



Vedanta Resources plc
16 Berkeley Street
London W1J 8DZ
Tel: +44 (0) 20 7499 5900
Fax: +44 (0) 20 7491 8440
www.vedantaresources.com

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Vedanta Resources plc announces Sterlite's plans for US ADR Offering

NOT FOR DISTRIBUTION IN THE UNITED STATES

Vedanta Resources plc ("Vedanta" or the "Group") announces that its Indian-based subsidiary, Sterlite Industries (India) Limited ("Sterlite"), filed a Form F-1 registration statement with the US Securities and Exchange Commission on 15 November 2006 in relation to a proposed offering (the "Offering") of Sterlite's equity shares in the form of American Depositary Shares.

The Offering enables the Group to capitalise on attractive growth opportunities in India and maintain a strong balance sheet. It will allow Sterlite to exercise its call option to acquire the Government of India's remaining interest in HZL, the Group's zinc business, after the call option becomes exercisable on or after 11 April 2007, assuming the Government of India does not exercise its right to make a public offering of its remaining interest or sell part of its remaining interest to HZL employees prior to Sterlite's exercise of the call option, as described in the Sterlite press release on the Offering included below in this press release. The Offering will also enable the Group to expand into the commercial energy sector in India. The Board believes that with India's large coal reserves, ongoing government deregulation and high demand for power relative to supply, this business represents an attractive growth opportunity.

The Board believes that Sterlite is well positioned to undertake these growth opportunities and will enhance the Group's competitive advantage in India. The Group's entry into the commercial energy sector will leverage Sterlite's experienced management, strong project execution skills and experience in building and operating captive power plants in its existing operations. The entry into the commercial energy sector and consolidation of HZL minorities are consistent with the Group's strategy to create a world-class metals and mining business, leverage its established skills and generate strong returns.

The Group currently has a 76.0% effective interest in Sterlite's issued share capital. Following the Offering Vedanta will continue to own a majority of Sterlite's equity shares and will retain management control.

The following is a copy of the press release issued by Sterlite in regards to the Offering:

"Sterlite Industries (India) Limited
16 November 2006

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Proposed Equity Offering

Sterlite Industries (India) Limited ("Sterlite") announces that it filed a Form F-1 registration statement with the US Securities and Exchange Commission on 15 November 2006 in relation to a proposed offering (the "Offering") of its equity shares in the form of American Depositary Shares ("ADSs"). Sterlite intends to apply to have the ADSs listed on The New York Stock Exchange under the symbol "SRL."

Background

Sterlite is India's largest non-ferrous metals and mining group based on net sales. Sterlite has a diversified product portfolio with substantial market shares across the copper, zinc and aluminium metals markets in India. Its high quality assets and resources make it a low cost producer in copper and zinc. Sterlite is ideally positioned to capitalise on attractive growth opportunities arising from India's large mineral reserves, economic growth, proximity to other growing economies and large and inexpensive labour and talent pools.

Sterlite's custom copper smelter business is operated within Sterlite, and Sterlite owns a copper mine in Australia through one of its subsidiaries. Sterlite's zinc and aluminium businesses are owned and operated by its subsidiaries Hindustan Zinc Limited, or HZL (64.9%-owned by Sterlite), and Bharat Aluminium Company Limited, or BALCO (51.0%-owned by Sterlite), respectively. Sterlite has exercised its option to acquire the Government of India's remaining stake in BALCO, though the exercise of this option has been contested by the Government of India.

Use of Proceeds

Sterlite intends to use the proceeds from the Offering for general corporate purposes, including capital expenditures and working capital, reduction of debt, acquisition of complementary businesses and for possible consolidation of the ownership of its subsidiaries. Specifically, Sterlite may use all or part of the proceeds of the Offering towards any of the following purposes:

- Sterlite's current intention to exercise its call option to acquire the Government of India's remaining 29.5% ownership interest in HZL (or 26.0% if the Government of India exercises in full its right to sell 3.5% of HZL to HZL employees) after the call option becomes exercisable on or after 11 April 2007. However, it has been reported that the Government of India is taking steps to sell its remaining ownership interest in HZL through a public offer prior to Sterlite's exercise of the call option, though Sterlite has received no communication from the Government of India on this matter. 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.
- Entering the commercial power generation business in India by building the first phase, totalling 2,400 MW, of a thermal coal-based 2,400 MW power facility in the State of Orissa, India through Sterlite's wholly-owned subsidiary Sterlite Energy at a cost of approximately Rs 84,512 million (\$1,900 million) over the next four years. Sterlite expects that the proceeds from the Offering will be used towards only a portion of this project as it expects that a significant part, currently estimated to be approximately 70%, of this project will be funded by external debt, the equity contribution for the project is expected to be spread out over the next four years and Sterlite intends to also use internally-generated capital towards the project.
- A reduction of debt in an amount of up to Rs. 6,672 million (\$150 million).
- Acquiring complementary businesses that we determine to be attractive opportunities, though we have no agreements or commitments for material acquisitions of any businesses currently.

Underwriting

Merrill Lynch & Co., Morgan Stanley & Co. International Limited and Citigroup Global Markets Inc. are acting as joint bookrunners for the proposed Offering."

Under US GAAP, Sterlite's consolidated gross assets as at 31 March 2006 were Rs. 167,539 million. In the financial year ended 31 March Sterlite reported consolidated profit before tax was Rs. 30,782 million, under US GAAP.

Vedanta will keep shareholders informed of further developments in the proposed Offering in due course.

For further information, please contact:

Sumanth Cidambi
Associate Director – Investor Relations
Vedanta Resources plc

sumanth.cidambi@vedanta.co.in
Tel: +44 20 7659 4732 / +91 22 5646 1531

James Murgatroyd
Robin Walker
Finsbury

Tel: +44 20 7251 3801

About Vedanta Resources plc

Vedanta Resources plc is a London listed diversified metals and mining group. Its principal operations are located throughout India, with further operations in Zambia, Australia and Armenia. The major metals produced are aluminium, copper, zinc, lead and gold. For further information, please visit www.vedantaresources.com.

About Sterlite Industries India Limited

Sterlite Industries (India) Limited, a majority subsidiary of Vedanta Resources plc, is one of India's leading diversified Metals and Mining companies with interests and operations in aluminium, copper and zinc and lead. The company's main operating subsidiaries are Hindustan Zinc Limited for its zinc and lead operations; Copper Mines of Tasmania Pty Limited for its copper operations in Australia; and Bharat Aluminium Company Limited for its aluminium operations. The company operates its copper operations in India itself.

Disclaimer

This communication shall not constitute an offer to sell or the solicitation of an offer to buy securities, nor shall there be any sale of the securities described herein, in any jurisdiction, including the United States, in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. Sterlite has filed a registration statement in the United States under the Securities Act of 1933, as amended, in connection with the offer and sale of securities described herein. Any public offering of the securities referred to herein to be made in the United States will be made by means of a prospectus that forms a part of this registration statement and that contains detailed information about Sterlite and its management, as well as financial statements.

This press release contains "forward-looking statements" – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, uncertainties arise from the behaviour of financial and metals markets including the London Metal Exchange, fluctuations in interest and or exchange rates and metal prices; from future integration of acquired businesses; and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be materially different that those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.