million.

The Cairn India Group has been paying cess at the rate of INR2,575 (US\$57.7) per metric tonne of crude oil. The total cess paid by the Cairn India Group from commencement of production at the Rajasthan Block to 30 September 2011 was approximately US\$348 million.

ONGC required that the parties enter into this agreement prior to issuing its no-objection certificate further described in paragraph 4.4(iv) (Government of India Approval) of Section A of Part I "Information on the Vedanta Group, the Cairn India Group and the Combined Group" of this Prospectus.

14.3 **Material Contracts Relating to KCM**

(a) **KCM Shareholders' Agreement**

A shareholders' agreement among the Government of Zambia, ZCI, ZCI Holdings S.A. ("ZCIH"), ZCCM, KCM, VRHL and Vedanta was entered into on 5 November 2004 and sets out among other things the primary objects of KCM, the structure of KCM's board of directors, restrictions on KCM's activities, rules relating to the transfer of shares in KCM, the financing of KCM and alteration of the share capital of KCM. ZCIH subsequently transferred its entire shareholding to VRHL and effectively ceased to continue to be bound by the terms of this agreement. Pursuant to this agreement, KCM's board is to comprise 10 directors and Vedanta has the right to appoint, remove or replace five of the 10 directors, including the Chairman. ZCCM and ZCIH jointly and the Government of Zambia, subject to certain conditions, have the right to appoint, remove or replace two, two and one of the remaining directors on the KCM board, respectively, although the director appointed by the Government of Zambia does not have the right to vote at board meetings except in limited circumstances related to any non-arm's length contracts.

In the event that cash flow shortfalls arise at KCM after expenses (excluding depreciation and amortisation), interest, principal and fees payable in respect of any loans, sustaining and project capital expenditure, and tax, Vedanta has agreed to fund any such cash flow shortfalls up to an aggregate limit of US\$220 million (INR9,823 million). Vedanta is entitled to discharge any such cash flow shortfalls by the provision of debt finance or the contribution of equity to KCM. Any payments made by Vedanta on a debt finance basis will bear interest on arm's length terms (but not exceeding LIBOR plus 2.5 per cent.) and will be repaid to Vedanta in priority to dividends or any other distributions to the KCM shareholders. Any equity contributions made to KCM by Vedanta to discharge cash flow shortfalls will be made on a non-dilutionary basis to the other shareholders of KCM. The obligation of Vedanta to

fund cash flow shortfalls in KCM will terminate on the earlier of (a) 5 November 2013, (b) any transfer of VRHL's shares in KCM to ZCIH and/or ZCCM pursuant to the ZCIH/ZCCM call option deed, or (c) any exit of Vedanta from KCM in accordance with the shareholders' agreement. Vedanta is also required to provide or arrange any and all financing required in order to implement an Extension Project (as defined in this agreement) at Konkola such as the KDMP. It is entitled to meet this requirement by the provision of debt finance or the contribution of equity to KCM. Any finance provided by Vedanta as debt will bear interest on arm's length terms (but not exceeding LIBOR plus 2.5 per cent.), and will otherwise be provided on standard market terms for similar projects including the amount of fees payable by KCM, rank and repayment terms. Any equity contributions made to KCM by Vedanta to meet its financing obligations in connection with an Extension Project such as the KDMP will be made on a dilutionary basis to the other shareholders of KCM.

Pursuant to the shareholders' agreement, Vedanta has the right to serve an exit notice on KCM at any time after 31 December 2007, subject to providing 12 months' notice. Vedanta will be required to make a payment equivalent to the budgeted capital expenditure of KCM for the notice period and to meet its obligation to cover any cash flow shortfalls in KCM during the notice period.

(b) KCM Development Agreement

The Development Agreement regulates the legal and fiscal framework under which KCM operates in Zambia. The Development Agreement contains provisions regulating, among other things, KCM's rights to import and export, supply and procure, employ and train, suspend and curtail production, social assets and municipal infrastructure services and environmental matters. The Development Agreement also incorporates the Approved Programme of Mining and Metal Treatment Operations and the four LMLs granted to KCM by the Republic of Zambia on 31 March 2000, each of which has a term of 25 years. Subject to extension depending on increased life of mine associated with an Extension Project such as the KDMP, the Development Agreement also provides certain incentives and concessions which benefit KCM. Although the Development Agreement provides for legislative and taxation certainty for an agreed period, the provisions relating to such legislative and taxation certainty are no longer binding on the Government of Zambia following the coming into force of the Zambian Mines and Minerals Act and the introduction of a revised fiscal regime in Zambia. The Development Agreement was abrogated by the Zambian Mines and Minerals Act in April 2008. The Development Agreement also sets out the terms and conditions on which the Government of Zambia will grant its approval to any Extension Project proposed by KCM.

(c) KCM Management Agreement

A management agreement between Vedanta and KCM was entered into on 5 November 2004. Under this agreement, Vedanta agreed to provide a variety of specified know-how related services for an annual fee of US\$1,000,000 for a term of three years commencing on the date of the agreement. Additional services may be requested by KCM and will be provided by Vedanta on a per diem basis. Although this agreement expired at the end of its three year term, the parties agreed to extend the management agreement for a period up to 31 March 2012 on the same terms.

14.4 Material Contracts Relating to Cairn India

(a) Information Agreement

In accordance with the Cairn India Purchase Agreement, on Completion Cairn Energy and Cairn India will enter into an agreement pursuant to which Cairn Energy will have certain rights to information on the Cairn India Group following Completion. This agreement will replace the relationship agreement which currently exists between Cairn Energy, Cairn India and CUKHL. This information agreement will require that:

- (i) all related party transactions between Cairn India and the Vedanta Group and the Cairn Energy Group, respectively, be on an arm's length basis and approved by the board of directors of Cairn India;
- (ii) Cairn India adopt the Vedanta Group's corporate governance and accounting policies;

- (iii) Cairn India provide, to the extent permitted under applicable law, the information Cairn Energy requires in order to comply with its financial and regulatory reporting requirements;
- (iv) Cairn India provide assistance and information in the form of marketing material, road shows and presentations for any sale of shares in Cairn India by the Cairn Energy Group; and
- (v) Cairn India consult with Cairn Energy prior to any material regulatory announcement being made by Cairn India.

(b) Cairn Relationship Agreement

In accordance with the Cairn India Purchase Agreement, on Completion Vedanta and Cairn India will enter into a relationship agreement which is substantially on the same terms as the relationship agreement which currently exists between Cairn Energy, Cairn India and CUKHL. This relationship agreement will require Vedanta and Cairn India to each exercise all of their respective powers and, so far as they are respectively able to do so, procure that the directors of Cairn India exercise their respective powers to ensure that: (i) the business of Cairn India is at all times carried on independently of any other member of the Vedanta Group; (ii) all dealings between Cairn India and the rest of the Vedanta Group are approved by the Cairn India audit committee; and (iii) the business of Cairn India is managed for the benefit of its shareholders as a whole. The parties will also agree to use their reasonable endeavours to ensure that they can comply with their respective obligations under applicable law or under the rules of the stock exchanges on which their securities are traded. This relationship agreement will require Cairn India to provide the Vedanta Group with such information as it may require in order to comply with its legal, regulatory and reporting obligations for so long as the Vedanta Group's holding in Cairn India is of a level that requires Vedanta to account for the holding as a subsidiary or associated undertaking under IAS. This relationship agreement requires that any offer, allotment or issue of securities in Cairn India be approved by a securities committee of the board of Cairn India. Any meeting of the securities committee will only be quorate, and any decision of that committee will only be valid, if the majority of the members present are directors of Cairn India who have been nominated in accordance with the articles of association of Cairn India. For so long as the Vedanta Group holds at least 10 per cent. of the issued equity share capital of Cairn India, Cairn India has agreed that, subject to certain limitations and subject to applicable law, the Vedanta Group has the right to require Cairn India to take such steps as may be reasonably required by it in connection with a proposed sale or disposal of Cairn India Shares by any member of the Vedanta Group.

14.5 Other Material Contracts

(a) Share Purchase Agreement Relating to the Acquisition of SRL

On 11 June 2009, SGL entered into a share purchase agreement with the shareholders of V.S. Dempo & Co. Pvt. Ltd. (which later changed its name to Sesa Resources Limited) pursuant to which SGL agreed to purchase the entire issued share capital of SRL for a total consideration of INR17,500 million (US\$361 million as recorded in Vedanta's Fiscal 2011 accounts) on a debt-free and cash-free basis other than with respect to two loans owed to Mitsui and the Bank of India, New York. The sale included the entire issued share capital of SRL's wholly-owned subsidiary, SMC, and 50 per cent. of the share capital held by SRL in Goa Maritime Private Limited. The assets acquired include mining leases, mining rights and related infrastructure in Goa, India.

The agreement contains an indemnity in favour of SRL, SMC and SGL with respect to certain representations, warranties, covenants and liabilities. The sellers' liability in respect of (i) the sellers' title to the shares in SRL, (ii) any tax (to the extent such amount is not covered by the retained amount provided for under the agreement) and (iii) the admiralty suit No. 31/1995 filed by Salgaocar on 19 June 1996 in the High Court of Bombay against MV Priyamvada, a transhipper owned by SRL, in relation to a collision that took place on 5 June 1994 between MV Priyamvada and MV Sanjeevani, a ship owned by Salgaocar, is limited to the purchase price.

The sellers' aggregate liability with respect to all other claims is capped at INR350 million (US\$7.8 million). No such claim may be brought against the sellers unless the value of the claim is at least INR10 million (US\$223,964) and arises within 18 months from completion.

The agreement is governed by the laws of India.

(b) Share Purchase Agreement Relating to the Acquisition of the Zinc Assets of Anglo American

On 9 May 2010, Welter and Vedanta entered into a share purchase agreement with Anglo Operations Limited, Taurus International S.A., Anglo South Africa Capital (Pty) Ltd and Anglo American Services (UK) Limited pursuant to which the Vedanta Group agreed to purchase various zinc assets comprising (i) a 74 per cent. stake in Black Mountain (whose assets include the Black Mountain mine and Gamsberg project in South Africa), (ii) the entire issued share capital of Skorpion, which owns the Skorpion mine and refinery in Namibia and (iii) the entire issued share capital of Lisheen, which owns the Lisheen mine in Ireland. The total consideration paid by the Vedanta Group was US\$1,513 million.

Completion of the purchase was conditional upon receipt of various anti-trust approvals with respect to the assets. Completion of the acquisition of Skorpion, the 74 per cent. stake in Black Mountain and Lisheen took place on 3 December 2010, 4 February 2011 and 15 February 2011, respectively.

The sellers agreed to use reasonable endeavours to procure the transfer of prospecting licences relating to Black Mountain (including any approval required for the transfer from the South African Minister of Mineral Resources under the South African Mineral and Petroleum Resources Development Act of 2002) and the assignment of various third-party contracts to a member of the Vedanta Group.

Vedanta and Anglo American Services (UK) Limited provided guarantees with respect to the Vedanta Group's and the sellers' respective obligations under the agreement.

The sellers' liability for breach of representations and warranties (other than certain core warranties) is capped at 15 per cent. of the consideration and the sellers' aggregate liability for all claims is capped at 100 per cent. of the consideration. No claims may be brought against the sellers unless the value of all claims is at least US\$15 million. Claims with respect to the tax warranties, environmental warranties and certain other warranties may be brought within six, two or one year(s), respectively, of the relevant completion date.

The agreement is governed by English law.

(c) Share Purchase and Operation Agreement Relating to the Acquisition of a Majority Stake in Western Cluster Limited

On 25 July 2011, SGL entered into a share purchase and operation agreement with Elenilto, WCL and BFL, a wholly-owned subsidiary of SGL, pursuant to which BFL agreed to acquire 51 per cent. of the fully diluted ordinary share capital of WCL for a cash consideration of US\$90 million.

The parties agreed that as soon as reasonably practicable after signing the share purchase and operation agreement they shall execute a mineral development agreement relating to the rehabilitation and development of the Western Cluster iron ore deposits with the Government of Liberia. Completion is conditional upon ratification of the mineral development agreement by the Liberian legislature on or prior to 1 September 2011. As announced by Vedanta on 24 August 2011, the Legislature of the Republic of Liberia has ratified the mineral development agreement and completion occurred on 22 August 2011.

