

31 January 2012

Vedanta Resources Plc Production Report for the Third Quarter and Nine Months Ended 31 December 2011

Q3 Highlights

- Record production volumes of refined Silver and Lead
- Commissioned 350 tonne Silver refinery
- Improved operational performance at Aluminium division
- Completed acquisition of Cairn India
- EBITDA of \$848 million, including \$131 million from Cairn India

Zinc - India

Mined zinc-lead metal production in Q3 was 209,000 tonnes, 6% lower than the corresponding prior quarter. Refined zinc production was 7% higher at 191,000 tonnes primarily due to improved throughput and operational efficiencies. Refined zinc production for the nine months ended December 2011 ("nine month period") was 569,000 tonnes, 10% higher than the corresponding prior period.

Lead production in Q3 was a record 29,000 tonnes, 107% higher than the 14,000 tonnes produced in the corresponding prior quarter primarily due to volumes from the new 100kt Dariba Lead Smelter, which is ramping up well. The new smelter contributed 11,000 tonnes during Q3 and is expected to reach about 90% of its rated capacity by the end of the current quarter. Lead production for the nine month period was 62,000 tonnes as compared with 46,000 tonnes during the corresponding prior period.

Silver production in Q3 was a record 1.85 million ounces, 37% higher primarily on account of higher volumes at the Sindesar Khurd (SK) Mine and contribution from the new 350tpa Silver refinery commissioned during the quarter. Silver production for the nine month period was 19% higher at 4.94 million ounces.

EBITDA in Q3 was lower at \$265.4 million as compared with \$332.0 million in the corresponding prior quarter mainly on account of lower LME prices, partially offset by higher contribution from silver.

Ramp-up of the silver-rich SK mine is on track to achieve its targeted 2mtpa capacity by the end of the current quarter.

Zinc - International

Total production of zinc-lead metal in concentrate and zinc metal was in line with expectations at 105,000 tonnes in Q3, which included 71,000 tonnes of zinc and lead metal in concentrates (MIC) at BMM and Lisheen and 34,000 tonnes of refined zinc at Skorpion.

During the nine month period, total production of zinc-lead metal in concentrate and zinc metal was 337,000 tonnes, which included 228,000 tonnes MIC of zinc and lead metal in concentrates (MIC) at BMM and Lisheen, and 109,000 tonnes of refined zinc at Skorpion.

EBITDA in Q3 was \$79.7 million. Prior period performance is not comparable as the acquisition of these three assets was completed during the December 2010 to February 2011 period.

Iron Ore

During Q3, iron ore sales were 5.04 million tonnes (mt) as compared with 4.78 mt (4.36 mt excluding Orissa) in the corresponding prior quarter. During the nine month period, sales were 10.83 mt as compared with 11.49 mt (10.02 mt excluding Orissa) in the corresponding prior period.

During Q3, iron ore production was 3.33 mt as compared with 4.70 mt (4.29 mt excluding Orissa) in the corresponding prior quarter. Volumes were lower due to the ban on mining in Karnataka and discontinuation of operations at Orissa. During the nine month period, production was 8.84 mt as compared with 13.31 mt (11.90 mt excluding Orissa) in the corresponding prior period.

EBITDA in Q3 was \$200.5 million as compared with \$280.2 million in the corresponding prior quarter mainly on account of higher export duty and lower realization, partially offset by higher volumes. The export duty on iron ore fines and lumps was increased by the Government of India from 5% and 15%, respectively, to 20% on both fines and lumps effective March 2011; and this was recently increased from 20% to 30% with effect from 30 December 2011.

Copper - India and Australia

During Q3, copper cathode production at the Tuticorin smelter was 6% higher at 84,000 tonnes as compared with the corresponding prior quarter. Copper cathode production for the nine month period was 9% higher at 245,000 tonnes. Mined metal production at Australia was 6,000 tonnes during Q3 and 17,000 tonnes during the nine month period.

