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If you sell or have sold or otherwise transferred or do transfer all of your Vedanta Shares please send this document, together with any accompanying forms, if and when received, 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 such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations. If you sell or have sold or otherwise transferred or do transfer part only of your holding of Vedanta Shares you should retain this document together with any accompanying forms.

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VEDANTA RESOURCES PLC

(Incorporated and registered in England and Wales under the Companies Act 1985, with registered number 04740415)

Proposed acquisition of 51 per cent. to 60 per cent. of the entire issued and to be issued share capital of Cairn India Limited

Notice of General Meeting

J.P. Morgan Cazenove	**Morgan Stanley**
Joint Sponsor and Broker	***Joint Sponsor and Broker***

Your attention is drawn to the letter from your Chairman which is set out on pages 5 to 17 of this document. You should read the whole of this document and any parts of any documents incorporated herein by reference and, in particular, the risk factors set out on pages 18 to 40 of this document for a discussion of certain factors that should be considered when deciding on what action to take in relation to the Acquisition.

The Notice of General Meeting of the Company to be held at 3.00 p.m. on 13 December 2010 at The Lincoln Centre, 18 Lincoln's Inn Fields, London, WC2A 3ED is set out at the end of this document. A Form of Proxy for use in connection with the General Meeting is enclosed and, to be valid, should be completed and returned as soon as possible, but in any event, so as to be received by Computershare Investor Services PLC of The Pavilions, Bridgwater Road, Bristol BS99 6ZY by not later than 3.00 p.m. on 11 December 2010. Return of a Form of Proxy will not prevent Vedanta Shareholders from attending the General Meeting. Voting directions and proxy appointments may also be completed electronically and details are given in the Notice of General Meeting set out at the end of this document.

J.P. Morgan plc (which conducts its UK investment banking business as J.P. Morgan Cazenove), which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for the Company as joint sponsor and broker in connection with the production of this document and the Acquisition and is not advising, or acting for, any other person and will not be responsible to any person other than the Company for providing the protections afforded to the clients of J.P. Morgan Cazenove or for providing advice in relation to the Acquisition or any matters or arrangements referred to or contained in this document.

Morgan Stanley & Co. Limited is acting for the Company as its joint sponsor and Morgan Stanley & Co. International plc is acting for the Company as its joint broker, in each case in connection with the production of this document and the Acquisition and is not advising, or acting for, any other person and will not be responsible to any person other than the Company for providing the protections afforded to the clients of Morgan Stanley & Co. Limited and Morgan Stanley & Co. International plc or for providing advice in relation to the Acquisition or any matters or arrangements referred to or contained in this document.

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GENERAL

This document is dated 25 November 2010.

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PRESENTATION OF INFORMATION

1. Introduction

The contents of this document should not be construed as legal, financial or tax advice. Vedanta Shareholders should consult their own solicitor, financial adviser or tax adviser for legal, financial or tax advice.

Certain information in relation to the Company is incorporated by reference into this document. You should refer to Part 9 (Documentation Incorporated by Reference) of this document for further details. Where the documents incorporated by reference themselves make reference to other documents, such other documents are not incorporated and do not form part of this document.

2. Financial Information

Historical financial information relating to Cairn India for the years ended 31 December 2007, 31 December 2008 and 31 December 2009 and for the nine months ended 30 September 2010 is set out on pages 41 to 98 of this document, is presented in US dollars and has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

3. Information on Risk Factors

The risk factors set out in Part 2 of this document are those material risk factors of which the Vedanta Directors are aware. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties relating to the Acquisition. Additional risks and uncertainties that are not at present known to the Vedanta Directors, or that the Vedanta Directors currently deem immaterial, may also have a material and adverse effect on the Group and/or the Combined Group's business, financial condition and prospects.

4. Combined Group

Unless the context otherwise requires, references in this document to the "Combined Group" are to the Company and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings, as constituted immediately following completion of the Acquisition and therefore such references include the Company as enlarged by the acquisition of Cairn India Shares. Completion of the Acquisition is subject to a number of conditions which are described in detail in Parts 1 (Letter from the Chairman of Vedanta Resources PLC) and 5 (Principal Terms of the Acquisition) of this document.

5. No Profit Forecast

No statement in this document or incorporated by reference into this document 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 share will necessarily be greater or lesser than those for the relevant preceding financial periods for either the Company or Cairn India as appropriate.

6. Forward-Looking Statements

Certain statements contained in this document, including those in the sections headed "Risk Factors" 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", "estimates", "plans", "prepares", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. Vedanta Shareholders should specifically consider the factors identified in this document, which could cause actual results to differ, before making any decision whether to vote in favour of the Resolution. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Vedanta, Cairn India or 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 Company's present and future business strategies, together with the strategy for the Combined Group and the environment in which the Company or the Combined Group will operate in the future. Such risks, uncertainties and other factors include those set out more fully in the section of this document headed "Risk Factors" and include, among others: general economic and business conditions, industry trends, competition, changes in government regulation, economic downturn and the Combined Group's ability to implement expansion

plans. These forward-looking statements speak only as at the date of this document. Except as required by the FSA, the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules, the London Stock Exchange, applicable law or relevant regulation, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

This statement does not seek to qualify the working capital statement given at paragraph 7 of Part 7 (Additional Information) of this document.

7. Rounding

Certain figures included in this document and in the information incorporated by reference into this document have been subject to rounding adjustments. Accordingly, discrepancies in tables between the totals and the sums of the relevant amounts is due to rounding.

8. Time

All references in this document to time are to London time unless stated.

9. Definitions

Capitalised terms used in this document have the meanings ascribed to them in Part 8 (Definitions) of this document.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The following is the expected timetable of principal events in relation to the Acquisition:

Event	Expected time/date
Latest time and date for receipt of Form of Proxy	3.00 p.m. on 11 December 2010
General Meeting	3.00 p.m. on 13 December 2010
Latest date for Completion	22 April 2011

Note: All references in this document to time are to London time unless otherwise stated.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors:	Anil Agarwal (*Executive Chairman)* Navin Agarwal *(Deputy Executive Chairman)* Mahendra Singh Mehta *(Chief Executive Officer)* Naresh Chandra *(Non-Executive Director and Senior Independent Director)* Aman Mehta *(Non-Executive Director)* Euan R. MacDonald *(Non-Executive Director)*
Registered Office:	2nd Floor Vintners Place 68 Upper Thames Street London EC4V 3BJ
Head Office:	16 Berkeley Street London W1J 8DZ
Company Secretary:	Deepak Kumar
Joint Sponsor and Broker:	J.P. Morgan plc 125 London Wall London EC2Y 5AJ
Joint Sponsor:	Morgan Stanley & Co. Limited 25 Cabot Square Canary Wharf London E14 5QA
Joint Broker:	Morgan Stanley & Co. International plc 25 Cabot Square Canary Wharf London E14 5QA
Registered Auditors:	Deloitte LLP 2 New Street Square London EC4A 3BZ
Reporting Accountants:	Ernst & Young LLP 1 More London Place London SE1 2AF
Corporate Legal Advisers to the Company as to English law:	Latham & Watkins (London) LLP 99 Bishopsgate London EC2M 3XF
Financing Legal Advisors to the Company as to English Law:	Allen & Overy LLP One Bishops Square London E1 6AD
Legal Advisers to the Joint Sponsors and Joint Brokers:	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS
Registrar:	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZY

PART 1

LETTER FROM THE CHAIRMAN OF VEDANTA RESOURCES PLC

VEDANTA RESOURCES PLC

(Incorporated and registered in England and Wales under the Companies Act 1985, with registered number 04740415)

Directors:	*Registered Office:*
Anil Agarwal *(Executive Chairman)*	2nd Floor
Navin Agarwal *(Deputy Executive Chairman)*	Vintners Place
Mahendra Singh Mehta *(Chief Executive Officer)*	68 Upper Thames Street
Naresh Chandra *(Non-Executive Director and Senior Independent Director)*	London EC4V 3BJ
Aman Mehta *(Non-Executive Director)*	
Euan R. MacDonald *(Non-Executive Director)*	

25 November 2010

To: Vedanta Shareholders and, for information only, to the holders of options under the Share Schemes

Dear Shareholder,

Proposed Acquisition of Cairn India

1. Introduction

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. Cairn India is a subsidiary of Cairn Energy PLC ("Cairn Energy") and is the fourth largest oil and gas company in India as at 1 January 2010. The Board believes that the Acquisition will further establish Vedanta's position as an Indian national resources champion and give Vedanta a comprehensive footprint across India's resources sector.

As described in more detail in paragraph 3 of this letter, the Acquisition comprises three separate transactions, namely the purchase from the Cairn Energy Group of Cairn India Shares pursuant to the Purchase Agreement, the purchase of Cairn India Shares pursuant to an Open Offer made to holders of Cairn India Shares (other than members of the Cairn Energy Group) and the purchase by Sesa Goa Limited ("Sesa Goa" or "SGL") of Cairn India Shares, either from a member of the Vedanta Group or directly from a member of the Cairn Energy Group (the "Sesa Transfer"). The Open Offer is required by Indian takeover law as a result of Vedanta entering into the Purchase Agreement. Of the total consideration of US$9.6 billion and on the assumption that the Open Offer is fully taken up, US$6.7 billion will be paid pursuant to the Purchase Agreement and US$2.9 billion will be paid pursuant to the Open Offer. Pursuant to the Sesa Transfer and subject to obtaining Reserve Bank of India ("RBI") approval, Sesa Goa may acquire up to 20 per cent. of the fully diluted share capital of Cairn India for a total aggregate consideration of between US$2.9 billion to US$3.3 billion depending on the level of valid tenders received in the Open Offer.

Pursuant to the Listing Rules, due to its size the Acquisition requires and is conditional upon the approval of Vedanta Shareholders. The Acquisition is also subject to any required GoI consents having been given.

The purpose of this document is to explain the background and reasons for the Acquisition and to convene the General Meeting to seek shareholder approval for the Acquisition. This document also explains why the Board considers the Acquisition to be in the best interests of Vedanta and Vedanta Shareholders as a whole.

2. Background to and Reasons for the Acquisition

The Vedanta Group is a diversified natural resources group with its primary operations in India. The Board believes that the acquisition of a controlling stake in Cairn India will add to the Vedanta Group an additional high quality asset in an attractive natural resources segment.

India imports over two-thirds of its oil consumption and oil imports are forecast to grow at 5.4 per cent. per annum over the period 2005 to 2015, relative to declining domestic production. The Vedanta Directors believe that India has significant oil and gas resource potential which has historically been under-exploited.

Cairn India represents a significant oil and gas exploration and production platform and as at 1 January 2010 had the fourth largest oil and gas reserves in India among private sector oil companies, a proven management team and low cost production. Cairn India has been run as an independent company since establishment and is completely self sufficient in both exploration and production capabilities. The Board believes that Cairn India will bring into the Vedanta Group the complementary skills of an extractive industry peer, with large-scale project and exploration capabilities. In addition, the Board believes that the acquisition of a controlling stake in Cairn India will increase Vedanta's existing significant presence in the Indian state of Rajasthan, where Vedanta's zinc operations are located, and where the Vedanta Directors believe that Vedanta is one of the largest tax payers and one of the largest private employers.

Cairn India's principal production asset is a circa 70 per cent. stake in the Rajasthan oil development project. The development has been largely de-risked with the first phase of development now complete and a 590 km heated pipeline in place. As at 15 September 2010, Cairn India was producing approximately 125,000 barrels of crude oil per day from its Rajasthan field. The Board believes that there is the potential to more than double this level of production whilst extending the production plateau and increasing the resources base. Rajasthan represents a significant resource base with estimated oil and gas in place in excess of 6.5 billion barrels.

The Board believes that the Acquisition will deliver significant value to Vedanta because:

- The Acquisition will establish Vedanta as a leading player in the Indian oil and gas sector with the potential to help meet the growing energy needs of one of the world's fastest growing economies;
- The Acquisition will allow Vedanta to apply its core skills of project management and development of reserves and resources in conjunction with the technical knowledge and capabilities of Cairn India;
- Cairn India shares Vedanta's operating policy of using world class operating techniques to be a safe low cost producer with strong cash flow generation;
- Cairn India will further enhance Vedanta's position as one of the leading companies in the state of Rajasthan;
- Cairn India has a large and geologically diverse base of reserves and resources with substantial exploration upside;
- The Acquisition will enhance and diversify Vedanta's exposure to the natural resources which fuel the Indian growth story; and
- The Acquisition will be immediately earnings accretive.

On 7 October 2010, Cairn Energy announced that its shareholders had approved the Vedanta Share Purchase. On 18 October 2010, Sesa Goa obtained approval from its shareholders under Section 372A of the Indian Companies Act, 1956 in connection with Sesa Goa's acquisition of Cairn India Shares under the Open Offer.

3. Implementation of the Acquisition

Vedanta

Vedanta has entered into an agreement (the "Purchase Agreement") to acquire, from a subsidiary of Cairn Energy, 51 per cent. of Cairn India's fully diluted share capital at Completion (subject to downwards adjustment) at a price of INR355 per Cairn India Share payable in US dollars at Completion based on a fixed exchange rate of INR46.765/US$1 (the "Vedanta Share Purchase"). As a result of entering into the Purchase Agreement the Vedanta Group is required by Indian takeover law to make an open offer to Cairn India Shareholders (other than members of the Cairn Energy Group). Accordingly, Vedanta, jointly with its subsidiary Sesa Goa and certain Sesa Goa subsidiaries have announced their intention to launch an

open offer (the "Open Offer") to acquire up to 20 per cent. of Cairn India's fully diluted share capital. The number of Cairn India Shares to be acquired under the Purchase Agreement shall 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.

In addition, Vedanta will 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 Purchase Agreement, payable in US dollars at Completion based on a fixed exchange rate of INR46.765/US$1 (anticipated to total circa US$821-1,047 million depending on the number of Cairn India Shares acquired). The non-compete fee will be paid in consideration for Cairn Energy agreeing not to engage in the business of oil or gas extraction and/or transport or processing in India, Sri Lanka, Pakistan and Bhutan, or any other business which competes with the business of the Cairn India Group, for a period of three years from Completion. If the non-compete fee and share purchase price were to be aggregated, Vedanta will, on Completion, pay INR405 for each Cairn India Share it acquires pursuant to the Purchase Agreement payable in US dollars based on a fixed exchange rate of INR46.765/US$1. Assuming that the Open Offer is fully taken up this would result in an aggregate consideration of US$6.7 billion for the purchase of Cairn India Shares pursuant to the Purchase Agreement.

Sesa Goa

As described above, Sesa Goa (which is a 55.7 per cent. subsidiary of Vedanta) is expected to make a strategic investment to acquire 20 per cent. of Cairn India's fully diluted share capital at Completion. These Cairn India Shares are expected to be acquired by Sesa Goa through a combination of share purchases from the Vedanta Group less the number of Cairn India Shares acquired under the Open Offer.

Vedanta and Sesa Goa consider the acquisition by Sesa Goa of a 20 per cent. interest in Cairn India to be an efficient use of Sesa Goa's capital and an effective way of utilising efficiently the balance sheets of both Vedanta and Sesa Goa. Sesa Goa's executive management believes that investing in a 20 per cent. stake in Cairn India, which will be carried out partly through the use of Sesa Goa's existing cash balances, will enable Sesa Goa to produce higher returns than Sesa Goa currently generates on such assets. The Vedanta Directors believe that allowing Sesa Goa to acquire a 20 per cent. stake in Cairn India on the terms described in this document will enable Vedanta to acquire and retain a significant stake in Cairn India and ensure that total aggregate funding provided for the Acquisition remains at reasonable levels for the Vedanta Group as a whole and accordingly consider that the Sesa Transfer is in the best interests of the Company and Vedanta Shareholders.

As described in more detail below, as a result of the transactions described in this Part 1, the Vedanta Group (other than Sesa Goa and/or its subsidiaries) intends to acquire and retain between 31 per cent. and 40 per cent. of the fully diluted share capital of Cairn India and Sesa Goa (and/or its subsidiaries) intend to acquire 20 per cent. of the fully diluted share capital of Cairn India.

Vedanta, jointly with Sesa Goa, announced the Open Offer on 17 August 2010. It is currently anticipated that, subject to the satisfaction of all applicable conditions to the Open Offer, the Open Offer will complete in the first quarter of 2011. Subject to obtaining the necessary approvals, the Cairn India Shares tendered in the Open Offer will be purchased by Sesa Goa. Subject to any higher price required to be paid in accordance with the Indian Takeover Code, the price payable per Cairn India Share in the Open Offer will be INR355 per Cairn India Share tendered.

To the extent that less than 20 per cent. of Cairn India's fully diluted share capital is validly tendered in the Open Offer, and subject to obtaining approval from the RBI, a number of Cairn India Shares equal to the shortfall will either be sold by the Vedanta Group to Sesa Goa or acquired directly from a member of the Cairn Energy Group as a result of Sesa Goa being nominated as a purchaser of Cairn India Shares pursuant to the Purchase Agreement in either case at INR405 per share or such price which reflects the market value of Cairn India Shares at the date of purchase by Sesa Goa without triggering the requirement for RBI approval to be obtained. In all circumstances, the price payable by Sesa Goa for each Cairn India Share shall not exceed INR405 per Cairn India Share (which includes a non-compete fee of up to INR50, if purchased directly from the Cairn Energy Group) but may be less than the INR 405 per Cairn India Share (which includes the non-compete fee of INR50 per Cairn India Share) at which the Cairn India Shares are to be acquired by the Vedanta Group from the Cairn Energy Group and in the event of a direct purchase by Sesa Goa from the Cairn Energy Group at less than INR405 per Cairn India Share, any balancing consideration would be paid by members of the Vedanta Group (other than Sesa Goa and/or its subsidiaries) such that the Cairn Energy Group receives INR405 per Cairn India Share. As stated above, if

RBI approval for an acquisition of Cairn India Shares by Sesa Goa at INR405 per Cairn India Share cannot be obtained, the Cairn India Shares will either be sold by the Vedanta Group to Sesa Goa or acquired directly by Sesa Goa at such price as reflects the market value of Cairn India Shares at the date of purchase by Sesa Goa without triggering the requirement for RBI approval. As this price would reflect the market price as at the date of acquisition at which Cairn India Shares are traded on the stock exchanges in India on which Cairn India Shares are listed, there would be no floor on this price which could be significantly lower than the price at which Cairn India Shares are to be purchased by the Vedanta Group from the Cairn Energy Group. In addition, as Sesa Goa is a 55.7 per cent. subsidiary of Vedanta, a sale of Cairn India Shares to Sesa Goa at less than INR405 per Cairn India Share (inclusive of the non-compete fee) could result in the Vedanta Group incurring a loss representing the difference between the higher price paid for the Cairn India Shares under the Purchase Agreement and the lower price paid for such shares by Sesa Goa, and if the price paid is significantly lower this loss could also be significant. In the event of a direct purchase by Sesa Goa from the Cairn Energy Group at less than INR405 per Cairn India Share any balancing consideration would be paid by members of the Vedanta Group (other than Sesa Goa and/or its subsidiaries) such that the Cairn Energy Group receives INR405 per Cairn India Share (inclusive of the non-compete fee) with the effect that the Vedanta Group would be funding such balancing consideration on behalf of Sesa Goa and its minority shareholders. By structuring the Acquisition in this way the Company has been able to secure the necessary funding to acquire and retain a significant stake in Cairn India which the Board believes will deliver significant value to Vedanta and the Vedanta Directors therefore consider that the Sesa Transfer is in the best interests of the Company and the Vedanta Shareholders.

This acquisition of shares will occur on the later of Completion of the Acquisition and obtaining RBI approval. As a result of the transactions described above and subject to obtaining RBI approval and compliance with Indian takeover laws, Vedanta and/or other members of the Vedanta Group (other than Sesa Goa and/or its subsidiaries) intend to acquire and retain between 31 per cent. and 40 per cent. of the fully diluted share capital of Cairn India for a net aggregate consideration of US$5.2-6.7 billion (including the non compete fee), subject to adjustment, depending on the number of Cairn India Shares actually acquired from the Cairn Energy Group. Details on the relevant adjustment mechanism are set out in paragraph 2 of Section A of Part 5 (Principal Terms of the Vedanta Share Purchase) of this document. Further details of the Acquisition are set out in Part 5 (Principal Terms of the Acquisition) of this document.

As a result of these transactions, Sesa Goa is expected to acquire 20 per cent. of Cairn India's fully diluted share capital at Completion for an expected aggregate consideration of circa US$2.9 billion to US$3.3 billion depending on the level of valid tenders received in the Open Offer and assuming an exchange rate of INR46.765/US$1.

Other information

The Vedanta Share Purchase is conditional on completion of the Open Offer and on:

- Vedanta shareholder approval;
- Cairn Energy shareholder approval, which was obtained on 7 October 2010; and
- certain other conditions related to the business of Cairn India.

In addition, the Open Offer is expressed to be conditional on:

- Vedanta shareholder approval;
- RBI approval; and
- Approval of the Vedanta Share Purchase by Cairn Energy shareholders, which was obtained on 7 October 2010.

As the Open Offer is a mandatory offer under Indian takeover law, exercise of the conditions to the Open Offer is subject to compliance with Indian takeover law.

Following Completion of the Acquisition, Cairn Energy will have a residual interest in Cairn India of circa 10.6-21.6 per cent. of Cairn India's fully diluted share capital, dependant on the number of Cairn India Shares validly tendered in the Open Offer. Cairn Energy has agreed that Vedanta shall have pre-emption rights with respect to any subsequent disposal by Cairn Energy and/or members of the Cairn Energy Group

of Cairn India Shares where such disposal would result in the recipient of the Cairn India Shares holding more than 20 per cent. of the issued share capital of Cairn India.

Cairn Energy and Vedanta have also entered into reciprocal put and call arrangements in relation to a portion of the Cairn India Shares that will be 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 of the Vedanta Share Purchase minus the aggregate of: (i) the number of Cairn India Shares actually acquired by Vedanta from the Cairn Energy Group at completion of the Vedanta Share Purchase, (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 of the Vedanta Share Purchase, 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 the completion of the Vedanta Share Purchase. 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).

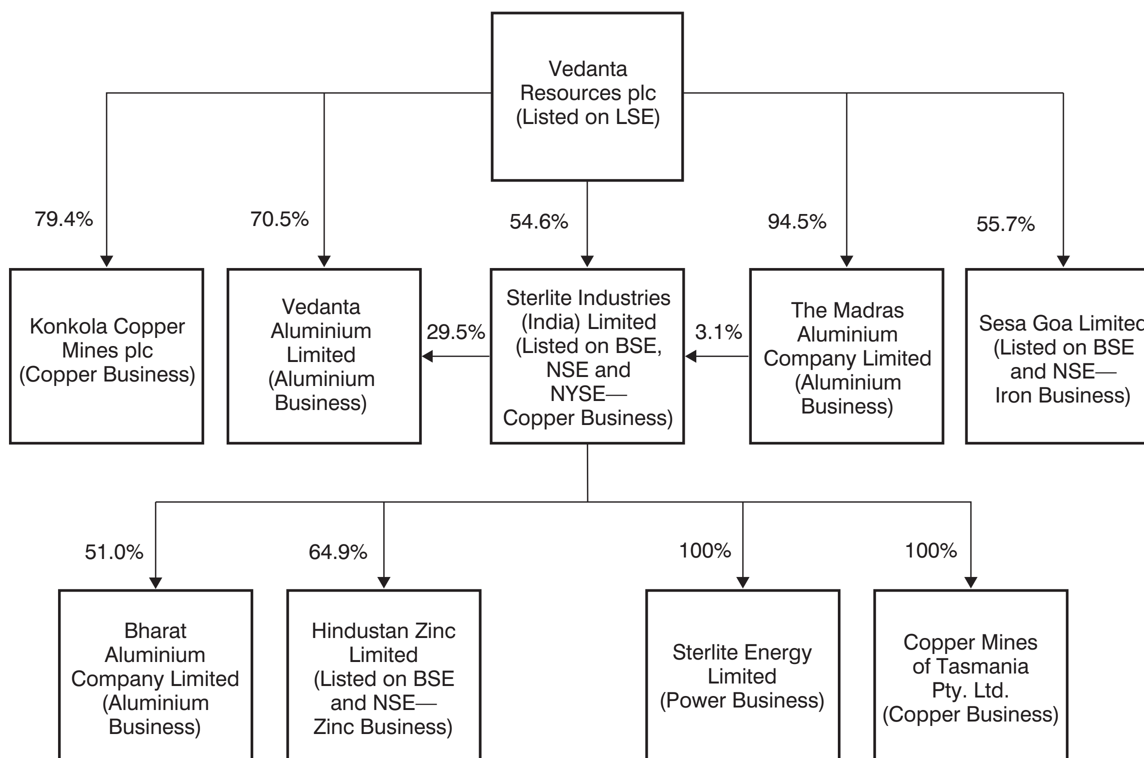
Vedanta and Cairn Energy have agreed a break fee arrangement pursuant to which Cairn Energy will pay to Vedanta an amount equal to one per cent. of the market capitalisation of Cairn Energy on 13 August 2010 (being the last trading day prior to the issue by Vedanta of the Announcement in relation to the Acquisition) minus £1 (but in any event capped at an amount which would not require the approval of Cairn Energy shareholders under the Listing Rules to which Cairn Energy is subject). The payment of the break fee arises if (i) approval by the Cairn Energy shareholders of the Acquisitions contemplated under the Purchase Agreement between, *inter alia,* Cairn Energy and Vedanta is not received by 30 October 2010 or (ii) Cairn Energy breaches certain non-solicitation provisions relating to the solicitation of an offer for Cairn Energy or Cairn India.

As the Acquisition, if completed, would be classified as a reverse takeover of Vedanta under the Listing Rules, applications will be made in due course to the UK Listing Authority and the London Stock Exchange for the Ordinary Shares of the enlarged Vedanta to be readmitted to the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively, upon Completion. A prospectus will be published in relation to the application for readmission to the Official List of the Existing Shares in the enlarged Vedanta. In accordance with the Listing Rules and the Prospectus Rules of the UK Listing Authority, such a prospectus will include audited financial statements of Cairn India prepared in accordance with such rules. It is possible that the financial information contained in any such prospectus may differ from the financial information currently published by Cairn Energy or Cairn India. Cairn India currently prepares its accounts in accordance with Indian GAAP.

Further details with respect to the implementation of the Acquisition are set out in Part 5 (Principal Terms of the Acquisition) of this document.

A structure chart showing the Vedanta Group at the date of this Circular is set out below.

Vedanta Group Chart of Principal Operating Companies



4. Financing

Vedanta expects to fund the Acquisition through debt and cash resources.

Vedanta has arranged new debt financing facilities in an aggregate amount of up to US$6 billion to finance the Acquisition as follows:

- A syndicated term loan facility agreement arranged by Barclays Capital, Citigroup Global Markets Asia Limited, Credit Suisse International, Goldman Sachs International, J.P. Morgan plc, Morgan Stanley Bank International Limited, The Royal Bank of Scotland N.V. and Standard Chartered Bank for a total aggregate amount of up to US$3.5 billion.
- A bridge facility agreement arranged by Barclays Capital, Citigroup Global Markets Asia Limited, Credit Suisse International, The Royal Bank of Scotland N.V. and Standard Chartered Bank for a total aggregate amount of up to US$1.5 billion. It is intended that this facility will be refinanced by an offering exempt from registration pursuant to Rule 144A of the US Securities Act 1933 of unsecured senior notes by Vedanta.
- A bridge facility agreement arranged by Goldman Sachs International, J.P. Morgan plc and Morgan Stanley Bank International Limited for a total aggregate amount of up to US$1 billion. It is intended that this facility will be repaid from the proceeds of the initial public offering of shares of Konkola Resources plc ("Konkola Resources") (which will be following completion of the initial public offering the holding company of Konkola Copper Mines plc ("KCM")), announced on 16 November 2010. Vedanta has also entered into a Standby Equity Underwriting Letter with J.P. Morgan Securities Limited, Goldman Sachs International and Morgan Stanley & Co. International plc (the "Banks"). In the event that any amount of the bridge facility is outstanding nine months plus 30 days following Completion of the Acquisition or at any time on or after the date following six months from the drawdown of the bridge facility and on notice from the Banks, Vedanta has, subject to and in accordance with the terms of the Standby Equity Underwriting Letter, irrevocably undertaken to implement a pre-emptive rights issue of Ordinary Shares to raise an amount equal to up to two times the amount then outstanding under the bridge facility to fund the repayment of any remaining balance of this bridge facility (net of costs, fees and expenses), such amount to be determined by the Banks. The price at which any Ordinary Shares of Vedanta are to be issued in connection with the rights issue

will be determined by Vedanta and the Banks at the time of issue provided that, in the event no agreement is reached, the price at which Ordinary Shares shall be offered pursuant to the rights issue will be equal to the nominal value of the Ordinary Shares (being US$0.10 per Ordinary Share). Under the Standby Equity Underwriting Letter, both Vedanta and the Banks have also agreed to enter into an underwriting agreement pursuant to which each of the Banks shall underwrite the offering of Ordinary Shares in proportion to their respective financing commitments under the bridge facility (but less the participation of Volcan Investments Limited in such a share offering). Vedanta and the Banks have further agreed to ensure that certain other customary provisions are included in such underwriting agreement and have each undertaken to co-operate in the negotiation of the remainder of its provisions. The Vedanta Directors expect that any equity issue required in accordance with the Standby Equity Underwriting Letter will be undertaken at a price which is at a significant premium to the nominal value of the Ordinary Shares utilising the Company's existing authorities to issue shares granted by Vedanta Shareholders at this year's annual general meeting of the Company. Should any additional authorities be required, these will be sought from Vedanta Shareholders prior to the implementation of the rights issue.