It is intended that SGL and Elenilto undertake the development of the Western Cluster iron ore deposits as joint venture partners. Under the share purchase and operation agreement, WCL shall appoint BFL to manage and control the operations and management of WCL's business and Elenilto shall assist WCL in obtaining various permits, consents and licenses relating to WCL's business and providing all reasonably necessary assistance required by BFL to run the business.

Elenilto has agreed to indemnify BFL and any member of BFL's group for any loss suffered by BFL or such member of its group due to any misrepresentation or breach of any of

Elenilto's or WCL's warranties, liabilities of WCL not fully disclosed to BFL prior to execution of the share purchase and operation agreement, any pending claims or claims which may be made against WCL which relate to the period prior to completion and any liabilities which BFL or a member of its group becomes subjected to as a result of BFL's acquisition of WCL which relate to the period prior to completion and any liabilities of BFL which result from any claim against BFL by any shareholder, customer or any other party (including any governmental authority) owing to any actions taken by WCL in operating its business in the period prior to completion. There is no time limit for bringing claims with respect to warranties relating to Elenilto's title to the shares to be purchased by BFL. Claims with respect to breach of any of the tax warranties and any other warranty must be brought within seven and three years, respectively, from the date of the share purchase agreement.

BFL provided, on behalf of WCL, a bank guarantee issued by Standard Chartered Bank, London branch in favour of the Government of Liberia.

The share purchase agreement is governed by English law.

(d) **Mineral Development Agreement in Respect of Western Cluster Limited**

On 3 August 2011, SGL, BFL, Elenilto, WCL and the Government of Liberia entered into a mineral development agreement relating to the exploration and development of the Western Cluster iron ore deposits (the "MDA"). The MDA became effective on 22 August 2011 (the "effective date") following satisfaction of certain conditions, including ratification of the MDA by the Legislature of the Republic of Liberia. The initial term of the MDA is 25 years from the effective date and will automatically be extended to match any extensions of the term of any mining licence granted by the Government of Liberia to WCL pursuant to the MDA.

The MDA provides that exploration licences are to be granted to WCL for the exclusive exploration of iron ore deposits in the Bomi, Mano River and Bea Mountain exploration areas. The MDA sets out the procedure by which WCL may apply to the Government of Liberia for a mining licence in the event WCL discovers potentially exploitable iron ore deposits in the exploration areas subject to the exploration licences. The MDA provides that WCL be granted land use rights in relation to the land subject to any exploration licence or mining licence; provided WCL pays reasonable compensation to landowners and occupants of the land for loss of or diminution in value of the land. These land use rights terminate at the end of the term of the MDA.

WCL must pay the Government of Liberia a royalty of 4.5 per cent. multiplied by the fair market value determined in accordance with the Liberian revenue code. WCL must also pay the Government of Liberia a fee of US\$25,000,000. In addition, WCL is required to develop programmes for the development and maintenance of the communities that have formed and that may form as a result of its operations in the exploration areas and to also make annual contributions ranging from US\$2,000,000 to US\$3,100,000 to a specially managed fund for the benefit of communities in affected counties.

In the event of a transfer of an interest in WCL, WCL or the transferor of such interest must pay a withholding tax to the Government of Liberia of 15 per cent. of the value of all cash and other consideration received by the transferor or any other entity with respect to the transfer.

No change of control of WCL is permitted by the MDA unless the change of control has received the prior written consent of the Government of Liberia or is otherwise permitted under the MDA. The MDA provides that a change of control of a shareholder of WCL (including Elenilto, BFL and any person who acquires an interest in WCL) will constitute a change of control of WCL. If a change of control is not permitted under the transfer provisions of the MDA, then a withholding tax of 15 per cent. of the value of the consideration received by the transferor may become payable in order, together with certain other conditions which need to be satisfied, for the change of control of WCL to be permitted.

WCL agreed to indemnify the Government of Liberia and its officers and agents from all losses and liabilities incurred as a direct consequence of death or injury to persons or damage to property directly resulting from the conduct of WCL.

SGL, BFL and Elenilto jointly and severally guaranteed the performance of the obligations of BFL and WCL under the MDA. Furthermore, SGL agreed to maintain a net worth of at least US\$100,000,000.

The MDA is governed by Liberian law and the parties have agreed that disputes be resolved by mediation or, if not settled through mediation, by arbitration in London administered by the London Court of International Arbitration under the arbitration rules of the United Nations Commission on International Trade Law.

14.6 Vedanta Group Debt Facilities

As at 31 March 2011, the Vedanta Group had US\$9,752.5 million of debt outstanding including term loans and working capital facilities. In addition, the Vedanta Group had US\$3,407.6 million of undrawn credit facilities. Set forth below is information regarding the Vedanta Group's debt outstanding on and after 31 March 2011.

(a) Debt Facilities Relating to the Cairn Acquisition

(i) US\$3.5 billion Term Loan Facility Agreement between TSMHL and others

On 17 November 2010, Vedanta entered into the Acquisition Facility Agreement between, among others, TSMHL (a wholly-owned subsidiary of Vedanta) as borrower, Vedanta and Twin Star as the guarantors, Barclays Bank plc, Citicorp Securities Asia Pacific Limited, Credit Suisse International, Goldman Sachs Lending Partners LLC, J.P. Morgan Chase Bank, N.A. (London Branch), Morgan Stanley Senior Funding, Inc., Standard Chartered Bank and The Royal Bank of Scotland N.V., Singapore Branch as lenders, Barclays Capital, Citigroup Global Markets Asia Limited, Credit Suisse International, Goldman Sachs International, J.P. Morgan plc, Morgan Stanley Bank International Limited, Standard Chartered Bank and The Royal Bank of Scotland N.V. as arrangers, and Standard Chartered Bank as the agent.

The Acquisition Facility Agreement provides for a total aggregate amount of up to US\$3.5 billion in cash to be advanced to TSMHL for the purpose of financing the cash consideration payable by TSMHL to the Cairn Energy Group in order to acquire up to 40 per cent. of the fully diluted share capital of Cairn India under the terms of the Cairn India Purchase Agreement. Out of the US\$3.5 billion in cash to be advanced under the Acquisition Facility Agreement:

- (A) up to US\$1.85 billion is to be advanced as part of a first tranche ("Tranche A"); and
- (B) up to US\$1.65 billion is to be advanced as part of a second tranche ("Tranche B").

If the Open Offer is not taken up in full, SGL has agreed to purchase such number of shares in Cairn India as shall bring its holding up to 20 per cent. of the fully diluted share capital of Cairn India either from a member of the Cairn Energy Group or direct from a member of the Vedanta Group. In the event that all necessary approvals, including the RBI approval, for this purchase are not available at Completion, Vedanta is to procure that a further short-term loan is utilised to fund the initial purchase of these shares from the Cairn Energy Group with such further short-term loan to be repaid from the proceeds of sale of such shares to the SGL group. The further short-term loan shall have a maturity of up to 39 months following Completion.

Tranche A has a final maturity of 12 months from the date of first drawdown under the Acquisition Facility Agreement, subject to an option by TSMHL to extend the facility by a further period of six months. This option is exercisable on payment by TSMHL of a fee equal to 75 basis points on the amount advanced under Tranche A and is payable on the date of exercise of the option. Tranche B has a final maturity of three years following first drawdown under the Acquisition Facility Agreement.

A commitment fee also applies in respect of the undrawn amounts in respect of Tranche A and Tranche B, respectively, beginning in each case on the date falling 90 days after execution of the Acquisition Facility Agreement up to and including 13 May 2011. On 12 May 2011, the parties to the Acquisition Facility Agreement agreed to extend this date to 31 July 2011 and this date was further extended to 15 December 2011 on 29 July 2011.

Drawings under the Acquisition Facility Agreement bear interest at the aggregate of (a) the applicable margin, (b) USD LIBOR and (c) additional mandatory costs. The applicable margin in relation to Tranche A is 1.75 per cent. per annum for the first year after its first drawdown date and 2.5 per cent. per annum in respect of the six months following the anniversary of its first drawdown date.

The applicable margin in relation to Tranche B is 3.25 per cent. per annum for the first 12 months after its first drawdown date. After this 12 month period, the applicable margin in relation to Tranche B will adjust by reference to the amount of time that has elapsed since first drawdown and the long-term unsecured corporate credit rating from any two rating agencies of bonds issued by the Vedanta Group.

The interest periods for both Tranche A and Tranche B over which interest is calculated can be selected by TSMHL, but must be 1, 2, 3 or 6 months or such other period as may be agreed with the agent. TSMHL may cancel the facility (in whole or in minimum amounts of US\$25 million) at any time. TSMHL may also prepay amounts (in whole or in minimum amounts of US\$25 million) at any time subject to payment of break costs in certain circumstances. Mandatory prepayment obligations may arise where there is a change of control of Vedanta (including where Mr. Anil Agarwal and his affiliates, cease to be interested in at least 35 per cent. of the issued equity share capital of Vedanta and/or cease to control the appointment of the majority of the Board of Directors and where Vedanta and certain underlying subsidiaries cease to hold requisite percentage shareholdings in such subsidiaries). The Acquisition Facility Agreement is subject to further mandatory prepayment events which are: (i) prepayments from sources derived from the sale of Cairn India Shares (whether to SGL or otherwise); (ii) dividends from Cairn India Shares; (iii) the sale of shares in other specified subsidiaries; (iv) the raising of new debt, equity, equity linked instruments and bond proceeds (subject to agreed thresholds and exceptions); (v) the sale of treasury stock; and (vi) the disposal of other assets by obligors under the Acquisition Facility Agreement (subject to a US\$10 million threshold).

There are covenants, among others, in relation to the provision of information and other representations and warranties, general undertakings, events of default and indemnities customary for a facility of this nature. The principal security in relation to the facility is a share pledge by Twin Star (a wholly-owned subsidiary of Vedanta) over its shares in TSMHL.

Following the amendments to the Cairn India Purchase Agreement on 27 June 2011 (in particular, the removal of the INR50 per Cairn India Share non-compete fee), the available amounts under the Tranche A and Tranche B facilities were reduced to US\$1.57 billion and US\$1.40 billion, respectively, on 28 June 2011.

(ii) **US\$1.5 billion high yield senior secured bridge facility agreement between Vedanta and others**

On 17 November 2010, Vedanta entered into a senior secured High Yield Bridge Facility Agreement as borrower, TSMHL and Twin Star as the guarantors, Barclays Bank plc, Citicorp Securities Asia Pacific Limited, Credit Suisse International, Standard Chartered Bank and The Royal Bank of Scotland N.V., Singapore Branch as lenders, Barclays Capital, Citigroup Global Markets Asia Limited, Credit Suisse International, The Royal Bank of Scotland N.V. and Standard Chartered Bank as mandated lead arrangers and Standard Chartered Bank.

The commitments under the High Yield Bridge Facility Agreement were cancelled on 7 June 2011.

(iii) **US\$1.0 billion senior secured bridge loan facility between TSMHL and others**

On 17 November 2010, Vedanta entered into a senior unsubordinated Bridge Facility Agreement between, TSMHL as borrower, Vedanta and Twin Star as the guarantors, Goldman Sachs Lending Partners LLC, J.P. Morgan Chase Bank N.A. (London Branch) and Morgan Stanley Senior Funding Inc., as lenders, Goldman Sachs International, J.P. Morgan Limited and Morgan Stanley Bank International Limited as mandated lead arrangers, and Standard Chartered Bank as the agent.

The Bridge Facility Agreement provides for the Bridge Facility to be advanced to TSMHL for the purpose of further financing the cash consideration payable by TSMHL to the Cairn Energy Group in order to acquire no less than 40 per cent. of the fully diluted share capital of Cairn India under the terms of the Cairn India Purchase Agreement, in addition to the financing provided to the Vedanta Group pursuant to the terms of the Acquisition Facility Agreement and the High Yield Bridge Facility Agreement referred to above.

The Bridge Facility has a final maturity of 18 months from the date of first drawdown. Drawings under the Bridge Facility Agreement bear interest at the aggregate of (a) the applicable margin, (b) USD LIBOR and (c) additional mandatory costs (if any). The applicable margin is 1.75 per cent. per annum for the first year after its first drawdown date and 2.5 per cent. per annum in respect of the six months following the anniversary of its first drawdown date.

Under the Bridge Facility Agreement the mandatory prepayment events include the same change of control event as under the Acquisition Facility Agreement and also include prepayments in relation to any proceeds received by the Vedanta Group as a result of the initial public offering of Konkola Resources, the proceeds received as a result of the issue of new equity in connection with the actions contemplated by the Standby Equity Underwriting Letter (summarised below), and the proceeds received as a result of the disposal of certain specified assets.