EBITDA for Q3 was 55% higher at \$79.5 million, primarily on account of higher Tc/Rc realizations, higher volumes and better margins on phosphoric acid sales.

Our petition against the High Court's closure order was recently heard by the Supreme Court on 17 January 2012. We are implementing the improvement measures recommended by the Tamil Nadu Pollution Control Board and the smelter continues to operate as per the stay granted by the Supreme Court. The case is next listed for hearing on 28 March 2012.

The first 80 MW unit of the captive power plant at Tuticorin is scheduled for commissioning in the current quarter.

Copper - Zambia

During Q3, production of mined metal was 24,000 tonnes. Integrated copper cathode production was 37,000 tonnes, 9% higher than the corresponding prior period, which included 10,000 tonnes from the tailing leach plant (TLP). Total finished copper production was 51,000 tonnes, 7% lower than the corresponding prior period due to a fall in custom smelting production, which was affected by an annual shutdown of the Nchanga smelter during the quarter.

During the nine month period, production of mined metal was 76,000 tonnes. Total copper cathode production was 9% lower at 153,000 tonnes, while integrated copper production was 5% higher at 105,000 tonnes, which included 34,000 tonnes from the TLP. Custom smelting production was 30% lower at 48,000 tonnes.

EBITDA in Q3 was \$67.7 million as compared with \$143.4 million in the corresponding prior period mainly on account of lower LME prices and a provision for higher power costs.

The Nchanga East Concentrator was commissioned in January 2012 and trials are underway. The second cobalt recovery furnace and the Nchanga West Concentrator are expected to be commissioned in the current quarter and Q1 FY 2012-13, respectively. At KDMP, work is progressing on schedule, and bottom shaft loading is expected to be completed by Q3 FY 2012-13.

Aluminium

Aluminium production in Q3 was 170,000 tonnes, which includes production of 107,000 tonnes at VAL Jharsuguda and 63,000 tonnes at BALCO. The Lanjigarh refinery has ramped up well and the alumina production at Lanjigarh was a record 236,000 tonnes and 687,000 tonnes during Q3 and the nine month period, respectively.

Cost performance at VAL Jharsuguda improved over Q2, which previously had higher costs due to the pot outage in Q1 and a heavy monsoon in the coal mining areas during Q2. COP of hot metal produced at VAL Jharsuguda was INR 103,130 per tonne (\$2,004 per tonne) as compared with INR 117,045 per tonne (\$2,554 per tonne) in the preceding quarter. COP of hot metal produced at BALCO was stable in Rupee terms at INR 96,170 per tonne (\$1,880 per tonne) as compared with INR 97,588 per tonne (\$2,133 per tonne) in the preceding quarter.

EBITDA in Q3 was \$3.6 million, significantly lower than the \$76.3 million in the corresponding prior quarter, primarily due to lower LME prices and mark to market (MTM) losses on foreign currency borrowings for working capital on account of the depreciation of the Indian Rupee.

The first metal tapping from the 325 ktpa aluminium smelter at Korba is now scheduled for Q2 FY 2012-13. The first unit of the 4x300MW captive power plant at BALCO will be synchronised in Q1 FY 2012-13. The 211mt coal block at BALCO received approval from the Environment Appraisal Committee (EAC) in November 2011 and we continue to work towards obtaining the remaining approvals.

Energy

In Q3, power sales were 1,766 million units. This included 1,559 million units sold by the 2,400MW Jharsuguda power plant, as compared with 245 million units in the corresponding prior period. EBITDA in Q3 was \$22.7 million as compared with \$8.0 million in the corresponding prior quarter. The increase in sales and EBITDA was mainly on account of power sales from the first two units of the 2,400 MW Jharsuguda power plant.

The third unit of the 2,400MW Jharsuguda power plant is currently producing under trial run. The Talwandi Sabo Power Project is on track for synchronization of the first unit in Q4 FY 2012-13.