Further details of the financing arrangements are set out in paragraph 10 of Part 7 (Additional Information).

Vedanta's pro-forma debt position is supported by its strong balance sheet and cash flow generation. The Company's existing organic capital expenditure programme is fully funded and will not be impacted by the Acquisition. Sesa Goa will fund its investment primarily from its existing cash balances and funding provided from the existing cash balances of other members of the Vedanta Group and/or other third party sources.

5. Overview of Cairn India

Cairn Energy currently holds a 62.4 per cent. interest in Cairn India. Cairn India was listed on the Bombay Stock Exchange (the "BSE") and the National Stock Exchange of India (the "NSE") in January 2007 and as at 17 September 2010 had a market capitalisation of approximately US$13.9 billion. It is based in India and has a strong institutional shareholder base both within India and internationally.

Cairn India has interests in 11 blocks in India and Sri Lanka, including:

- a 70 per cent. operated working interest in three contiguous development areas totalling 3,111 km^2 in the Rajasthan Block. The main development area (1,858 km^2) includes the Mangala, Aishwariya, Raageshwari and Saraswati fields. Further development areas comprise the Bhagyam and Shakti fields (430 km^2) and the Kaameshwari West development area (822 km^2). Current production is approximately 125,000 barrels a day from the Mangala field via the 590 km heated export pipeline. ONGC is Cairn India's joint venture partner in the Rajasthan Block with a 30 per cent. participating interest;
- a 22.5 per cent. operated working interest in producing fields within the Ravva Block. Cairn India's operations in this area are centred around the Ravva oil and gas field in the Krishna-Godavari Basin. Developed in partnership with ONGC, Videocon Industries Limited and Ravva Oil (Singapore) Pte Ltd., Cairn India became the operator in 1996, working under a production sharing contract ("PSC") that runs until 2019. Crude oil and natural gas production from the Ravva Block commenced in 1993;
- a 40 per cent. operated working interest in Block CB/OS-2 in the Cambay Basin on the west coast of India. Cairn India commenced gas production from the Lakshmi gas field in 2002, with gas production from the Gauri field commencing in 2004. Production of commingled crude oil from the Gauri field commenced in 2005; and
- equity interests in eight blocks within India and Sri Lanka where there is currently no production or development, but which are in various stages of exploration.

As stated in Part 3, Section A—Historical Financial Information on Cairn India, as at 31 December 2009, the gross assets of Cairn India were US$3,064.8 million. For the 12 months ended 31 December 2009, the loss before tax was US$(42.5) million.

6. Overview of Vedanta

The Vedanta Group is a diversified FTSE 100 natural resources group with its primary operations in India. As at 31 March 2010, Vedanta was India's largest non-ferrous metals and mining company based on

revenues, with its business primarily located in India and with other assets and operations in Zambia and Australia. The Group is primarily engaged in zinc, copper, aluminium and iron ore businesses and is also developing a commercial power generation business. Vedanta was admitted to the Official List of the UK Listing Authority and the main market for listed securities of the London Stock Exchange on 10 December 2003.

Vedanta's subsidiaries Sterlite Industries (India) Limited ("Sterlite"), Hindustan Zinc Limited ("HZL") and Sesa Goa are listed on the BSE and NSE in India. Sterlite is also listed on the New York Stock Exchange ("NYSE").

The Vedanta Group's copper business comprises operations in India, Zambia and Australia and the Indian copper business is principally one of custom smelting operated by Sterlite. In Zambia, KCM in which Vedanta owns a 79.4 per cent. stake, is engaged in the mining, production and sale of copper and copper by-products. In addition, the Vedanta Group owns the Mt. Lyell copper mine in Tasmania, Australia, which provides a small percentage of Sterlite's copper concentrate requirements.

The fully integrated zinc business is owned and operated by HZL which has a 74 per cent. market share by production volume of the Indian zinc market in the financial year ended 31 March 2010. Sterlite owns a 64.9 per cent. stake in HZL. The operations of HZL include four lead-zinc mines, three hydrometallurgical zinc smelters, one lead smelter and one lead-zinc smelter, one silver refinery and captive power plants in Northwest India and one hydrometallurgical zinc smelter in Southeast India. HZL is one of the lowest cost producers in the world with a zinc and lead smelting capacity of 964,000 tonnes per annum and mining capacity of lead-zinc ore of 8.6 million tonnes per annum. In addition, HZL also produces silver.

Vedanta's aluminium business is primarily owned and operated by Bharat Aluminium Company Limited ("BALCO"). Sterlite owns 51 per cent. of the share capital of BALCO. In addition, the Vedanta Group owns Vedanta Aluminium Limited ("Vedanta Aluminium") (70.5 per cent. is owned by the Vedanta Group and the remaining 29.5 per cent. is owned by Sterlite). BALCO received a coal block allocation of 211 million tonnes for use in its captive power plants.

In April 2007, Vedanta acquired a 51 per cent. indirect stake in Sesa Goa. Sesa Goa is engaged in the exploration, mining and processing of iron ore with its operations located in the States of Goa, Karnataka and Orissa in India. As at 31 March 2010, Sesa Goa owned or had the rights to revenues and resources of 352.7 million tonnes of iron ore. For the financial year ended 31 March 2010, Sesa Goa produced approximately 21.4 million tonnes of iron ore fines and lumps. In addition, Sesa Goa manufactures pig iron and metallurgical coke.

The Vedanta Group has been building and managing captive power plants since 1997. The Vedanta Group is developing a commercial power generation business in India that leverages Vedanta's experience in building and managing captive power plants that support its primary businesses. Vedanta is executing its plan to enter the commercial power generation business with Sterlite Energy's construction of a 2,400 MW thermal coal-based power facility (comprising four units of 600 MW each) in Jharsuguda in the State of Orissa. The first unit was successfully synchronized in August 2010. The second unit is expected to be synchronized by the end of the third quarter of the financial year ending 31 March 2011. The remaining two units are expected to be progressively commissioned by the end of the first half of the financial year ending 31 March 2012. Further, in July 2008, Sterlite Energy was awarded by the Government of Punjab the tender for a project to build a 1,980 MW thermal coal-based power plant at Talwandi Sabo, in the State of Punjab, India. The project is expected to be completed by the second quarter of the financial year ending 31 March 2014.

Vedanta announced in May 2010 that it had agreed to acquire the zinc assets of Anglo American plc ("Anglo American") in Ireland, Namibia and South Africa for a total consideration of US$1.338 billion with economic ownership transferred with effect from 1 January 2010.

In line with the Group's stated strategy, Vedanta continues to evaluate the possibility of public listings of certain Group subsidiaries, including Sterlite Energy.

7. Current Trading, Trends and Prospects

Vedanta Group

As reported in Vedanta's interim results for the six months ended 30 September 2010 ("H1 FY2011"), the Vedanta Group has continued to perform in line with the Vedanta Directors' expectations. During H1

FY2011 Group revenues were US$4,582 million, an increase of 54 per cent. as compared with the corresponding prior period.

Emerging markets continue to drive the global economic recovery, with strong prices across most commodities during H1 FY2011. The Vedanta Group remains positive that its portfolio of businesses have attractive supply/demand fundamentals in the medium to long term. Resilient growth in India is expected to continue to deliver strong demand for the rest of 2011.

Operating results for H1 FY2011 were strong, reflecting strong production growth, high plant availability and a more favourable commodity price environment. Vedanta's EBITDA in H1 FY2011 was 81 per cent. higher than the corresponding prior period at US$1.3 billion. With an improving global economic outlook, the Vedanta Group continues to focus on its core strengths of sustained volume growth and high operational efficiency.

During H1 FY2011, the Vedanta Group spent US$1,134 million on its organic growth expansion programmes. The Vedanta Group completed synchronization of one 600MW unit of the 4x600MW Sterlite Energy thermal power project at Jharsuguda, a first in the Indian private sector. The 210 ktpa zinc smelter project at Dariba is ramping up well and currently operating at 85 per cent. of capacity. The 100 ktpa lead smelter at Dariba is expected to be commissioned by the end of the fourth quarter of the financial year ending 31 March 2011.

The Vedanta Group has started progressive commissioning of the Sindesar Khurd mine with operations commencing at the newly developed ramp. The 1.5 mtpa mill at Sindesar Khurd mine will begin production by the end of the third quarter of the financial year ending 31 March 2011, and process ore from the expanded mine capacity. Though Sindesar Khurd is a zinc-lead mine, the ore is rich in silver, and once it is fully commissioned, the Vedanta Group's integrated silver capacity will reach 16 million ounces per annum, making it one of the world's largest integrated silver producers.

The Vedanta Group has recently signed a memorandum of understanding with the Punjab State Government for a fourth unit of 660MW at the Talwandi Sabo power project. The power generated by this unit will be sold in the commercial market at prevailing market rates and will significantly enhance overall project returns. Overall, the 2,640 MW (4x660 MW) power project is progressing as scheduled and is expected to be completed by the end of the financial year ending 31 March 2014.

The Vedanta Group has reviewed its capital expenditure plan for its aluminium business in light of the recent decision on Niyamgiri, where final clearance for bauxite mining was declined. Further work on the Lanjigarh refinery expansion project has been put on hold, the first metal tapping at the 1.25 mtpa Jharsuguda-II smelter and the 325 ktpa Korba smelter projects have been temporarily deferred, and surplus power will be sold in the merchant market. This is being done to optimise returns from the assets and will be periodically reviewed considering visibility on bauxite availability from alternative mines. The Vedanta Group is in talks with the Government of the Indian State of Orissa for alternative sources of bauxite, based on the existing memorandum of understanding with them for the supply of 150mt of bauxite. The Vedanta Group remains committed to an integrated aluminium strategy.

The copper smelter at Tuticorin continues to operate following the order from the Supreme Court staying the closure of operations ordered by the High Court of Madras. This smelter uses the environmentally advanced ISA-smelt technology and has been in operation for 12 years.

The Vedanta Group increased its holdings in its major subsidiaries in H1 FY2011 with the purchase of a 0.25 per cent. stake in Sesa Goa and a 0.64 per cent. stake in Sterlite for a total consideration of US$121 million. This increased the Vedanta Group's shareholding in Sesa Goa to 55.7 per cent. and in Sterlite to 57.5 per cent.

During H1 FY2011, the Vedanta Group announced two potential acquisitions—the acquisition of Anglo American's zinc assets and the Acquisition. The zinc assets of Anglo American comprise facilities across Namibia, South Africa and Ireland, and consolidate Vedanta's position as the world's largest integrated zinc-lead producer. The Vedanta Group has successfully integrated the Dempo iron ore operations that were acquired in the previous financial year.

Sustainable development continues to be a key area of focus. The Vedanta Group's operations and projects aim to improve livelihood, health and nutrition, education and community infrastructure, and bring about a long-term sustainable change in the socio-economic condition of the communities in and around its areas of operation. The Vedanta Group has also taken an important initiative to construct a

cancer treatment hospital in Raipur, Chhattisgarh, at a cost of US$80 million. The hospital will provide a wide group of people with access to quality cancer treatment.

On 16 November 2010 Vedanta announced its intention to seek admission of the ordinary shares of Konkola Resources to the Official List and to trading on the London Stock Exchange's main market for listed securities. J.P. Morgan Cazenove and Goldman Sachs International are acting as joint sponsors, joint bookrunners and joint global coordinators in relation to this initial public offering. Konkola Resources will, on completion of this initial public offering, be the holding company of KCM.

The Vedanta Directors remain confident of achieving a good performance for the full year with a significant increase in output across all major segments of the Vedanta Group. The Vedanta Directors believe that the proposed Acquisition will benefit the Vedanta Group by enhancing and diversifying the Vedanta Group's exposure to the natural resources which supply the Indian growth story.

Cairn India Group

On 28 October 2010, Cairn India released its interim results for the period ended 30 September 2010 which included the following statements in relation to Cairn India.

Operational Review

In Q2 for the financial year 2010–11, the gross production of the operating units was 165,385 boepd (60,480 boepd in Q2 for the financial year 2009–10) and working interest production was 94,304 boepd (18,638 boepd in Q2 for the financial year 2009–10).

The average oil price realisation in Q2 for the financial year 2010–11 was US$69.5 per bbl compared to US$69.1 per bbl in Q2 for the financial year 2009–10. The gas price realisation in Q2 for the financial year 2010–11 was US$4.5 per thousand standard cubic feet (mscf) compared to US$3.9 per mscf in Q2 for the financial year 2009–10.

Average price realisation per boe was US$67.8 in Q2 for the financial year 2010–11 compared to US$59.6 in Q2 for the financial year 2009–10.

The Rajasthan per barrel operating cost of Cairn India continues to decline as volumes increase.

Rajasthan (Block RJ-ON-90/1) (Cairn India 70% (Operator); ONGC 30%)

Average gross production from the Rajasthan Block for Q2 for the financial year 2010–11 was 116,058 bopd and working interest production was 81,241 bopd.

The Mangala field, discovered in January 2004, commenced production a year ago. With the safe completion of Trains Two and Three, it has ramped up ahead of schedule to its currently approved peak plateau rate of 125,000 bopd. During one year of efficient and safe operations, the MPT has produced more than 16 million barrels ("mmbbls") of crude from the Mangala field, which has been sold to different domestic refiners.

Cairn India is committed to maintaining the highest Health, Safety and Environment (HSE) standards as well as building local capacity and top quartile HSE standards have been achieved against global benchmarks.

Development—Upstream

The MPT is designed to process crude from the Rajasthan fields and has a capacity to handle 205,000 bopd of crude with scope for further expansion. Trains One, Two and Three are currently producing and the contracts for construction of Train Four have been awarded with work expected to commence soon.

Cairn India and its JV partner ONGC, continue to develop the hydrocarbon resources within the State of Rajasthan with a sustained focus on cost and the application of innovative technology. The use of high density 3D seismic surveys has enhanced the understanding of the reservoir and helped to precisely identify well locations leading to reduced finding costs.

The use of pad-based drilling coupled with mobile drilling rigs has allowed a large number of wells to be drilled in a short time with a reduced environmental footprint and lower infrastructure and drilling costs.

The focused effort on drilling of high capacity horizontal wells in Mangala and the reservoir performance from the field supports higher plateau levels. Surface facilities and midstream infrastructure are ready to support production of 150,000 bopd from Mangala, subject to JV and GoI approval.

Development drilling and the well completion activities are progressing with three drilling rigs and one completion rig operating in the Mangala development area. 107 Mangala development wells have been drilled of which 74 wells have been completed and made ready for production.

The application of new fracture stimulation and completion technology proven in the Raageshwari wells will not only aid greater production from fewer wells but also allow the opportunity to replicate the same in the lower permeability Barmer Hill formation.

Cairn Energy has successfully drilled and completed 11 horizontal wells in Mangala of which nine have been put on production. A total of 48 Mangala wells are currently producing and the other wells will be brought on stream in a staged manner. Work on the development of the Bhagyam field, the second largest field in Rajasthan, has commenced.

Development—Midstream (Pipeline)

The MPT to Salaya section (circa. 590 km) is now operational along with the final delivery infrastructure to each buyer. Work on the Salaya to Bhogat section (circa. 80 km) is in progress and all the key contracts have been placed.

Pipeline sales have been safe and efficient to date with more than 10 mmbbls delivered to the buyers.

Crude—Sales

The crude sales have ramped up to the currently approved plateau of 125,000 bopd Q2 for the financial year 2010–11. To date, more than 16 mmbbls of crude from Mangala have been delivered to the refiners and circa. US$1.1 billion revenues generated.

The implied crude price realisation represents an average 10–15 per cent. discount to Brent on the basis of prices prevailing for the twelve months to September 2010.

Sales arrangements are in place for 143,000 bopd with public sector undertakings and private refiners and discussions continue with the GoI for additional nominations.

Resource base including enhanced oil recovery (EOR)

The Mangala, Bhagyam and Aishwariya (MBA) fields have gross recoverable oil reserves and resources of over 1 billion barrels, which includes proven plus probable (2P) gross reserves and resources of 694 million barrels of oil equivalent (mmboe) with a further 300 mmboe or more of EOR resource potential. The MBA fields will contribute more than 20 per cent. of domestic crude production when they reach the currently approved peak plateau rate of 175,000 bopd in 2011.

Start-up injection tests have commenced in the EOR pilot project that started earlier this year. The first phase of EOR pilot consisting of four injectors, one producer and three observation wells has been drilled, completed and hooked up to the facilities.

A pilot hydraulic fracturing programme to test the potential of the Barmer Hill Formation is planned in the financial year 2010–11, subject to GoI approval. The pilot programme will allow evaluation of the appropriate cost effective technology for a fully optimised development of this resource base. A declaration of commerciality for the Barmer Hill Formation was submitted to the GoI in March, 2010 and a Field Development Plan is under preparation.

Exploration

Cairn India—Producing Assets

RJ-ON-90/1 (Cairn India—70% holding in the Mangala, Bhagyam and Kaameshwari West Development Areas, Operator)

Technical evaluation work continues to assess existing and new plays in the basin to generate further prospects in Rajasthan.

Krishna-Godavari Basin—Eastern India Block PKGM-1—Ravva field (Cairn India—22.5%, Operator)

Average gross production from the Ravva field for Q2 for the financial year 2010–11 was 38,102 boepd (comprising an average oil production of 29,413 bopd and average gas production of 52 million standard cubic feet per day (mmscfd)). The production was higher in comparison to last quarter due to better well performance resulting from workover programmes.

Cairn India and its joint venture partners have completed a 4D seismic campaign to identify bypassed oil zones and locate infill well locations. Drilling is expected to commence in Q3 for the financial year 2010–11.

Cambay Basin—Western India Block CB/OS-2: (Cairn India—40%, Operator)

Average gross production from the CB/OS-2 block for Q2 for the financial year 2010–11 was 11,227 boepd (comprising an average oil/condensate production of 6,601 bopd and average gas production of 28 mmscfd).

To enhance oil production from the field, an infill drilling campaign is planned in the Lakshmi fields. The Term Sheet agreement executed in December, 2009 to produce Gauri's share of GBA (Gas Balancing Agreement—for sharing gas from the shared reservoir) gas through the Hazira facilities has now been extended to March, 2012.

Cairn India—Exploration—Other Assets

In addition to the ongoing exploration activities in the three producing blocks, Cairn India currently has exploration interests in seven blocks in India and one in Sri Lanka, five of which are operated by Cairn India.

The Production Sharing Contracts for the two NELP-VIII blocks, KG-OSN-2009/3 and MB-DWN-2009/1, signed on 30 June 2010 became effective from August, 2010, with the grant of the Petroleum Exploration Licences.

Two wells, Nagayalanka-1z and Krishna-1 were drilled in block KG-ONN-2003/1 (Cairn India—49 per cent. operator) during Q2 for the financial year 2010–11. Flow of oil at the rate of 75 bopd and gas at the rate of 0.27 mmscfd was established in the Nagayalanka-1z well and a discovery declared. Preparations are ongoing for further exploration and appraisal drilling.

In PR-OSN-2004/1 (Cairn India—35 per cent. operator), a geotechnical survey and pore pressure studies have been completed. The drilling of three wells is expected to commence in H1 CY 2011.

In Sri Lanka, SL 2007-01-001, logistical preparations and detailed studies are ongoing in preparation for the exploration drilling of three wells planned to commence in H1 for the financial year 2011.

Financing Facilities

Cairn India completed an innovatively structured financing by raising INR22,500 million (US$500 million) through INR unsecured non-convertible debentures at competitive commercial terms. The proceeds of this financing will be used to fund the repayment of the existing INR Facility (referred to in paragraph 10 of Part 7 (Additional Information) of this document) and other general corporate expenses.

There has been no change to the trading and prospects of the Cairn India Group since the date of its interim results for the nine month period ended 30 September 2010.

8. Strategy for the Combined Group

The Board intends to continue to focus on delivering shareholder value through the continued development of the Group's portfolio. The Group intends to create an Indian natural resources champion with a comprehensive footprint across India's resources sector. The intention is to utilise the Group's skills to accelerate the exploration, development and production of Rajasthan's oil and gas assets.

9. Financial Impact of the Acquisition

The Acquisition is expected to be earnings enhancing for Vedanta in the first full financial year following Completion.

As at 31 March 2010, Vedanta had audited net assets of US$11,440 million of which cash and cash equivalents and liquid investments were US$7,239 million. On an unaudited pro forma basis and assuming the Acquisition had completed on 31 March 2010, and taking account of Vedanta's balance sheet position as of 31 March 2010, the net assets of the Combined Group on 31 March 2010 would have been US$12,213 million and the cash and cash equivalents and liquid investments would have been US$5,233 million. This financial information has been extracted without material adjustment from the Unaudited Pro Forma Statement of Net Assets set out in Part 4 of this document.

Nothing in this document should be construed as a profit forecast or interpreted to mean that the future earnings per share, profits, margins or cash flows of Vedanta will necessarily be greater than the historic published figures.

10. Vedanta General Meeting

The Acquisition is conditional, amongst other things, upon Vedanta Shareholder approval being obtained at the General Meeting of the Company to be held at The Lincoln Centre, 18 Lincoln's Inn Fields, London, WC2A 3ED at 3.00 p.m. on 13 December 2010. A notice convening the General Meeting is set out at the end of this document. At this General Meeting the Resolution will be proposed to approve the Acquisition.

The Resolution will be proposed as an ordinary resolution requiring a simple majority of votes in favour.

11. Action to be Taken

In respect of the General Meeting

You will find enclosed with this document a Form of Proxy for use at the General Meeting or at any adjournment thereof. Whether or not you propose to attend the meeting in person, you are requested to complete the Form of Proxy in accordance with the instructions printed thereon and to return it as soon as possible, but in any event so as to be received by Computershare Investor Services PLC of The Pavilions, Bridgwater Road, Bristol BS99 6ZY by no later than 3.00 p.m. on 11 December 2010. If you hold your Vedanta Shares in CREST, you may appoint a proxy by completing and transmitting a CREST proxy instruction form so that it is received by Computershare Investor Services PLC (under CREST participant ID 3RA50) by no later than 3.00 p.m. on 11 December 2010. The time of receipt will be taken to be the time from which Computershare Investor Services PLC are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The completion and return of a Form of Proxy or completion and transmission of a CREST proxy instruction will not prevent you from attending the General Meeting and voting in person if you wish to do so.

You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in this document (or in any related documents, including the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.

12. Further Information and Risk Factors

Your attention is drawn to the risk factors set out in Part 2 (Risk Factors) of this document and the additional information set out in Part 7 (Additional Information) of this document. Vedanta Shareholders should read the whole of this document and not rely solely on the summarised information in this letter.

The result of the General Meeting will be announced through a Regulatory Information Service and on the Vedanta website (www.vedantaresources.com) as soon as practicable after the General Meeting.

13. Recommendation

The Board considers the Acquisition to be in the best interests of Vedanta and Vedanta Shareholders taken as a whole. Accordingly, the Board unanimously recommends that Vedanta Shareholders vote in favour of the Resolution, as the Directors intend to do in respect of their own beneficial shareholdings held at the time of the General Meeting, amounting to 163,825,321 voting Ordinary Shares in aggregate as at the date of this document (representing approximately 61.82 per cent. of Vedanta's existing issued ordinary share capital).

Yours sincerely

Anil Agarwal

Chairman

PART 2

RISK FACTORS

A number of risk factors may materially and adversely affect the Group's and/or, following the Acquisition, the Combined Group's, operating results, financial condition and share price. These risk factors also include risks relating to the completion of the Acquisition. Accordingly, investors and prospective investors should carefully consider the risks and uncertainties contained in this section before making an investment decision.

The risk factors mentioned below are those material risk factors of which the Directors are aware. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not at present known to the Directors, or that the Directors currently deem immaterial, may also have a material and adverse effect on the Group and/or the Combined Group's business, financial condition and prospects.

If any of the following risks were to materialise, the Group and/or the Combined Group's business, financial condition, results or future operations could be materially or adversely affected. In such circumstances, the price of the Ordinary Shares could decline and investors could lose all or part of their investment.

The statements above do not seek to qualify the working capital statement given at paragraph 7 of Part 7 (Additional Information) of this document.

The information given is as of the date of this document and except as required by the FSA, the London Stock Exchange, the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules or any other applicable law or regulation, will not be updated. Any forward-looking statements contained herein are made subject to the reservations specified under "Forward-Looking Statements" on pages 1 and 2 of this document.

You should consider carefully the risks and uncertainties described below, together with all other information contained in this document and the information incorporated by reference herein, before making any investment decision.

PART A: RISKS RELATING TO COMPLETION OF THE ACQUISITION

The following risks are in addition to risks relating to the Vedanta Group and the Cairn India Group set out below which would be assumed by the Combined Group on completion of the Acquisition and risks relating to the Combined Group set out below.

Completion of the Acquisition is subject to a number of conditions which may not be satisfied or waived.

The implementation of the Acquisition is subject to the satisfaction (or waiver, where applicable) of a number of conditions. The Vedanta Share Purchase is conditional on completion of the Open Offer and on:

- Vedanta shareholder approval; and
- certain other conditions related to the business of Cairn India (which are set out in paragraph 3 of Section A of Part 5 (Principal Terms of the Vedanta Share Purchase) of this document).

In addition, the Open Offer is expressed to be conditional on:

- Vedanta shareholder approval; and
- RBI approval.

There is no guarantee that these (or other) conditions will be satisfied (or waived), in which case the Acquisition will not be completed.

Cairn India's USD Facility contains customary provisions that need to be satisfied, varied or waived.

Cairn India's USD Facility (summarised in paragraph 10 of Part 7 (Additional Information) of this document) for up to US$750 million contains a customary change of control provision that would allow lenders to ask for prepayment or cancellation as a result of the Acquisition, if such provision is not varied or waived by such lenders prior to the change of control of Cairn India that would result following Completion of the Acquisition. If no such waiver or variation is obtained from such lenders prior to Completion of the Acquisition and any lender asks for prepayment as a result of the change of control, it would reduce the funds available to Cairn India, which could limit Cairn India's ability to take advantage of future growth opportunities.

There are risks associated with the price payable by Sesa Goa in respect of the Sesa Transfer.

Pursuant to the Open Offer, Sesa Goa (and/or its subsidiaries) is seeking to acquire up to 20 per cent. of the fully diluted share capital of Cairn India. Vedanta and Sesa Goa have agreed that if less than 20 per cent. of Cairn India's fully diluted share capital is validly tendered in the Open Offer, such balancing number of Cairn India Shares as are required in order to bring Sesa Goa's total aggregate holding of Cairn India Shares to 20 per cent. of Cairn India's fully diluted share capital may be acquired by Sesa Goa either from Cairn UK Holdings Limited ("CUKHL") directly or from Twin Star Energy Holdings Ltd. ("Twin Star") or any nominee of Twin Star, at a price of INR405 per Cairn India Share or such lower price which reflects the market value of Cairn India Shares at the date of purchase by Sesa Goa. The balancing consideration payable to CUKHL would be paid by Twin Star to CUKHL, such that effectively, CUKHL receives INR405 per Cairn India Share. In all circumstances, the price payable by Sesa Goa for each Cairn India Share shall not exceed INR405 per Cairn India Share.

Twin Star (or its relevant nominees) has agreed to sell the relevant Cairn India Shares to Sesa Goa at such price (which may be lower) as would enable Sesa Goa to acquire such Cairn India Shares in accordance with Indian law.

This price could be lower than INR405 per share and will be dependent upon the market value of Cairn India Shares at the date of the sale to Sesa Goa. There is therefore a risk that Twin Star (or its relevant nominees) may acquire Cairn India Shares from CUKHL at a price of INR405 per share and then sell such shares onto Sesa Goa (and/or its subsidiaries) at a price which is lower than the price paid by Twin Star (or its relevant nominees) for such shares. This could result in the Vedanta Group incurring a loss, representing the difference between the higher price paid for the Cairn India Shares under the Purchase Agreement set against the lower sale price for such shares when such shares are sold by Twin Star (or its relevant nominees) to Sesa Goa pursuant to the terms of the Sesa Transfer.

PART B: RISKS RELATING TO CAIRN INDIA, THE COMBINED GROUP AND THE COMPANY

RISKS OF THE CAIRN INDIA BUSINESS

There are uncertainties inherent in estimating the quantity of the Cairn India Group's reserves and resources.

There are uncertainties inherent in estimating the quantity of reserves and resources and in projecting future rates of production, including factors beyond the control of the Cairn India Group. Estimating the amount of hydrocarbon reserves and resources is a subjective process. The results of drilling, testing and production subsequent to the date of an estimate may result in revisions to original estimates.