There are covenants, without limitation, in relation to the provision of information and other representations and warranties, general undertakings, events of default and indemnities that are customary for a facility of this nature.

Amounts loaned under the Bridge Facility Agreement are subject to a commitment fee equal to 1 per cent. per annum which is calculated on the undrawn amount under the Bridge Facility, starting from 90 days following execution of the Bridge Facility Agreement up until 13 May 2011. On 12 May 2011, the parties to the Bridge Facility Agreement agreed to extend this date to 31 July 2011 and this date was further extended to 15 December 2011 on 29 July 2011.

Following the amendments to the Cairn India Purchase Agreement on 27 June 2011 (in particular, the removal of the INR50 per Cairn India Share non-compete fee), the available amount under the Bridge Facility was reduced to US\$895 million on 28 June 2011. Further, there was a mandatory cancellation of the Bridge Facility for an amount equal to US\$500 million on 25 July 2011 following signing of the US\$500 million loan facility by KCM with Standard Finance (Isle of Man) Limited, which will be used to repay the shareholder's loan to Vedanta. On 29 July 2011, the Bridge Facility was voluntarily cancelled for an amount equal to US\$125.3 million. On 30 November 2011, the commitment amount under this facility was further reduced to US\$37,666,928.

(iv) **Standby Equity Underwriting Letter**

In connection with the Cairn Acquisition and pursuant to the Standby Equity Underwriting Letter, J.P. Morgan Securities Limited, Goldman Sachs International and Morgan Stanley (the "Banks") have severally undertaken, subject to the terms of the Standby Equity Underwriting Letter, to underwrite, through the entering into of the Underwriting Agreement (as defined below), a capital increase by way of a rights issue (or such other equity raising process of Ordinary Shares in the capital of Vedanta as Vedanta and the Banks may agree) (an "Ordinary Share Offering") to raise, in aggregate, net proceeds (being the proceeds of the Ordinary Share Offering net of

costs, fees and expenses) of an amount to be determined by the Banks of up to twice the amount required to pay or prepay the amount outstanding (including interest and charges) under the Bridge Facility Agreement as at the date nine months from the drawdown under the Bridge Facility Agreement (or, if earlier, the date of the Ordinary Share Offering) (the “Refinancing Amount” or the “Gross Proceeds”). Each of the Banks may severally, at its sole discretion, at any time on or after the date falling six months from drawdown under the Bridge Facility Agreement, serve a notice on Vedanta requiring Vedanta to undertake an Ordinary Share Offering on and subject to the terms of the Standby Equity Underwriting Letter (the “Offer Notice”). The net proceeds raised by way of such Ordinary Share Offering will be used first to pay or repay the Refinancing Amount. The Banks have also agreed that, subject to being able to act in such role, they shall act as joint sponsors in connection with the proposed admission to the Official List of the Ordinary Shares issued in connection with the Ordinary Share Offering.

Upon receipt of an Offer Notice, Vedanta has irrevocably undertaken to effect, subject to the terms of the Standby Equity Underwriting Letter, an Ordinary Share Offering of the Refinancing Amount as soon as reasonably practicable, but taking into account market conditions, the directors’ fiduciary duties and the obtaining of any required shareholder approval, save that completion of the Ordinary Share Offering must take place on or before the date that is nine months plus 30 days from the date of drawdown under the Bridge Facility Agreement (the “Repayment Date”) provided that, if the Offer Notice is served less than two months before, on or after, the Repayment Date, completion of the Ordinary Share Offering must take place on or before the date falling two months after service of the Offer Notice.

The Standby Equity Underwriting Letter also contains, among others, the following provisions:

- (A) the parties have agreed that the issue price of any Ordinary Shares in the capital of Vedanta proposed to be issued in connection with the Ordinary Share Offering will be agreed by Vedanta and the banks at the time the Ordinary Share Offering is launched and, failing such agreement, at a price of US\$0.10 per Ordinary Share (being the nominal value of an Ordinary Share);
- (B) the parties have undertaken to act reasonably and negotiate in good faith the terms and conditions of the underwriting agreement to be entered into in connection with an Ordinary Share Offering (the “Underwriting Agreement”). In addition, Vedanta and the banks have agreed the form of certain significant provisions of the Underwriting Agreement in advance of its execution relating to the form of certain customary representations and warranties, indemnities, conditions and termination provisions and force majeure provisions (if any). In addition, Vedanta has, among other things and without limitation, agreed to prepare and submit to the FSA a prospectus and any other documents that may be required in connection with an Ordinary Share Offering, to convene a general meeting of Vedanta’s Shareholders in order to seek such shareholders’ approvals which are necessary in order to proceed with the Ordinary Share Offering, to instruct the Company’s auditors in relation to any accounting work to be undertaken in connection with the Ordinary Share Offering (including the provision of comfort letters) and to instruct the Company’s legal advisers in relation to the Ordinary Share Offering (including the provision of comfort letters and customary legal opinions). Vedanta has also agreed to procure an irrevocable undertaking from Volcan to vote in favour of any shareholders’ resolutions proposed at any such general meeting convened in connection with an Ordinary Share Offering. Volcan executed this undertaking on 16 November 2010;
- (C) Vedanta has undertaken that, subject to the provisions described below, from the date of the Standby Equity Underwriting Letter to the Repayment Date or until the Underwriting Agreement becomes effective, it will not and will procure that members of the Vedanta Group will not, without the prior written consent of the

banks, directly or indirectly undertake to offer, issue, lend, sell or otherwise dispose of any equity securities of any member of the Vedanta Group (or any interest therein or in respect thereof) or any securities exchangeable for or convertible into, or substantially similar to, the equity securities of any member of the Vedanta Group or enter into any transaction with the same economic effect, save that the above restrictions shall not apply in respect of (a) the issue of Ordinary Shares pursuant to the Ordinary Share Offering; (b) the grant of options under and the issue of shares pursuant to the options granted under share option schemes of Vedanta or any member of the Vedanta Group in existence on the date of the Standby Equity Underwriting Letter in accordance with normal practices; (c) the issue of Ordinary Shares in any member of the Vedanta Group pursuant to existing obligations in respect of convertible debt securities; (d) the issue of shares pursuant to the initial public offering of Konkola Resources or any sale by any member of the Vedanta Group of shares in KCM; (e) any listed subsidiary of Vedanta or any of Vedanta's subsidiaries; (f) the issue in a marketed offering of any convertible or exchangeable debt securities which are convertible or exchangeable into shares of any member of the Vedanta Group; (g) any disposal of shares in a subsidiary undertaking of Vedanta by Vedanta and/or the relevant member(s) of the Vedanta Group; or (h) the sale of any Ordinary Shares held in treasury by Vedanta at any time on or before the date falling six months from drawdown under the Bridge Facility Agreement;

- (D) a commitment fee equal to 0.25 per cent. of the Gross Proceeds (plus any VAT if applicable) is payable by Vedanta to the banks in proportion to their respective underwriting commitments upon signing the Underwriting Agreement;
- (E) an underwriting fee equal to 2.75 per cent. of the Gross Proceeds less the total cash subscription made by Volcan in taking up (in whole or in part) its rights to subscribe for Ordinary Shares pursuant to the Ordinary Share Offering (provided that the total number of Ordinary Shares subscribed for by Volcan shall not be underwritten by the banks pursuant to the Underwriting Agreement and an irrevocable commitment is received from Volcan on or prior to the execution of the Underwriting Agreement to subscribe for Volcan's Ordinary Shares in a form and manner satisfactory to the banks) (plus any VAT if applicable) is to be payable by Vedanta to the banks in proportion to their respective underwriting commitments if the Underwriting Agreement becomes unconditional and is not terminated;
- (F) in the event that none of the banks are able to act as sponsor to the Company in connection with an Ordinary Share Offering the Company has agreed to pay to such sponsor a separate sponsor fee (such fee to be in line with the levels of such fees for London rights issues of a similar nature); and
- (G) if (a) the Bridge Facility Agreement is terminated before any funds are drawn down under it, (b) Completion of the Cairn India Purchase Agreement does not occur by 20 May 2011 or (c) the Bridge Facility is repaid or prepaid in full, the Standby Equity Underwriting Letter and the undertakings in it automatically terminate. The banks (acting together) have the right to terminate the Standby Equity Underwriting Letter at their discretion at any time prior to entering into the Underwriting Agreement. In addition, the Company has the right to terminate the Standby Equity Underwriting Letter in the event that a bank is in material breach of its obligations to enter into the Underwriting Agreement or to underwrite the Ordinary Share Offering. On 12 May 2011, the parties to the Standby Equity Underwriting Letter agreed to extend this date to 31 July 2011 and this date was further extended to 15 December 2011 on 29 July 2011.

(b) **Cairn India Debt Facilities**

As at 31 December 2010, the Cairn India Group had US\$673.7 million of debt outstanding including term loans and working capital facilities. In addition, the Cairn India Group had US\$576 million of undrawn credit facilities. Set forth below is information regarding the Cairn India Group's debt outstanding on and after 31 December 2010.

- (i) In October 2009, Cairn India refinanced an existing revolving credit facility to fund the Rajasthan development. The refinancing package comprised the USD Facility and the INR Facility.

(A) USD Facility

The aggregate amount of the USD Facility was for up to US\$750 million and comprised commitments from six international banks and the International Finance Corporation to CEHL (a wholly-owned subsidiary of Cairn India) and would have expired on 31 December 2015. The USD Facility was cancelled with effect from 5 October 2011.

The aggregate amount of the loan that could be drawn under the facility at any point in time was determined by reference to the net present value of the Rajasthan developments. The interest payable on amounts drawn was the aggregate of LIBOR, a margin of 3.25 per cent. until 20 October 2012 (and thereafter 3.75 per cent.) and specified mandatory costs. The interest period for each loan over which interest was calculated could be selected by the borrower, but must be three months, six months or such other period as was agreed with the facility agent.

CEHL had the right to cancel the facility (in whole or in part) and/or prepay any amounts drawn under it at any time, subject to the payment of break costs in certain circumstances. Mandatory prepayment obligations may arise where, among other things, there is a direct or indirect change of control of Cairn India and the majority of the lenders give notice. There are covenants in relation to the provision of information and other general undertakings customary for a facility of this nature. There are also events of default provisions customary for a facility of this nature. These include cross default provisions which may be triggered on, among other things, a default under the INR Facility. The principal security in relation to the facility is a share pledge by Cairn India Holdings Limited (a wholly-owned subsidiary of Cairn India) over its shares in CEHL. Further securities may require to be granted in certain circumstances.

(B) INR Facility

The aggregate amount of the INR Facility was initially for an amount up to INR40 billion (approximately US\$895.9 million). It is provided to Cairn India by a consortium of seven leading Indian banks and financial institutions. The INR Facility was due to expire on 31 December 2015, but in October 2010 Cairn India substituted this facility by raising INR22.5 billion (approximately US\$500 million) through an issue of unsecured non-convertible debentures (“NCDs”) at competitive commercial terms. On 13 October 2010, the total outstanding amount of INR13,950 million (US\$310 million) of the INR Facility was fully repaid.

(ii) Non-Convertible Debentures

In October 2010, Cairn India issued NCDs for INR22.5 billion (approximately US\$500 million), having an average maturity of approximately two years. The NCDs are unsecured with a negative lien on the assets of Cairn India. The issuance was done in three tranches, viz Series A for INR6.25 billion (approximately US\$140 million) having a maturity of 21 months, Series B for INR6.25 billion (approximately US\$140 million) having a maturity of 24 months and Series C for INR10 billion (approximately US\$224 million) with a maturity of 27 months. Of these tranches, Series C is a partially paid-up debenture with 10 per cent. of the amount paid up-front and the remaining 90 per cent., i.e. INR9 billion (US\$201,568 million), available as a commitment.

A different coupon rate is applicable on each individual series of the NCDs. Series A attracts a coupon at the rate of 8.35 per cent. per annum; Series B at 8.40 per cent. and Series C attracts a coupon of 8.5 per cent. for the initial 12 months and thereafter is linked to a market-determined floating rate subject to a minimum of 8.50 per cent. per annum. In addition to the repayment of the existing INR Facility, the said debt is also available for general corporate purposes. For Series A and B, Cairn India has the option to prepay the NCDs at the end of 12 months, i.e. on 12 October 2011.