135MW of the 150MW wind power expansion project has been commissioned and the remaining is expected to be completed in Q4. Post completion, our wind power generation capacity will be 273MW.

Oil and Gas

We successfully completed the acquisition of Cairn India on 8 December 2011, and now hold a 58.5% stake on a fully diluted basis.

Cairn India reported an average daily gross operated production of 169,580 barrels of oil equivalent (boe) for the quarter, with working interest production at 98,969 boepd. This comprised 125,122 bopd from Rajasthan, 36,567 boepd from Ravva and 7,890 boepd from the CB/OS-2 block. Of this, the gross production post completion of the acquisition was 4.07 million barrels of oil equivalent (mboe) and the working interest production was 2.37 mboe.

The Mangala field in the Rajasthan block is consistently producing at the currently approved plateau rate of 125,000 bopd since August 2010. Post its production start-up in August 2009, the Mangala Processing Terminal (MPT) has processed more than 70 mmbbls of crude oil, which has been sold to government-owned and private refiners.

The Bhagyam field, the second largest of the 25 discoveries made so far in the Rajasthan block, commenced production on 19 January 2012. The reservoir and facilities will entail a gradual ramp up to reach the currently approved plateau of 40,000 bopd. The commissioning of Bhagyam is a key milestone towards achieving the targeted production rate of 175,000 bopd by end FY 2011-12.

On the exploration front, Cairn India had two successive discoveries in the Sri Lanka Block SL-2007-01-001 frontier exploration drilling programme. Following this success, Cairn India has notified the government of Sri Lanka of its intention to enter the second phase of exploration.

We have consolidated Cairn India into our financial statements from 8 December 2011, and accordingly have accounted for revenues and EBITDA from Cairn India of \$155.4 million and \$131.0 million, respectively.

Production Summary (Unaudited)

(in '000 tonnes, except as stated)

Particulars	Quarter ended 31 December			Nine Months ended 31 December		
	2011	2010	Change	2011	2010	Change
Zinc India						
Mined metal content	209	222	(6%)	607	609	0%
Zinc - refined	191	178	7%	569	519	10%
Lead - refined ¹	29	14	107%	62	46	35%
Silver (in '000 ounces) ²	1,852	1,351	37%	4,940	4156	19%
Zinc International ³						
Skorpion - Refined Zinc	34	13	-	109	13	-
BMM and Lisheen - Mined Metal	71	-	-	228	-	-
Iron Ore⁴ (in million tonnes)						
Sales	5.0	4.8	4%	10.8	11.5	(6%)
Goa	4.4	3.7	18%	8.4	8.4	(1%)
Karnataka	0.6	0.6	2%	2.4	1.6	55%
Orissa	-	0.4	(100%)	-	1.5	(100%)
Saleable Ore Produced	3.3	4.7	(30%)	8.8	13.3	(34%)
Goa	3.3	3.4	(4%)	7.8	9.3	(15%)
Karnataka	0.1	0.9	(92%)	1.0	2.7	(62%)
Orissa	-	0.4	(100%)	-	1.4	(100%)
Copper- India / Australia						
Copper - Mined metal content	6	4	50%	17	18	(6%)
Copper - Cathodes	84	79	6%	245	224	9%
Copper - Zambia						
Total Copper Cathodes	51	55	(7%)	153	169	(9%)
Integrated	37	34	9%	105	100	5%
Custom	13	21	(38%)	48	69	(30%)
Alumina						
Lanjigarh	236	147	61%	687	522	32%
Aluminium						
Total Aluminium Production	170	168	1%	492	470	5%
Jharsuguda	107	103	4%	308	277	11%
Korba II	63	65	(3%)	184	193	(5%)
BALCO 270 MW power sales (in million units)	382	418	(9%)	1,192	1,192	0%
Energy (in million units)						
Total Power Sales	1,766	497	-	4,617	1049	-
SEL ⁵	1,559	245	-	3,964	294	-
MALCO and HZL Wind Power	207	251	(18%)	653	756	(14%)
Oil and Gas ⁶ (in mboe)						
Oil / Condensate - Gross	4.07	-	-	4.07	-	-
Oil / Condensate - Working Interest	2.37	-	-	2.37	-	-