The reserves and resources data contained in this document relating to the Cairn India Group are estimates only and should not be construed as representing exact quantities. Reserves estimates contained in this document relating to the Cairn India Group are based on production data, prices, costs, ownership, geophysical, geological and engineering data and other information assembled by the Cairn India Group. The estimates may prove to be incorrect and Vedanta Shareholders should not place undue reliance on the forward-looking statements contained in this document (including any data expressed to have been estimated or reviewed by DeGolyer and MacNaughton or otherwise) concerning reserves and resources or production levels. Whilst reserves are stated in accordance with SPE/WPC reserve and resources definitions, Vedanta Shareholders should be aware that certain categories of reserves and resources (such as prospective and contingent resources) are inherently less certain than certain other categories (such as proved reserves).

If the assumptions upon which estimates of hydrocarbon reserves or resources have been based prove to be incorrect, the Cairn India Group or the operators of assets in which it has an interest may be unable to recover and produce the estimated levels or quality of hydrocarbons set out in this document and the Cairn India Group's businesses, prospects, financial condition or results of operations could be materially and adversely affected.

Exploration and production operations by the Cairn India Group or operators of assets in which it has an interest will involve risks normally incident to such activities.

Exploration and production operations by the Cairn India Group or operators of assets in which it has an interest will involve risks normally incident to such activities, including blowouts, oil spills, gas leaks, explosions, fires, equipment damage or failure, natural disasters, unexploded ordnance, 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 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 produce 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 businesses and financial condition.

The results of appraising discoveries 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. 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 other geological and mechanical conditions all of which may variously increase the Cairn India Group's costs of operations or delay anticipated revenues.

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, increased costs, and may have an adverse effect on the Cairn India Group's businesses, prospects, financial condition or results of operations.

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 the other joint venture partners. 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 shortfall.

Natural disaster or other catastrophic events.

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

The Cairn India 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 (including "creeping" 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 Cairn India 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 Cairn India Group may have difficulty ascertaining its legal obligations and enforcing any rights it may have. Certain governments in other countries have in the past expropriated or nationalised property of hydrocarbon production companies operating within their jurisdictions. Sovereign or regional governments could require the Cairn India Group to grant to them larger shares of hydrocarbons or revenues than previously agreed to or could impose higher rates of taxation.

Once the Cairn India Group or the operator of assets in which it has an interest has established hydrocarbon exploration and/or production 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 adversely affect the Cairn India Group's businesses, results of operations, financial condition or prospects.

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 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 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. 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 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 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 adversely affect the Cairn India Group's businesses, results of operations, financial condition or prospects.

Competition.

The oil and gas industry is highly competitive. The Cairn India Group will compete with other industry participants in the search for and acquisition of 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 Cairn India 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 Cairn India Group's activities, reduced available growth opportunities and may adversely affect its businesses, financial condition, results of operations and 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 ("FDPs") for the Mangala, Bhagyam, Aishwariya, Raageshwari and Saraswati fields which were submitted to, and approved by, the Rajasthan Block PSC management committee 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 GoI will be required before any of the fields can be produced at these enhanced estimates of future production rates. In the event 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. See the risk factor entitled "There

are uncertainties inherent in estimating the quantity of the Cairn India Group's reserves and resources" set out above in this Part 2.

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

The crude oil at the Northern Fields is characterised by its viscous nature in the reservoir and its propensity, inside or outside the reservoir, to require higher temperatures for the crude to remain in liquid form than is the case for most producing oil fields. This presents both extraction and transportation risks.

If the temperature of the crude oil in the reservoir falls, then there is a risk that wax-like particles suspended in the crude oil could solidify and block the reservoir's pores, thereby reducing the rate at which crude oil might be recovered. To extract the waxy crude oil, the Cairn India Group is using 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, thereby affecting the ability to maintain the required injection rate, then this may have an adverse impact on the overall field production rate and ultimate recovery. Any reduction in its crude oil production and/or estimates of ultimate recovery may have a material adverse effect on the Cairn India Group's business, results of operations and financial condition.

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, then this may mean that the temperature of the crude oil cannot be maintained at the required temperature, which will 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 operating costs and have a detrimental impact on 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 would have a material adverse effect on the Cairn India Group's business, operating results and financial condition.

The Cairn India Group may not be able to use enhanced oil recovery techniques successfully.

The FDPs for the Northern Fields assume, or are expected to assume, the use of enhanced oil recovery ("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 ("ASP") flooding, two common EOR techniques, are the preferred EOR options. A pilot scheme is under way at the Mangala field.

If the Mangala EOR pilot scheme is successful, it is intended to seek the required Government of India, regulatory and joint venture partner ONGC approvals 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 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 adversely affect the Cairn India Group's business, results of operations, financial condition 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, which could have a material adverse effect on Cairn India's, business, operating results and financial condition.

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

The MPT facilities, which are designed to separate gas and water produced 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 Cairn India's, business, operating results and financial condition.

Delays in the construction, installation and commissioning of MPT Train 4.

An additional MPT Train (MPT Train 4) is required for the processing of the Bhagyam field crude oil and any incremental Mangala field crude oil above the existing approved Mangala field plateau production rate of 125,000 bopd. Delays in the construction, installation and commissioning of MPT Train 4 will adversely affect the timing of the start of production from the Bhagyam field and the increase of production from the Mangala field in excess of the currently approved Mangala field plateau production rate, and therefore could have a material adverse effect on Cairn India's, business, operating results and financial condition.

MPT Train 4 may not function as designed.

Any or part of MPT Train 4 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 either 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, which could have a material adverse effect on Cairn India's, business, operating results and financial condition.

The costs of MPT Train 4 may be greater than forecast.

The costs of MPT Train 4 were approved as part of the revised Mangala FDP by the Rajasthan joint venture partner (ONGC), the relevant regulatory authorities and the Government of India. The estimated costs were included within this revised FDP and although these costs allowed for some increase in costs between the time at which the revised Mangala 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 constructing, installing and commissioning MPT Train 4 are greater than the approved costs. If this occurs there is a risk that some of the MPT Train 4 costs are not allowed for cost recovery purposes, which could have a material adverse effect on Cairn India's, business, operating results and financial condition.

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, which could have a material adverse effect on Cairn India's, business, operating results and financial condition.

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 Cairn India's business, operating results and financial condition.

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

The Bhagyam field development plan has been approved by the Bhagyam joint venture partner (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 field development plan 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 Cairn India's business, operating results and financial condition.

The construction of the Salaya to Bhogat section of the main pipeline may take longer than planned.

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 90 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 (RoU); (iii) difficulties with local landowners obstructing access to the pipeline routes; (iv) shortages and/or delays in obtaining all the required material; (v) shortage of skilled labour; and (vi) non-compliance with Cairn India's health, safety, environmental and quality policies. A delay in the construction and installation of the Salaya to Bhogat section of the main pipeline could have a material adverse effect on Cairn India's business, operating results and financial condition.

The Salaya to Bhogat section of the main pipeline may not work as intended.

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, which could have a material adverse effect on Cairn India's business, operating results and financial condition.

The costs of the Salaya to Bhogat section of the main pipeline may be greater than forecast.

The construction of the additional Salaya to Bhogat section of the main pipeline has been approved by the Rajasthan joint venture partner (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, which could have a material adverse effect on Cairn India's business, operating results and financial condition.

The construction of the Bhogat marine terminal and loading facilities may take longer than planned.

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 Cairn India'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, which could have a material adverse effect on Cairn India's business, operating results and financial condition.

The costs of the Bhogat marine terminal and loading facilities may be greater than forecast.

The construction of the Bhogat marine terminal and loading facilities has been approved by the Bhagyam joint venture partner (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, which could have a material adverse effect on Cairn India's business, operating results and financial condition.

The Bhogat Marine Loading Facilities do not work as planned.

The design of the Bhogat marine loading facilities requires that the crude oil stored in the Bhogat marine storage facilities is 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. Failure of the Bhogat Marine loading facilities to work as planned could have a material adverse effect on Cairn India's business, operating results and financial condition.

The impact of adverse weather on the Bhogat Marine Loading Facilities is 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 Cairn India's business, operating results and financial condition.

Infrastructure and Sales shortfall affecting Rajasthan oil delivery.

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 2011. 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.

Inadequate plant operating and maintenance procedures.

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, which ultimately could materially adversely affect the financial condition and/or operating results of the Cairn India Group.

RISKS OF THE COMBINED GROUP

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 materially adversely affect the Combined Group's businesses, prospects and financial condition.

Commodity prices and the copper treatment charge and refining charge ("TcRc") may be volatile, which would affect the Combined Group's revenue, results of operations and financial condition.

Historically, the international commodity prices for copper, zinc, aluminium and iron ore and the prevailing market TcRc rate 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 cyclicality 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. A decline in the prices 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 results of operations, and a sustained drop would have a material adverse effect on its revenue, results of operations and financial condition.

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 Vedanta's existing copper, zinc and bauxite reserves cannot be mined at competitive costs or if Vedanta 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 Vedanta's existing iron ore reserves cannot be mined at competitive costs, the Combined Group's iron ore business may become unprofitable. Because Vedanta'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 results of operations 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 other copper, zinc, aluminium and iron ore companies, lack of suitable acquisition candidates, government regulatory and licencing 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 Combined Group's operations will be subject to operating risks that could result in decreased production, increased cost of production and increased cost of or disruptions in transportation, which could adversely affect its business, results of operations and financial condition.

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 production costs, 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 and production due to equipment failures, unexpected maintenance problems and other interruptions. All of the Vedanta Group's operations and the Combined Group's operations

will be vulnerable to disruptions. Metal processing plants are especially vulnerable to interruptions, particularly where an event causes a stoppage which necessitates a shutdown 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 results of operations or financial condition.

- 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 Vedanta Group is particularly dependent on coal which is used in many of its captive power plants. The Vedanta 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, the government-owned coal monopoly in India.
- Availability of water. The mining operations of the Vedanta Group's zinc and aluminium businesses and its captive power plants 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 Vedanta 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, 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 business, results of operations and financial condition.
- Accidents at mines, smelters, refineries, cargo terminals and related facilities. Any accidents or explosions 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 Vedanta's mines and facilities have occurred in the past and may occur in the future. Most recently, construction at Vedanta's 1,200 MW captive power plant at Korba was disrupted following a tragic collapse of a chimney under construction in September 2009 during heavy rains and lightning. There were 40 fatalities in the accident and SEPCO, Vedanta'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 Vedanta'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 business, results of operations and financial condition.

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 Combined 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.

The Combined Group relies upon third party contractors and providers of equipment.

In common with many exploration and production companies, the Combined Group and the operators of assets in which either has an interest 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 an adverse effect on the Combined Group's businesses, prospects, financial condition or results of operations.

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 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 results of operations or financial condition.

The Combined Group's operations are subject to extensive governmental, health and safety and environmental regulations which have in the past and could in the future cause it to incur significant costs or liabilities or interrupt or close its operations, any of which events may adversely affect its results of operations.

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 India, Zambia, Australia 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. 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 licenses or the right to operate its facilities, 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 closure of its operations, any of which could have a material adverse effect on its business, results of operations and financial condition.

New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws and regulations, may also require Vedanta or its customers to change operations significantly or incur increased costs, which could have a material adverse effect on its results of operations or financial condition. For example, due to a recent change in the mining law in Zambia, KCM has applied for renewal of the lease for the mine and will be required to obtain an operating permit on an annual basis.

Additionally, Vedanta's listed subsidiaries, Sterlite, HZL and Sesa Goa, are required to comply with various conditions mandated by the 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.

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

As part of Vedanta's growth strategy, it intends to continue to pursue acquisitions to expand its business. 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 business 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 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, 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 business, results of operations or financial condition.

The Combined Group's planned and future expansions and acquisitions are dependent upon its ability to obtain funding.

The Combined Group will require capital for, among other purposes, expanding its operations, making acquisitions, managing acquired assets, acquiring new equipment, maintaining the condition of its existing equipment and maintaining compliance with environmental laws and regulations. To the extent that cash generated internally and cash available under Vedanta's existing credit facilities are not sufficient to fund the Combined Group's capital requirements, Vedanta will require additional debt or equity financing, which may not be available on favourable terms, or at all. Future debt financing, if available, may result in increased finance charges, increased financial leverage, decreased income available to fund further acquisitions and expansions and the imposition of restrictive covenants on the Combined Group's businesses and operations. In addition, future debt financing may limit the Combined Group's ability to withstand competitive pressures and render its businesses more vulnerable to economic downturns. If the Combined Group fails to generate or obtain sufficient additional capital in the future, it could be forced to reduce or delay capital expenditures, sell assets or restructure or refinance its indebtedness.

Accordingly, Vedanta's planned and any proposed future expansions and projects may be materially and adversely affected if it is unable to obtain funding for such capital expenditures on satisfactory terms, on a timely basis or at all, including as a result of any of its existing facilities becoming repayable before their due dates. In addition, there can be no assurance that Vedanta's planned or any proposed future expansions and projects will be completed on time or within budget, which may adversely affect the cash flow of the Combined Group.

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 business 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 senior management team of Vedanta and other key team members in its 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 senior management or other key team members, or its failure otherwise to maintain the necessary management and other resources to maintain and grow its business, could have a material adverse effect on its business, results of operations, financial condition and prospects. In addition, as the Combined Group's business develops and expands, 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 and the US dollar could have a material adverse effect on the Combined Group's results of operations.

Although substantially all of Vedanta'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 and Zambian Kwacha. In addition, in the financial year ended 31 March 2010,

50.8 per cent. of Vedanta'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 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. The Combined Group's results of operations or financial condition could be adversely affected if the US dollar depreciates against the Indian Rupee, Australian dollar or Zambian Kwacha. Vedanta 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 results of operations and financial condition.

Vedanta is subject to restrictive covenants under its credit facilities including term loans and working capital facilities that limit its flexibility in managing its business.

There are restrictive covenants in the agreements Vedanta has entered into with certain banks and financial institutions for its existing borrowings and in relation to the financing secured for the Acquisition. These restrictive covenants require Vedanta 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 business.

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

Vedanta's current long-term debt is rated Ba2 on review for possible downgrade, BB− on credit watch negative and BB on credit watch negative as reported by Moody's Investors Services, Inc., Standard & Poor's Ratings Services, a division of McGraw-Hill Companies, Inc. and Fitch Ratings Ltd., respectively. The debt ratings are based on, among others, the assumption that Vedanta'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.

Vedanta'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. In this context, the UK Finance Act 2009 made two changes to the CFC rules that apply for accounting periods starting on or after 1 July 2009 (with provision for accounting periods which straddle this date) subject, where applicable, to transitional rules applying for holding companies until 1 July 2011. First, the so-called acceptable distribution policy exemption has been repealed. Secondly, the so-called "exempt activities" exemption for superior and non-local holding companies has been repealed, although the legislation provides for a 24-month transitional period to allow groups to unwind holding structures. On 26 January 2010, HM Treasury and HM Revenue & Customs ("HMRC") published a discussion document outlining further proposals for reform of the CFC rules. In the emergency budget held in June 2010, the government announced its intention to introduce a full reform of the CFC rules in spring 2012, with interim measures being introduced in 2011. On 27 July 2010, HM Treasury published a note outlining the aim and scope of the interim measures, and a consultation process on such measures is taking place until October 2010. Further details and draft legislation in respect of the interim measures is expected to be published in October or November 2010, following which there will be subsequent consultation before the interim measures are enacted, expected in the Finance Act 2011. In respect of the full CFC reform, HM Treasury and HMRC are still consulting on its scope and design, and more detailed proposals are due to be published in spring 2011. 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 affected 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 28 per cent. (or higher if credit is not available for locally paid tax or if the UK corporation tax rate increases (although this is not currently expected, as the UK government announced its intention in the

June 2010 Budget to reduce the rate of corporation tax by 1 per cent. in each of 2011, 2012, 2013 and 2014)) by application of that regime to such subsidiaries' profits.

There are risks associated with the Cairn India Group obtaining any other necessary approvals from the GoI for the Vedanta Share Purchase

The GoI have by letter dated 4 November 2010 to Cairn Energy requested that the Cairn Energy Group apply for approval from the GoI for the Vedanta Share Purchase in respect of the following blocks: (i) RJ-ON-901 (Rajasthan Block); (ii) PKGM-1 (Ravva Block); and (iii) CB/OS-2 (Cambay Block). In addition, the Cairn India Group continues to engage in a consensual manner with the GoI to identify and obtain any approvals that may be required for the Vedanta Share Purchase. There is no certainty that any such approval that is identified and applied for will be granted by the GoI. If any such approval that is identified as necessary is not obtained, the parties would need to assess the effect of such approval not being forthcoming on the proposed Vedanta Share Purchase and the steps that would then require to be taken. Failure to obtain such a required approval may have an adverse effect on the business, operations and prospects of the Cairn India Group and/or the Combined Group.

There are risks associated with the Cairn India Group obtaining approval from the GoI under the terms of certain PSCs for the Vedanta Share Purchase.

Under the terms of the PSCs for the following blocks in which the Cairn India Group has a participating interest, the Cairn India Group will require the prior approval of the GoI for the proposed Vedanta Share Purchase: (i) KK-DWN-2004/1 (Kerala Konkan Basin); (ii) GS-OSN-2003/1 (Gujarat Saurashta Offshore); (iii) KG-DWN-98/2 (Krishna Godavari Basin); (iv) KG-ONN-2003/1 (Krishna Godavari Basin—Onshore); (v) PR-OSN-2004/1 (Pallar Pennar Basin); (vi) MB-DWN-2009/1 (Mannar Basin); and (vii) KG-OSN-2009/3 (Krishna Godavari Basin) (collectively, the "NELP PSCs"). To this end, the Cairn India Group has on 9 September, 2010 submitted letters to the GoI seeking the prior approval of the GoI under the NELP PSCs for the proposed Vedanta Share Purchase. While the GoI has intimated that the aforesaid applications of the Cairn India Group are presently being reviewed by the GoI (letters dated 16 September, 2010), there is no certainty of the GoI granting its approval for the proposed Vedanta Share Purchase under the NELP PSCs. If such approval is not obtained, the Vedanta Share Purchase will proceed as contemplated and no adjustment will be made to the price payable by the Vedanta Group to members of the Cairn Energy Group under the Purchase Agreement. However, failure to obtain approval may lead to the Cairn India Group/the Combined Group losing such participating interests which may have an adverse effect on the business, results of operations and prospects of the Cairn India Group and/or the Combined Group. The potential effect of such loss is currently unquantifiable as such participating interests relate to exploration licences, where the value of such licences is yet to be determined.

The ONGC is claiming a pre-emptive right is triggered by the entry into the Purchase Agreement permitting it to acquire participating interests held by Cairn India in various blocks.

ONGC has by a letter dated 30 August 2010 to the Cairn Energy Group, claimed that (a) the entry into the Purchase Agreement triggers a pre-emptive right of ONGC to acquire from Cairn India participating interests held by Cairn India and its affiliates in the various blocks in which ONGC also has participating interests being the following blocks: (i) RJ-ON-90/1 (Rajasthan Block) (i) CB/OS-2 (Cambay Block), (iii) PKGM—1 (Ravva Block) (iv) KK-DWN- 2004/1 (Kerala Konkan Basin); (v) GS-OSN-2003/1 (Gujarat Saurashta Offshore); (vi) KG-DWN-98/2 (Krishna Godavari Basin); (vii) KG-ONN-2003/1 (Krishna Godavari Basin—Onshore) and (viii) PR-OSN-2004/1 (Pallar Pennar Basin); and (b) completion of the Purchase Agreement requires the prior consent of ONGC. Both Vedanta and Cairn India believe that entry into the Purchase Agreement does not trigger any pre-emptive rights of ONGC (because ONGC has no such rights) and completion under the Purchase Agreement does not require the prior consent of ONGC. Should the claim of the ONGC be found to be valid, ONGC could then be in a position to exercise its pre-emptive rights in relation to the participating interests held by the Cairn India Group in blocks where ONGC also has participating interests. The exercise of such pre-emptive rights may have an adverse effect on the business, results of operations and prospects of the Cairn India Group and/or the Combined Group.

RISKS RELATING TO THE VEDANTA BUSINESS

If Vedanta's planned expansions and new projects are delayed, Vedanta's results of operations and financial condition may be materially and adversely affected.

Vedanta has a number of significant expansion plans for its existing operations and plans for new 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. Vedanta does not have all of the leases, licences, permits, consents and approvals that are or will be required for its planned expansions and new projects. Failure to obtain regulatory approvals may delay or prevent Vedanta from commencing commercial operations at certain of these projects in a timely manner, or at all. See also "Risk Factors—Risks of the Combined Group—The Combined Group's operations are subject to extensive governmental, health and safety and environmental regulations which have in the past and could in the future cause it to incur significant costs or liabilities or interrupt or close its operations, any of which events may adversely affect its results of operations".

Any delay in completing planned expansions, revocation of existing clearances, failure to obtain regulatory approvals, suspension of current projects or cost overruns or operational difficulties once the projects are commissioned may have a material adverse effect on Vedanta's business, results of operations or financial condition. Any delay in completing planned expansions could also adversely affect Vedanta's credit rating which may increase its borrowing costs.

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 may have a material adverse effect on its operations.

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, BALCO, HZL, Sesa Goa, KCM, Copper Mines of Tasmania Pty Ltd and Sesa Industries Limited ("SIL") and intends to increase its stake in certain of these subsidiaries, 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 and/or NYSE listings of Sterlite, HZL, Sesa Goa and the proposed listings of Sterlite Energy and 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 (either under shareholders' agreements or by operation of law). The existence of minority or other interests in, and stock exchange listings of, Vedanta's subsidiaries may limit its 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 the different parts of its business or reorganise the structure of Vedanta's business in a tax efficient manner, which may have a material adverse effect on its operations.

Further, pursuant to the requirements for the continued listing of the shares of HZL on the NSE and the BSE, in the event Sterlite, through Sterlite Opportunities 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 of 10 per cent. 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 adversely impact Vedanta's financial condition and results of operations.

OPERATING RISKS

Vedanta's copper business depends upon third-party suppliers for a substantial portion of its copper concentrate requirements, and its segment results and segment margins depend upon the market prices for the raw material.

Vedanta sources a majority of its copper concentrate requirements for its copper business from third parties. For example, in the financial year ended 31 March 2010, Sterlite sourced 92.2 per cent. of its copper requirements from third parties. As a result, segment results and segment margins of Vedanta's copper business depend upon its ability to obtain the required copper concentrate at prices that are low relative to the market prices of the copper products that it sells. The market price of the copper concentrate that Vedanta purchases and the market prices of the copper metal that it sells has 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 Vedanta sells would adversely affect the segment results and segment margins of Vedanta's copper business, which could have a material and adverse effect on its results of operations and financial condition.

Vedanta's zinc business is substantially dependent upon its Rampura Agucha lead-zinc mine, and any interruption in the operations at that mine could have a material adverse effect on its results of operations and financial condition.

The Rampura Agucha lead-zinc mine produced 87 per cent. of HZL's total mined metal in zinc and lead concentrate that Vedanta produced in the financial year ended 31 March 2010 and constituted 77.2 per cent. of Vedanta's proved and probable zinc reserves as of 31 March 2010. Vedanta's zinc business provided 55.1 per cent. of its operating profit in the financial year ended 31 March 2010. Vedanta's results of operations 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 results of operations and financial condition.

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

Currently, Sesa Goa conducts mining operations at mines leased out by the Government of India to third parties, namely the Thakurani and Sonshi mines, through long-term ore raising contracts. Under these contracts, Sesa Goa, as contractor, is responsible for extracting the ore which it then purchases back from the relevant third-party owners. During the financial year ended 31 March 2010, approximately 4.5 million tonnes of Sesa Goa's crude iron ore production (or approximately 21 per cent. of its iron ore production) was derived from its operation of third-party mines. As part of Sesa Goa's contract arrangements, Sesa Goa 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 is scheduled to expire on 30 November 2010. Negotiations are on-going with the relevant third-party mine owner in respect of the renewal of the contract for the Thakurani mine. The Thakurani mine produced approximately 2.0 million tonnes of Sesa Goa's crude iron ore production (or approximately 9.35 per cent. of its iron ore production) for the financial year ended 31 March 2010.

There is no assurance that the respective third-party mine owners will renew Sesa Goa's contracts on the same or otherwise favourable terms, or at all. In addition, there is also no assurance that, where such mines are owned by third parties under a lease, the relevant 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 may materially and adversely affect Vedanta's business, financial condition, results of operations and prospects.

Vedanta'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 results of operations and financial condition.

Vedanta's iron ore business is largely dependent on export sales of iron ore to China. For instance, in the financial year ended 31 March 2010, 90.4 per cent. of Sesa Goa's total export sales were derived from sales of iron ore to customers in China. As a result, the performance and growth of its iron ore business is necessarily dependent on the health of the Chinese economy, which may be materially and adversely affected by political instability or regional conflicts, 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 Sesa Goa's ability to export iron ore to China, could have a material adverse effect on its results of operations and financial condition.

Vedanta's iron ore business is substantially dependent upon the Goa mines, and any interruption in the operations at those mines could have a material adverse effect on its results of operations and financial condition.

The Codli mine produced 39.5 per cent. of Vedanta's total iron ore production in the financial year ended 31 March 2010 and constituted 17.2 per cent. of its proved and probable iron ore reserves as of 31 March

2010. Sesa Goa's results of operations 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 Vedanta's results of operations and financial condition.

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

Vedanta's ability to mine the land on which it has been granted mining lease rights is dependent on the surface rights that it acquires separately and subsequently to the grant of mining lease rights and generally over only part of the land leased. Additional surface rights may be negotiated separately with landowners, though there is no guarantee that these rights will be granted. Although Vedanta expects to be able to continue to obtain additional surface rights in the future in the ordinary course, any delay in obtaining or inability to obtain or any challenge to its title to surface rights could negatively affect its financial condition and results of operations.

Vedanta is developing its commercial power generation business, a line of business in which Vedanta has limited experience and which is exposed to various risks.

Vedanta's indirectly owned subsidiary, Sterlite Energy, is investing approximately INR82,000 million (US$1,900 million) to build a 2,400 MW thermal coal-based power facility comprising four units in Jharsuguda in the State of Orissa in India. The first of these units has been commissioned. The second unit is expected to be synchronized by the end of the third quarter of the financial year ending 31 March 2011. The remaining two units will be progressively commissioned by the end of the first half of the financial year ending 31 March 2012. Sterlite Energy has also 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 at an estimated cost of INR93,200 million (US$2,150 million), which is expected to be fully commissioned by the second quarter of the financial year ending 31 March 2014.

Although Vedanta has some experience in building and managing captive power plants to provide a significant percentage of the power requirements of its copper, zinc and aluminium businesses and has commissioned wind power plants, Vedanta has limited experience in building, operating, managing and competing in the commercial power generation business. In addition to the significant capital investment, Vedanta's management's focus will be required for this new business. Additionally, Vedanta will be competing with established commercial power generation companies in a relatively unfamiliar market.

Vedanta's commercial power generation business also involves the following risks:

- Inability of Vedanta to obtain lender consents to commence this new business;
- Dependence upon 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 Vedanta generates, which will be beyond its control;
- Vedanta 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 Vedanta receives may not be sufficient for its planned operations and Vedanta may also not be successful at procuring sufficient supply of coal at economically attractive prices, or at all. Additionally, the coal block allocation letters contain certain restrictive covenants which Vedanta is subject to, including specified end use, processing of middlings and submission of mining plans within a certain specified period; and
- Price volatility as Vedanta will sell the power it generates on the open market (rather than to captive schemes) and therefore be exposed to spot prices, which are subject to factors beyond Vedanta's control.

Accordingly, there can be no assurance that Vedanta will recover its investment in this new business or that Vedanta will realise a profit from this new business.

If any power facilities Vedanta builds and operates as part of its commercial power generation business do not meet operating performance requirements and agreed standards as may be set out in its agreements, or otherwise do not operate as planned, Vedanta may incur increased costs and penalties and its results of operations may be adversely affected.

Operating power plants involves many operational risks, including the breakdown or failure of generation equipment or other equipment or processes, labour disputes, fuel interruption and operating performance below expected levels. However, the power purchase agreements and other agreements which Vedanta 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 Vedanta's facilities do not meet the required performance standards, the power purchasers may not reimburse Vedanta for any increased costs arising as a result of its plants' failure to operate within the agreed norms, which may in turn adversely affect Vedanta's results of operations. 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 Vedanta'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, plant shut downs.

Vedanta depends on the experience and management skill of certain of its key employees.

Vedanta's efforts to continue its growth will place significant demands on its management and other resources, and Vedanta will be required to continue to improve operational, financial and other internal controls, both in and outside India across all locations. Vedanta's ability to maintain and grow its existing business 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. Vedanta is in particular dependent to a large degree on the continued service and performance of its senior management team and other key team members in its 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 senior management or other key team members, or its failure otherwise to maintain the necessary management and other resources to maintain and grow its business, could have a material adverse effect on its business, results of operations, financial condition and prospects. In addition, as Vedanta's business develops and expands, Vedanta believes that its future success will depend on its ability to attract and retain highly skilled and qualified personnel, which is not guaranteed.