(c) **Other Vedanta Group Debt Facilities**

(i) **US\$2.2 billion Term Loan with State Bank of India**

On 5 April 2011, Vedanta Aluminium entered into a facility agreement with State Bank of India for an amount of INR100 billion (US\$2.2 billion). The interest payable is benchmarked to the bank's base rate plus 225 basis points per annum. The term loan is secured against Vedanta Aluminium's projects and assets at Jharsuguda and guaranteed by Vedanta. The term loan is repayable by 31 March 2021.

(ii) **US\$1,247.3 million Term Loan with State Bank of India and Others**

On 29 June 2009, Sterlite Energy entered into a term loan agreement with State Bank of India, IDBI Bank Limited, Punjab National Bank, Andhra Bank, United Bank of India, the LIC, Syndicate Bank, Tamilnad Mercantile Bank Limited, Bank of India, Canara Bank, Union Bank of India, Corporation Bank, Allahabad Bank, Oriental Bank of Commerce, UCO Bank, Jammu and Kashmir Bank Limited, Central Bank of India and The Bank of Rajasthan Limited for an amount of INR55,690 million (US\$1247.3 million). The interest payable benchmarked to the State Bank of India Benchmark Advance Rate less 0.25 per cent. per annum. Although the security creation agreements are in the process of being executed, the term loan is proposed to be secured against the assets of Sterlite Energy's 2,400 MW Jharsuguda commercial power generation project.

(iii) **US\$1 billion Facility Agreement with ABN AMRO Bank N.V., Barclays Capital, Citigroup Global Markets Asia Limited, Bank of Tokyo-Mitsubishi UFJ, Ltd., Calyon, Standard Chartered Bank and Sumitomo Mitsui Banking Corporation**

On 22 April 2007, Richter entered into a US\$1.1 billion term facility agreement to finance the acquisition of SGL. This facility was refinanced on 11 April 2008 when Vedanta entered into a US\$1 billion term facility agreement with ABN AMRO Bank N.V., Barclays Capital, Citigroup Global Markets Asia Limited, Bank of Tokyo-Mitsubishi UFJ, Ltd., Calyon, Standard Chartered Bank and Sumitomo Mitsui Banking Corporation as the lead arrangers, ABN AMRO Bank N.V. as agent. Vedanta utilised this facility in full on 16 April 2008.

The rate of interest payable is US dollar LIBOR plus either 2 per cent. per annum, in relation to the first 12 months of the agreement commencing 16 April 2008, or 3 per cent., in relation to the period thereafter up to 57 months (i.e. until maturity of the term loan) and any applicable mandatory costs, in addition to the interest rate to compensate the lenders for the cost of compliance with the requirements of the Bank of England and/or the FSA or any replacement authority and the requirements of the European Central Bank, to be calculated on an agreed upon formula. The interest period for this loan is one, three or six months or such other period as Vedanta and the lenders may agree. Vedanta is currently paying interest on a one month basis under this loan.

25 per cent. of the outstanding loan falls due 48 months after the commencement of the agreement and the balance after 57 months from 16 April 2008. Vedanta has an option to prepay the whole or any part of the loan in multiples of US\$50 million at the end of any interest period.

Under this facility, Vedanta is subject to financial covenants as to consolidated tangible net worth, borrowings (the ratio of borrowings of Vedanta and its subsidiaries to EBITDA (as defined in the facility agreement), the ratio of borrowings of subsidiaries to EBITDA and ratio of total net assets of group to borrowings of the group) and interest expense (the ratio of EBITDA to interest expense).

Proceeds of this loan were utilised to repay the outstanding amount of US\$1.1 billion syndicated term loan facility due on 16 April 2008.

(iv) **US\$500 million Facility Agreement with Axis Bank Limited**

On 6 July 2009, Vedanta Aluminium entered into a US\$500 million loan facility agreement with Welter as lender. This facility is being refinanced whereby Axis Bank Limited will replace Welter as the direct lender under the loan agreement and Vedanta

will guarantee the loan facility. The rate of interest payable is US dollar LIBOR plus 400 basis points. The loan facility is repayable in three instalments of US\$200 million on 21 April 2015, US\$200 million on 21 April 2016 and US\$100 million on 21 April 2017. Vedanta Aluminium received RBI approval on 10 June 2011 for amendments to the existing facility and the change in lender from Welter to Axis Bank Limited. On 27 June 2011, Vedanta Aluminium entered into an amendment and restatement agreement with Welter. On the same date, Welter and Axis Bank Limited also signed the transfer certificate giving Welter an option to transfer this facility to Axis Bank Limited within 120 days. On 13 October 2011, Welter issued a transfer notice transferring the existing loan participation to Axis Bank Limited on 25 October 2011.

(v) **US\$500 million Term Loan with ICICI Bank Dubai and Bahrain**

In July 2011, Monte Cello Corporation N.V. entered into a term loan agreement with ICICI Bank Dubai and Bahrain for an amount of US\$500 million guaranteed by Vedanta. The loan bears interest at US dollar LIBOR plus 390 basis points. The loan is not secured and is repayable in two equal instalments due on 31 January 2018 and 31 July 2018, respectively.

(vi) **US\$500 million Bridge Loan with Standard Finance (Isle of Man) Limited**

In July 2011, KCM entered into a bridge loan agreement with Standard Finance (Isle of Man) Limited for an amount of US\$500 million guaranteed by Vedanta. The loan bears interest at US dollar LIBOR plus 165 basis points for the first six months and US dollar LIBOR plus 250 basis points thereafter. The loan is repayable after one year from the date of notice given by the lender to KCM confirming satisfaction of the conditions precedent.

(vii) **US\$224 million Term Loan with ICICI Bank Limited**

In April 2008, Vedanta Aluminium entered into a term loan agreement with ICICI Bank Limited for an amount of INR10,000 million (US\$224.0 million). The interest payable is 10.5 per cent. per annum. The term loan is secured and is repayable in eight equal instalments on a quarterly basis with the first payment having been made in July 2011.

(viii) **US\$200 million Term Loan with Standard Chartered Bank**

In November 2009, KCM entered into a term loan agreement with Standard Chartered Bank for an amount of US\$200 million. The term loan facility was drawn down in two tranches with US\$91.7 million drawn down on 30 November 2009 and US\$108.3 million drawn down on various dates with the last amount drawn on 5 March 2010. The first tranche is repayable in 11 quarterly instalments commencing from 13 January 2010 and the second tranche is repayable in 16 quarterly instalments commencing from 13 January 2011. The loan bears interest at three months LIBOR plus 550 basis points.

(ix) **US\$180 million Term Loan with ICICI Bank (UK)**

In December 2010, Vedanta entered into a term loan agreement with ICICI Bank for a sterling amount equivalent to US\$180 million. The interest payable is 3.85 per cent. above 3 month GBP LIBOR. The term loan is not secured and is repayable in two equal instalments at the end of the fourth and fifth years of the loan. As at 31 March 2011, no amounts have been repaid.

(x) **US\$150 million Term Loan with ICICI Bank (Hong Kong)**

In January 2011, Twin Star entered into a term loan agreement with ICICI Bank for an amount equivalent to US\$150 million. The interest payable is 3.89 per cent. above 3 month GBP LIBOR. The term loan is not secured and is repayable in two equal instalments at the end of the fifth and six years of the loan. As at 31 March 2011, no amounts have been repaid.

(xi) **US\$100 million External Commercial Borrowing with ICICI Bank Limited, Singapore branch**

In June 2008, Vedanta Aluminium entered into an external commercial borrowing loan with ICICI Bank Limited, Singapore branch for an amount of US\$100 million. The interest payable is US dollar LIBOR plus 2.4 per cent. per annum. The loan is secured by a negative lien undertaking on the existing and future assets of the Jharsuguda project of Vedanta Aluminium, including assets that are already charged in favour of ICICI Bank Limited and other lenders. The repayment period is from February 2012 to August 2014.

(xii) **US\$100 million Term Loan with the Development Bank of Southern Africa**

In October 2008, KCM entered into a term loan agreement with the Development Bank of Southern Africa of US\$100 million. The loan bears interest at three month LIBOR plus 282 basis points and is repayable in 12 equal instalments on a quarterly basis.

15. Related Party Transactions

15.1 For each of Fiscal 2009, 2010 and 2011, the Company has not entered into any transactions with related parties save as disclosed:

- (a) in note 36 on pages 104 to 105 of the Vedanta Group's 2009 Annual Report and Accounts;
- (b) in note 34 on pages 130 to 132 of the Vedanta Group's 2010 Annual Report and Accounts;
- (c) in note 36 on pages 137 to 138 of the Vedanta Group's 2011 Annual Report and Accounts; and
- (d) on page 42 of the Vedanta Group's interim financial results for the six months 30 September 2011,

in each case as set out in the Vedanta Group's historical consolidated financial information incorporated by reference herein.

15.2 During the period from 1 October 2011 to 4 December 2011, being the last practicable date prior to publication of this Prospectus, the Company has not entered into any transactions with related parties other than as set out below:

(a) **Sterlite Technologies Limited**

	<u>1 October 2011 to 4 December 2011</u>
	(US\$ million)
Purchases	2.8
Sales to STL	30.1
Reimbursement of expenses	—
Net interest received	—
Amounts receivable at period/year end	22.3

(b) **Vedanta Foundation (formerly the Sterlite Foundation)**

During this period, US\$0.3 million was paid to the Vedanta Foundation. The Vedanta Foundation is a registered not-for-profit entity engaged in computer education and other related social and charitable activities. The major activity of the Vedanta Foundation is providing computer education to disadvantaged students. The Vedanta Foundation is a related party as it is controlled by members of the Agarwal Family.

(c) **Sesa Community Foundation Limited**

During this period, US\$0.2 million was paid to the Sesa Community Foundation Limited. The Sesa Community Foundation Limited is controlled by the directors of SGL.

(d) **Volcan Investments Limited**

The reimbursement of expenses amounted to US\$0.1 million in the period 1 October 2011 to 4 December 2011.

(e) **Sterlite Iron and Steel Limited**

	<u>1 October 2011 to 4 December 2011</u> (US\$ million)
Reimbursement of bank charges	—
Receivable at year end	0.3

Sterlite Iron and Steel Limited is a related party by virtue of having the same controlling party as the Vedanta Group, namely Volcan.

(f) **Vedanta Medical Research Association**

	<u>1 October 2011 to 4 December 2011</u> (US\$ million)
Donation	1.5
Reimbursement of expenses	—

The Vedanta Medical Research Association is a related party of the Vedanta Group on the basis that key management personnel of the Vedanta Group exercise significant influence. The Vedanta Medical Research Association is a registered not-for-profit entity under the auspices of which a cancer hospital is being constructed to support social health infrastructure in India.

15.3 For each of Fiscal 2008, 2009, 2010 and H1 2011, Cairn India has not entered into any transactions with related parties save as disclosed:

- (a) in note 36 on pages 129 to 130 of the Cairn Energy Group's annual report for the year ended 31 December 2008;
- (b) in note 35 on pages 139 to 140 of the Cairn Energy Group's annual report for the year ended 31 December 2009;
- (c) in note 34 on pages 137 to 138 of the Cairn Energy Group's annual report for the year ended 31 December 2010; and
- (d) in note 29 on pages 319 to 320 of this Prospectus in respect of H1 2011,

in each case as set out in the Cairn India Group's historical consolidated financial information incorporated by reference or contained herein.

15.4 During a the period between 1 July 2011 and 4 December 2011, being the last practicable date prior to the publication of this Prospectus, Cairn India has not entered into any transactions with related parties other than as set out below:

(a) **Transactions during the year**

<u>Nature of the Transactions</u>	<u>Related Party</u>	<u>1 July 2011 to 4 December 2011</u> (US\$)
Reimbursement of expenses to parent company .	Cairn Energy	67,755
Shares issued including premium and stock option charge	Indrajit Banerjee	114,852
Remuneration	Rahul Dhir	858,512
	Indrajit Banerjee	91,829
	Total	950,341

(b) Balances outstanding as at 4 December 2011

<u>Nature of the Balance</u>	<u>Related Party</u>	<u>4 December 2011</u> (US\$)
Accounts payable	Cairn Energy	175,714
Accounts payable	Capricorn Energy Limited	442,424

16. Consents

16.1 Deloitte

Deloitte LLP (a member of the Institute of Chartered Accountants in England and Wales) has given and has not withdrawn its written consent to the inclusion in this Prospectus of its report which is set out in Section A of Part VIII: “Unaudited Pro Forma Financial Information on the Combined Group” of this Prospectus in the form and context in which it is included and has authorised the contents of those parts of this Prospectus which comprise its report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules. As the Ordinary Shares have not been and will not be registered under the Securities Act, Deloitte LLP has not filed and will not be required to file a consent under the Securities Act.