- Includes captive consumption of 1,730 tonnes in Q3 FY 2011-12 vs. 1,746 tonnes vs. Q3 FY 2010-11, and 4,469 tonnes during the nine month period vs. 4,558 tonnes during the corresponding prior period.
- Includes captive consumption of 295,000 ounces in Q3 FY 2011-12 vs. 297,000 ounces vs. Q3 FY 2010-11, and 758,000 ounces during the nine month period vs. 771,000 ounces during the corresponding prior period.
- Skorpion was acquired in Q3 FY 2010-11. BMM and Lisheen were acquired in Q4 FY 2010-11. Numbers are post acquisition.
- Iron ore is reported on dry metric tonne basis
- Including production under trial run of 428 million units in Q3 FY 2011-12 vs. 245 million units in Q3 FY 2010-11, and 717 million units during the nine month period vs. 294 million units during the corresponding prior period.
- Accounted as a subsidiary from 8 December 2011. Numbers are post acquisition.

Note: Iron Ore sales include captive consumption of 0.05 million tonnes in Q3 FY 2011-12 vs 0.11 million tonnes in Q3 FY 2010-11, and 0.17 million tonnes during the nine month period vs. 0.30 million tonnes during the corresponding prior period.

Financial Summary (Unaudited)

(in \$ million)

Particulars	Quarter ended 31 December			Nine Months ended 31 December		
	2011	2010	% Change	2011	2010	% Change
Revenue						
Zinc	786.9	604.1	30%	2,453.4	1,485.8	65%
- India	528.4	574.9	(8%)	1,706.2	1,456.6	17%
- International ¹	258.5	29.2	-	747.2	29.2	-
Iron Ore	526.3	489.9	7%	1,153.7	1,197.6	(4%)
Copper	1,380.8	1,499.4	(9%)	4,501.2	3,681.8	22%
- Zambia	383.5	476.1	(8%)	1,306.0	1,336.3	(2%)
- India/Australia	997.2	1,023.3	(3%)	3,195.1	2,345.5	36%
Aluminium	446.7	463.5	(10%)	1,379.1	1,265.4	9%
Energy	101.0	26.6	280%	328.3	82.0	300%
Oil and Gas	155.4	-	-	155.4	-	-
Others and Eliminations ²	2.5	(15.4)	-	(19.0)	(63.1)	-
Total	3,399.6	3,068.1	11%	9,952.1	7,649.5	30%
EBITDA						
Zinc	345.1	340.6	1%	1,206.8	796.9	51%
- India	265.4	332.0	(20%)	923.1	788.3	17%
- International ¹	79.7	8.6	-	283.7	8.6	-
Iron Ore	200.5	280.2	(28%)	507.5	712.9	(29%)
Copper	147.2	194.9	(25%)	552.9	477.7	16%
- Zambia	67.7	143.4	(53%)	311.9	317.3	(2%)
- India/Australia	79.5	51.5	54%	241.0	160.4	50%
Aluminium	3.6	76.3	(95%)	94.6	232.8	(59%)
Energy	22.7	8.0	184%	73.4	30.9	138%
Oil and Gas	131.0	-	-	131.0	-	-
Others and Eliminations ²	(1.7)	(9.6)	-	(6.4)	(12.2)	-
Total	848.4	890.4	(5%)	2,559.8	2,238.9	14%

1. Skorpion was acquired in Q3 FY 2010-11. BMM and Lisheen were acquired in Q4 FY 2010-11. Numbers are post acquisition.

2. Includes unallocated corporate expenses

Note: Previous year figures related to captive power plants have been reclassified

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About Vedanta Resources plc

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