LITIGATION

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

Under the terms of the shareholders' agreement between the Government of India and SOVL, SOVL was granted two call options to acquire all the shares in HZL held by the Government of India at the time of exercise. By a letter dated 21 July 2009, SOVL exercised the second call option. The Government of India has stated that SOVL's second call option violates the provisions of Section 111A of the Indian Companies Act, 1956, 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. Both the Government of India and SOVL have appointed mediators following an order by the Delhi High Court on 18 May 2010. Depending on the outcome of the mediation process, arbitration may commence.

There can be no assurance that the acquisition by SOVL of the Government of India's remaining shares in HZL through the exercise of the second call option will not be challenged or that the mediation or arbitral proceedings will result in a favourable outcome for SOVL. Any adverse ruling may preclude or delay SOVL from exercising its second call option to increase its ownership interest in HZL, which may have a material adverse effect upon Sterlite's operational flexibility, results of operations and prospects. Alternatively, SOVL may only be able to acquire the Government of India's remaining ownership interest in HZL at a price in excess of the market value or fair value of those shares, which could have a material adverse effect on Vedanta's results of operations and financial condition. Please see "Additional Information—9. Litigation—SOVL has commenced proceedings against the Government of India, which has disputed SOVL's exercise of the call option to purchase its remaining 29.5 per cent. ownership interest in HZL" for further details.

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 been 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 of BALCO held by the Government of India pursuant to the shareholders' agreement between the parties. The pronouncement of the award has been reserved. Please see "Additional Information—9. Litigation—Sterlite has commenced proceedings against the Government of India which has disputed Sterlite's exercise of the call option to purchase its remaining 49 per cent. ownership interest in BALCO" for further details.

There is no assurance that the arbitral award will be favourable to Sterlite. In the event of an unfavourable arbitral award, 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 may adversely affect Vedanta's operational flexibility, results of operations and prospects. For the avoidance of doubt, in the event that the arbitral award provides for a purchase price that is higher than provided by the terms of the shareholders' agreement, Sterlite may choose not to consummate the purchase or may challenge the arbitral award in court. The amount of Sterlite's claim against the Government of India is not quantifiable as Sterlite is seeking specific performance as a remedy.

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

In April 2001 SEBI brought certain proceedings relating to alleged violations by Sterlite of regulations prohibiting fraudulent and unfair trading practices. Please see "Additional Information—9. Litigation—Appeal proceedings in the High Court of Bombay brought by SEBI to overrule a decision by the SAT that Sterlite has not violated regulations prohibiting fraudulent and unfair trading practices" for further details.

In the event any of the above matters are held against Sterlite, it may be prohibited from accessing the 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, Vedanta's business and operations may be materially and adversely affected.

The Government of India may allege a breach of a covenant by Vedanta's subsidiary, SOVL, which may result in litigation and have a material adverse effect on Vedanta's business, results of operations, financial condition and prospects.

Under the terms of the shareholders' agreement between the Government of India and SOVL, SOVL agreed that it would ensure that HZL would implement a 100,000 tonnes per annum greenfield zinc smelter plant at Kapasan, State of Rajasthan (the "Kapasan Project"), within a period of five years from 11 April 2002. The shareholders' agreement further provided that if SOVL, within a period of one year from 11 April 2002, reviewed the feasibility of the Kapasan Project and determined that it was not in the best economic interests of HZL, which determination required the report of an independent expert, and the board of directors of HZL confirmed this determination, then SOVL would not be obligated to ensure that HZL implement the Kapasan Project.

By a letter dated 4 April 2003, HZL notified the Government of India that the board of directors of HZL had approved a brownfield expansion of its smelting capacity at Chanderiya, in the State of Rajasthan, by setting up a new 170,000 tonnes per annum zinc smelter. Furthermore, this letter stated that the Kapasan Project would not be undertaken and that the report of an independent expert may not be required. HZL did not obtain a report of an independent expert in relation to the Kapasan Project, and accordingly did not provide such a report to the Government of India. Although HZL and the Government of India corresponded regarding this issue after 4 April 2003, Vedanta has not received any further communication from the Government of India in relation to the Kapasan Project since 7 December 2005 and Vedanta has not received any notice asserting that SOVL has breached the covenant under the provisions of the shareholders' agreement between the Government of India and SOVL with respect to HZL.

If the Government of India claims that SOVL has breached the covenant relating to the Kapasan Project under the shareholders' agreement resulting in litigation, and it was determined that SOVL had breached such covenant triggering an event of default, the Government of India may become entitled to either sell any or all of the shares of HZL held by the Government of India to SOVL at a price equivalent to 150 per cent. of the market value of such shares, or purchase any or all of the shares of HZL held by SOVL at a price equivalent to 50 per cent. of the market value of such shares. If the Government of India were to

assert such put or call right, Vedanta may face litigation over the matter and if it is unsuccessful in such litigation, there may be a material adverse effect on its business, results of operations, financial condition and prospects.

Vedanta and its subsidiaries are involved in a number of litigation matters, both civil and criminal in nature, which could together have a material adverse effect on the business, results of operations, financial condition and prospects of Vedanta and/or its subsidiaries.

Vedanta and its subsidiaries are involved in a variety of litigation matters, including criminal matters, matters relating to alleged property disputes, labour disputes, alleged violations of environmental and tax laws, alleged violation of the provisions of 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$229.2 million, of which US$5.4 million had been recorded as non-current liabilities, as of 31 March 2010. The claims by third-party claimants amounted to US$151.2 million as of 31 March 2010, of which US$5 million had been recorded as non-current liabilities.

The Ministry of Corporate Affairs of the Government of India has ordered an investigation by the Serious Fraud Investigation Office (the "SFIO") into Sesa Goa's affairs and that of Sesa Goa's subsidiary, SIL, in respect of alleged mismanagement, malpractices, financial and other irregularities in the period prior to its acquisition by the Vedanta Group.

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

The SFIO is carrying out certain investigations into the affairs, mismanagement and malpractices alleged to have been adopted by Sesa Goa and SIL including the alleged siphoning and diversion of funds which took place prior to the acquisition of Sesa Goa by Vedanta. Please see "Additional Information—9. Litigation—Investigation by the SFIO" for further details.

The details of this investigation remain unclear and in the event allegations of wrongdoing are made, or proceedings are initiated, by the SFIO or any other regulatory authority or court or tribunal against Sesa Goa or any of its past or present directors or executive officers, or an adverse order or judgment is passed against Sesa Goa or such directors or executive officers, Sesa Goa may be subject to negative reputational or penal consequences or other sanctions, including significant fines and criminal prosecution, which may, based on the severity of the consequences, have a material adverse effect on Vedanta's business, results of operations, financial condition and prospects. However, Vedanta believes that it may not be directly impacted because the alleged mismanagement and malpractices adopted by Sesa Goa and SIL, including siphoning and diversion of funds, took place prior to the acquisition of Sesa Goa by Vedanta.

Vedanta is involved in certain litigation seeking cancellation of permits and environmental approval for the 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 alleging, *inter alia*, that sulphur dioxide emissions from the Vedanta Group'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. Please see "Additional Information—9. Litigation—Vedanta is involved in certain litigation seeking cancellation of permits and environmental approval for the alleged violation of certain air, water and hazardous waste management regulations at its Tuticorin plant" for further details.

On 28 September 2010, the High Court of Madras ordered the closure of the Vedanta Group's copper smelting plant at Tuticorin. The Vedanta Group has applied for a special leave petition before the Supreme Court against the order of the High Court of Madras for a stay on the order passed by the High Court of Madras on 28 September 2010. The Supreme Court has stayed the order passed by the High Court of Madras on 28 September 2010 until the next hearing which is scheduled to take place in the second week of December 2010. The financial impact, if any, of the writ petitions is not precisely quantifiable.

In the event the Vedanta Group is not successful in challenging the order dated 28 September 2010, the copper smelting plant at Tuticorin may be ordered to shut down and consequently, its business and operations may be materially and adversely affected.

Petitions have been filed in the Supreme Court of India 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, *inter alia*, Sterlite and Vedanta Aluminium alleging 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 Forest (Conservation) Act, 1980 of India. Please see "Additional Information—9. Litigation—Petitions have been filed in the Supreme Court of India 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" for futher details.

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 1 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 1 mtpa to 6 mtpa should not be 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 accordance with the 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 1 mtpa to 6 mtpa. Vedanta Aluminium is currently assessing its next course of action.

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.

In the event Vedanta Aluminium is not successful in disputing the second show cause notices Vedanta Aluminium may be restricted in its ability to expand or be forced to close its alumina refinery and consequently, Vedanta's business and operations may be materially and adversely affected.

TAX RISKS

Vedanta 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.

Vedanta 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 Vedanta 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 Vedanta's tax obligations, which could have a material adverse effect on its results of operation or financial condition.

Changes in tax laws could also result in additional taxes payable by Vedanta. For example, the Government of Zambia (the "GRZ") introduced a tax code in 2008 that increased the royalties and taxes paid by mining companies. While KCM is complying with the new tax code, it along with other Zambian companies have objected to the increased royalties and is in discussions with the GRZ in relation to the new levies on the basis that the GRZ has reneged on tax exemption deals covered by the development agreement entered into by KCM and the GRZ on 5 November 2004 (the "Development Agreement") and they have also appealed to the GRZ to mitigate the hardship imposed by the new tax code. In response, in January 2009, the GRZ announced certain relief measures, including the abolition of retrospective windfall tax. KCM has maintained its challenge to the other forms of taxation not addressed by these relief measures on the basis of tax exemption deals covered by the Development Agreement. The outcome of this discussion has yet to be determined. The Development Agreement was abrogated by the Zambian Mines and Minerals Development Act No. 7 in April 2008 and, accordingly, there can be no assurance that the new tax code will be successfully challenged and, accordingly, it may adversely affect KCM's business and results of operations and consequently have a material adverse effect on Vedanta's results of operations or financial condition. Assuming the new tax code must be complied with and challenges of such code by KCM and other Zambian companies are unsuccessful, Vedanta is unable to quantify the additional taxes it may have to pay under the new code because the amount of taxes payable is dependent

on the amount of profits made by KCM. For illustration purposes, in the financial year ended 31 March 2010, KCM paid an extra US$19.5 million in taxes, being the additional amount of royalty it had to bear as a result of the new tax code.

INDUSTRY RISKS

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

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 from 25 per cent. to 5 per cent. (and on imported zinc was zero from 29 April 2008 to 2 January 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 Vedanta 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. Vedanta's profitability depends in part on the continuation of import duties, any reduction of which would have an adverse effect on its results of operations and financial condition.

Vedanta pays royalties to the Indian State Governments of Rajasthan, Chhattisgarh, Goa, Karnataka, Orissa and Tamil Nadu and also to the GRZ 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 adversely affect 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 Vedanta receives from export sales and may have an adverse effect on its results of operations or financial condition.

PART 3

FINANCIAL INFORMATION RELATING TO CAIRN INDIA

SECTION A: HISTORICAL FINANCIAL INFORMATION ON CAIRN INDIA

Introduction

Financial information relating to Cairn India Group for the years ended 31 December 2007, 31 December 2008 and 31 December 2009 is set out on pages 42 to 90 in this Part 3.

CAIRN INDIA LIMITED

GROUP INCOME STATEMENT

	Note	Year ended 31 December 2009 $m	Year ended 31 December 2008 $m	Year ended 31 December 2007 $m
Revenue				
Revenue from continuing operations	2	**220.7**	282.4	237.5
Exceptional Revenue Provision	2, 4	**(64.0)**	—	—
		156.7	282.4	237.5
Cost of sales				
Production costs		**(53.4)**	(44.6)	(48.3)
Unsuccessful exploration costs		**(50.2)**	(27.8)	(15.3)
Depletion and decommissioning charge		**(56.0)**	(46.2)	(62.0)
Gross (loss)/profit		**(2.9)**	163.8	111.9
Other operating income		**11.7**	10.8	6.0
Administrative expenses		**(52.0)**	(51.1)	(48.7)
Operating (loss)/profit	3	**(43.2)**	123.5	69.2
Finance income	6	**42.6**	56.2	35.9
Finance costs before exceptional items	7	**(10.3)**	(25.9)	(4.6)
Exceptional finance cost	4, 7	**(31.6)**	—	—
Finance costs		**(41.9)**	(25.9)	(4.6)
(Loss)/profit before taxation		**(42.5)**	153.8	100.5
Taxation				
Taxation credit/(charge) on (loss)/profit before exceptional items	8	**70.1**	(76.0)	(43.9)
Exceptional tax credit	4	**40.4**	—	—
Taxation credit/(charge) on (loss)/profit	8	**110.5**	(76.0)	(43.9)
Profit for the year		**68.0**	77.8	56.6
Earnings per ordinary share—basic (cents)	9	**3.59**	4.18	3.18
Earnings per ordinary share—diluted	9	**3.58**	4.17	3.17

CAIRN INDIA LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	$m	$m	$m
Profit for the year	**68.0**	77.8	56.6
Other comprehensive income			
(Deficit)/surplus on valuation of financial assets	**(1.9)**	(14.0)	8.0
Currency translation differences	**22.6**	(137.4)	11.9
Other comprehensive income for the year	**20.7**	(151.4)	19.9
Total comprehensive income for the year	**88.7**	(73.6)	76.5

CAIRN INDIA LIMITED

GROUP BALANCE SHEET

	Notes	As at 31 December 2009	As at 31 December 2008	As at 31 December 2007
		$m	$m	$m
Non-current assets				
Intangible exploration/appraisal assets	10	340.6	370.6	456.2
Property, plant & equipment—development/producing assets	11	1,831.5	1,116.8	499.8
Property, plant and equipment—other	12	5.9	7.8	5.5
Intangible assets—other	13	3.6	4.0	4.3
Available-for-sale financial assets	14	—	1.9	15.9
		2,181.6	**1,501.1**	**981.7**
Current assets				
Inventory	15	10.7	1.1	1.7
Trade and other receivables	16	270.8	442.1	249.7
Bank deposits	17	267.4	476.3	30.1
Cash and cash equivalents	17	326.2	629.0	487.8
Derivative financial instruments	25	—	3.7	2.4
Income tax assets		8.1	10.5	7.9
		883.2	**1,562.7**	**779.6**
Total assets		**3,064.8**	**3,063.8**	**1,761.3**
Current liabilities				
Trade and other payables	18	310.2	486.7	234.5
Obligations under finance leases	20	1.5	2.2	1.9
Provisions	22	36.3	2.0	9.2
Income tax liabilities		5.9	6.3	—
		353.9	**497.2**	**245.6**
Non-current liabilities				
Loans and borrowings	17, 21	666.1	500.0	75.0
Obligations under finance leases	20	2.0	3.2	2.4
Provisions	22	30.5	24.7	35.7
Deferred tax liabilities	19	79.1	225.5	163.2
		777.7	**753.4**	**276.3**
Total liabilities		**1,131.6**	**1,250.6**	**521.9**
Net assets		**1,933.2**	**1,813.2**	**1,239.4**
Equity attributable to equity holders of the parent				
Called-up share capital	23	426.5	426.5	397.0
Share premium	23	6,770.5	6,770.5	6,166.5
Foreign currency translation	23	(102.9)	(125.5)	11.9
Retained earnings		(5,160.9)	(5,258.3)	(5,336.0)
Total Equity		**1,933.2**	**1,813.2**	**1,239.4**

CAIRN INDIA LIMITED

GROUP STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
		$m	$m	$m
Cash flows from operating activities				
(Loss)/profit before taxation		**(42.5)**	153.8	100.5
Exceptional revenue provision		**64.0**	—	—
Unsuccessful exploration costs		**50.2**	27.8	15.3
Depletion, depreciation, decommissioning and amortisation		**62.8**	52.1	65.7
Share based payments charge		**9.8**	13.9	19.0
Finance income		**(42.6)**	(56.2)	(35.9)
Finance costs		**10.3**	25.9	4.6
Exceptional finance costs		**31.6**	—	—
Net interest paid		**(9.3)**	(7.2)	(3.3)
Income tax paid		**(33.1)**	(14.0)	(18.6)
Foreign exchange differences		**2.5**	0.8	0.6
Movement on inventory of oil and condensate		**(9.6)**	0.5	(0.6)
Trade and other receivables movement		**1.1**	3.5	65.9
Trade and other payables movement		**(15.1)**	(1.7)	35.4
Movement in other and Ravva arbitration provisions		**35.2**	(9.7)	1.0
Net cash generated from operating activities		**115.3**	189.5	249.6
Cash flows from investing activities				
Expenditure on intangible exploration/appraisal assets		**(35.6)**	(47.6)	(119.1)
Expenditure on tangible development/producing assets		**(782.2)**	(500.0)	(205.4)
Purchase of property, plant & equipment—other		**(1.5)**	(3.3)	(1.8)
Purchase of intangible assets—other		**(3.0)**	(2.1)	(1.5)
Movement in funds on bank deposits		**225.1**	(445.6)	(30.1)
Interest received		**37.9**	44.9	32.9
Net cash used in investing activities		**(559.3)**	(953.7)	(325.0)
Cash flows from financing activities				
Arrangement and facility fees		**(34.9)**	—	—
Proceeds from shares issued for cash		**—**	633.5	1,178.1
Payment of finance lease liabilities		**(2.4)**	(0.8)	(1.4)
Proceeds/(repayment) of borrowings		**166.1**	425.0	(33.0)
Payment to group companies		**—**	—	(785.3)
Net cash flows from financing activities		**128.8**	1,057.7	358.4
Net (decrease)/increase in cash and cash equivalents		**(315.2)**	293.5	283.0
Opening cash and cash equivalents at beginning of year		**629.0**	487.8	192.9
Exchange gains/(losses) on cash and cash equivalents		**12.4**	(152.3)	11.9
Closing cash and cash equivalents	17	**326.2**	629.0	487.8

CAIRN INDIA LIMITED

GROUP STATEMENTS OF CHANGES IN EQUITY

	Equity share capital	Foreign currency translation	Retained earnings	Total Equity
	$m	$m	$m	$m
At 1 January 2007	4,612.0	—	(5,419.6)	**(807.6)**
Total comprehensive income for the year	—	11.9	64.6	**76.5**
Shares issued for cash	1,951.5	—	—	**1,951.5**
Share based payments	—	—	19.0	**19.0**
At 1 January 2008	6,563.5	11.9	(5,336.0)	**1,239.4**
Total comprehensive income for the year	—	(137.4)	63.8	**(73.6)**
Shares issued for cash	629.5	—	—	**629.5**
Exercise of employee share options	4.0	—	—	**4.0**
Share based payments	—	—	13.9	**13.9**
At 1 January 2009	7,197.0	(125.5)	(5,258.3)	**1,813.2**
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 31 December 2009	**7,197.0**	**(102.9)**	**(5,160.9)**	**1,933.2**

NOTES TO ACCOUNTS

1. Accounting Policies

(a) Basis of preparation

Cairn India Limited was incorporated in India on 21 August 2006 and is a subsidiary of Cairn UK Holdings Limited which is a wholly-owned subsidiary of Cairn Energy, its ultimate parent which is listed on the London Stock Exchange. The principal activities of Cairn India and its subsidiary undertakings is the exploration for and development and production of oil and gas in the Indian sub-continent. The shares in Cairn India that are not held by its parent undertaking are listed on the Bombay and National Stock Exchanges in India.

The consolidated financial statements are presented for the years ended 31 December 2007, 2008 and 2009, being the three year period up to the end of the latest period for which Cairn Energy has prepared audited accounts as required for the purposes of Listing Rule 13.5.13(1). The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments and available-for-sale financial assets 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. In accordance with Indian Companies Act requirements, Cairn India Limited prepares its annual financial statements in accordance with India Accounting Standards for financial periods ended 31 December 2007, 31 March 2009 and 31 March 2010.

(b) Accounting standards

The consolidated 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 the year ended 31 December 2009 and on a basis consistent with the accounting policies adopted in Vedanta's latest annual accounts. In accordance with Indian Companies Act requirements, Cairn India Limited prepares its annual financial statements in accordance with India Accounting Standards. In preparing this financial information under IFRS as adopted in the EU, the Cairn India Group has started from an opening balance sheet as at 1 January 2007, Cairn India Group's date of transition to IFRS and made those changes in accounting policies and other restatements as required by IFRS1 "First-time adoption of International Financial Reporting Standards", as explained in note 31.

(c) Presentation currency

The functional currency of Cairn India Limited, the parent company of the Cairn India Group, is India Rupee. These 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 financial information incorporates the results of Cairn India 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.

The results of subsidiaries acquired or sold during the year are consolidated for the periods from, or to, the date on which control passed. Acquisitions are accounted for under the purchase method. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the acquisition date.

Excess purchase consideration, being the difference between the fair value of the consideration given and the fair value of the identifiable assets and liabilities acquired, is capitalised as an asset on the balance sheet.

1. Accounting Policies (Continued)

Where the fair values of the identifiable assets and liabilities exceed the cost of acquisition, the surplus is credited to the income statement in the period of acquisition.

Where it is not possible to complete the determination of fair values by the date on which the first post-acquisition financial statements are approved, a provisional assessment of fair values is made and any adjustments required to those provisional fair values, and the corresponding adjustments to purchased goodwill, are finalised within 12 months of the acquisition date.

The interest of minority shareholders in the acquirer is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

For acquisitions of additional interests in subsidiaries, where there is no change in control, the group recognises a reduction to the minority interest of the respective subsidiary with the difference between this figure and the cash paid, inclusive of transaction fees, being recognised in equity. In addition, upon dilution of minority interests the difference between the cash received from sale or listing of the subsidiary shares and the increase to minority interest is also recognised in equity.

(e) Joint Ventures

Cairn India 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 India 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 license interests are jointly controlled assets.

Cairn India principal licence interests are as follows:

	Working Interest %
India	
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 GS-OSN-2003/1	49.00
Block KK-DWN-2004/1	40.00
Block PR-OSN-2004/1	35.00
Sri Lanka	
SL-2007-01-001	100.00

(f) Revenue and other income

Revenue from operating activities

Revenue represents Cairn India'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 India follows a successful efforts based accounting policy for oil and gas assets.

1. Accounting Policies (Continued)

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 (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 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 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 India 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.

Cairn India 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 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 IAS 36 'Impairment of Assets'. Cairn India's cash generating units are those assets which generate largely independent cash flows and are normally, but not always, single development areas.

1. Accounting Policies (Continued)

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 $65/bbl (2008: short-term of $50/bbl and long-term of $65/bbl: 2007 short and long term $60/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 10% (2008: 3% and 10% respectively: 2007:3% and 10% 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.

(h) Property, plant and equipment—other

The initial cost of property, plant and 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 and 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 and 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:

	Annual Rate (%)	Depreciation Method
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:

	Annual Rate (%)	Amortisation Method
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.

1. Accounting Policies (Continued)

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.

Equity instruments

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.

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.

Convertible bonds

Convertible bonds denominated in the functional currency of the issuing entity are accounted for as compound instruments. The equity components and the liability components are separated out on the date of the issue. The equity component is recognised in a separate reserve and is not subsequently remeasured. The liability component is held at amortised cost. The interest expense on the liability component is calculated by applying the effective interest rate, being the prevailing market interest rate for similar non convertible debt. The difference between this amount and interest paid is added to the carrying amount of the liability component.

Convertible bonds not denominated in the functional currency of the issuing entity or where a cash conversion option exists, are split into two components: a debt component and a component representing the embedded derivative in the convertible bond. The debt component represents a liability for future coupon payments and the redemption on the principal amount. The embedded derivative, a financial liability, represents the value of the option that bond holders have to convert into ordinary shares. At inception the embedded derivative is recorded at fair value and the remaining balance, after deducting a share of issue costs, is recorded as the debt component. Subsequently, the debt component is measured at amortised cost and the embedded derivative is measured at fair value at each balance sheet dates with the change in the fair value recognised in the income statement. The embedded derivative and the debt

1. Accounting Policies (Continued)

component are disclosed together and the current/non current classification follows the classification of the debt component which is the host contract.

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.

Derivative financial instruments

In order to hedge its exposure to foreign exchange, interest rate and commodity price risks, the Cairn India 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 year.

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 Cairn India 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.

1. Accounting Policies (Continued)

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 year 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 exc.

Rates of exchange to $1 were as follows:

	31 December 2009	Average 2009	31 December 2008	Average 2008	31 December 2007	Average 2007
Indian Rupee	**46.410**	**48.265**	48.620	43.146	39.400	41.339

(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 year separately for each plan using the projected unit credit method by independent qualified actuaries. Actuarial gains and losses arising in the year are recognised in full in the income statement of the year.

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 year.

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 India 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.

1. **Accounting Policies (Continued)**

(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 India'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 India have fully provided for revenues withheld by buyers in relation to the disputed share of Ravva profit petroleum due to GoI. Cairn India are taking all legal routes open to defend the Cairn India Group's position and to recover the revenues which Cairn India 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. Further details are given in note 4.

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 India 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 22.

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 leaver rates, trigger points, discounts rates and volatility. See note 5.

1. Accounting Policies (Continued)

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 in 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.

The Cairn India Group's management reporting uses IFRS accounting policies as noted above.

2. Revenue and Other Income

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	$m	$m	$m
Revenue from sale of oil, gas and condensate	**219.8**	281.5	236.7
Tariff income	**0.9**	0.9	0.8
	220.7	282.4	237.5
Exceptional Revenue provision	**(64.0)**	—	—
Revenue from operating activities	**156.7**	282.4	237.5
Interest receivable (note 6)	**42.6**	56.2	33.8
Other operating income—Joint Venture operator fee income	**11.7**	10.8	6.0
Total income	**211.0**	349.4	277.3

3. Operating (loss)/profit

(a) Operating (loss)/profit is stated after charging/(crediting):

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	$m	$m	$m
Unsuccessful exploration costs	**50.2**	27.8	15.3
Movement in inventory of oil and condensate	**9.6**	(0.6)	(0.6)
Depletion & decommissioning charge of property, plant & equipment—development/producing assets	**56.0**	46.2	62.0
Depreciation of property, plant & equipment—other	**3.4**	3.5	1.5
Amortisation of intangible assets—other	**3.4**	2.4	2.2
Operating lease costs—land and buildings	**2.4**	2.6	1.1

(b) Continuing operations

All profits and losses in the current and preceding years were derived from continuing operations.

4. Exceptional items

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	$m	**$m**	**$m**
Revenue	**(64.0)**	—	—
Finance costs	**(31.6)**	—	—
Taxation	**40.4**	—	—
	(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 India'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 India 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. The Government of India has applied for admission of appeal which was allowed by the Federal Court of Malaysia on 27 May 2010. There is a final hearing scheduled for January 2011. Despite the September judgement re-instating the original arbitration award, the GoI continued to prevent the buyers passing revenues to Cairn India throughout the remainder of the year.

Consequently, on a conservative basis, Cairn India has provided for the full $95.6m liability as an exceptional item. The disputed share of profit petroleum of $64.0m has been charged against revenue and the potential interest charge of $31.6m has been recognised as a finance cost. An associated deferred tax credit of $40.4m has also been recognised, making a net impact on profit after tax of $55.2m. During the year, the cash due on $150.0m of Ravva revenues have been withheld from Cairn India. Cairn India has offset $85.0m of current profit petroleum payments due to GoI against the $150.0m withheld. The remaining $65.0m has been set off against the provision, see note 22.

Cairn India's view of the merits of the underlying case remains unchanged and Cairn India are taking all legal routes open to defend the Cairn India Group's position and to recover the revenues which Cairn India believe have been wrongfully withheld. Success through any of these routes should result in a return of this cash to the Cairn India Group.

5. Staff Costs

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	$m	**$m**	**$m**
Wages and salaries	**84.9**	60.0	56.0
Social security costs and other taxes	**—**	1.1	0.8
Pension costs	**6.2**	2.5	1.7
Share based payments charge	**16.6**	15.6	27.0
	107.7	79.2	85.5

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. The share-based payments charge also includes the cost of Fringe Benefits Tax, payable to the Indian Government on the exercise of share options held by Cairn India India employees. Fringe Benefits tax was abolished in July 2009.

5. Staff Costs (Continued)

The average number of full time equivalent employees, including executive directors and individuals employed by the Cairn India Group working on Joint Venture operations, was:

	Number of employees		
	2009	**2008**	**2007**
India	**857**	581	464

Cairn Energy PLC Group Share Options

The ultimate parent company of the Cairn India 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 6 2/13 pence was sub-divided into 10 new ordinary shares of 8/13 pence each. Outstanding share options and LTIP awards 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 2007, 2008 and 2009.

Pre-2006 Plans and 2009 Plan

Under the 1996 Second Share Option Scheme (the '1996 Scheme'), at 1 January 2009, certain executive directors and employees had been granted options to subscribe for ordinary shares which are exercisable between 2005 and 2012, at prices of between $0.195 and £0.2675. At 31 December 2009, there were no options outstanding (2008: no options outstanding, 2007: 90,000 options outstanding) with no weighted average contractual life remaining (2008: none, 2007: 3.48 years) (no options were exercised in 2009, 2008: 90,000, 2007: 190,000). All awards under the 1996 scheme were granted prior to 7 November 2002.

Under the 2002 Unapproved Share Option Plan (the '2002 Plan'), at 1 January 2009, 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 £2.1660. At 31 December 2009, there were 3,332,090 outstanding (2008: 4,344,970; 2007: 6,144,490 options outstanding) with a weighted average remaining contractual life of 6.09 years (2008: 7.13 years, 2007: 7.98 years) (options exercised in 2009: 885,730, 2008: 1,272,470, 2007: 3,190,590).