16.2 Ernst & Young

Ernst & Young LLP (which is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales) has given and has not withdrawn its written consent to the inclusion in this Prospectus of its report which is set out in Section A of Part VII: “Historical Financial Information Relating to Cairn India” of this Prospectus in the form and context in which it is included and has authorised the contents of those parts of this Prospectus which comprise its report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules. As the Ordinary Shares have not been and will not be registered under the Securities Act, Ernst & Young LLP has not filed and will not be required to file a consent under the Securities Act.

16.3 DeGolyer and MacNaughton

DeGolyer and MacNaughton, a petroleum consulting firm, whose address is at 5001 Spring Valley Road, Suite 800 East, Dallas, Texas 75244, USA, has given and not withdrawn its written consent to the inclusion in this Prospectus of its report which is set out in Section B of Part IV: “Ore Reserves and Mineral Resources Information” of this Prospectus in the form and context in which it appears and has authorised the contents of those parts of the Prospectus which comprise its report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

17. Miscellaneous

17.1 The total costs and expenses of, and incidental to, the Readmission payable by the Company, including the LSE fee, the FSA’s listing fee, professional fees and the costs of preparation, printing and distribution of documents, are estimated to amount to approximately US\$10.81 million (exclusive of VAT).

17.2 The financial information concerning the Vedanta Group contained in or incorporated by reference in this Prospectus does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006. Full individual accounts of the Company and each of its subsidiary undertakings for each Fiscal year to which the information relates and on which the auditors gave unqualified reports have been delivered to the Registrar of Companies. The consolidated financial statements of the Vedanta Group in respect of the three years ended 31 March 2009, 31 March 2010 and 31 March 2011 were reported on by Deloitte LLP, the auditors of Vedanta within the meaning of section 495 of the Companies Act 2006.

17.3 The information set out in this Prospectus that has been sourced from third parties has been accurately reproduced and, so far as the Company is aware and has been able to ascertain from that published information, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third-party information has been used in this Prospectus, the source of such information has been identified.

18. Documents Available for Inspection

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) up to and including the date of the Readmission for the life of this Prospectus at the London offices of the Company at 16 Berkeley Street, London W1J 8DZ and at the offices of Latham & Watkins (London) LLP, 99 Bishopsgate, London EC2M 3XF:

- 18.1 the Articles;
- 18.2 the report from Ernst & Young LLP which is set out in Section A of Part VII: “Historical Financial Information relating to Cairn India” and the consolidated financial statements for Cairn India which are set out in Section B of Part VII: “Historical Financial Information relating to Cairn India” of this Prospectus;
- 18.3 the report from Deloitte LLP which is set out in Section A of Part VIII: “Unaudited Pro Forma Financial Information on the Combined Group” and the unaudited pro forma statement of net assets of the Vedanta Group which is set out in Section B of Part VIII: “Unaudited Pro Forma Financial Information on the Combined Group” of this Prospectus;
- 18.4 the report from DeGolyer and MacNaughton which is set out in Section B of Part IV: “Ore Reserves and Mineral Resources Information” of this Prospectus;
- 18.5 the audited consolidated financial statements of the Vedanta Group for Fiscal 2009, 2010 and 2011;
- 18.6 the interim consolidated financial statements of the Vedanta Group for the first half of Fiscal 2012;
- 18.7 the circular sent to Vedanta Shareholders dated 25 November 2010 (the “Vedanta Circular”);
- 18.8 the letters of consent referred to in paragraph 16 above; and
- 18.9 this Prospectus.

Dated: 6 December 2011

PART XI: DEFINITIONS

The following definitions apply throughout this Prospectus unless the context requires otherwise:

AAI	Aluminium Association of India;
Acquisition Facility	a total amount of US\$3.5 billion in cash provided for under the Acquisition Facility Agreement (since reduced to US\$2.97 billion);
Acquisition Facility Agreement	US\$3.5 billion syndicated term loan facility agreement dated 17 November 2010 between, among others, TSMHL as borrower, Vedanta and Twin Star as the guarantors, Barclays Bank plc, Citicorp Securities Asia Pacific Limited, Credit Suisse International, Goldman Sachs Lending Partners LLC, J.P. Morgan Chase Bank, N.A. (London Branch), Morgan Stanley Senior Funding, Inc., Standard Chartered Bank and The Royal Bank of Scotland N.V., Singapore Branch as lenders, Barclays Capital, Citigroup Global Markets Asia Limited, Credit Suisse International, Goldman Sachs International, J.P. Morgan plc, Morgan Stanley Bank International Limited, Standard Chartered Bank and The Royal Bank of Scotland N.V. as arrangers, and Standard Chartered Bank as the agent;
Admission and Disclosure Standards	the LSE's standards for admission and disclosure for securities admitted or seeking to be admitted to trading, as amended from time to time;
Affiliate	a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, a specified person. A person shall be deemed to control another person if such first person possesses, directly or indirectly, the power to direct, or cause the direction of the management and policies of such other person, whether through the ownership of voting securities by contract or otherwise;
Agarwal Family	Mr. Anil Agarwal, Dwarka Prasad Agarwal and Agnivesh Agarwal, any of their parents, spouses, children, siblings and their children, and the families of any such person;
aluminium business	the business of the Vedanta Group comprising the aluminium operations as further described in paragraph 8.3 (Aluminium Business) of Section A of Part I: "Information on the Vedanta Group, the Cairn India Group and the Combined Group";
Articles	the articles of association of the Company;
Asarco	Asarco LLC (formerly known as American Smelting and Refining Company), a company incorporated in the United States;
Australia	the Commonwealth of Australia, its possessions and territories and all areas subject to its jurisdiction or any political subdivision thereof;
BALCO	Bharat Aluminium Company Ltd., a company incorporated in India;
BDC	base development costs;
BFL	Bloom Fountain Limited, a company incorporated in Mauritius;
Black Mountain	Black Mountain Mining (Pty) Ltd, a company incorporated in South Africa;
BML	BML Holdings Pty Ltd, a company incorporated in Australia;
Board of Directors	the directors of the Company, as set out in "Part III: Directors, Executive Officers, Significant Employees and Corporate Governance";
Bond Offering	the offering of bonds in aggregate principal amount of US\$1.65 billion announced by Vedanta on 26 May 2011;
Bonds	the (i) US\$750 million aggregate principal amount of 6.75 per cent. bonds due 2016 and (ii) US\$900 million aggregate principal amount of 8.25 per cent. bonds due 2021 issued pursuant to the Bond Offering;
Bridge Facility	a total aggregate amount of up to US\$1 billion in cash provided for under the Bridge Facility Agreement (since reduced to US\$37,666,928);

Bridge Facility Agreement	a senior unsubordinated bridge loan facility agreement dated 17 November 2010 between TSMHL as borrower, Vedanta and Twin Star as the guarantors, Goldman Sachs Lending Partners LLC, J.P. Morgan Chase Bank N.A. (London Branch) and Morgan Stanley Senior Funding Inc., as lenders, Goldman Sachs International, J.P. Morgan Limited and Morgan Stanley Bank International Limited as mandated lead arrangers, and Standard Chartered Bank as the agent;
Brook Hunt	Brook Hunt & Associates Ltd., a metals and mining consulting firm incorporated in England and Wales;
BSAL	Bellary Steels & Alloys Limited, a company incorporated in India;
BSE	the Bombay Stock Exchange Limited;
CAGR	compound annual growth rate;
Cairn Acquisition	the acquisition by the Vedanta Group of, in aggregate, 48.1 per cent. of the fully diluted share capital of Cairn India pursuant to the terms of the Cairn India Purchase Agreement and the Open Offer;
Cairn Energy	Cairn Energy plc, a company incorporated in England and Wales;
Cairn Energy Group	Cairn Energy, its subsidiaries and subsidiary undertakings, and “member of the Cairn Energy Group” shall be construed accordingly;
Cairn India	Cairn India Limited, a company incorporated in India;
Cairn India Acquisition Facilities	the Acquisition Facility and the Bridge Facility;
Cairn India Group	Cairn India its subsidiaries and subsidiary undertakings, and “member of the Cairn India Group” shall be construed accordingly;
Cairn India Purchase Agreement	the sale and purchase agreement dated 15 August 2010 among CUKHL, Cairn Energy, Twin Star and Vedanta providing for the purchase from CUKHL by the Vedanta Group of, in aggregate 48.1 per cent. of the fully diluted share capital of Cairn India, as amended;
Cairn India Shareholders	the holders of Cairn India Shares;
Cairn India Shares	ordinary shares of INR10 each in the share capital of Cairn India;
Cambay Basin Block	block CB/OS-2 in the State of Gujarat, India;
Cambay Basin JV	a consortium consisting of ONGC, Tata and Cairn India, in relation to the exploration, development and production of Block CB/OS-2;
Cambay Basin PSC	a PSC between the Government of India and the CB/OS-2 JV which was signed on 30 June 1998;
Canada	Canada, its possessions and territories and all areas subject to its jurisdiction or any political subdivision thereof;
CEC	Central Empowered Committee of India;
CEHL	Cairn Energy Hydrocarbons Limited, a company incorporated in England and Wales;
CEIPL	Cairn Energy India Pty Limited (formerly known as Command Petroleum (India) Pty Limited), a company incorporated in Australia;
CERCs	central electricity regulatory commissions;
CESR Recommendations	the Committee of European Securities Regulators’ recommendations for the consistent implementation of the Prospectus Directive Regulation, as updated by the European Securities and Markets Authority on 23 March 2011;
CFC	controlled foreign company;
City Code	the UK City Code on Takeovers and Mergers;
CLPL	Cairn Lanka (Private) Limited, a company incorporated in Sri Lanka;

CMT	Copper Mines of Tasmania Pty Ltd, a company incorporated in Australia;
Coal India	Coal India Limited, a company incorporated in India and the government-owned coal monopoly in India;
Combined Code	the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008;
Combined Group	with effect from Completion, the combined Vedanta Group and Cairn India Group and “member of the Combined Group” shall be construed accordingly;
Companies Act 1985	the Companies Act 1985 of England and Wales, as amended;
Companies Act 2006	the Companies Act 2006 of England and Wales, as amended;
Companies Acts	the Companies Act 1985 and the Companies Act 2006;
Company or Vedanta	Vedanta Resources plc, a company incorporated under the Companies Act 1985 and registered in England and Wales with registered number 4740415;
Completion	completion of the acquisition of 30 per cent. of the fully diluted share capital of Cairn India in accordance with the terms of the Cairn India Purchase Agreement;
Copperbelt Energy copper business	Copperbelt Energy Corporation plc, a company incorporated in Zambia; the business of the Vedanta Group comprising the copper operations as further described in paragraph 8.1 (Copper Business) of Section A of Part I: “Information on the Vedanta Group, the Cairn India Group and the Combined Group”;
CPCB	Central Pollution Control Board;
CREST	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK and Ireland Limited is the operator (as defined in the CREST Regulations);
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended;
CRO	Chingola Refractory Ore;
CRO Project	the plant being constructed by Vedanta to extract copper from the estimated 147.2 million tonnes of probable reserves, as at 31 March 2011, from refractory ore stockpiled at its Nchanga licence area, which Vedanta believes will produce approximately 50 ktpa of additional finished copper from approximately 11.2 mtpa of refractory ore by Fiscal 2014;
CUKHL	Cairn UK Holdings Limited, a company incorporated in England and Wales;
Debtor Plan	a Chapter 11 plan of reorganisation proposed by Asarco and sponsored by Sterlite USA, in connection with an agreement entered into by Sterlite and Sterlite USA with Asarco on 6 March 2009 to purchase substantially all of the operating assets of Asarco;
Development Agreement	the amended and restated development agreement between the Government of Zambia and KCM dated 5 November 2004;
Development Area	the three contiguous development areas in the Rajasthan Block totalling 3,111 square km including the MBA Fields;
DGH	Director General of Hydrocarbons of India;
Directors	the Executive Directors and Non-Executive Directors of the Company;
Disclosure and Transparency Rules	the disclosure and transparency rules made by the FSA under Part VI of the FSMA;
EBITDA	has the meaning given to it in “Presentation of Information”;
EIA Notification	Environment Impact Assessment Notification No. 1553(E), 2006 of India;
Elenilto	Elenilto Minerals & Mining LLC, a company incorporated in Delaware;
EMA Act	the Environmental Management Act No. 12 of 2011 of Zambia;