The options outstanding at the end of the year under the 2002 Plan can be broken down into the following weighted average exercise price (WAEP) variants:

	2009		2008		2007	
Exercisable between	**Number**	**WAEP (£)**	**Number**	**WAEP (£)**	**Number**	**WAEP (£)**
2006 - 2013	**120,000**	**0.3055**	130,000	0.3055	150,000	0.3055
2007 - 2014	**129,740**	**0.8735**	134,740	0.8735	288,740	0.8735
2008 - 2015	**575,500**	**1.152**	743,500	1.152	1,748,610	1.152
2009 - 2016	**2,506,850**	**2.153**	3,260,550	2.153	3,880,960	2.153
2009 - 2016	**—**	**—**	76,180	2.166	76,180	2.166
	3,332,090		4,344,970		6,144,490	

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%.

5. Staff Costs (Continued)

The following tables detail the number and WAEP of share options for the Cairn Energy PLC share option schemes in which employees of the Cairn India Group have an interest at the Balance Sheet date:

	1996 Scheme		2002 Plan	
	Number	WAEP (£)	Number	WAEP (£)
Outstanding at 1 January 2009	—	—	4,344,970	1.887
Granted during 2009	—	—	—	—
Lapsed during 2009	—	—	(127,150)	2.082
Exercised during 2009	—	—	(885,730)	1.946
Outstanding at the end of the year	**—**	**—**	**3,332,090**	**1.864**
Exercisable at the end of the year	**—**		**3,332,090**	

There were no options granted in 2009.

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 Cairn India Group have an interest as at 31 December 2008:

	1996 Scheme		2002 Plan	
	Number	WAEP (£)	Number	WAEP (£)
Outstanding at the beginning of the year	90,000	0.227	6,144,490	1.763
Lapsed during the year	—	—	(431,410)	2.019
Transferred during year (note)	—	—	(95,640)	1.925
Exercised during the year	(90,000)	0.227	(1,272,470)	1.241
Outstanding at the end of the year	—	—	4,344,970	1.887
Exercisable at the end of the year	—		1,008,240	

There were no options granted in 2008. During the year 95,640 options were transferred to Cairn Energy PLC following the transfer of employment contracts of certain employees.

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 Cairn India Group have an interest as at 31 December 2007:

	1996 Scheme		2002 Plan	
	Number	WAEP (£)	Number	WAEP (£)
Outstanding at the beginning of the year	280,000	0.241	10,456,920	1.510
Lapsed during the year	—	—	(987,710)	1.903
Transferred during year (note)	—	—	(134,130)	1.462
Exercised during the year	(190,000)	0.248	(3,190,590)	0.905
Outstanding at the end of the year	90,000	0.227	6,144,490	1.763
Exercisable at the end of the year	90,000		438,740	

There were no options granted in 2007. During the year 134,130 options were transferred to Cairn Energy PLC following the transfer of employment contracts of certain employees.

Cairn Energy PLC share options were exercised on a regular basis throughout the year. The weighted average share price during the year was £2.418 (2008: £2.533, 2007: £1.888).

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 Cairn India 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.

5. **Staff Costs (Continued)**

- 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.

	2002 Plan
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 Cairn India 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 options granted under the CISMP are the successful completion of Cairn India's flotation, the continued employment of the relevant participant within the Cairn India Cairn India Group over a specified period of time and the achievement of certain specified performance targets relating to the Rajasthan development. 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 between 9 January 2007 and 30 April 2011, at INR.33.70. At 31 December 2009, there were 2,238,078 options outstanding (2008: 2,238,078 options outstanding) with a weighted average remaining contractual life of 2.75 years (2008: 3.75 years).

The following table details the number and WAEP of share options for the CISMP:

	2009		2008		2007	
	Number	WAEP (INR.)	Number	WAEP (INR.)	Number	WAEP (INR.)
Outstanding at the beginning of the year	2,238,078	33.70	7,506,473	33.70	8,298,713	33.70
Granted during the year	—	—	—	—	—	—
Lapsed during the year	—	—	—	—	(792,240)	33.70
Exercised during the year	—	—	(5,268,395)	33.70	—	—
Outstanding at the end of the year	**2,238,078**	**33.70**	2,238,078	33.70	7,506,473	33.70
Exercisable at the end of the year		—		—		3,030,318
Weighted average fair value of options granted in year		—		—		—
Weighted average share price of options exercised in year		—		INR: 218.13		—

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.

5. Staff Costs (Continued)

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 INR.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 the 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 the year 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 31 December 2009:

	Number	WAEP (INR.)
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
Exercised during the year	—	—
Converted to phantom options during the year	(725,500)	165.06
Outstanding at the end of the year	**14,932,932**	**205.82**
Exercisable at the end of the year	**—**	
Weighted average fair value of options granted in year	**INR. 122.24**	
Weighted average remaining contractual life of outstanding options	**6.09 years**	

The following table details the number and WAEP of share options issued under the CIESOP at 31 December 2008:

	Number	WAEP (INR.)
Outstanding at the beginning of the year	8,545,710	164.49
Granted during the year	3,809,896	226.21
Lapsed during the year	(1,216,036)	167.08
Exercised during the year	—	—
Outstanding at the end of the year	11,139,570	185.31
Exercisable at the end of the year	—	
Weighted average fair value of options granted in year	INR.129.94	
Weighted average remaining contractual life of outstanding options	8.85 years	

5. Staff Costs (Continued)

The following table details the number and WAEP of share options issued under the CIESOP at 31 December 2007:

	Number	WAEP (INR.)
Outstanding at the beginning of the year	—	—
Granted during the year	8,982,755	164.27
Lapsed during the year	(437,045)	160.00
Exercised during the year	—	—
Outstanding at the end of the year	8,545,710	164.49
Exercisable at the end of the year	—	
Weighted average fair value of options granted in year	INR.89.4	
Weighted average remaining contractual life of outstanding options	9.47 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%–41.04%
Risk-free rate	6.91%–9.2%

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 INR.10 each at an exercise price of INR.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 the year 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 31 December 2009:

	Number	WAEP (INR.)
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
Exercised during the year	—	—
Converted to phantom options during the year	(916,954)	10.00
Outstanding at the end of the year	**2,817,814**	**10.00**
Exercisable at the end of the year	**—**	
Weighted average fair value of options granted in year	**INR. 226.4**	
Weighted average remaining contractual life of outstanding options	**1.73 years**	

5. Staff Costs (Continued)

The following table details the number and WAEP of share options issued under the CIPOP at 31 December 2008:

	Number	WAEP (INR.)
Outstanding at the beginning of the year	4,755,244	10.00
Granted during the year	789,567	10.00
Lapsed during the year	(2,100,864)	10.00
Exercised during the year	—	—
Outstanding at the end of the year	3,443,947	10.00
Exercisable at the end of the year	—	
Weighted average fair value of options granted in year	INR.221.09	
Weighted average remaining contractual life of outstanding options	1.98 years	

The following table details the number and WAEP of share options issued under the CIPOP at 31 December 2007:

	Number	WAEP (INR.)
Outstanding at the beginning of the year	—	—
Granted during the year	4,943,389	164.55
Lapsed during the year	(188,145)	160.00
Exercised during the year	—	—
Outstanding at the end of the year	4,755,244	164.73
Exercisable at the end of the year	—	
Weighted average fair value of options granted in year	INR.156.58	
Weighted average remaining contractual life of outstanding options	2.74 years	

The CIPOP 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	37.49% – 43.72%
Risk-free rate	5.78% – 9.37%

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 the year certain options were converted to the CIESOP and CIPOP phantom option plan on identical terms to their grant under the CIESOP and CIPOP plan.

5. Staff Costs (Continued)

The following table details the number and WAEP of cash-settled 'phantom options' at the balance sheet date:

	CIESOP Phantom		CIPOP Phantom	
	Number	WAEP (INR.)	Number	WAEP (INR.)
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
Exercised during the year	—	—	—	—
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	**INR. 130.17**		**INR. 273.71**	
Weighted average remaining contractual life of outstanding options	**1.30 years**		**1.80 years**	

The following table details the number and WAEP of cash-settled 'phantom options' at 31 December 2008:

	CIESOP Phantom		CIPOP Phantom	
	Number	WAEP (INR.)	Number	WAEP (INR.)
Outstanding at the beginning of the year	—	—	—	—
Granted during the year	362,556	218.19	822,867	10.00
Lapsed during the year	—	—	(38,008)	10.00
Exercised during the year	—	—	—	—
Outstanding at the end of the year	362,556	218.19	784,859	10.00
Exercisable at the end of the year	—		—	
Weighted average fair value of options granted in year	INR.40.69		INR.163.37	
Weighted average remaining contractual life of outstanding options	2.61 years		2.57 years	

The cash-settled phantom 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:

	CIESOP Phantom	CIPOP Phantom
Vesting %	100%	100%
Volatility	37.81%–43.8%	37.81%–43.8%
Risk-free rate	5.36%–9.38%	5.72%–9.38%

6. Finance Income

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	$m	$m	$m
Bank interest	**42.4**	55.4	33.1
Other interest	**0.2**	0.8	0.7
Exchange gain	**—**	—	2.1
	42.6	56.2	35.9

7. Finance Costs

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	$m	$m	$m
Bank loan and overdraft interest	**25.3**	9.3	6.4
Other finance charges	**11.8**	9.1	8.5
	37.1	18.4	14.9
Less: borrowing costs capitalised (note 11)	**(35.1)**	(16.9)	(13.9)
	2.0	1.5	1.0
Other finance costs—unwinding of discount	**1.7**	2.4	1.6
—fair value movement on currency exchange options	**3.7**	6.9	2.0
Exchange loss	**2.9**	15.1	—
	10.3	25.9	4.6
Exceptional interest on Ravva arbitration (note 4)	**31.6**	—	—
	41.9	25.9	4.6

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 and 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 and 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 year in which they are capitalised.

8. Taxation

(a) Analysis of tax (credit)/expense in year

	Notes	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
		$m	$m	$m
Current tax:				
Indian Regular Tax on profits for the year at 42.23% (2008: 42.23% 2007: 42.13%)		6.2	7.6	—
Indian Regular Tax on profits for the year at 33.99% (2008: 33.99% 2007: 33.91%)		6.4	6.7	—
Indian Minimum Alternate Tax on profits for the year at 14.53% (2008: 10.56% 2007: 10.53%)		17.5	5.3	9.0
Overseas taxes		—	0.1	—
Adjustments in respect of prior periods		5.8	(6.1)	—
Withholding taxes deducted at source		—	0.1	—
Total current tax		35.9	13.7	11.2
Deferred tax:				
Temporary differences in respect of non-current assets		(101.5)	63.6	36.1
Losses		—	—	2.2
Other temporary differences		(4.5)	(1.3)	(5.6)
		(106.0)	62.3	32.7
Exceptional deferred tax				
Temporary differences in respect of Ravva arbitration	4	(40.4)	—	—
		(40.4)	—	—
Total deferred tax	19	(146.4)	62.3	32.7
Tax (credit)/expense on (loss)/profit		(110.5)	76.0	43.9

8. **Taxation (Continued)**

(b) Factors affecting tax (credit)/expense for year

A reconciliation of income tax expense applicable to (loss)/profit 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:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	$m	$m	$m
(Loss)/profit before taxation	**(42.5)**	153.8	100.5
Tax at the weighted average rate of corporation tax of 43.82% (2008: 39.69%, 2007: 31.02%)	**(18.6)**	61.0	31.2
Effects of:			
Minimum Alternate Tax payable	**17.5**	5.3	9.0
Adjustments in respect of prior years—current tax	**5.8**	(6.1)	1.5
—deferred tax	**—**	17.5	(4.8)
Temporary differences not recognised	**57.4**	22.8	19.2
Non-taxable gain on disposal/deemed disposal of subsidiaries	**—**	1.9	—
Share based payments	**2.8**	2.9	3.4
Indian tax holiday	**(163.9)**	(26.5)	(13.4)
Other non-deductible expenses and non-taxable income	**(0.6)**	(2.9)	3.0
Withholding tax	**—**	0.1	—
Foreign exchange movements	**(10.9)**	—	(5.2)
Total tax (credit)/expense	**(110.5)**	76.0	43.9

The applicable tax rate was the weighted average rate for the year of the Indian, Netherlands, Australian, United Kingdom, Jersey, Sri Lankan, Singaporean and Mauritian tax rates. On 1 April 2009, the Indian Minimum Alternate Tax rate increased from 10.56% to 15.84%, resulting in an averaged rate for the year of 14.53%. There were no other major changes in the statutory tax rates applying in each of these jurisdictions, however, 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.

(c) Factors that may affect future corporation tax charges

At 31 December 2009, Cairn India had losses of approximately $509.9m (2008: $369.1m, 2007: $373.6m) 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. These losses have not been recognised for deferred tax purposes as it is not considered probable that they will be utilised against future trading profits chargeable to Indian tax. $474.5m (2008: $334.9m 2007: $341.7m) of these losses are expected to expire during the period of an Indian tax holiday. The remaining $35.4m (2008: $34.2m, 2007: $31.9m) of the loss has not been recognised due to expectations regarding the level of income in the entity concerned.

At 31 December 2009, Cairn India had losses of approximately $527.3m (2008: $366.0m; 2007: $258.3m) available for offset against future trading profits chargeable to UK Corporation Tax. In addition, there were surplus management expenses of $nil (2008: $nil; 2007: $0.6m) available for offset against future non-trade profits. None of these trading losses or surplus management expenses have been recognised for deferred tax as it is not considered sufficiently probable that they will be used. Under UK tax law, losses may generally be carried forward indefinitely.

At 31 December 2009, Cairn India had losses of approximately $13.6m (2008: $14.7m, 2007: $14.7m) available for offset against future trading profits chargeable to Netherlands Corporate Income Tax, but there are restrictions on the use of these losses. Under Netherlands tax law, losses may be carried forward for a period of up to nine years. Cairn India also had losses of approximately $0.6m (2008: $nil, 2007: $nil) 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 $68.0m (2008: $77.8m, 2007: $56.6m) and on a weighted average of 1,896,667,816 ordinary shares (2008: 1,858,861,715, 2007: 1,777,001,292).

The diluted earnings per ordinary share is calculated on the above profit and on 1,900,717,328 ordinary shares (2008: 1,864,988,328, 2007: 1,783,074,469). The ordinary shares used in the diluted earnings per share calculation is the sum of the weighted average ordinary shares referred to above plus 4,049,512 (2008: 6,126,613; 2007: 6,073,177) dilutive potential ordinary shares relating to share options.

10. Intangible Exploration/Appraisal Assets

	$m
Group	
Cost	
At 1 January 2007	**374.1**
Additions	**108.6**
Transfers to property, plant and equipment—development/producing assets	**(11.2)**
Unsuccessful exploration costs	**(15.3)**
At 1 January 2008	**456.2**
Additions	**41.0**
Transfers to property, plant and equipment—development/producing assets	**(98.8)**
Unsuccessful exploration costs	**(27.8)**
At 1 January 2009	**370.6**
Additions	**40.3**
Transfers to property, plant and equipment—development/producing assets	**(19.0)**
Unsuccessful exploration costs	**(50.2)**
Foreign exchange	**(1.1)**
At 31 December 2009	**340.6**
Net book value at 31 December 2009	**340.6**
Net book value at 31 December 2008	370.6
Net book value at 31 December 2007	456.2
Net book value at 1 January 2007	374.1

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. 2008 transfers of $98.8m also relate to successful Rajasthan exploration/appraisal costs associated with Bhagyam and Aishwariya oil fields where Cairn India booked reserves during that year and Ravva general costs, which were allocated to successful exploration activities. Transfers in 2007 of $11.2m were costs associated with Lakshmi oil reserves that were booked in that year.

At the year 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 either of the preceding two year ends.

11. Property, Plant & Equipment—Development/Producing Assets

	$m
Group	
Cost	
At 1 January 2007	510.1
Additions	208.1
Transfers from intangible exploration/appraisal assets	11.2
At 1 January 2008	729.4
Additions	564.4
Transfers from intangible exploration/appraisal assets	98.8
At 1 January 2009	**1,392.6**
Additions	751.7
Transfers from intangible exploration/appraisal assets	19.0
At 31 December 2009	**2,163.3**
Depletion and decommissioning	
At 1 January 2007	167.6
Charge for the year	62.0
At 1 January 2008	229.6
Charge for the year	46.2
At 1 January 2009	**275.8**
Charge for the year	56.0
At 31 December 2009	**331.8**
Net book value at 31 December 2009	**1,831.5**
Net book value at 1 January 2009	1,116.8
Net book value at 1 January 2008	499.8
Net book value at 1 January 2007	342.5

Included within additions during the year is an amount of $35.1m of directly attributable borrowing costs (2008: $16.9m; 2007: $13.9m).

The net book value at 31 December 2009 includes $584.2m (2008: $985.8m; 2007: $351.9m) in respect of assets under construction which are not yet subject to depletion.

At the year end the Cairn India Group reviews 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 2008 or 31 December 2007.

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. 2008 transfers of $98.8m also relate to successful Rajasthan exploration/appraisal costs associated with Bhagyam and Aishwariya oil fields where Cairn India booked reserves during that year and Ravva general costs, which were allocated to successful exploration activities. Transfers in 2007 of $11.2m were costs associated with Lakshmi oil reserves that were booked in that year.

12. Property, Plant & Equipment—Other

	Tenants' Improvements	Vehicles and Equipment	Total
	$m	$m	$m
Cost			
At 1 January 2007	7.3	7.1	**14.4**
Additions	0.8	1.8	**2.6**
Disposals	—	(5.7)	**(5.7)**
At 1 January 2008	8.1	3.2	**11.3**
Additions	4.4	1.4	**5.8**
Transfer between categories	(1.5)	1.5	**—**
Disposals	—	(0.2)	**(0.2)**
At 1 January 2009	11.0	5.9	**16.9**
Exchange differences arising	—	—	**—**
Additions	0.3	1.3	**1.6**
Disposals	(2.7)	(1.2)	**(3.9)**
At 31 December 2009	**8.6**	**6.0**	**14.6**
Depreciation			
At 1 January 2007	3.4	6.5	**9.9**
Charge for the year	0.4	1.1	**1.5**
Disposals	—	(5.6)	**(5.6)**
At 1 January 2008	3.8	2.0	**5.8**
Charge for the year	2.0	1.5	**3.5**
Disposals	—	(0.2)	**(0.2)**
At 1 January 2009	5.8	3.3	**9.1**
Charge for the year	2.1	1.3	**3.4**
Disposals	(2.7)	(1.1)	**(3.8)**
At 31 December 2009	**5.2**	**3.5**	**8.7**
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
Net book value at 1 January 2008	4.3	1.2	5.5
Net book value at 1 January 2007	3.9	0.6	4.5

The net book value of assets held under finance leases or hire purchase contracts at 31 December 2009 was $4.0m (2008: $6.0m, 2007: $3.8m). Additions during the year include $1.8m (2008: $4.1m, 2007: $0.3m) 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.

During a review of the useful life assumptions in 2008, property, plant and equipment previously included as tenants' improvements were transferred to vehicles and equipment to align assets of a similar nature and with similar remaining useful lives.

13. Intangible Assets—Other

	Software costs	Total
	$m	$m
Cost		
At 1 January 2007	12.2	**12.2**
Additions	1.5	**1.5**
Disposals	(3.0)	**(3.0)**
At 1 January 2008	10.7	**10.7**
Additions	2.1	**2.1**
At 1 January 2009	12.8	**12.8**
Additions	3.0	**3.0**
Disposals	(1.5)	**(1.5)**
At 31 December 2009	**14.3**	**14.3**
Amortisation and impairment		
At 1 January 2007	7.2	**7.2**
Charge for the year	2.2	**2.2**
Disposals	(3.0)	**(3.0)**
At 1 January 2008	6.4	**6.4**
Charge for the year	2.4	**2.4**
At 1 January 2009	8.8	**8.8**
Charge for the year	3.4	**3.4**
Disposals	(1.5)	**(1.5)**
At 31 December 2009	**10.7**	**10.7**
Net book value at 31 December 2009	**3.6**	**3.6**
Net book value at 31 December 2008	4.0	4.0
Net book value at 1 January 2008	4.3	4.3
Net book value at 1 January 2008	5.0	5.0

14. Available-for-sale financial assets

	31 December 2009	31 December 2008	31 December 2007
	$m	$m	$m
Group			
Listed equity shares	**—**	1.9	15.9
	—	1.9	15.9

Available-for-sale financial assets consist of an investment in the ordinary shares of Videocon Industries Limited, listed in India, which by its nature has no fixed maturity date or coupon rate. During the year 2009 the fair value was reduced to $nil as it is no longer expected that the investment will generate future economic benefits.

15. Inventory

	31 December 2009	31 December 2008	31 December 2007
	$m	$m	$m
Oil and condensate inventories	**10.7**	1.1	1.7
	10.7	1.1	1.7

16. Trade and Other Receivables

	31 December 2009	31 December 2008	31 December 2007
	$m	$m	$m
Group			
Trade receivables	**30.2**	24.7	33.9
Other debtors	**66.0**	44.2	19.4
Joint Venture debtors	**155.7**	363.0	183.8
	251.9	431.9	237.1
Prepayments	**18.9**	10.2	12.6
	270.8	442.1	249.7

Due to the nature of the business, 6 (2008: 5, 2007: 5) customers account for 100% of trade receivables.

As at 31 December, 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
	$m	$m	$m	$m	$m	$m
Group						
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**
2008						
Neither past due nor impaired	**334.0**	334.0	—	—	—	—
Past due but not impaired	**97.9**	—	6.2	69.7	—	22.0
Past due and impaired	**73.2**	—	0.7	0.5	0.3	71.7
Allowance for doubtful debts	**(73.2)**	—	(0.7)	(0.5)	(0.3)	(71.7)
As at 31 December 2008	**431.9**	334.0	6.2	69.7	—	22.0
2007						
Neither past due nor impaired	**200.2**	200.2	—	—	—	—
Past due but not impaired	**36.9**	—	—	3.3	0.2	33.4
Current and impaired	**6.7**	6.7	—	—	—	—
Past due and impaired	**37.7**	—	—	—	—	37.7
Allowance for doubtful debts	**(44.4)**	(6.7)	—	—	—	(37.7)
As at 31 December 2007	**237.1**	202.2	—	3.3	0.2	33.4

16. Trade and Other Receivables (Continued)

The movement in allowance for doubtful debts individually or collectively impaired is set out below:

	Trade receivables	Other debtors	Joint Venture debtors	Total
	$m	$m	$m	$m
As at 1 January 2007	0.5	—	21.8	**22.3**
Increase in allowance capitalised in the Balance Sheet	—	—	19.5	**19.5**
Increase in allowance recognised in Income Statement	1.1	—	1.5	**2.6**
As at 1 January 2008	1.6	—	42.8	**44.4**
Increase in allowance capitalised in the Balance Sheet	—	—	17.2	**17.2**
Increase in allowance recognised in the Balance Sheet*	—	12.2	—	**12.2**
Increase in/(release of) allowance recognised in Income Statement	(1.5)	—	0.9	**(0.6)**
As at 1 January 2009	0.1	12.2	60.9	**73.2**
Amounts written off during year*	—	(12.2)	—	**(12.2)**
Increase in allowance capitalised in the Balance Sheet	—	—	18.7	**18.7**
Increase in/(release of) allowance recognised in Income Statement	(0.1)	—	—	**(0.1)**
As at 31 December 2009	**—**	**—**	**79.6**	**79.6**

* 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 $79.6m (2008: $60.9m, 2007: $42.8m). These predominantly relate to outstanding Rajasthan cash calls which are currently being pursued by management. The increase in allowance recognised in the Income Statement for impaired Joint Venture debtors in 2008 and 2007 are included in unsuccessful exploration costs.

17. Net Funds

	At 1 January 2009	Cash flow	New Finance Leases	Exchange movements	At 31 December 2009
	$m	$m	$m	$m	$m
Bank deposits	**476.3**	**(225.1)**	**—**	**16.2**	**267.4**
Cash at bank	6.4	23.1	—	(1.2)	**28.3**
Short term deposits	622.6	(338.3)	—	13.6	**297.9**
Cash and cash equivalents	**629.0**	**(315.2)**	**—**	**12.4**	**326.2**
Loans and borrowings (note 21)	(500.0)	(166.1)	—	—	**(666.1)**
Net cash	**605.3**	**(706.4)**	**—**	**28.6**	**(72.5)**
Finance leases (note 20)	(5.4)	2.4	(0.3)	(0.2)	**(3.5)**
Net funds	**599.9**	**(704.0)**	**(0.3)**	**28.4**	**(76.0)**

17. Net Funds (Continued)

	At 1 January 2008	Cash flow	New Finance Leases	Exchange movements	At 31 December 2008
	$m	$m	$m	$m	$m
Bank deposits	30.1	445.6	—	0.6	476.3
Cash at bank	15.5	(6.5)	—	(2.6)	6.4
Short term deposits	472.3	300.0	—	(149.7)	622.6
Cash and cash equivalents	487.8	293.5	—	(152.3)	629.0
Loans and borrowings (note 21)	(75.0)	(425.0)	—	—	(500.0)
Net cash	442.9	314.1	—	(151.7)	605.3
Finance leases (note 20)	(4.3)	0.8	(2.4)	0.5	(5.4)
Net funds	438.6	314.9	(2.4)	(151.2)	599.9

	At 1 January 2007	Cash flow	New Finance Leases	Exchange movements	At 31 December 2007
	$m	$m	$m	$m	$m
Bank deposits	—	30.1	—	—	30.1
Cash at bank	22.9	(7.8)	—	0.4	15.5
Short term deposits	170.0	290.8	—	11.5	472.3
Cash and cash equivalents	192.9	283.0	—	11.9	487.8
Loans and borrowings (note 21)	(108.0)	33.0	—	—	(75.0)
Net cash	84.9	346.1	—	11.9	442.9
Finance leases (note 20)	(4.5)	1.4	(0.8)	(0.4)	(4.3)
Net funds	80.4	347.5	(0.8)	11.5	438.6

Loans and borrowings at 31 December 2009 include prepaid facility fees of $23.7m offset against from the outstanding loan balance under the effective interest rate method of accounting required under IAS 39. Excluding these prepayments reduces net borrowings at 31 December 2009 to $96.2m.

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. The Cairn India Group has deposits equivalent to $33.6m (2008: $31.5m, 2007: $nil) in Sri Lanka Rupee in Sri Lanka which are not readily convertible into other currencies.

18. Trade and Other Payables

	31 December 2009	31 December 2008	31 December 2007
	$m	$m	$m
Group			
Trade payables	**2.8**	2.1	—
Amounts owed to parent and fellow subsidiaries	**4.9**	16.6	17.7
Other taxation and social security	**0.6**	3.6	10.1
Other creditors and accruals	**43.8**	34.3	34.8
Joint Venture creditors and accruals	**258.1**	430.1	171.9
	310.2	486.7	234.5

19. Deferred Taxation

	Assets	Liabilities	
	$m	$m	$m
At 1 January 2007	2.0	(132.5)	**(130.5)**
Charge to Income Statement	(1.7)	(31.0)	**(32.7)**
At 1 January 2008	0.3	(163.5)	**(163.2)**
Charge to Income Statement	(0.3)	(62.0)	**(62.3)**
At 1 January 2009	—	(225.5)	**(225.5)**
Credit to Income Statement	—	146.4	**146.4**
At 31 December 2009	—	**(79.1)**	**(79.1)**

	Assets	Liabilities	
	$m	$m	$m
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)**

	Assets	Liabilities	
	$m	$m	$m
Deferred taxation—India			
Accelerated allowances	—	(235.3)	(235.3)
Other temporary differences	—	9.8	9.8
Total deferred taxation as at 31 December 2008	—	(225.5)	(225.5)

	Assets	Liabilities	
	$m	$m	$m
Deferred taxation—India			
Accelerated allowances	(0.7)	(170.9)	(171.6)
Other temporary differences	1.0	7.4	8.4
Total deferred taxation as at 31 December 2007	0.3	(163.5)	(163.2)

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 $310.4m (2008: $332.0m; 2007: $324.0m). No liability has been recognised in respect of these differences because Cairn India 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 the Cairn India Group losses of $1,051.4m (2008: $749.7m; 2007: $647.2m) where it is not probable that they can be utilised in future periods.

No deferred tax asset has been recognised as at 31 December 2009 (2008: $nil: 2007: $nil) in respect of trading or other losses, as it is not considered to be probable that these losses will be utilised against future trading or other profits arising to the Cairn India Group.

20. 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		
	31 December 2009	31 December 2008	31 December 2007	31 December 2009	31 December 2008	31 December 2007
	$m	$m	$m	$m	$m	$m
Group						
Amounts payable:						
Within one year	**1.8**	2.7	2.3	**1.5**	2.2	1.9
Between two and five years	**2.2**	3.7	2.6	**2.0**	3.2	2.4
	4.0	6.4	4.9	**3.5**	5.4	4.3
Less: future finance charges	**(0.5)**	(1.0)	(0.6)	**—**	—	—
Present value of lease obligations	**3.5**	5.4	4.3	**3.5**	5.4	4.3

The average lease term is between 4 and 5 years. For the year ended 31 December 2009, the average effective borrowing rate was 19.33% (2008: 9.04%: 2007: 7.52%). 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.