EPPC Act	the Environmental Protection and Pollution Control Act, Chapter 204, Volume 12 of the Laws of Zambia;
ERCs	CERCs and SERCs;
EU	the European Union as established by the Treaty on European Union;
Executive Directors	Messrs. Anil Agarwal, Navin Agarwal and Mahendra Singh Mehta, being the executive directors of the Company, whose details are set out in Part III: “Directors, Executive Officers, Significant Employees and Corporate Governance” of this Prospectus;
Executive Officers	Messrs. Tarun Jain, Dindayal Jain, Dilip Golani and Aiyasaamy Thirunavukkarasu, being the executive officers of the Company, whose details are set out in Part III: “Directors, Executive Officers, Significant Employees and Corporate Governance” of this Prospectus;
FDP	field development plan;
FIMI	the Federation of Indian Mineral Industries;
Finsider	Finsider International Company Limited, a company incorporated in England and Wales;
First Tranche Sale	the sale of 10 per cent. of the fully diluted share capital of Cairn India to the Vedanta Group pursuant to the terms of the Cairn India Purchase Agreement, which completed on 11 July 2011;
Fiscal	for a particular year, the financial year of the Company ending on 31 March in such year and in respect of which audited accounts have been prepared or, in the case of Cairn India, the financial year of Cairn India ending on 31 December in such year;
Fitch	Fitch Ratings Limited;
FOB	free on board; this means that the seller fulfils his obligation to deliver when the goods have passed over the ship’s rail at the named part of shipment. Consequently, the buyer has to bear all costs and risks of loss or damage to the goods from that point;
FSA	the Financial Services Authority of the United Kingdom in its capacity as the competent authority for the purposes of Part VI of the FSMA;
FSMA	the United Kingdom Financial Services and Markets Act 2000, as amended;
GDP	gross domestic product;
GEPL	Goa Energy Pvt. Ltd, a company incorporated in India;
GPW	gross product worth;
GRIDCO	Grid Corporation of Orissa Limited, a nominee of the State Government of Orissa, incorporated in India;
Group	in relation to any person, means that person and any companies which are holding companies, subsidiaries or subsidiary undertakings of it or of any such holding company;
GSC	gas sale contract;
GSPCB	Goa State Pollution Control Board;
H1 2010	the financial period from 1 January to 30 June 2010 in respect of Cairn India;
H1 2011	the financial period from 1 January to 30 June 2011 in respect of Cairn India;
Hazira JV	the joint venture in relation to the Hazira field in which Niko Resources Limited and Gujarat State Petroleum Corporation Limited hold interests;

High Yield Bridge Facility Agreement	a high yield senior secured bridge facility agreement dated 17 November 2010 among Vedanta as borrower, TSMHL and Twin Star as the guarantors, Barclays Bank plc, Citicorp Securities Asia Pacific Limited, Credit Suisse International, Standard Chartered Bank and The Royal Bank of Scotland N.V., Singapore Branch as lenders, Barclays Capital, Citigroup Global Markets Asia Limited, Credit Suisse International, The Royal Bank of Scotland N.V. and Standard Chartered Bank as mandated lead arrangers and Standard Chartered Bank as the agent;
HMRC	Her Majesty's Revenue & Customs and, where relevant, any predecessor body which carried out part of its functions and references to any approval by HMRC shall, where appropriate, include approval by any officer of Her Majesty's Revenue & Customs;
HZL	Hindustan Zinc Limited, a company incorporated in India;
IAS	International Accounting Standards;
IBM	Indian Bureau of Mines;
ICFRE	the Indian Council of Forestry Research and Education;
ICPCI	International Copper Promotion Council of India;
IFL	India Foils Limited, a company incorporated in India;
IFRS	International Financial Reporting Standards, as adopted for use in the EU;
ILZDA	India Lead Zinc Development Association;
INDAL	Indian Aluminium Company Limited, a company incorporated in India;
India	the Republic of India;
Indian Air Act	the Air (Prevention and Control of Pollution) Act 1981, as amended, of India;
Indian Arbitration Act	the Arbitration and Conciliation Act, 1966, as amended, of India;
Indian Companies Act	the Companies Act, 1956, as amended, of India;
Indian Electricity Act	the Electricity Act, 2003, as amended, of India;
Indian Factories Act	the Factories Act 1948, as amended, of India;
Indian Forest Act	the Forest (Conservation) Act 1980, as amended, of India;
Indian GAAP	generally accepted accounting principles as used in India;
Indian Income Tax Act	the Income Tax Act, 1961, as amended, of India;
Indian Mineral Concession Rules	the Mineral Concession Rules, 1960, as amended, of India;
Indian Mines Act	the Mines Act, 1952, as amended, of India;
Indian MMDR Act	the Mines and Minerals (Development and Regulations) Act 1957, as amended, of India;
Indian Takeover Code	the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997, as amended;
Indian Tax Department	the Indian Income Tax Department;
Indian Water Act	the Water (Prevention and Control of Pollution) Act 1974, as amended, of India;
INR or Indian Rupees	the lawful currency of India;
INR Facility	Cairn India's INR40 billion (US\$895.9 million) revolving credit facility;

Interested Directors	Directors with a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company;
IOC	Indian Oil Corporation Limited, a company incorporated in India;
iron ore business	the business of the Vedanta Group comprising the iron ore operations as further described in paragraph 8.4 (Iron Ore Business) of Section A of Part I: “Information on the Vedanta Group, the Cairn India Group and the Combined Group”;
ISO	International Standards Organisation;
ISO 14001	the international standard for environmental management systems published by the ISO in 2004;
Japan	Japan, its possessions and territories and all areas subject to its jurisdiction or any political subdivision thereof;
Joint Brokers	J.P. Morgan Cazenove and Morgan Stanley;
Joint Sponsors	J.P. Morgan Cazenove and Morgan Stanley;
JORC Code	Report of the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, dated September 1999;
J.P. Morgan Cazenove	J.P. Morgan Limited (which conducts its investment banking activities in the UK under the name J.P. Morgan Cazenove and which was formerly registered as a public limited company under the name J.P. Morgan plc) in its capacity as Joint Sponsor and Joint Broker;
KCM	Konkola Copper Mines plc, a company incorporated in Zambia;
KDMP	Konkola deep mining project;
Konkola Resources	Konkola Resources plc, a company incorporated in England and Wales;
LIBOR	the London Interbank Offered Rate, the British Bankers’ Association Interest Settlement Rate for the relevant currencies and period displayed on the appropriate page of the Reuters’ screen;
LIC	Life Insurance Corporation of India;
Lisheen	Lisheen Mine Partnership and its subsidiaries;
Listed	a company whose shares are admitted to the premium listing segment of the Official List and to trading on the LSE’s main market for listed securities;
Listing	admission of the Company’s Ordinary Shares to the Official List and admission to trading on the LSE’s main market for listed securities on 10 December 2003 with ISIN GB0033277061;
Listing Rules	the rules relating to admission to the Official List made in accordance with section 73A(2) of the FSMA;
LME	London Metal Exchange Limited;
LML	each one of four large-scale mining licences granted to KCM by the Republic of Zambia on 31 March 2000, each of which has a term of 25 years;
LSE	London Stock Exchange plc;
LTI	lost time injury;
LTIP	Long-Term Incentive Plan;
MALCO	Madras Aluminium Company Limited, a company incorporated in India;
MBA Fields	the Mangala, Bhagyam and Aishwariya fields located in the Rajasthan Block;
Mineral Expert’s Report	the mineral expert’s report on Cairn India prepared by DeGolyer and MacNaughton as set out in Section B of Part IV: “Ore Reserves and Mineral Resources Information” of the Prospectus;

Ministry of Coal	the Ministry of Coal of the Government of India;
Mitsui	Mitsui & Co Ltd, a company incorporated in Japan;
MoEF	Ministry of Environment and Forest of the Government of India;
Monte Cello	Monte Cello BV, a company incorporated in The Netherlands;
Moody's	Moody's Investors Service, Inc.;
MoP	Ministry of Power of the Government of India;
MoPNG	Ministry of Petroleum and Natural Gas of the Government of India;
Morgan Stanley	Morgan Stanley & Co. International plc;
MPT	Mangala Processing Terminal;
NCDs	non-convertible debentures;
NEERI	National Environmental Engineering Research Institute of India;
NELP	New Exploration Licensing Policy;
New Volcan Relationship Agreement	the new agreement on identical terms and conditions to the existing Volcan Relationship Agreement (updated to reflect relevant legal and regulatory changes since the Listing and the fact that Sterlite Gold is no longer an affiliated company of Volcan) that will be entered into by the parties to the Volcan Relationship Agreement prior to Readmission;
No. 1 Shaft	the mining operations by underground methods focusing on the shaft system of the Kirila Bombwe South ore body;
No. 3 Shaft	the mining operations by underground methods focusing on the shaft system of the Kirila Bombwe North ore body;
Non-Executive Directors	the non-executive Directors of the Company, being Naresh Chandra, Euan R. Macdonald and Aman Mehta;
NOP	Nchanga open-pit;
Northern Fields	the Mangala, Aishwariya, Bhagyam and Shakti fields in the Rajasthan Block;
NSE	the National Stock Exchange of India Limited;
NYSE	the New York Stock Exchange;
Offer Notice	a notice that each of the banks that are party to the Standby Equity Underwriting Letter may severally, at its sole discretion, at any time on or after the date falling six months from drawdown under the Bridge Facility Agreement, serve on Vedanta requiring Vedanta to undertake an Ordinary Share Offering on and subject to the terms of the Standby Equity Underwriting Letter;
Official List	the official list maintained by the UK Listing Authority for the purposes of Part VI of the FSMA;
OIDA Cess	a levy on the production of crude oil under the Oil Industry (Development) Act 1974, as amended, of India;
OIDC	Orissa Infrastructure Development Corporation, a company incorporated in India;
oil and gas business	the business of the Combined Group comprising the oil and gas operations of Cairn India as further described in Section B of Part I: "Information on the Vedanta Group, the Cairn India Group and the Combined Group";
Old Zambian Mines and Minerals Act	the Mines and Minerals Act, Chapter 213, Volume 13 of the Laws of Zambia;
OMC	Orissa Mining Corporation Ltd., a company incorporated in India;
Onclave	Onclave PTC Limited, the trustee of the Trust;
ONGC	Oil and Natural Gas Corporation Limited, an Indian state-owned company incorporated in India;

ONGC Agreement	the agreement entered into by Cairn India, Vedanta, Cairn Energy, CEIPL, CEHL, SGL and TSEHL with ONGC on 30 November 2011;
Open Offer	the offer made by SGL to Cairn India Shareholders (other than any member of the Cairn Energy Group) to acquire up to 20.01 per cent. of the issued share capital of Cairn India under the Indian Takeover Code, which was launched on 11 April 2011;
Ordinary Share Offering	a capital increase by way of a rights issue (or such other equity raising process of Ordinary Shares in the capital of Vedanta as Vedanta and the banks that are party to the Standby Equity Underwriting Letter may agree);
Ordinary Shares	the ordinary shares of US\$0.10 each in the capital of the Company;
Parent Plan	a reorganisation plan for Asarco proposed by various parties, including Grupo Mexico S.A.B. de C.V. through its subsidiaries;
PEL	petroleum exploration licence;
Petronas Acquisition	the acquisition by SGL of 200 million Cairn India Shares, amounting to a 10.4 per cent. stake in Cairn India, from Petronas International Ltd. on 19 April 2011;
Phase I	the first phase of development of the Rajasthan Block, including the development of the Mangala field, the commissioning of the MPT and the Pipeline;
Phase II	the second phase of development of the Rajasthan Block, including the development of the Bhagyam and Aishwariya fields and the construction and installation of the 80 km Salaya to Bhogat section of the Pipeline;
Pipeline	the heated pipeline for the transportation of crude oil produced at the Rajasthan Block of approximately 590 km;
PML	petroleum mining lease;
PRMS	the Petroleum Resources Management System jointly published by the Society for Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers;
Prospectus	this document relating to the Company and the Ordinary Shares, prepared by the Company in accordance with the Listing Rules and the Prospectus Rules;
Prospectus Directive Regulation	the European Commission's Regulation on Prospectuses No. 809/2004;
Prospectus Rules	the rules made for the purposes of Part VI of the FSMA in relation to offers of securities to the public and admission of securities to trading on a regulated market;
Q3 2011	the financial period for the three months ended 30 September 2011 in respect of Cairn India;
Rajasthan Block	Block RJ-ON-90/1 in Rajasthan, India;
Rajasthan Block PSC	the PSC between the Government of India and a consortium consisting of ONGC, SIPD and Cairn India in relation to the Rajasthan Block;
Ravva Block	Block PKGM-1 in Andhra Pradesh, India;
Ravva JV	the joint venture relating to producing fields within the Ravva Block between Cairn India, ONGC, Videocon, Command Petroleum (India) Pty Ltd. and Ravva Oil;
Ravva Oil	Ravva Oil (Singapore) Pte Ltd, a company incorporated in Singapore;
Ravva Onshore Terminal	a 225 acre onshore processing facility at Surasaniyanam, India;
Ravva PSC	the PSC for the exploration development and production of the Ravva field between the Government of India and a consortium consisting of ONGC, Videocon, Ravva Oil and CEIPL dated 28 October 1994;
RBI	Reserve Bank of India;