21. Loans and borrowings

	31 December 2009	31 December 2008	31 December 2007
	$m	$m	$m
Loans and borrowings	**666.1**	500.0	75.0

Details on the Cairn India Group's loan facilities can be found in note 24.

The outstanding balance at 31 December 2009 includes prepaid facility fees of $23.7m deducted from the outstanding loan balance under the "effective interest rate" method of accounting required under IAS 39.

In October 2010, Cairn India completed a re-financing by raising $500 million through the issuance of INR unsecured non-convertible debentures, at competitive commercial terms. On 13 October 2010 $314.6m of the INR loan facility was repaid using these proceeds.

22. Provisions

	Decommissioning	Other provisions	Ravva arbitration provision	Total
	$m	$m	$m	$m
At 1 January 2007	24.1	7.5	—	**31.6**
Change in decommissioning estimate	8.9	—	—	**8.9**
Increase of provision	—	2.7	—	**2.7**
Discount unwound in the year	1.7	—	—	**1.7**
At 1 January 2008	34.7	10.2	—	**44.9**
Change in decommissioning estimate	(13.4)	—	—	**(13.4)**
Increase in provision	—	2.0	—	**2.0**
Provision utilised	—	(9.2)	—	**(9.2)**
Discount unwound in the year	2.4	—	—	**2.4**
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 31 December 2009	27.0	9.2	30.6	**66.8**
At 31 December 2009				
Current	—	5.7	30.6	**36.3**
Non-current	27.0	3.5	—	**30.5**
	27.0	9.2	30.6	**66.8**
At 31 December 2008				
Current	—	2.0	—	**2.0**
Non-current	23.7	1.0	—	**24.7**
	23.7	3.0	—	**26.7**
At 31 December 2007				
Current	—	9.2	—	**9.2**
Non-current	34.7	1.0	—	**35.7**
	34.7	10.2	—	**44.9**

Decommissioning costs are expected to be incurred between 2015 and 2041 (2008: 2012 and 2041, 2007:2008 and 2020). The provision has been estimated using existing technology at current prices and discounted using a real discount rate of 7% p.a. (2008: 7%, 2007: 7%). The change in decommissioning estimate in 2008 arose as a result of a third party review of estimated costs of decommissioning for the Ravva and Lakshmi and Gauri fields and together with estimates of additional wells drilled in Rajasthan and the Rajasthan facilities in place at the year end. Continued progress on the Rajasthan producing facilities during 2009 further increased the Cairn India Group's future obligation for decommissioning.

Other provisions include $8.8m relating to phantom options awarded to certain employees in India. In 2008 and 2007 other provisions are production related payments payable to the Government of India specified within the respective PSCs.

A provision of $95.6m regarding the Ravva arbitration proceedings was made during the year. 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. At the year end $65.0m of the provision had been utilised. See note 6 for further details.

23. Issued Capital and Reserves

	Number INR 10 Ordinary	INR Ordinary
	m	$m
Allotted, issued and fully paid ordinary shares		
At 1 January 2007	1,226.8	272.7
Issued in year for cash	551.6	124.3
At 1 January 2008	1,778.4	397.0
Shares issued in period for cash	113.0	28.3
Issued and allotted for employee share options	5.3	1.2
At 1 January 2009 and 31 December 2009	**1,896.7**	**426.5**

Share premium

	2009	2008	2007
	$m	$m	$m
At 1 January	**6,770.5**	6,166.5	4,339.4
Arising on shares issued for cash	**—**	601.2	1,827.1
Arising on shares issued for employee share options	**—**	2.8	—
At 31 December	**6,770.5**	6,770.5	6,166.5

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.

24. 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 of Cairn India Limited 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 their 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, 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's board of directors, when appropriate, to fund substantial acquisitions or oil and gas projects.

Liquidity risk

During 2007 and 2008, the Cairn India Group had an $850.0m revolving credit facility to fund Rajasthan developments from a consortium of international banks and the International Finance Corporation. During 2009, the Cairn India Group refinanced this facility through a combination of USD Dollar ('USD Facility') and Indian Rupee loans ('INR Facility').

24. Financial Risk Management: Objectives and Policies (Continued)

The USD Facility is provided by a consortium of 6 international banks and the International Finance Corporation. Interest is charged at floating rates determined by LIBOR plus an applicable margin and the facility expires 31 December 2015. The maximum facility amount that can be drawn at any point in time is determined by reference to the net present value of the Rajasthan developments.

The full $750.0m facility is currently available to be drawn, out of which $399.8m was drawn at 31 December 2009. This may be cancelled and repaid at any time. Under the terms of the facility agreement, security in terms of share pledge over the shares in Cairn Energy Hydrocarbons Limited (a 100% indirect subsidiary of Cairn India Limited which holds 50% of the Cairn India Group's interest in Rajasthan) has been provided.

The INR Facility is provided by a consortium of 7 leading Indian banks and financial institutions. The maximum facility amount is INR 40 billion ($863m), interest is charged on floating rates linked to the State Bank of India's Prime Lending Rate and the facility expires 31 December 2015. The full facility is currently available to be drawn of which INR 13,450m ($290m) was drawn as at 31 December 2009. Under the terms of the INR facility agreement, security in terms of a charge over the participating interest of Cairn Energy India Pty Limited (a 100% indirect subsidiary of Cairn India Limited which holds 50% of the Cairn India Group's interest in Rajasthan) in the Rajasthan block is to be executed as condition subsequent.

In addition, as at 31 December 2009 the Cairn India Group has $66.2m (2008: $80.0m: 2007: $90m) of facilities in place to cover the issue of bank guarantees. Fixed rates of interest apply to these. $47.6m (2008: $49.0m: 2007: $28.2m) was unutilised at 31 December 2009.

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 the Cairn India Group'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 (2008: none): 2007: none.

Interest rate risk table

The following table demonstrates the sensitivity of the Cairn India Group's profit before tax to a change in interest rates (through the impact on floating rate borrowings and investments).

	Increase/decrease in basis points	Effect on profit before tax
2009	50	$4.7m
2008	50	$2.7m
2007	50	$3.3m

In addition there would be a change of $3.6m to development/producing assets carrying value as a result of the capitalisation of the borrowing costs for the Rajasthan development (2008: $0.8m: 2007: $0.4m).

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.

24. Financial Risk Management: Objectives and Policies (Continued)

Foreign currency risk

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 the Rajasthan developments, there has been an increased exposure between the Indian Rupee and US Dollar in the current period. This has now been significantly mitigated with the USD and INR facilities which allow 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 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 Cairn India Limited 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 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 Development. These options unwound during 2009. The fair value of the outstanding currency derivatives in Cairn India Cairn India Group as at 31 December 2009 was $nil (2008: $3.7m: 2007: $2.4m). Refer to note 25 for further details.

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 asses and liabilities. The Cairn India Group's exposure to foreign currency changes for all other currencies is not material.

	Effect on profit before tax	Effect on Equity
	$m	$m
2009		
10% increase in Indian Rupee to $	**11.8**	**(0.3)**
10% decrease in Indian Rupee to $	**(11.8)**	**0.3**
2008		
10% increase in Indian Rupee to $	60.9	(0.1)
10% decrease in Indian Rupee to $	(60.9)	0.1
2007		
10% increase in Indian Rupee to $	23.0	0
10% decrease in Indian Rupee to $	(23.0)	0

Commodity price risk

There are implicit product price hedges in place through the pricing mechanisms applicable to the 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.

No commodity price hedging contracts have been entered into during either the current or the previous year. There were no outstanding commodity price contracts at the start of the year or at the end of the year. The Cairn India Group would not normally hedge commodity price risk but the Cairn India board of directors does monitor the position.

24. Financial Risk Management: Objectives and Policies (Continued)

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 and Sangu GSCs. With respect to Ravva and Rajasthan there are no payment securities, however the buyers are either nominated by the GoI or are reputed private companies with good credit and payment record.

Credit risk from investments with banks and other financial institutions is managed by the Treasury functions in accordance with the 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 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 and where the investment policy is limited to money market instruments.

The Cairn India Group's policy is to limit the placing of deposits to Banks with Moody's long term Deposit rating of A2 and above in case of USD funds and with Board approved domestic banks in case of INR funds (at present all of them are AAA rated by CRISIL, a subsidiary of S&P). The counterparty limit varies from $50m to $400m for various categories of banks. Investments in USD money market liquidity funds are limited to schemes rated AAA by S&P, Moody's and Fitch and are placed with Board approved domestic debt mutual funds in case of INR funds. Counterparty limits in case of money market mutual funds are $60m or 10% of the corpus whichever is lower.

At the year end the Cairn India Group does not have any significant concentrations of bad debt risk other than that disclosed in note 20. Deposits are spread over more than twenty banks and institutions to ensure no concentration of 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 Cairn India 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.

No significant changes were made to the objectives, policies or processes during the years ended 31 December 2009, 31 December 2008 and 31 December 2007.

Cairn India Group capital and net debt were made up as follows:

	31 December 2009	31 December 2008	31 December 2007
	$m	$m	$m
Loans and borrowings	**666.1**	500.0	75.0
Trade and other payables	**310.2**	486.7	234.5
Less cash and bank deposits	**(593.6)**	(1,105.3)	(517.9)
Net debt/(funds)	**382.7**	(118.6)	(208.4)
Equity	**1,933.2**	1,813.2	1,239.4
Group capital and net debt	**2,315.9**	1,694.6	1,031.0
Gearing ratio	**16.5%**	—	—

25. 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:

Financial assets

	Carrying amount			Fair value		
	31 December 2009	31 December 2008	31 December 2007	31 December 2009	31 December 2008	31 December 2007
	$m	$m	$m	$m	$m	$m
Bank deposits	**13.2**	285.0	30.1	**13.2**	285.0	30.1
Cash and cash equivalents	**580.4**	820.3	487.8	**580.4**	820.3	487.8
Derivative financial assets	**—**	3.7	2.4	**—**	3.7	2.4
Available-for-sale financial asset	**—**	1.9	15.9	**—**	1.9	15.9
Trade receivables	**30.2**	24.7	33.9	**30.2**	24.7	33.9
Joint Venture debtors	**155.7**	363.0	183.8	**155.7**	363.0	183.8
	779.5	1,498.6	753.9	**779.5**	1,498.6	753.9

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 16.

Financial liabilities

	Carrying amount			Fair value		
	31 December 2009	31 December 2008	31 December 2007	31 December 2009	31 December 2008	31 December 2007
	$m	$m	$m	$m	$m	$m
Group						
Loans and borrowings	**666.1**	500.0	75.0	**666.1**	500.0	75.0
Trade payables	**2.8**	2.1	—	**2.8**	2.1	—
Joint venture creditors and accruals	**258.1**	430.1	171.9	**258.1**	430.1	171.9
Finance leases	**3.5**	5.4	4.3	**3.5**	5.4	4.3
Decommissioning provision	**27.0**	23.7	34.7	**27.0**	23.7	34.7
	957.5	961.3	285.9	**957.5**	961.3	285.9

The derivative financial assets entered into in 2008 related to foreign exchange options to hedge the exposure of future Indian Rupee requirements as part of the Rajasthan Development entered into by the Cairn India Group. These unwound during 2009. The fair value of the currency options was determined by reference to market values obtained from the Bank from whom the options were bought. The cost to the group of exercising the currency options on contractual maturity was paid on purchase of the options. The fair value movement in the carrying value of the option was included in the 2009 and 2008 financial statements. The options were not hedge accounted.

The available-for-sale financial asset relates to listed equity shares held by Cairn India. Refer to note 14 for further detail.

The carrying value of short-term receivables and payables are assumed to approximate their fair values where discounting is not material.

25. Financial Instruments (Continued)

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 available-for-sale financial assets were transferred from Level 1 to Level 3 where the fair value was reduced to $nil. The loss on the reduction to fair value is recognised in other comprehensive income. See note 14.

At 31 December 2008, the Cairn India Group had the following financial instruments.

	Level 1	Level 2	Level 3	31 December 2008
	$m	$m	$m	$m
Assets measured at fair value				
Financial assets at fair value through profit or loss—derivative financial assets	—	3.7	—	3.7
Available-for-sale financial asset—equity shares	1.9	—	—	1.9
	1.9	3.7	—	5.6

At 31 December 2007, the group had the following financial instruments.

	Level 1	Level 2	Level 3	31 December 2007
	$m	$m	$m	$m
Assets measured at fair value				
Financial assets at fair value through profit or loss—derivative financial assets	—	2.4	—	2.4
Available-for-sale financial asset—equity shares	15.9	—	—	15.9
	15.9	2.4	—	18.3

The Cairn India Group has no financial liabilities at fair value through profit or loss.

Maturity analysis

The following table sets out the amount, by maturity, of the Cairn India Group's financial liabilities:

At 31 December 2009

	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
	$m	$m	$m	$m	$m	$m	$m
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 and accruals	258.1	258.1	—	—	—	—	—
Finance leases*	4.0	1.8	1.6	0.6	—	—	—
Decommissioning provision**	90.8	—	—	—	—	—	90.8
	1,234.5	**317.9**	**51.8**	**251.2**	**220.3**	**179.2**	**219.1**

25. Financial Instruments (Continued)

At 31 December 2008

	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
	$m	$m	$m	$m	$m	$m	$m
Loans and borrowings*	603.6	27.5	27.5	439.2	5.3	5.3	98.8
Trade payables	2.1	2.1	—	—	—	—	—
Joint Venture creditors and accruals	430.1	420.1	—	—	—	—	—
Finance leases*	604	2.7	1.7	1.5	0.5	—	—
Decommissioning provision**	73.7	—	—	—	3.5	—	70.2
	1,115.9	462.4	29.2	440.7	9.3	5.3	169.0

At 31 December 2007

	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
	$m	$m	$m	$m	$m	$m	$m
Loans and borrowings*	100.5	5.4	5.4	5.4	67.1	1.0	16.2
Joint Venture creditors and accruals	171.9	171.9	—	—	—	—	—
Finance leases*	4.9	2.3	1.6	0.9	0.1	—	—
Decommissioning provision**	68.9	0.3	—	—	—	—	68.6
	346.2	179.9	7.0	6.3	67.2	1.0	84.8

* 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.

26. Capital Commitments

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	$m	$m	$m
Oil and gas expenditure:			
Intangible exploration/appraisal assets	**303.0**	233.4	595.0
Property plant & equipment—development/producing assets	**750.3**	726.6	88.6
Contracted for	**1,053.3**	960.0	683.6

The above capital commitments represent Cairn India's share of obligations in relation to its interests in Joint Ventures. As all Cairn India Joint Ventures are jointly controlled assets, these commitments represent Cairn India's share of the capital commitment of the Joint Ventures themselves.

27. Pension Commitments

The Cairn India Group has no pension commitments as at the Balance Sheet date (2008: $nil, 2007: $nil).

28. 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. There are no restrictions placed on the lessee by entering into these leases.

28. Other Financial Commitments (Continued)

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Minimum lease payments at		
	31 December 2009	31 December 2008	31 December 2007
	$m	$m	$m
Land and buildings, within:			
One year	**3.0**	2.6	3.0
Two to five years	**1.5**	3.7	6.7
After five years	**—**	—	—
	4.5	6.3	9.7
Other, within:			
One year	**119.8**	102.0	13.9
Two to five years	**247.2**	206.0	54.2
	367.0	308.0	68.1

Included within other operating lease commitments is Cairn India's share of operating leases entered into by Joint Ventures of $119.8m (2008: $102.0m: 2007: $13.9m) due within one year and $247.2m (2008: $206.0m: 2007: $54.2m) due between two and five years. These are also included in 'Capital Commitments' disclosed in note 26 where appropriate.

29. Contingent Liabilities

Ravva Joint Venture Arbitration proceedings : Base Development Cost

In a dispute separate and unrelated to the profit petroleum calculations under the Ravva PSC disclosed in note 4, the Ravva joint venture received a claim from the Director General of Hydrocarbons (DGH) for the period from 2000-2005 for $166.4 million for an alleged underpayment of profit petroleum to the Indian Government, out of which Cairn India Group's share will be $37.4 million (INR 1,909m) plus potential interest at applicable rate (LIBOR plus 2% as per PSC).

This claim relates to the Indian Government's allegation that the Ravva JV has recovered costs in excess of the Base Development Costs ('BDC') cap imposed in the PSC and that the Ravva JV has also allowed these excess costs in the calculation of the Post Tax Rate of Return (PTRR). Cairn India believes that such a claim is unsustainable under the terms of the PSC because, amongst other reasons, the BDC cap only applies to the initial development of the Ravva field and not to subsequent development activities under the PSC. Additionally the Ravva JV has also contested the basis of the calculation in the above claim from the DGH. Even if upheld, Cairn India believes that the DGH has miscalculated the sums that would be due to the Indian Government in such circumstances.

The Ravva JV (with the exception of ONGC) has initiated arbitration proceedings. An arbitration panel has been fully constituted and all hearings are now complete. The panel indicated that they will release their decision in early December.

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 Cairn India Group, it will be liable to pay the service tax of approximately $36.2m (INR 1,679m) plus potential interest of approximately $12.5m (INR 581m), although this could be recovered in part where it relates to services provided to the Joint Venture of which Cairn India is operator.

29. Contingent Liabilities (Continued)

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 $49.6m.

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 31 December 2009:

- Various guarantees under the Cairn India Group's bank facilities (see note 24) for the Cairn India Group's share of minimum work programme commitments for the current year of $18.6m (2008: $31.0m. 2007: $80.0m)
- Parent company guarantees for the Cairn India Group's obligations under PSC, sales and other contracts

30. Related Party Transactions

The following table provides the balances which are outstanding with parent company and fellow subsidiaries at the Balance Sheet date:

	At 31 December 2009	At 31 December 2008	At 31 December 2007
	$m	$m	$m
Amounts owed to parent company and fellow subsidiaries	**4.9**	16.6	17.7
	4.9	16.6	17.7

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.

(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.

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	$m	$m	$m
Short-term employee benefits	**6.8**	7.3	7.1
Pension contributions	**0.1**	0.1	—
Share-based payments	**1.2**	0.3	0.5
	8.1	7.7	7.6

30. Related Party Transactions (Continued)

(b) Other transactions

The following table provides the transactions with subsidiary companies recorded in the profit for the year all of which were carried out on an arm's length basis:

	At 31 December 2009	At 31 December 2008	At 31 December 2007
	$m	$m	$m
Reimbursement of expenses	**1.0**	2.1	0.7
LTIPs/share based payments charge	**0.6**	3.5	4.2
	1.6	5.6	4.9

During the year 2009, an intercompany loan balance of $21.5m was waived by the parent company.

31. Impact of Adoption of IFRS

(a) Reconciliation of total equity as presented under previous India GAAP to that under IFRS

		31 March 2010	31 March 2010	1 January 2007	1 January 2007
		INR'000	$m	INR'000	$m
Total equity under India GAAP		**338,683,324**	**7,555.7**	**292,804,297**	**6,615.6**
Intangible exploration/appraisal cost increase	A	195,780	4.4	3,453,386	78.0
Property, plant and equipment—development/ producing assets increase	B	4,911,351	109.6	7,049,659	159.3
Elimination of goodwill on business combinations	C	(253,192,675)	(5,648.5)	(253,192,675)	(5,720.6)
Reduction in oil and condensate inventory to value at cost	D	(434,172)	(9.7)	(147,998)	(3.3)
Decommissioning provision adjustment	E	3,230,957	72.1	1,165,743	26.3
Recognition of Ravva Profit petroleum provision	F	(4,282,132)	(95.6)	—	—
Deferred taxation on Ravva Profit petroleum provision	F	1,810,930	40.4	—	—
Reversal of Minimum Alternate Tax credits	G	(434,803)	(9.7)	—	—
Other deferred tax adjustments	H	(58,826)	(1.3)	(1,628,056)	(36.8)
Increase in financial assets to fair value	I	—	—	242,904	5.5
Cash adjustment for recognition of IPO share issue	J	—	—	(52,607,948)	(1,188.6)
IPO proceeds re-classified from equity to deferred revenue	J	—	—	(33,274,668)	(751.8)
Re-classification of costs from share premium to prepayments	J	—	—	294,506	6.7
Other non-material balance sheet adjustments		88,754	2.0	97,675	2.2
Total equity under IFRS		**90,518,453**	**2,019.4**	**(35,743,175)**	**(807.6)**

31. **Impact of Adoption of IFRS (Continued)**

(b) Reconciliation of profit after tax as presented under previous India GAAP for the year ended 31 March 2010 to total comprehensive income under IFRS

		31 March 2010	31 March 2010
		Rs.'000	$m
Profit after tax under India GAAP		**10,511,059**	**222.6**
Exceptional revenue provision for Ravva Profit Petroleum	F	(3,023,058)	(64.0)
Additional unsuccessful exploration cost write off	K	(444,165)	(9.4)
Adjustment to depletion and decommissioning charge	L	(2,205,347)	(46.7)
Additional realised and unrealised exchange differences	M	223,085	4.7
Exceptional interest charge on Ravva arbitration	F	(1,492,035)	(31.6)
Exceptional taxation credit on Ravva arbitration	F	1,907,539	40.4
Reversal of Minimum Alternate Tax credits	G	(457,998)	(9.7)
Other taxation differences	N	(4,811,859)	101.9
Reclassification of Cairn Energy PLC loan waiver	O	(592,510)	(12.5)
Other non-material comprehensive income adjustments		(95,850)	(2.3)
Total comprehensive income under IFRS		**9,142,579**	**193.4**

In preparing the reconciliations in a) and b), Cairn India Limited's India GAAP assets and liabilities were first re-classified for consistent presentation with that under IFRS. This included re-allocating exploration and development work in progress and joint venture support assets included within fixed assets to intangible exploration/appraisal assets and property, plant and equipment—development/producing assets respectively. Other reclassifications include moving drilling stores and spares from inventory to property, plant and equipment—development/producing assets and re-classifying certain investments as deposits. The adjustments above are shown after these re-classifications have been made.

(c) Explanation of material adjustments to Group Statements of Cash Flows

At the balance sheet date, Cairn India holds certain highly liquid investments which are readily convertible into cash and are classified as short-term deposits and included within cash and cash equivalents under IFRS. Previously under India GAAP these assets were classified under investments. Consequently the net decrease in cash reported under India GAAP for the period to 31 March of INR. 15,463,921,000 ($: 327.5m) is reduced by INR. 15,411,327,000 ($326.4m) on transition to IFRS. Closing cash and cash equivalents under IFRS at 31 March 2010 are $517.6m (INR. 23,201,420,000) compared to $142.0m (INR. 6,366,698,000) reported under India GAAP.

All further adjustments made to the India GAAP cash flow to comply with IFRS relate to re-classification of certain inflows and outflows between operating and financing activities. These include the movements in borrowings from Cairn Energy PLC and fellow subsidiaries and the re-classification of interest paid.

(d) Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the general requirement to apply IFRSs as effective for December 2007 year ends respectively. The Cairn India Group has taken the following exemptions:

- Cumulative currency translation differences for the parent undertaking, which has a non-US$ functional currency, are deemed to be zero as at 1 January 2007. All other Cairn India Group companies are US$ functional;
- Assets and liabilities of subsidiary companies are measured at the same carrying value as in the financial statements of the subsidiary after adjusting for consolidation and equity accounting adjustments where the subsidiary was a first-time adopted of IFRS before the parent undertaking; and
- Designation of financial instruments as available-for-sale financial assets at the date of transition to IFRS.

31. Impact of Adoption of IFRS (Continued)

Explanatory notes

A There are several major GAAP differences in accounting for exploration assets between India GAAP and IFRS which contribute to the increase in assets.

Under IFRS Cairn India has adopted a successful efforts based accounting policy for oil & gas assets. 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 and evaluation assets are thus transferred to development when technical feasibility and commercial viability of extracting a mineral resource are demonstrable and no further exploration activity is planned. 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/failure of each exploration/appraisal effort is judged on 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.

Under India GAAP Cairn India follows the successful efforts method of accounting for oil & gas assets as set out by the Guidance note issued by the Institute of Chartered Accountants of India (ICAI) on "Accounting for Oil and Gas Producing Activities". Exploration expenditure incurred in the process of determining exploration targets which cannot be directly related to individual exploration wells is expensed in the period in which it is incurred.

Exploration/appraisal drilling costs are initially capitalised within exploratory and development work in progress 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 results indicate that oil and gas reserves exist and there is a reasonable prospect that these reserves are commercial. Exploration/appraisal drilling costs are transferred to development on commencement of production.

In IFRS exploration costs are also retranslated from the functional currency into the presentation currency of US$ at the closing rate where costs are held in the Cairn India Group companies whose functional currency is not US$ where as in India GAAP exploration costs are held in India Rupee at historic rates. They are translated from the Indian Rupee into the presentational currency of US$ at the closing rate.

As a result of the differing capitalisation policies for exploration expenditure, balances under IFRS will generally be higher than that under India GAAP. In addition, Cairn India's IFRS exploration assets include fair value adjustments for Ravva resulting from prior year business combinations which do not arise under India GAAP.

B Again, there are several significant differences in accounting for plant and equipment—development/producing assets under IFRS than under India GAAP contributing to the increase in assets.

Under IFRS, the company has chosen to use fair value as deemed costs for certain of its development/producing assets. This results in a significant increase to the assets held in the company's balance sheet and consequently to the annual depletion charge. The fair value was determined at the date of adoption by the Cairn India Group's subsidiary companies which had previously adopted IFRS and which hold all the Cairn India Groups plant and equipment—development/producing assets. Subsequent additions to property, plant and equipment—development/producing assets under IFRS include the capitalisation of attributable borrowing costs which are charged against profit under India GAAP.

In IFRS depletion is charged based on proved and probable reserves (2P reserves) on entitlement interest production and also considering the cost to complete where as in India GAAP depletion is charged based on proved developed reserves on working interest production on incurred costs. Site restoration costs are recognised at net present value under IFRS where as in India GAAP it is recognised at current costs.

Also, in IFRS development costs are retranslated from the functional currency into the presentation currency of US$ at the closing rate wherein costs are held in the Cairn India Group companies whose functional currency is not US$ where as in India GAAP development costs are held in India Rupee at

31. Impact of Adoption of IFRS (Continued)

historic rates. They are translated from the Indian Rupee into the presentational currency of US$ at the closing rate.

C The goodwill on consolidation was recognised in India GAAP on acquisition of the shares of Cairn India Holdings Limited from Cairn UK Holdings Limited by Cairn India Limited. The difference between the fair value paid for acquisition of the shares and the net worth of Cairn India Holdings Limited along with its subsidiaries was recognised as goodwill. However in IFRS, under the "pooling of interest method" of accounting no such goodwill could be recognised in case of common control combinations and any difference between the consideration paid/transferred and the equity acquired is reflected within equity only.

D Inventories of oil and condensate are valued at the lower of cost and net realisable value under IFRS. Previously such inventories were valued at estimated realisable value.

E Under IFRS, the provision for decommissioning is measured by discounting to the expected date where the costs of fulfilling obligations are expected to be incurred. Under India GAAP, decommissioning liabilities were measured at current costs.

F Under IFRS a provision has been made against the demand notice issued by GoI for settlement of the disputed Ravva arbitration. Further details on this dispute can be found in note 4. During 2009 a provision of $64.0m was made against revenue with a further $31.6 of accrued interest thereon. An associated deferred tax credit of $40.4m was also recognised. Under accepted practice in India, no provision has been made against India GAAP profit for the year.

G Certain Minimum Alternate Tax credits relating to 2009 were recognised under India GAAP. As a legal process is underway to restructure Cairn India which, if successful, will result in these credits being impaired, no asset has been recognised under IFRS. Accepted practice in India is to recognise the asset until the legal process is complete.

H The difference in deferred tax liabilities between IFRS and India GAAP is due to the difference in the book values of various assets and liabilities between IFRS and India GAAP and the impacts of the other reconciling differences.

I Available-for-sale financial assets are valued at market value of $7.9m under IFRS on transition to IFRS. Previously this investment was carried at cost under India GAAP. By March 2010, both IFRS and India GAAP recorded the value of the asset at fair value.

J Cairn India Limited allotted shares under its Initial Public Offering ("IPO") on 29 December 2006. Approval for the listing was received in January 2007 and the IPO completed on 7 January 2007. Under IFRS the issue of shares and receipt of funds did not occur until the listing was complete in 2007. Under India GAAP, the completion of the listing is viewed as a procedural requirement and therefore the issue of shares and receipt of proceeds was accounted for in 2006.

Under IFRS, Cairn India has not recognised proceeds from the IPO other than those from a pre-IPO placing where sums received have been re-classified from equity to deferred income. Costs incurred in connection with the IPO as at 1 January 2007 have also been re-classified from equity to prepayments.

K Following the relinquishment of several exploration costs in the period all related costs have been charge to the Income Statement as unsuccessful exploration costs. These costs were included in amounts written off against profit in prior years under India GAAP (as noted in A above).

L Higher depletion charges under IFRS reflect the increased book cost of development assets. Depletion under IFRS is also charged on each separate development area using 2P entitlement reserves. Under India GAAP depletion was charge on a field-by-field basis using 1P working interest reserves.

M In IFRS, IAS 21 requires that a company should determine its functional currency and prepare its results in this currency. Where the results are then presented in a currency other than the functional currency certain rules should be followed in translating the company's results. As the Cairn India Group's significant income and expenditure has been incurred in US$, all the subsidiaries of Cairn India Limited have a US$ functional currency and the results are prepared in US$. For presenting in $, all assets and liabilities in the Balance Sheet are converted at the closing rate and all income and

31. Impact of Adoption of IFRS (Continued)

expenses in the Income Statement converted at the rates at the dates of the transaction. Any exchange difference arising on converting to $ are recognised as other comprehensive income.

The realised exchange charge resulting in the Income Statement reflects exchange gains or losses recognised in the US$ functional results on translation for monetary assets held in currency other than US$. However, In IGAAP based on the integral approach (AS-11) all transactions of subsidiaries of Cairn India Limited are deemed to be transactions of Cairn India Limited and recognised in INR i.e. the currency of preparation and presentation of accounts. The realised exchange charge resulting in the Income Statement reflects exchange gains or losses recognised in INR on translation of monetary assets held in currency other than INR.

N Deferred tax is calculated on timing differences that exist between the book value of assets in the accounts and the tax written down values of the same assets. As the tax written down values are based on India GAAP accounts, there are far fewer timing differences in India GAAP than under IFRS, particularly for assets in intangible exploration/appraisal assets and property, plant and equipment—development/producing assets where production has yet to commence.

Under IFRS, there is a significant credit to the income statement in the year in respect of non-exceptional Indian deferred tax. In July 2009, Indian fiscal changes were enacted including an amendment to the tax holiday rules with the effect that tax relief can now be claimed for certain costs. A tax holiday is available on a contract area basis for seven fiscal years from commencement of production and so, where tax holiday relief can be claimed, deferred tax is provided only on the timing differences which remain at the end of the tax holiday period. Of the total credit for the year, $43.2m relates to the impact of the changes to the tax holiday rules and $59.7m is the movement in fixed assets in the year after taking account of amounts that will unwind before the end of the tax holiday period.

O Inter-company loans due from Cairn India Limited to Cairn Energy PLC, the ultimate parent undertaking, were waived during the year. Under IFRS the loan waivers are recognised as a credit directly within equity. Under India GAAP, $12.5m of the balance was credited to profit for the year.

SECTION B: ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF CAIRN INDIA

The Directors
Vedanta Resources plc
16 Berkeley Street
London W1J 8DZ

25 November 2010

Dear Sirs

Cairn India Limited

We report on the financial information set out in Part 3 Section A. This financial information has been prepared for inclusion in the class 1 circular relating to the acquisition of Cairn India Limited dated 25 November 2010 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 Listing Rule 13.5.21 and is given for the purpose of complying with that rule and for no other purpose.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the class 1 circular, 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 Listing Rule 13.4.1R (6), consenting to its inclusion in the class 1 circular.

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 and in a form that is consistent with the accounting policies adopted in Vedanta Resources plc's latest annual accounts.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view for the purposes of the class 1 circular, and has been prepared in a form consistent with the accounting policies adopted in Vedanta Resources plc's latest annual accounts 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 class 1 circular dated 25 November 2010 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 and has been prepared in a form that is consistent with the accounting policies adopted in Vedanta Resources plc's latest annual accounts.

Yours faithfully

Ernst & Young LLP

SECTION C: UNAUDITED FINANCIAL INFORMATION

Introduction

The following is unaudited interim financial information for Cairn India for the nine months ended 30 September 2010. This financial information has been prepared for the purposes of this document on an IFRS basis consistent with Vedanta's accounting policies as per its last accounts 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 Part 3.

CAIRN INDIA LIMITED

GROUP INCOME STATEMENT

For the nine months ended 30 September 2010

	Nine months ended 30 September 2010
	$m
Revenue	
Revenue from continuing operations	**904.5**
Cost of sales	
Production costs	**(156.3)**
Unsuccessful exploration costs	**(18.0)**
Depletion and decommissioning charge	**(195.2)**
Gross profit	**535.0**
Other operating income	**8.5**
Administrative expenses	**(46.3)**
Operating profit	**497.2**
Finance income	**17.0**
Finance costs	**(51.6)**
Profit before taxation	**462.6**
Taxation	
Taxation charge on profit	**(58.7)**
Profit for the period	**403.9**

CAIRN INDIA LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2010

	Nine months ended 30 September 2010
	$m
Profit for the period	**403.9**
Other comprehensive income	
Currency translation differences	**3.4**
Other comprehensive income for the period	**3.4**
Total comprehensive income for the period	**407.3**

CAIRN INDIA LIMITED

GROUP BALANCE SHEET

As at 30 September 2010

	As at 30 September 2010
	$m
Non-current assets	
Intangible exploration/appraisal assets	376.6
Property, plant & equipment—development/producing assets	2,093.9
Property, plant and equipment—other	5.2
Intangible assets—other	3.9
	2,479.6
Current assets	
Inventory	29.6
Trade and other receivables	558.0
Bank deposits	181.1
Cash and cash equivalents	407.6
Derivative financial instruments	1.6
Income tax asset	6.7
	1,184.6
Total assets	3,664.2
Current liabilities	
Trade and other payables	454.1
Obligations under finance leases	1.6
Provisions	35.5
Income tax liabilities	32.5
	523.7
Non-current liabilities	
Loans and borrowings	733.9
Obligations under finance leases	0.8
Provisions	51.9
	786.6
Total liabilities	1,310.3
Net assets	2,353.9
Equity attributable to equity holders of the parent	
Called-up share capital	426.7
Share premium	6,772.0
Foreign currency translation	(99.5)
Retained earnings	(4,745.3)
Total Equity	2,353.9

CAIRN INDIA LIMITED

GROUP STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2010

	Nine months ended 30 September 2010
	$m
Cash flows from operating activities	
Profit before taxation	**462.6**
Unsuccessful exploration costs	**18.0**
Depletion, depreciation, decommissioning and amortisation	**200.6**
Share based payments charge	**11.7**
Finance income	**(17.0)**
Finance costs	**51.6**
Net interest paid	**(43.2)**
Income tax paid	**(108.8)**
Movement on inventory of oil and condensate	**(18.9)**
Trade and other receivables movement	**(252.5)**
Trade and other payables movement	**49.5**
Movement in other provisions	**(1.9)**
Net cash generated from operating activities	**351.7**
Cash flows from investing activities	
Expenditure on intangible exploration/appraisal assets	**(152.2)**
Expenditure on tangible development/producing assets	**(286.0)**
Purchase of property, plant & equipment—other	**(1.8)**
Purchase of intangible assets—other	**(3.4)**
Movement in funds on bank deposits	**86.8**
Interest received	**34.7**
Net cash used in investing activities	**(321.9)**
Cash flows from financing activities	
Arrangement and facility fees	**(24.1)**
Proceeds from exercise of share options	**1.6**
Payment of finance lease liabilities	**(1.3)**
Proceeds of borrowings	**55.9**
Net cash flows from financing activities	**32.1**
Net decrease in cash and cash equivalents	**61.9**
Opening cash and cash equivalents at beginning of year	**326.2**
Exchange gains on cash and cash equivalents	**19.5**
Closing cash and cash equivalents	**407.6**

CAIRN INDIA LIMITED

GROUP STATEMENTS OF CHANGES IN EQUITY

For the nine months ended 30 September 2010

	Equity share capital	Foreign currency translation	Retained earnings	Total Equity
	$m	$m	$m	$m
At 1 January 2010	7,197.0	(102.9)	(5,160.9)	**1,933.2**
Total comprehensive income for the period	—	3.4	403.9	**407.3**
Employee share options	1.7	—	—	**1.7**
Share based payments	—	—	11.7	**11.7**
At 30 September 2010	**7,198.7**	**(99.5)**	**(4,745.3)**	**2,353.9**

PART 4

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE COMBINED GROUP

Pro forma financial information

The unaudited pro forma statement of net assets of the Combined Group set out below has been prepared on the basis discussed below, to illustrate the effect of the acquisition of the Cairn India Group on the Vedanta Group's net assets as if it had occurred as at 31 March 2010. It has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the Vedanta Group's actual financial position or results.

Basis of preparation

The pro forma statement is based on the net assets of the Vedanta Group as at 31 March 2010, which have been extracted without material adjustment from its published audited annual accounts as at 31 March 2010. The net assets of the Cairn India Group as at 31 December 2009 have been extracted without material adjustment from the audited balance sheet of Cairn India as restated under the Vedanta Group's accounting policies as at 31 December 2009, as set out in Part 3 of this document. Further adjustments have been made in accordance with Annex II item 6 of the Prospectus Rules. The other adjustments are discussed in the notes below.

Pro forma statement of net assets of Combined Group:

Description	Vedanta Resources 31 March 2010	Adjustment— Cairn India's Net Assets 31 December 2009	Adjustment Acquisition Accounting (note 1)	Adjustment Consideration (note 2)	Adjustment Debt (note 3)	Pro forma
	$m	$m	$m	$m	$m	$m
Goodwill and Intangibles	12.2	344.2				356.4
Property Plant And Equipment	14,326.7	1,837.4	8,405.7			24,569.8
Financial Asset Investment	201.2	—				201.2
Other Non Current Assets	18.3	—				18.3
Other Financial Asset Derivatives	43.7	—				43.7
Deferred Tax Asset	8.9	—				8.9
Total Non Current Asset	**14,611.0**	**2,181.6**	**8,405.7**	**(9,565.6)**	**—**	**25,198.3**
Inventories	1,260.6	10.7				1,271.3
Trade And Other Receivables	923.6	270.8				1,194.4
Other Current Financial Asset Derivatives	10.4	—				10.4
Cash And Cash Equivalents & Liquid Investments	7,239.4	593.6		(9,565.6)	6,000	4,267.4
Current Tax Assets	15.0	8.1				23.1
Total Current Asset	**9,449.0**	**883.2**	**—**	**(9,565.6)**	**6,000**	**6,766.6**
Short Term Borrowings	1,012.6	—				1,012.6
Trade And Other Payables Current	2,559.2	311.7				2,870.9
Other Current Financial Liabilities Derivatives	38.5	—				38.5
Provisions Current	0.9	36.3				37.2
Current Tax Liabilities	71.7	5.9				77.6
Current Liabilities	**3,682.9**	**353.9**	**—**	**—**	**—**	**4,036.8**
Net Current Asset	**5,766.1**	**529.3**	**—**	**(9,565.6)**	**6,000**	**2,729.8**
Medium/Long Term Borrowing	4,383.2	666.1			6,000	11,049.3
Convertible Loan Notes	2,777.8	—				2,777.8
Trade And Other Payables Non Current	306.4	2.0				308.4
Other Financial Liabilities Derivatives	44.7	—				44.7
Deferred Tax Liabilities	1,209.3	79.1				1,288.4
Provisions Non Current	167.6	30.5				198.1
Retirement Benefit	36.6	—				36.6
Non Equity Minority Interest	11.9	—				11.9
Non Current Liabilities	**8,937.5**	**777.7**	**—**	**—**	**6,000**	**15,715.2**
Net Asset	**11,439.6**	**1,933.2**	**8,405.7**	**(9,565.6)**	**—**	**12,212.9**

Notes:

1. Adjustment in respect of excess purchase consideration

	$m	
Purchase consideration		9,565.6
Net Assets of Cairn India as at 31 December 2009	1,933.2	
Vedanta share 60% of net assets		(1,159.9)
Purchase consideration in excess of net assets (note 4)		8,405.7

2. The purchase consideration adjustment of $9,565.6 m represents the consideration to be paid for 60% of Cairn India.

3. Debt adjustment of $6,000 m to cash represents gross draw down of the debt.

4. The $8.4bn adjustment has been allocated to PPE 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 $8.4bn to PPE and not goodwill.

5. The presumption that 60% of Cairn India will be acquired is based on the maximum take up of a 20% holding through the Open Offer with a further 40% being acquired from the Cairn Energy Group, which is the maximum stake Vedanta can take up through the process.

6. 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.

7. Working of purchase consideration of $9,565.6 million.

Total No. of Shares (Millions):	1,919.9	(As on August 13, 2010)
Exchange rate (USD:INR):	46.7650	(As on August 13, 2010)
Vedanta Share (60%):		
VRPLC (40%) (no. of shares, millions)	768.0	
SESA (20%) (no. of shares, millions)	384.0	

	$m
Total Value:	
VRPLC (40%)	6,650.8
SESA (20%)	2,914.8
	9,565.6

* Non compete fee of INR. 50 per share is considered only for offer to Cairn Energy.

8. Financial information for the Company has been extracted, without material adjustment, from the audited financial information as of 31 March 2010 of the Company. Financial information for Cairn India has been extracted, without material adjustment, from the historical financial information as of 31 December 2009 of Cairn India as set out under historical financial information in Part 3 of this document.

Earnings

The expected impact of the Acquisition on earnings is disclosed in Part 1 of this document.

REPORT ON PRO FORMA FINANCIAL INFORMATION

The Board of Directors
on behalf of Vedanta Resources plc
16 Berkeley Street
London W1J 8DZ

J.P. Morgan plc
125 London Wall
London EC2Y 5AJ

Morgan Stanley & Co. Limited
25 Cabot Square
Canary Wharf
London E14 5QA

25 November 2010

Dear Sirs,

Vedanta Resources plc (the "Company")

We report on the pro forma financial information (the "Pro forma financial information") set out in Part 4 of the Class 1 circular dated 25 November 2010 (the "Investment Circular"), which has been prepared on the basis described in the basis of preparation note set out on page 99, 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 2010. This report is required by Annex I item 20.2 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") as applied by Listing Rule 13.3.3R 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 as applied by Listing Rule 13.3.3R.

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 as applied by Listing Rule 13.3.3R.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to Vedanta Shareholders as a result of the inclusion of this report in the Investment Circular, 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 Listing Rule 13.4.1R (6), consenting to its inclusion in the Investment Circular.

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.

Yours faithfully

Deloitte LLP
Chartered Accountants

Deloitte LLP is a limited liability partnership registered in England and 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 Limited ("DTTL"), a UK private company limited by guarantee, 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 DTTL and its member firms.

Member of Deloitte Touche Tohmatsu Limited

PART 5

PRINCIPAL TERMS OF THE ACQUISITION

SECTION A: PRINCIPAL TERMS OF THE VEDANTA SHARE PURCHASE

1. Document and parties

The Purchase Agreement was entered into on 15 August 2010 between CUKHL, Cairn Energy, Twin Star and Vedanta, and is the agreement under which Vedanta has agreed to the Vedanta Share Purchase.

The obligations of CUKHL and Twin Star under the Purchase Agreement are guaranteed by Cairn Energy and Vedanta respectively.

2. Sale shares

CUKHL will sell to Twin Star (or any nominee of Twin Star nominated by Twin Star pursuant to nomination provisions in the Purchase Agreement referred to below) such number of Cairn India Shares as represents 51 per cent. of the fully diluted share capital of Cairn India at Completion, as reduced by (a) and (b) below:

(a) the number of Cairn India Shares validly tendered in the Open Offer (provided that the number of shares to be sold shall in no event be reduced below 40 per cent. of the fully diluted share capital of Cairn India at Completion pursuant to the adjustment described in this paragraph (a)); and

(b) at the election of Twin Star, the number of Cairn India Shares sold by CUKHL for emergency funding reasons following severe financial difficulty prior to Completion,

provided that the aggregate of the Cairn India Shares to be acquired pursuant to the Open Offer and the Purchase Agreement shall not be less than 51 per cent. of the fully diluted share capital of Cairn India at Completion. As at the date of the Purchase Agreement, 51 per cent. of the fully diluted share capital of Cairn India represented 979,162,688 shares.

The consideration to be paid for each Cairn India Share pursuant to the Purchase Agreement is INR355. The consideration must be settled in US Dollars (at an agreed exchange rate of US$1 to INR46.765).

Twin Star prior to Completion may by notice to CUKHL nominate another purchaser to acquire all or any of the Cairn India Shares to be acquired pursuant to the Purchase Agreement, subject, in the case of a nominee resident in India, to the delivery of such approvals as may be required under applicable law.

3. Conditions

The Vedanta Share Purchase is conditional upon:

(a) the approval of Vedanta Shareholders and shareholders of Cairn Energy at general meetings of Vedanta and Cairn Energy respectively, to be held on or prior to 30 October 2010 in the case of Cairn Energy and on or prior to 13 December 2010 in the case of Vedanta (or, in both cases, such other date as is set pursuant to the provisions in relation to matching rights, further information on which is set out in paragraph 7 below). Cairn Energy shareholders approved the Vedanta Share Purchase on 7 October 2010;

(b) completion of the Open Offer;

(c) to the extent related to the Rajasthan Block, Block CB/OS-2, and/or the Ravva Block:

 (i) no material production sharing contract, operating agreement, material licence, lease or permit of the Cairn India Group being terminated or otherwise coming to an end;

 (ii) no formal notice having been issued by a competent authority that any of the above events will occur as a result of or with effect from the Vedanta Share Purchase; and

 (iii) all requested or required governmental consents having been given.

The Purchase Agreement will lapse if the above conditions are not satisfied or waived on or before 15 April 2011. Twin Star may waive conditions (b) and (c) above. If on the date that all other conditions have been satisfied or waived, the events specified in conditions (c)(i) and (c)(ii) have not occurred, then those conditions will be deemed to have been satisfied.

Vedanta and Cairn Energy must use their respective reasonable endeavours to procure the satisfaction of condition (c)(iii) above.

4. Termination rights

Twin Star has the right to terminate the Purchase Agreement on the occurrence of certain specified force majeure events prior to the General Meeting of Vedanta referred to at paragraph 3(a) above. These events include:

(a) a material deterioration in the financial position, profitability or turnover of the Cairn India Group;

(b) the termination or coming to an end of a material production sharing contract, operating agreement, material license lease or permit in relation to the Rajasthan Block, Block CB/OS-2, and/or the Ravva Block; and

(c) any government agency (i) instituting any action, suit or investigation to restrain, prohibit or challenge the Vedanta Share Purchase or (ii) threatening to challenge or impede the exercise of any rights and powers that would be available to Twin Star as a result of the Vedanta Share Purchase.

5. Tax withholding

Twin Star are entitled to deduct the amount of Indian tax specified in (or which can be calculated from) any tax certificate obtained by CUKHL from the relevant Indian tax authorities from the consideration payable for (a) the Cairn India Shares to be acquired under the Purchase Agreement and (b) the entry into the restrictive covenants (further information on which is set out in paragraph 12 below), in each case at Completion.

Where no such tax certificate is provided, Twin Star may deduct from the amounts payable by it an amount equal to the maximum amount of such tax, as reasonably determined by it.

6. Non-solicitation

No member of the Cairn Energy Group may directly or indirectly solicit or otherwise encourage any person to make or become involved in any of the following (each being a "Competing Proposal"):

(a) an offer for the proposed acquisition of any shares of Cairn India;

(b) any transaction where a third party seeks (i) to acquire all or a substantial part of the business of CUKHL, Cairn Energy or Cairn India or (ii) 50 per cent. or more of the issued share capital of Cairn Energy; or

(c) any scheme of arrangement or merger transaction which would have a similar effect to any of the above.

Cairn Energy has undertaken to inform Vedanta of the existence of any unsolicited alternative offer for Cairn Energy, Cairn India or CUKHL.

7. Matching rights

Where a Competing Proposal is made, Twin Star has the right to make a revised offer.

If a revised offer is made, and Rothschild advises the Cairn Energy directors that it exceeds the effective price per Cairn India Share of the Competing Proposal (aggregating the consideration and the payment in relation to the restrictive covenants), then the Cairn Energy directors must recommend the revised offer to Cairn Energy's shareholders.

The general meeting of Cairn Energy may be adjourned to allow Rothschild to provide their advice. If this happens, then that meeting must be reconvened (or a further meeting convened) to allow Cairn Energy's shareholders to consider the revised offer as soon as reasonably practicable following the provision of that advice (and in any event by 31 December 2010).

The General Meeting of Vedanta referred to in paragraph 3(a) above may also be adjourned to allow the revised offer to be considered by Vedanta Shareholders.

8. Break fee

A break fee of one per cent. of the market capitalisation of Cairn Energy at the close of business on 13 August 2010 (being the business day prior to the announcement of the Acquisition) must be paid by CUKHL if either (i) Cairn Energy's shareholders do not pass a resolution approving the sale on or prior to 30 October 2010 (or such later date as may be applicable in the event of a Competing Proposal) or (ii) there is a breach of the non-solicitation provisions.

The break fee is payable 30 days after it is triggered.

9. Cairn Energy Group pre-completion obligations

Prior to Completion, to the extent that it is able (through the exercise of its rights as an indirect shareholder in Cairn India and under the Relationship Agreement), Cairn Energy is to procure:

(a) reasonable access for Vedanta to the Cairn India Group's senior employees, books and records and provide all information reasonably requested by Vedanta on the Cairn India Group;

(b) that the Cairn India Group seeks all consents or waivers in relation to the Acquisition under any applicable material contracts entered into by the Cairn India Group; and

(c) to the extent that it would be material in the context of the sale of the Cairn India Shares pursuant to the Purchase Agreement, that the business of the Cairn India Group is carried on in the usual and normal course and that the Cairn India Group does not undertake certain specified actions, including alterations to the fully diluted share capital of Cairn India.

10. Post-completion obligations

Vedanta has agreed to use its best endeavours to secure the release of Cairn Energy from certain guarantees provided by Cairn Energy (or a member of the Cairn Energy Group (other than Cairn India or its subsidiaries)) of obligations of Cairn India and its subsidiaries and in the meantime shall indemnify Cairn Energy (or applicable member of the Cairn Energy Group) against any liability thereunder or which may be incurred in relation thereto.

Cairn Energy has agreed to use its best endeavours to secure the release of Cairn India and its subsidiaries from any guarantees provided by Cairn India or any of its subsidiaries of the obligations of Cairn Energy and members of the Cairn Energy Group (other than Cairn India and its subsidiaries) and in the meantime shall indemnify Twin Star (or applicable members of the Vedanta Group) against any liability thereunder or which may be incurred in relation thereto.

11. Relationship arrangements

Vedanta and Cairn Energy must use their respective best endeavours to procure that:

(a) Cairn Energy and Cairn India enter into an agreement pursuant to which Cairn Energy will have certain rights to information on the Cairn India Group following Completion (the "Information Agreement"); and

(b) Vedanta and Cairn India will enter into an agreement substantially in the form of the Relationship Agreement or in such other form as may be agreed.

The Information Agreement will set out the arrangements upon which Cairn India will provide the information Cairn Energy requires in order to comply with its financial and regulatory reporting requirements (including its obligations under the Listing Rules and the Disclosure and Transparency Rules). The full terms of the Information Agreement are yet to be agreed between the proposed parties to that agreement.

Following Completion, CUKHL and Cairn Energy must procure that any member of the Cairn Energy Group holding shares in Cairn India will vote in favour of any amendment to the articles of association of Cairn India to remove the specific rights and restrictions in favour of CUKHL or Cairn Energy contained therein.

12. Restrictive covenants

The parties have agreed that for a period of three years after Completion, no member of the Cairn Energy Group may:

(a) carry on the business of extraction of oil or gas and/or its transport or processing in India, Sri Lanka, Pakistan and Bhutan (or any other business which directly or indirectly competes with the business of the Cairn India Group as at Completion); or

(b) solicit or encourage away from the Cairn India Group any person who was, within one year prior to Completion, an officer or senior employee of the Cairn India Group.

In consideration for the restrictive covenants described above, Twin Star has agreed to pay CUKHL at Completion INR50 per Cairn India Share to be sold under the Purchase Agreement. This payment must be settled in US Dollars (at an agreed exchange rate of US$1 to INR46.765).

13. Dealings in Cairn India Shares

Prior to Completion, no member of the Cairn Energy Group may purchase any Cairn India Shares or other securities in Cairn India, or enter into any agreement relating to Cairn India Shares with any person (or persons acting in concert) who hold seven per cent. or more of the issued Cairn India Shares.

The Vedanta Group has been granted a pre-emption right over any disposal by any member of the Cairn Energy Group of Cairn India Shares following Completion which would result in the recipient of the shares holding more than 20 per cent. of the then issued Cairn India Shares.

Following Completion, and while the Vedanta Group holds 51 per cent. or more of the issued Cairn India Shares, no member of the Cairn Energy Group may:

(a) purchase any additional Cairn India Shares if the aggregate of shares purchased would then exceed one per cent. of the issued Cairn India Shares; or

(b) enter into any agreement or act in concert with any person holding five per cent. or more of the issued Cairn India Shares, so far as such agreement relates to Cairn India Shares.

The Cairn Energy Group is however entitled to participate in pre-emptive share issues by Cairn India.

14. Put and call arrangements

The Purchase Agreement contains put and call arrangements in relation to the Cairn India Shares which are retained by the Cairn Energy Group following Completion.

At any time, these arrangements are in respect of such number of Cairn India Shares as is equal to the difference between 51 per cent. of the fully diluted share capital of Cairn India at Completion and the aggregate of:

(a) the number of Cairn India Shares sold to Twin Star under the Purchase Agreement at Completion;

(b) any Cairn India Shares previously acquired under these put and call arrangements; and

(c) any Cairn India Shares sold by any member of the Cairn Energy Group to any person at any price, provided that those shares have first been offered to Twin Star on certain specified terms.

These arrangements are exercisable in two tranches. The first tranche is exercisable after 30 July 2012 for a period of six months. The second tranche is exercisable after 31 July 2013 for a period of six months. In each case, the put and call arrangements are in respect of a maximum of five per cent. of the issued Cairn India Shares at the time of exercise that can be sold.

The exercise price per share in the case of each tranche is INR405. This will be settled in US Dollars (at an agreed exchange rate of US$1 to INR46.765).

15. Warranties

Cairn Energy and CUKHL have warranted that they each have the capacity and authority to enter into the Purchase Agreement. CUKHL has also warranted certain basic information in relation to Cairn India and has given customary warranties in relation to its title to the Cairn India Shares to be sold under the Purchase Agreement.

SECTION B: PRINCIPAL TERMS OF THE OPEN OFFER

1. Background

As a result of entering into the Purchase Agreement the Vedanta Group is required by Indian takeover law to make an open offer to Cairn India Shareholders (other than members of the Cairn Energy Group).

Accordingly, in accordance with Regulation 10 and Regulation 12 of the Indian Takeover Code Vedanta, jointly with its subsidiary Sesa Goa and a wholly owned subsidiary of Sesa Goa—VS Dempo & Company Private Limited ("VSD") has announced its intention to launch the Open Offer.

The Open Offer is being made in compliance with Regulations 10 and 12 and other applicable provisions of the Indian Takeover Code, for the purpose of the substantial acquisition of shares and voting rights, accompanied with change in control of Cairn India, thereby enabling the Vedanta Group and Sesa Goa to exercise control over Cairn India. The Vedanta Group and Sesa Goa may seek appointment of their nominee on the board of directors of Cairn India in accordance with the provisions of the Indian Companies Act, 1956, and the Indian Takeover Code.

2. The Open Offer

The Open Offer is being made by the Vedanta Group and Sesa Goa to acquire up to an aggregate of 383,985,368 equity shares of Cairn India having a face value of INR10 constituting 20 per cent. of the equity share capital of Cairn India at a price of INR355 per equity share payable in cash. The Open Offer is being made to all shareholders of Cairn India other than to the members of the Cairn Energy Group.

3. Conditions to the Open Offer

(a) The acquisition by the Vedanta Group and Sesa Goa under the Open Offer is conditional upon the fulfilment of the following (unless waived by the parties under the Purchase Agreement to the extent applicable):

   (i) receipt of approval from Vedanta Shareholders as required under the Listing Rules; and

   (ii) receipt of approval for the Vedanta Share Purchase from the shareholders of Cairn Energy, as required under the Listing Rules (which was obtained on 7 October 2010).

   The Open Offer is also conditional upon receipt of approval from the RBI for the acquisition of equity shares in Cairn India from non-resident shareholders by Sesa Goa/VSD in the Open Offer and/or for the acquisition of equity shares in Cairn India from resident shareholders by Vedanta and/or Twin Star.

(b) Sesa Goa and VSD require their respective shareholders' approval (these entail the passage of special resolutions requiring approval from shareholders representing by value at least 75 per cent. of the voting issued share capital of each company) under Section 372A of the Indian Companies Act, 1956 in the event its acquisition of Cairn India Shares in the Open Offer exceeds the limits specified therein as applicable to each of them. Sesa Goa convened and held a shareholders meeting on 18 October 2010 at which such shareholders' resolution was passed.

(c) If any other statutory approvals become applicable prior to the completion of the Open Offer, the Open Offer would also be subject to such other statutory approvals. Sesa Goa and the Vedanta Group will have the right not to proceed with the Open Offer in accordance with the terms of Regulation 27(1)(b) of the Indian Takeover Code in the event any of the statutory approval(s) that are required are refused.