RBI Reference Rate	the exchange rates certified by the RBI;
Readmission	the readmission of the Ordinary Shares to the premium listing segment of the Official List and to trading on the LSE's main market for listed securities becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards;
Richter	Richter Holdings Ltd, a company incorporated in Cyprus;
RMC	the risk management committee of Cairn India;
Royalty and Cess Conditions	the conditions to Government of India approval to the Cairn Acquisition set out in sub-paragraphs (vii) and (viii) of paragraph 4.4 of Section A of Part I: "Information on the Vedanta Group, the Cairn India Group and the Combined Group";
SAMREC Code	the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves which sets out minimum standards, recommendations and guidelines for public reporting of exploration results, mineral resources and mineral reserves in South Africa;
SAT	Securities Appellate Tribunal of India;
Scott Wilson RPA	the independent consulting firm of Scott Wilson Roscoe Postle Associates Inc., a company incorporated in Canada;
SDRT	United Kingdom stamp duty reserve tax;
SEBI	Securities and Exchange Board of India;
Section 80-IB(9)	section 80-IB(9) of the Indian Income Tax Act;
Securities Act	United States Securities Act of 1933, as amended;
Segment result after special items	has the meaning given to it in "Presentation of Information";
SEIAA	a State Environment Impact Assessment Authority;
SEPCO	Shandong Electric Power Construction Corporation, a company incorporated in China;
SERCs	state electricity regulatory commissions;
Sesa Kembla	Sesa Kembla Coke Company Limited (which has now merged with SGL), a company incorporated in India;
SFIO	Serious Fraud Investigation Office of India;
SGL	Sesa Goa Limited, a company incorporated in India;
Shah Commission	a commission set up by the Indian Ministry of Mines and headed by Justice M. B. Shah to inquire into allegations of illegal mining operations in Goa;
Shared Services Agreement	a shared services agreement between Vedanta, STL, Sterlite Gold (which at that time was an affiliated company) and Sterlite dated 5 December 2003;
Significant Employees	those individuals listed as Significant Employees in paragraph 1 of Part III: "Directors, Executive Officers, Significant Employees and Corporate Governance" of this Prospectus;
SIL	Sesa Industries Limited, a company incorporated in India, which was formerly the subsidiary of SGL and has since amalgamated with SGL with effect from 14 February 2011;
SIPD	Shell India Production Development B.V., a company incorporated in the Netherlands;
Skorpion	Skorpion Mining Company (Pty) Ltd, a company incorporated in Namibia, and its subsidiaries;
SMC	Sesa Mining Corporation Limited (formerly known as Dempo Mining Corporation Pvt. Ltd), a company incorporated in India;

SOVL	Sterlite Opportunities and Ventures Limited, a company incorporated in India;
SRK	the independent consulting firms of SRK Consulting (UK) Limited and SRK Consulting (South Africa) (Pty) Ltd., collectively;
SRL	Sesa Resources Limited (formerly known as V.S. Dempo & Co. Private Limited), a company incorporated in India;
Standard & Poor's	Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. (a company incorporated in the United States), its affiliates and any successor to its ratings business;
Sterlite	Sterlite Industries (India) Limited, a company incorporated in India;
Sterlite Energy	Sterlite Energy Limited, a company incorporated in India;
Sterlite Gold	Sterlite Gold Ltd., a company incorporated in Canada;
Sterlite USA	Sterlite (USA), Inc., a company incorporated in the United States;
STL	Sterlite Technologies Limited (previously known as Sterlite Optical Technologies Limited), a company incorporated in India;
subsidiary, or, subsidiary undertaking, or, undertaking	each have the meanings given in the Companies Act 2006;
Sun Coke	Sun Coke Energy Inc., a company incorporated in the United States;
Supreme Court	the Supreme Court of India;
Suvali Processing Plant	an 82 acre onshore processing facility at Suvali in India;
Tata	Tata Petrodyne Limited, a company incorporated in India;
TCM	Thalanga Copper Mines Pty Ltd, a company incorporated in Australia;
TNPCB	Tamil Nadu Pollution Control Board;
Trust	the Anil Agarwal Discretionary Trust;
TSEHL	Twin Star Energy Holdings Limited, a company incorporated in Mauritius;
TSMHL	Twin Star Mauritius Holdings Limited, a company incorporated in Mauritius;
TSPL	Talwandi Sabo Power Limited, a company incorporated in India;
Twin Star	Twin Star Holdings Limited (formerly known as THL Aluminium Limited), a company incorporated in Mauritius;
UK Corporate Governance Code	the UK Corporate Governance Code issued by the Financial Reporting Council of the United Kingdom in June 2010;
UKLA or UK Listing Authority	the FSA acting in its capacity as the competent authority for the purpose of Part VI of the FSMA and in the exercise of its functions in respect of admission to the Official List otherwise than in accordance with Part VI of the FSMA;
UMPPs	Ultra Mega Power Projects of India;
uncertificated or in uncertificated form	recorded on the register of members of Vedanta or Cairn Energy as being held in uncertificated form in CREST and title to which may be transferred by means of CREST;
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland;
United States or US	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
US dollar, US\$ or ¢ or cents	the lawful currency of the United States;
USD Facility	Cairn India's US\$750 million revolving credit facility;

VAT	value added tax or any similar tax or levy imposed in any jurisdiction;
Vedanta Aluminium	Vedanta Aluminium Limited, a company incorporated in India;
Vedanta Circular	the circular sent to Vedanta Shareholders dated 25 November 2010;
Vedanta Group	the Company, its subsidiaries and subsidiary undertakings from time to time, and “member of the Vedanta Group” shall be construed accordingly;
Vedanta Shareholders	holders of Ordinary Shares from time to time;
Videocon	Videocon Industries Limited, a company incorporated in India (formerly a separate corporate entity called Petrocon India Limited, previously named Videocon Petroleum Limited);
Volcan	Volcan Investments Limited, a company incorporated in the Bahamas;
Volcan Parties	Volcan, its direct and indirect shareholders, and their respective associates;
Volcan Relationship Agreement	the relationship agreement summarised in paragraph 3 of Part II: “Relationship with Major Shareholder” of this Prospectus;
VRHL	Vedanta Resources Holdings Limited, a company incorporated in England and Wales;
WCL	Western Cluster Limited, a company incorporated in Liberia;
Welter	Welter Trading Limited, a company incorporated in Cyprus;
Whole Time Director	a director who is employed full-time in rendering services to the management of the company with respect to which he is a director;
Zambia	the Republic of Zambia;
Zambian Citizens Economic Empowerment Act	the Citizens Economic Empowerment Act of 2006 of Zambia;
Zambian Lands Act	the Lands Act of 1995, Chapter 184, Volume 12 of the Laws of Zambia;
Zambian Mines and Minerals Act	the Mines and Minerals Development Act No.7 of 2008 of Zambia;
ZCCM	Zambia Consolidated Copper Mines Limited, a company incorporated in Zambia;
ZCI	Zambia Copper Investments Limited, a company incorporated in Zambia;
ZCIH	ZCI Holdings S.A., a company incorporated in Zambia;
ZESCO	Zambia Electricity Supply Corporation Limited, a company incorporated in Zambia; and
zinc business	the business of the Vedanta Group comprising the zinc operations as further described in paragraph 8.2 (Zinc Business) of Section A of Part I: “Information on the Vedanta Group, the Cairn India Group and the Combined Group”.

PART XII: GLOSSARY OF TECHNICAL TERMS

The following definitions apply to the technical terms throughout this Prospectus, unless the context requires otherwise:

2D	two dimensional;
2P	gross proved plus probable;
3D	three dimensional;
4D	four dimensional;
10³ bbl	thousands of barrels of oil;
10⁶ ft³	millions of cubic feet of gas;
alloy	a compound of two or more metals;
alumina	the calcined product from an alumina refinery containing at least 98 per cent. aluminium oxide (Al ₂ O ₃);
anode	the electrode by which current enters the cell. For copper refining, the impure copper is used as an anode. For zinc refining, lead anodes are used. For aluminium refining, a carbon anode is used;
anode slime	a deposit of insoluble residue formed from the dissolution of the anode in commercial electrolysis. In copper refining, this slime contains the precious metals that are recovered from it;
API	a specific gravity scale developed by the American Petroleum Institute for measuring the relative density of various petroleum liquids;
assay	a test to determine the level of a particular element in a sample;
bauxite	a general term for a rock composed of a mixture of hydrated aluminium oxides and hydroxides and generally contaminated with compounds of iron. It is the main ore from which aluminium is produced;
Bayer process	this is the principal industrial means of refining bauxite to produce alumina. In the Bayer process, bauxite is washed with a hot solution of sodium hydroxide at 175 degrees Celsius (digestion). This converts the alumina to aluminium hydroxide which dissolves in the hydroxide solution. The other components of bauxite do not dissolve and are filtered from the solution as solid impurities (clarification). The mixture of solid impurities is called red mud, and presents a disposal problem. Next, the hydroxide solution is cooled, and the dissolved aluminium hydroxide precipitates out as a white, fluffy residue. When then heated to 1,050 degrees Celsius, the aluminium hydroxide decomposes to alumina (calcination), giving off water vapour in the process. A large amount of the alumina so produced is then subsequently smelted in order to produce aluminium;
bbl	barrel of oil;
bboe	billion barrels of oil equivalent;
bcf	billion cubic feet;
Blast Hole Mining method	this mining method involves the drilling of blast holes within an ore block in an upward and/or downward direction which are then filled with explosives. These explosives are set off in stages to break up the ore block in order to extract it from the mine. The broken ore is removed by loading and transportation equipment at the mine. The cavity in the ore block is filled with mill tailing and cement to maintain the stability of the mine;
boe	barrel of oil equivalent;
boepd	barrels of oil equivalent per day;

bopd	barrels of oil per day;
brownfield	development project to upgrade, modify or further develop an existing property;
BTU	British thermal units;
calcined	to be heated to a high temperature, but below the melting or fusing point causing loss of moisture, reduction or oxidation or thermal decomposition (a chemical reaction where a single compound breaks up into two or more simpler compounds or elements when heated);
cathode	the conductor through which electricity leaves the cell. For copper refining, the cathode is where the refined copper is deposited. For aluminium smelting, the cathode is known as the pot lining;
cells	the containers in which the electrolytic process for formation of metal takes place. For aluminium smelting, these are known as pots;
concentrate	material which has been processed to increase the percentage of the valuable mineral to facilitate transportation and downstream processing;
copper concentrate	a product of the flotation process with a copper content typically ranging between 24 per cent. and 40 per cent.;
CPP	captive power plant;
cut-off grade	the lowest grade of mineralised material considered economic to mine. Cut-off grade is used in the calculation of the ore reserves for a given deposit;
de-bottlenecking	the removal of a constraint on production by increasing the productivity of one part of an operation;
deposit	a mineralised body which has been physically delineated by sufficient drilling, trenching, and/or underground work, and found to contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures; such a deposit does not qualify as a commercially mineable ore body or as containing mineral reserves until final legal, technical and economic factors have been resolved;
development	activities related to a mineral deposit commencing at the point economically recoverable reserves can reasonably be estimated to exist and generally continuing until commercial production begins;
dmt	dry metric tonnes;
DORS II	Dynamic Ore Reserve System II; an in-house system developed to calculate the Nchanga underground reserves by applying the grade factor to the resource based on the percentage of ore drawn and forecasts of the grades to be mined;
draft	with respect to a ship's hull, the vertical distance between the waterline and the bottom of the hull (keel), with the thickness of the hull included;
dwt	dead weight tonnes; refers to the maximum amount of tonnes of cargo a ship is able to carry;
EOR	enhanced oil recovery;
exploration	prospecting, sampling, mapping, drilling and other work involved in searching for ore;
flotation	a wet chemistry process by which particular minerals are induced to become attached to bubbles and to float, while other minerals sink;
footwall	the rock which lies below the ore;

GAMI technology	technology from the Guiyang Aluminium-Magnesium Design & Research Institute of China. In the GAMI technology, pots are cut into the circuit by taking complete power outage. This involves loss of production as well as regular operational disturbances to pot operation. Fuses are designed to bypass the line current, until the pot was cut into the circuit. After a calculated safe period of time, the fuses melted resulting in the pot coming into potline circuit. The GAMI technology potline has a capacity for producing initially 245 ktpa aluminium;
grade	proportion (by weight) of the valuable element within the mineralised rock;
greenfield	new development project on previously undeveloped land that is built from scratch;
g/t	grammes per tonne;
GW	gigawatt, a unit of electrical energy equal to 1 billion watts;
HG	high grade; an international standard of grading for zinc ingots;
hydrometallurgical	the treatment of metal or the separation of metal from ores and ore concentrates by liquid processes, such as leaching, extraction and precipitation to extract and recover metals from their ores;
ICDs	inflow control denies technology;
inferred resources	mineral resource inferred from geoscientific evidence, drill holes, underground openings or other sampling procedures where the lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability;
in situ	in the natural or original position; applied to a rock, soil, or fossil when occurring in the situation in which it was originally formed or deposited;
IPPs	independent power plant;
IsaProcess™	an electrolytic refining process developed by MIM Holdings Ltd.'s Process Technologies;
IsaSmelt™	a lance-based intensive bath smelting technology developed by MIM Holdings Ltd.'s Process Technologies;
kboepd	kilo barrels of oil equivalent per day;
Kcal/kg	thousands of calories per kilogramme, a measurement of energy per unit mass;
km	kilometres, a measure of distance;
Koepe winder	a system where the winding drum is replaced by a large wheel or sheave. Both cages are connected to the same rope, which passes around some 200 degrees of the sheave in a groove of friction material. The Koepe sheave may be mounted on the ground adjacent to the headgear or in a tower over the shaft. The drive to the rope is the frictional resistance between the rope and the sheave. It requires the use of a balance rope. It is often used for hoisting heavy loads from deep shafts and has the advantage that the large inertia of the ordinary winding drum is avoided. The system has been widely used in Europe for many years, and some large projects in the UK are being equipped with winders of this type;
kt	kilotonne;
ktpa	thousand tonnes per annum;
ktpm	thousand tonnes per month;
KV	kilovolt;
kVA	kilovolt-ampere;
lb	imperial pound (mass) equivalent to 0.4536 kilogrammes;

leaching	extracting a soluble metallic compound from an ore by selectively dissolving it in a suitable solvent;
lead concentrate	product of the flotation process with a lead content typically ranging between 50 per cent. and 70 per cent.;
life of mine	the remaining life of a mine in years calculated by deducting the scheduled production rates (i.e. the rate at which material will be removed from the mine) from the current defined reserves;
m³	cubic metres;
mboe	thousand barrels of oil equivalent;
mcf	one thousand cubic feet;
mill	a plant in which ore is treated and metals are recovered or prepared for smelting. Also a revolving drum used for the grinding of ores in preparation for treatment;
mineral	a natural, inorganic, homogeneous material that can be expressed by a chemical formula;
mineralisation	the process by which minerals are introduced into a rock. More generally, a term applied to accumulations of potentially economic or related minerals in quantities ranging from anomalous to economically recoverable;
mineral resource	a tonnage or volume of rock or mineralisation of intrinsic economic interest;
mm	millimetres;
mmcf	million cubic feet;
mmbbls	million barrels;
mmboe	million barrels of oil equivalent;
mmbtu	million British thermal units;
mmscf	million standard cubic feet;
mmscfd	million standard cubic feet per day;
MRL	metre reduced level;
mtpa	million tonnes per annum;
MW	megawatt, a unit of electrical energy equal to one million watts;
OGIP	original gas in place;
OIIP	oil initially in place;
open-pit mine	a mine that is entirely on the surface. Also referred to as an open-cut or opencast mine;
ore	a mineral or mineral aggregate containing precious or useful minerals in such quantities, grade and chemical combination to make extraction economic;
ore reserve	the economically mineable part of a measured and/or indicated mineral resource, and includes diluting materials and allowances for losses which may occur when the material is mined;
overburden	waste material overlying ore in an open-pit mine;
pH	potential of Hydrogen; a measure of the acidity or alkalinity of a solution;
pig iron	pig iron is raw iron that is the immediate product of smelting iron ore with coke and limestone in a blast furnace;
plant	fixed or moveable equipment required in the process of winning or processing the ore;

probable reserves	those measured and/or indicated mineral resources which are not yet proved, but of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of the determination and under specified economic conditions;
Properzi CCR	Properzi Continuously Cast and Rolled; a copper rod technology from Continuous-Properzi S.p.A. to produce copper rods;
proven reserves	reserves for which (a) quantities are computed from dimensions revealed in outcrops, trenches, workings or drill holes; (b) grade and/or quality are computed from the results of detailed sampling; and (c) sites for inspection, sampling and measurement are spaced so closely and the geological character is sufficiently defined that the size, shape, depth and mineral content of the reserves are well established;
PSC	production sharing contract;
PSU	public sector undertaking;
PW	Prime Western; an international standard of grading for zinc ingots;
pyrometallurgical	pertaining to metallurgical operations that involve processing temperatures above ambient conditions, generally involving chemical reactions as distinct from metal casting substantially which involves only a physical transformation such as solidification;
refining	the final process of upgrading of the metal quality. For aluminium, it is the intermediate stage of converting bauxite to alumina;
refining charge	the fees charged by a refinery for purifying crude metallic products;
reserves	those parts of mineral resources for which sufficient information is available to enable detailed or conceptual mine planning and for which such planning has been undertaken. Reserves are classified as either proved or probable;
resources	all of the potential minerals in a defined area based on points of observation and extrapolations from those points. Potential 195 minerals are defined as minerals which have been or could be beneficiated to give a quality acceptable for commercial usage in the foreseeable future;
RLE	roast-leach-electrowin; a process utilised in many hydrometallurgical zinc smelters whereby zinc concentrate is first roasted to remove the sulphur content, which comes out in the form of sulphur dioxide gas, and then subjected to leaching and electrolysis;
RoM	run of mine, which includes all material mined including the waste;
SAG	semi-autogenous;
SHG	Special High Grade; an international standard of grading for zinc ingots;
slag	the vitreous mass separated from the fused metals in the smelting process;
smelting	a thermal process whereby molten metal is liberated from a concentrate, with impurities separating into a lighter slag;
SNIF degasser	a spinning nozzle inert flotation (SNIF) in-line degassing/filtration system for treatment of molten aluminium;
spot market	a market in which commodities are bought and sold for cash and delivered immediately;
spot price	the current price of a metal for immediate delivery;
SSO	surfaces sources operations;
STOIP	stock tank oil initially in place;

stope	the underground excavation within the ore body where the main production takes place. Depending on the ore body qualities, stopes can range from 5 kt to 2 metric tonnes;
strip ratio	the number of units of waste material in a surface mine which must be removed in order to extract one unit of ore;
SX-EW	solvent extraction/electrowinning;
TcRc	treatment charge and refining charge levied by smelters and refineries for the smelting and refining of copper concentrate from mines into copper metal;
TLP	tailings leach plant;
tonne	metric tonne equivalent to 2,204.62 lb or 1,000 kilogrammes;
total production	that part of production at mines and operations in which subsidiaries of Vedanta have an interest. In this Prospectus, unless expressly stated otherwise, production also refers to total production;
total reserves	that part of the reserves from a mine in which subsidiaries of Vedanta have an interest. In this Prospectus, unless expressly stated otherwise, reserves also refer to total reserves;
tpa	tonnes per annum;
Vertical Crater Retreat method	a comparatively new method of blast hole mining in which only large diameter in-the-hole drills are used to blast down horizontal slices of ore into an opening below the block of ore being mined;
VSS technology	Vertical Stud Soderberg technology; a method of primary aluminium reduction using the Soderberg process in which the electrical current is introduced to self baking anodes by steel rods, or studs, inserted into the top of a monolithic anode;
Whittle 4X multi-element optimisation software	this software is used for strategic planning and provides information which is used to determine the life of an open pit mine. This software helps define the economically workable limits of an open pit mine and provides a template for the pit design. Using this template, the KCM Group is able to determine the quantity of waste that is required to be mined in order to extract a known quantity of copper ore; and
zinc concentrate	product of flotation process with a zinc content typically ranging between 45 per cent. and 60 per cent.

**PART XIII: RELEVANT DOCUMENTATION AND DOCUMENTATION
INCORPORATED BY REFERENCE**

1. Relevant Documentation

The following documentation, which was sent to Vedanta Shareholders at the relevant time and/or is available for inspection in accordance with paragraph 18 of Part X: “Additional Information” of this Prospectus, contains information which is relevant to the Readmission:

1.1 Vedanta Group’s Annual Report and Accounts for Fiscal 2009, 2010 and 2011

The reports and accounts for Fiscal 2009, 2010 and 2011 contain the audited consolidated annual financial statements of the Vedanta Group as at and for Fiscal 2009, 2010 and 2011 and the audit reports in respect of each year.

1.2 Vedanta Group’s Interim Financial Results for the Six Months Ended 30 September 2011

2. Documentation Incorporated by Reference

The table below sets out the documents which are incorporated by reference into this Prospectus to ensure that Vedanta Shareholders and others are aware of all information which, according to the particular nature of the Company and of the Ordinary Shares, is necessary to enable Vedanta Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company and of the rights attaching to the Ordinary Shares. For the avoidance of any doubt, no information incorporated by reference in such documents shall be incorporated by reference into this Prospectus.

This Prospectus should be read and construed in conjunction with these documents, each of which has been previously published or are published simultaneously with this Prospectus and that have been filed with the National Storage Mechanism. Those parts of these documents that are not incorporated by reference are either not relevant for investors or covered elsewhere in this Prospectus.

Any information not listed below, but included in the documents incorporated by reference, is given for information purposes only.

2.1 Financial Information Relating to the Vedanta Group

(a) Consolidated annual financial statements of the Vedanta Group as at and for Fiscal year:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<i>(Page numbers relate to the relevant Vedanta Group Annual Report and Accounts)</i>		
Independent Auditor’s Report	Page 84	Page 86	Page 58
Income Statement	Page 85	Page 87	Page 59
Balance Sheet	Page 87	Page 89	Page 60
Cash Flow Statement	Page 88	Page 90	Page 61
Statement of Changes in Equity	Pages 89-90	Page 91	Page 62-63
Dividend per share	Page 149	Page 140	Page 114
Notes to the consolidated financial statements	Pages 91-147	Pages 92 to 138	Pages 64 to 112

(b) Vedanta Group’s interim financial results for the six months ended 30 September 2011:

Independent Review Report	Pages 45-46
Income Statement	Pages 23-24
Balance Sheet	Page 25
Cash Flow Statement	Page 26
Statement of Changes in Equity	Pages 27-28
Notes to the Financial Information	Pages 29-44

2.2 Financial Information Relating to Cairn India and Accountants' Report thereon:

Accountant's Report	Pages 91 and 92 of the Vedanta Circular
Income Statement	Page 42 of the Vedanta Circular
Balance Sheet	Page 44 of the Vedanta Circular
Cash Flow Statement	Page 45 of the Vedanta Circular
Statement of Changes in Equity	Page 46 of the Vedanta Circular
Notes to the accounts	Pages 47-90 of the Vedanta Circular