In case of delay in receipt of any statutory approval(s), SEBI has the power to grant an extension of time to the Vedanta Group and Sesa Goa for payment of consideration to the Cairn India Shareholders, subject to the Vedanta Group and Sesa Goa agreeing to pay interest for the delayed period if directed by SEBI in terms of Regulation 22(12) of the Indian Takeover Code. However, if the Vedanta Group and Sesa Goa fail to obtain statutory approvals in time on account of the wilful default or neglect or inaction or non-action by the Vedanta Group and Sesa Goa in obtaining the requisite approval(s), the amount held in the escrow account shall be subject to forfeiture and be dealt with in the manner provided in the Indian Takeover Code.

4. Open Offer Process

The public announcement for the Open Offer was made in certain Indian newspapers on 17 August 2010. Thereafter, on 30 August 2010, the Vedanta Group and Sesa Goa filed with the SEBI the draft letter of offer. The SEBI has been communicating with the managers to the Open Offer. Upon receipt of comments from the SEBI, the draft letter of offer will be updated and finalised and sent to Cairn India shareholders. The Cairn India shareholders will then have 20 days to tender their Cairn India Shares. The Vedanta Group and Sesa Goa will have the ability to alter the price at which these shares are being acquired under the Open Offer anytime up to seven days prior to closure of the Open Offer.

SECTION C: PRINCIPAL TERMS OF THE SESA TRANSFER

1. Background

Sesa Goa wishes to make a strategic investment to acquire 383,985,368 Cairn India Shares representing 20 per cent. of Cairn India's fully diluted share capital at Completion. These Cairn India Shares are expected to be acquired by Sesa Goa through the Open Offer described at Section B of this Part 5. However, if less than 20 per cent. of Cairn India's fully diluted share capital is validly tendered in the Open Offer and subject to obtaining RBI approval a number of Cairn India Shares equal to the shortfall will either be acquired from CUKHL pursuant to the Purchase Agreement as a result of Sesa Goa (and/or any of its subsidiary undertakings) being nominated as a purchaser pursuant to the Purchase Agreement or acquired directly from Twin Star (or any nominee of Twin Star nominated by Twin Star pursuant to nomination provisions in the Purchase Agreement).

2. Terms of the acquisition from CUKHL

The acquisition of Cairn India Shares from CUKHL will take place on the same terms including (subject to RBI approval) price as described in Section A of this Part 5 above. If RBI approval to an acquisition by Sesa Goa at INR405 per Cairn India Share is not obtained, Sesa Goa will pay the maximum amount permitted by RBI to CUKHL and Twin Star will pay any balancing amount required to CUKHL.

3. Terms of the acquisition from Vedanta

Twin Star and Sesa Goa have agreed subject to the approval of Vedanta Shareholders that if the Cairn India Shares acquired by Sesa Goa through the Open Offer and/or directly from CUKHL under the Purchase Agreement are in aggregate less than 20 per cent. of Cairn India's fully diluted share capital such balancing number of Cairn India Shares as are required in order to bring Sesa Goa's total aggregate holding of Cairn India Shares to 20 per cent. of Cairn India's fully diluted share capital may be acquired by Sesa Goa from Twin Star (or any nominee of Twin Star nominated by Twin Star pursuant to nomination provisions in the Purchase Agreement) at a price, subject to RBI approval (if required) of INR405 per share. If RBI approval to a sale to Sesa Goa at INR405 per Cairn India Share is not obtained, Twin Star (or any applicable nominee) will sell the relevant Cairn India Shares to Sesa Goa at INR355 per Cairn India Share, subject to RBI approval or such price (which may be lower) which would not trigger the requirement for an RBI approval or result in a new open offer or an increase in the price payable under the existing Open Offer. It is anticipated that this acquisition of Cairn India Shares will occur on the later of Completion and the date that any required RBI approval is obtained, but in any event by the earlier of 190 days from the date of Completion or 31 August 2011.

4. Holdings on completion of the Sesa Transfer

As a result of the transactions described above:

(a) Sesa Goa is expected to acquire 383,985,368 Cairn India Shares representing 20 per cent. of Cairn India's fully diluted share capital for an aggregate consideration of US$2.9 billion to US$3.3 billion depending on the level of valid tenders received in the Open Offer (assuming the price payable under any Sesa Transfer is between INR 355 and 405 per Cairn India Share and an exchange rate of US$1 to INR46.765); and

(b) Vedanta and/or members of the Vedanta Group (other than Sesa Goa and/or its subsidiaries) intend to acquire and retain between 595,177,320 and 767,970,736 Cairn India Shares representing between 31 per cent. and 40 per cent. of Cairn India's fully diluted share capital for an aggregate consideration of US$5.2 billion to US$6.7 billion (assuming the price payable under any Sesa Transfer is between INR 355 and 405 per Cairn India Share and an exchange rate of US$1 to INR46.765).

PART 6

MINERAL EXPERTS' REPORT

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

August 31, 2010

Vedanta Resources PLC
16 Berkeley Street
London W1J 8DZ
United Kingdom

Morgan Stanley & Co. Limited
25 Cabot Square
London E14 4QA
United Kingdom

J.P. Morgan plc
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, 2010, 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, 2010. 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, 2010, 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, 2010. Working-interest resources are defined as that portion of the gross resources to be produced from the properties attributable to the interests owned by CIL, as of June 30, 2010, before deduction of any royalty interests payable.

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 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.

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, Ravva, Lakshmi, and Gauri fields. The Mangala field is located in the RJ-ON-90/1 PSC and began producing in 2009. In June 2010, the field produced at an average daily rate of 51,289 barrels of oil per day (BOPD). CIL reported that production has since increased to over 125,000 BOPD as wells have been brought online during August 2010. 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 7.6 million cubic feet of gas per day and 332 barrels of condensate per day in June 2010. The Ravva field is located in the PKGM-1 license area and produces at approximately 28,000 BOPD and more than 30 million cubic feet per day ($10^6 ft^3/d$) 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 38 $10^6 ft^3/d$ of sales gas and 8,000 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 7 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 80 wells have since been drilled in the field for development purposes including water-injection wells. The Bhagyam field is scheduled to begin producing in July 2011 with development drilling to begin in the fourth quarter of 2010. The Aishwariya field is scheduled to start producing in January of 2012 with development drilling occurring during the second half of 2011. The Government of India has established the maximum offtake rate for each field 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 enhanced oil recovery 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 will begin operations in 2011. The application of this enhanced oil recovery process will target improving volumetric sweep efficiency and potential reduction of residual oil saturation. These quantities have been classified as contingent resources.

A number of other discoveries have been made in the block, some containing volumes classified as reserves based on plans of development, and others containing volumes classified as contingent resources pending plans for development. The Saraswati field is scheduled to begin producing in August of 2010 and the Raageshwari (shallow) field is scheduled to begin producing in October 2010. 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 deeper-water field discoveries made by CIL and ONGC beginning in 2001. These discoveries contain volumes 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.

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 (10^3bbl) of oil and millions of cubic feet (10^6ft^3) of gas:

	OOIP and OGIP Used in Estimating Reserves					
	Proved		Proved plus Probable		Proved plus Probable plus Possible	
	OOIP (10^3bbl)	OGIP (10^6ft^3)	OOIP (10^3bbl)	OGIP (10^6ft^3)	OOIP (10^3bbl)	OGIP (10^6ft^3)
CB/OS-2 PSC						
CB-X	0	6,642	0	6,642	0	6,642
Gauri	16,676	138,932	16,676	138,932	16,676	144,039
Lakshmi	0	233,008	0	240,274	0	248,685
RJ-ON-90/1 PSC						
Aishwariya	315,495	0	334,563	0	388,133	0
Bhagyam	390,520	0	478,756	0	612,485	0
Mangala	1,235,845	0	1,240,808	0	1,275,116	0
Raagashwari Shallow	35,925	0	55,721	0	90,849	0
Saraswati	10,712	0	16,587	0	24,641	0
PKGM-1 License Area						
Ravva	NA	NA	NA	NA	NA	NA
Total	**2,005,173**	**378,582**	**2,143,111**	**385,848**	**2,407,900**	**399,366**

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 10^3bbl of oil and 10^6ft^3 of sales gas:

	Gross Reserves								
	Proved			Probable			Possible		
	Oil (10^3bbl)	Condensate (10^3bbl)	Sales Gas (10^6ft^3)	Oil (10^3bbl)	Condensate (10^3bbl)	Sales Gas (10^6ft^3)	Oil (10^3bbl)	Condensate (10^3bbl)	Sales Gas (10^6ft^3)
CB/OS-2 PSC									
CB-X	0	0	0	0	0	0	0	0	0
Gauri	684	1	6,168	91	0	3,616	416	1	6,385
Lakshmi	3,227	18	9,358	2,475	14	9,680	5,396	9	13,116
CB/OS-2 Total	**3,911**	**19**	**15,526**	**2,566**	**14**	**13,296**	**5,812**	**10**	**19,501**
RJ-ON-90/1 PSC									
Aishwariya	21,357	0	0	9,203	0	0	0	0	0
Bhagyam	52,152	0	0	57,830	0	0	14,619	0	0
Mangala	155,950	0	0	173,402	0	0	16,555	0	0
Raagashwari Shallow	2,874	0	0	1,584	0	0	7,275	0	0
Saraswati	1,094	0	0	576	0	0	1,149	0	0
RJ-ON-90/1 PSC Total	**233,427**	**0**	**0**	**242,595**	**0**	**0**	**39,598**	**0**	**0**
PKGM-1 License Area									
Ravva	43,864	430	64,435	12,340	0	23,100	10,750	0	4,380
Total	**281,202**	**449**	**79,961**	**257,501**	**14**	**36,396**	**56,160**	**10**	**23,881**

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, 2010, attributable to working interests owned by CIL in India evaluated herein are listed below, expressed in 10^3bbl and 10^6ft^3:

	Working Interest Reserves Summary		
	Proved	Probable*	Possible*
Oil and Condensate, 10^3bbl	174,937	173,625	32,466
Sales Gas, 10^6ft^3	20,708	10,516	8,786

* 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 10^3bbl of oil and 10^6ft^3 of gas:

	Gross OOIP and OGIP Used in Estimating Contingent Resources					
	Low		Best		High	
	OOIP (10^3bbl)	OGIP (10^6ft^3)	OOIP (10^3bbl)	OGIP (10^6ft^3)	OOIP (10^3bbl)	OGIP (10^6ft^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)	390,520	0	478,756	0	612,485	0
Bhagyam (Barmer Hill)	11,828	0	34,177	0	62,363	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	6,178	5,498	8,684	13,735	10,951	23,580
Mangala (Fatehgarh)	1,235,845	0	1,240,808	0	1,275,116	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	22,009	0	23,503	0	23,503	0
N-I	26,428	5,088	26,428	5,088	35,190	5,088
N-I North	0	1,200	0	1,604	0	2,009
NP	19,951	0	26,962	0	34,702	0
Raagashwari Deep	0	324,411	0	429,323	0	547,045
Raagashwari Shallow	0	5,147	0	9,567	0	23,924
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
Vijaya & Vandana	307,678	0	600,537	0	937,008	0
RJ-ON-90/1 PSC Total	**2,743,609**	**352,129**	**3,698,766**	**479,887**	**5,005,366**	**639,344**
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	53,673	3,526	53,673	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 Total	**58,409**	**863,706**	**73,660**	**2,336,441**	**94,047**	**4,665,829**
PKGM-1 License Area						
Ravva	17,493	24,440	31,939	46,087	40,512	52,689
Total	**2,820,738**	**1,241,630**	**3,807,655**	**2,865,651**	**5,144,328**	**5,365,951**

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 10^3bbl of oil and 10^6ft^3 of gas:

	Gross Contingent Resources								
	Low			Best			High		
	Oil (10^3bbl)	Condensate (10^3bbl)	Sales Gas (10^6ft^3)	Oil (10^3bbl)	Condensate (10^3bbl)	Sales Gas (10^6ft^3)	Oil (10^3bbl)	Condensate (10^3bbl)	Sales Gas (10^6ft^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	33,671	0	0	114,336	0	0	175,505	0	0
Bhagyam	56,320	0	0	125,178	0	0	191,256	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	6,624	9,445	0	24,806	42,758	0	83,955
Kaameshwari West	618	0	3,805	1,129	0	9,577	1,862	0	17,121
Mangala	176,964	0	0	378,113	0	0	468,623	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	2,421	0	0	4,231	0	0	5,171	0	0
N-I	3,964	0	2,773	6,343	0	3,134	9,333	0	3,643
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
Raagashwari Deep	0	2,151	110,216	0	3,235	166,632	0	4,455	231,708
Raagashwari Shallow	0	0	4,066	0	0	7,654	0	0	19,139
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
Vijaya & Vandana	1,506	0	0	8,044	0	0	16,241	0	0
RJ-ON-90/1 PSC Total	**282,601**	**2,247**	**134,763**	**668,411**	**3,448**	**229,442**	**972,950**	**4,812**	**386,270**
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 Total	**2,652**	**321**	**460,780**	**5,093**	**1,794**	**1,495,472**	**9,671**	**2,437**	**3,193,708**
PKGM-1 License Area									
Ravva	8,041	97	20,537	14,821	229	44,065	28,250	294	63,348
Total	**293,429**	**2,665**	**616,918**	**688,892**	**5,471**	**1,771,287**	**1,011,751**	**7,543**	**3,649,118**

Notes:

1. Application of any risk factor to contingent resources quantities does not equate contingent resources with reserves.
2. There is not 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, 2010, attributable to the working interests owned by CIL in India evaluated herein are listed below, expressed in 10^3bbl and 10^6ft^3:

	Working Interest Contingent Resources Summary		
	Low Estimate	Best Estimate	High Estimate
Oil and Condensate, 10^3bbl	201,577	474,606	692,420
Sales Gas, 10^6ft^3	145,370	320,997	606,329

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, 2010, are summarized as follows, expressed in 10^3bbl of oil and condensate and 10^6ft^3 of gas:

	Gross Prospective Resources Summary			
	Low Estimate	Best Estimate	High Estimate	Mean Estimate
Oil, 10^3bbl	398,292	580,189	845,207	605,736
Gas, 10^6ft^3	6,643,448	9,677,460	14,097,908	10,103,565
Condensate, 10^3bbl	191,787	290,665	456,968	301,457

Notes:

1. P_g and P_e have not been applied to the volumes in this table.
2. Recovery efficiency is applied to prospective resources in this table.
3. Low, best, and high estimates in this table are P_{90}, P_{50}, and P_{10}, respectively.
4. The prospective resources presented above are based on the statistical aggregation method.
5. 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, 2010, are summarized as follows, expressed in 10^3bbl of oil and condensate and 10^6ft^3 of gas:

	Working-Interest Prospective Resources Summary			
	Low Estimate	Best Estimate	High Estimate	Mean Estimate
Oil, 10^3bbl	278,805	406,133	591,645	424,015
Gas, 10^6ft^3	6,395,845	9,316,778	13,572,475	9,727,002
Condensate, 10^3bbl	191,787	290,665	456,968	301,457

Notes:

1. P_g and P_e have not been applied to the volumes in this table.
2. Recovery efficiency is applied to prospective resources in this table.
3. Low, best, and high estimates in this table are P_{90}, P_{50}, and P_{10}, respectively.
4. The prospective resources presented above are based on the statistical aggregation method.
5. 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.

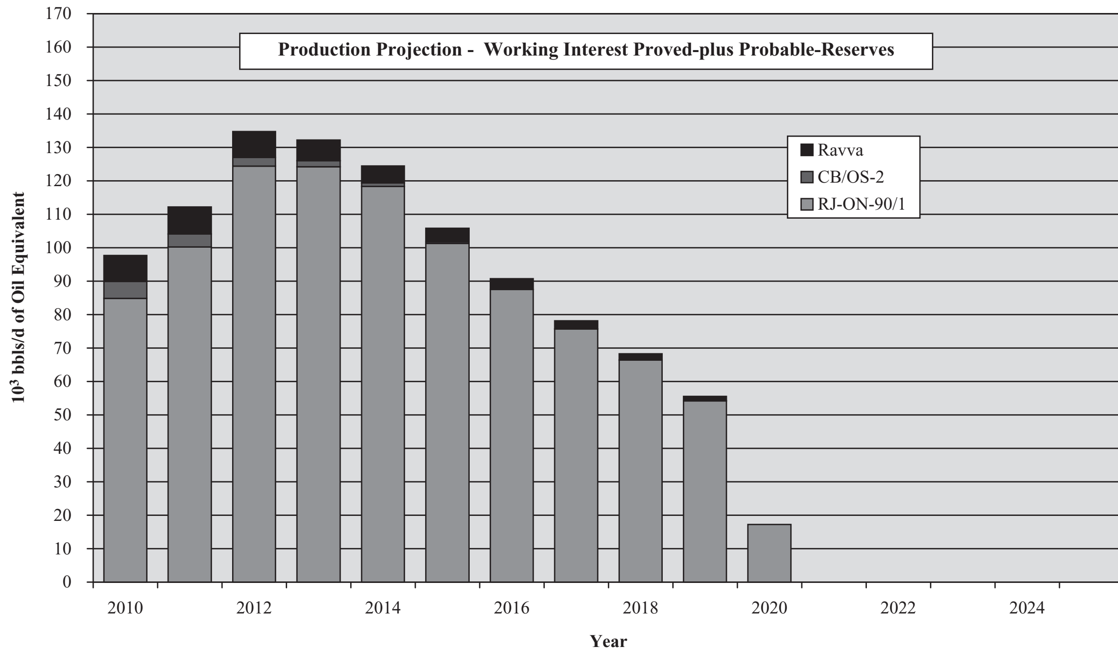
The working-interest P_g-adjusted best estimate prospective oil, condensate, and gas resources, should these prospects result in successful discoveries and development, as of June 30, 2010, is summarized as follows, expressed in 10^3bbl and 10^6ft^3:

	Working-Interest Prospective Resources
	P_g-Adjusted Mean Estimate
Oil, 10^3bbl	161,787
Gas, 10^6ft^3	2,303,784
Condensate, 10^3bbl	50,303

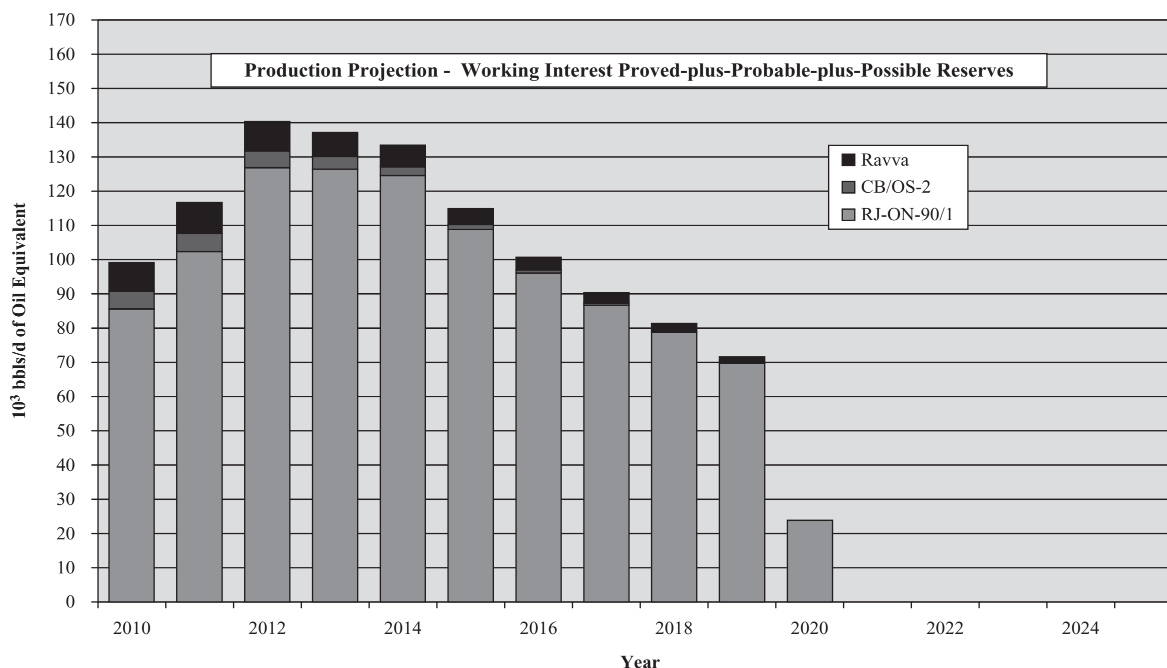
Notes:

1. Application of P_g does not equate prospective resources to contingent resources or reserves.
2. Recovery efficiency is applied to prospective resources in this table.
3. 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. The following figure 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.



The following figure shows the projection of the proved-plus-probable-plus-possible working-interest reserves attributable to CIL's 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 proved, probable, and possible oil, condensate, and sales-gas reserves, as of June 30, 2010, attributable to certain properties owned by CIL, are summarized by field below in thousands of barrels (10^3bbl) or millions of cubic feet (10^6ft^3):

	Gross Reserves Summary					
	Proved		Probable*		Possible*	
Fields	**Oil and Condensate (10^3bbl)**	**Sales Gas (10^6ft^3)**	**Oil and Condensate (10^3bbl)**	**Sales Gas (10^6ft^3)**	**Oil and Condensate (10^3bbl)**	**Sales Gas (10^6ft^3)**
CB-OS/2 PSC						
CB-X	0	0	0	0	0	0
Gauri	685	6,168	91	3,616	417	6,385
Lakshmi	3,245	9,358	2,489	9,680	5,405	13,116
Subtotal	**3,930**	**15,526**	**2,580**	**13,296**	**5,822**	**19,501**
RJ-ON-90/1 PSC						
Aishwariya	21,357	0	9,203	0	0	0
Bhagyam	52,152	0	57,830	0	14,619	0
Mangala	155,950	0	173,402	0	16,555	0
Ragashwari Shallow	2,874	0	1,584	0	7,275	0
Saraswati	1,094	0	576	0	1,149	0
Subtotal	**233,427**	**0**	**242,595**	**0**	**39,598**	**0**
PKGM-1 License						
Ravva	44,294	64,435	12,340	23,100	10,750	4,380
Grand Total	**281,651**	**79,961**	**257,515**	**36,396**	**56,170**	**23,881**

* 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, 2010, attributable to the working interests of certain properties owned by CIL, are summarized by field below in thousands of barrels (10^3bbl) or millions of cubic feet (10^6ft^3):

	Working-Interest Reserves Summary					
	Proved		Probable*		Possible*	
Fields	**Oil and Condensate (10^3bbl)**	**Sales Gas (10^6ft^3)**	**Oil and Condensate (10^3bbl)**	**Sales Gas (10^6ft^3)**	**Oil and Condensate (10^3bbl)**	**Sales Gas (10^6ft^3)**
CB-OS/2 PSC						
CB-X	0	0	0	0	0	0
Gauri	274	2,467	36	1,446	166	2,554
Lakshmi	1,298	3,743	996	3,872	2,162	5,246
Subtotal	**1,572**	**6,210**	**1,032**	**5,318**	**2,328**	**7,800**
RJ-ON-90/1 PSC						
Aishwariya	14,950	0	6,442	0	0	0
Bhagyam	36,506	0	40,481	0	10,233	0
Mangala	109,165	0	121,381	0	11,589	0
Ragashwari Shallow	2,012	0	1,109	0	5,093	0
Saraswati	766	0	403	0	804	0
Subtotal	**163,399**	**0**	**169,816**	**0**	**27,719**	**0**
PKGM-1 License						
Ravva	9,966	14,498	2,777	5,198	2,419	986
Grand Total	**174,937**	**20,708**	**173,625**	**10,516**	**32,466**	**8,786**

* 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 2010. 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 production 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 2010, 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 17.

Definition of Contingent Resources

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

Summary

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 2010.

Quantities that may be produced after the concession expirations, which would 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 2010, 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 volumes 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 enhanced oil recovery 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 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 18 and 19 summarize the gross and working-interest contingent resources, respectively. Table 20 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 21 through 63.

Definition of Prospective Resources

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 no 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, 51 potential accumulations are referred to as prospects to reflect the current stage of technical evaluation.

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 71 and 72.

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, 2010, evaluated herein are shown in Tables 65 through 67. 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 68, 69, and 70.

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, 2010, attributable to working interests owned by CIL in India evaluated herein are listed below, expressed in thousands of barrels (10^3bbl) and millions of cubic feet (10^6ft^3):

	Working Interest Reserves Summary		
	Proved	**Probable***	**Possible***
Oil and Condensate, 10^3bbl	174,937	173,625	32,466
Sales Gas, 10^6ft^3	20,708	10,516	8,786

* 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, 2010, attributable to the working interests owned by CIL in India evaluated herein are listed below, expressed in 10^3bbl and 10^6ft^3:

	Working Interest Contingent Resources Summary		
	Low Estimate	**Best Estimate**	**High Estimate**
Oil and Condensate, 10^3bbl	201,577	474,606	692,420
Sales Gas, 10^6ft^3	145,370	320,997	606,329

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, 2010, are summarized as follows, expressed in 10^3bbl of oil and condensate and 10^6ft^3 of gas:

	Working-Interest Prospective Resources Summary			
	Low Estimate	**Best Estimate**	**High Estimate**	**Mean Estimate**
Oil, 10^3bbl	278,805	406,133	591,645	424,015
Gas, 10^6ft^3	6,395,845	9,316,778	13,572,475	9,727,002
Condensate, 10^3bbl	191,787	290,665	456,968	301,457

Notes:

1. P_g and P_e have not been applied to the volumes in this table.
2. Recovery efficiency is applied to prospective resources in this table.
3. Low, best, and high estimates in this table are P_{90}, P_{50}, and P_{10}, respectively.
4. The prospective resources presented above are based on the statistical aggregation method.
5. 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, 2010, is summarized as follows, expressed in 10^3bbl of oil and condensate and 10^6ft^3 of gas:

	Working-Interest Prospective Resources
	P_g-Adjusted Mean Estimate
Oil, 10^3bbl	161,787
Gas, 10^6ft^3	2,303,784
Condensate, 10^3bbl	50,303

Notes:

1. Application of P_g does not equate prospective resources to contingent resources or reserves.
2. Recovery efficiency is applied to prospective resources in this table.
3. 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 32 years of oil and gas industry experience.

Submitted,

DeGOLYER and MacNAUGHTON
Texas Registered Engineering Firm F-716

R. M. Shuck, P.E.
Senior Vice President
DeGolyer and MacNaughton

PART 7
ADDITIONAL INFORMATION

1. Responsibility

The Directors, whose names are set out below in this paragraph 1, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Directors and their principal functions are as follows:

Anil Agarwal	*Executive Chairman*
Navin Agarwal	*Deputy Executive Chairman*
Mahendra Singh Mehta	*Chief Executive Officer*
Naresh Chandra	*Non-Executive Director and Senior Independent Director*
Aman Mehta	*Non-Executive Director*
Euan R. MacDonald	*Non-Executive Director*

2. Incorporation and Registered Office

The Company was incorporated and registered in England and Wales as a private company limited by shares under the name Angelchange Limited on 22 April 2003 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.

The registered office of the Company is located at 2nd Floor, Vinters Place, 68 Upper Thames Street, London EC4V 3BJ. The head office of the Company is at 16 Berkeley Street, Mayfair, London W1J 8DZ, telephone number +44 (020) 7499-5900.

The Company is domiciled in the United Kingdom. The principal legislation under which the Company operates is the Companies Acts and the regulations made under them.

3. Interests of the Directors

Share Capital

As at 23 November 2010 (being the latest practicable date prior to the publication of this document), the interests (all of which are beneficial) of the Directors, their 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 the Directors in the issued share capital of the Company, including: (i) those arising pursuant to transactions notified to the Company pursuant to DTR 3.1.2R; or (ii) those of connected persons of the Directors, which would, if such connected person were a Director, be required to be disclosed under (i) above are set out in the following table:

	Interests as at 23 November 2010 (the latest practicable date prior to the publication of this document)	
Director	**Number of Ordinary Shares**	**Percentage of issued voting share capital of the Company**
Anil Agarwal(1)(2)	163,572,440	61.72%
Navin Agarwal	213,360	0.08%
Mahendra Singh Mehta	39,521	0.01%
Naresh Chandra	—	—
Aman Mehta	—	—
Euan R. MacDonald	—	—

(1) Volcan Investments Limited ("Volcan") and its affiliates owns 163,500,000 Ordinary Shares, or approximately 61.70 per cent. of the issued ordinary share capital of Vedanta. Volcan is owned and controlled by the Anil Agarwal Discretionary Trust (the "Trust"). Onclave PTC Limited ("Onclave") is the trustee of the Trust and controls all voting and investment decisions of the Trust. As a result, shares beneficially owned by Volcan may be deemed to be beneficially owned by the Trust and, in turn, by Onclave. Mr. Anil Agarwal, the Executive Chairman of Vedanta and the non-executive chairman of Sterlite, may be deemed to have beneficial ownership of shares that may be owned or deemed to be beneficially owned by Onclave.

(2) Includes 72,440 Ordinary Shares of Vedanta held directly by Mr. Anil Agarwal.

Taken together, the combined percentage interest of the Directors in the issued voting ordinary share capital of the Company as at 23 November 2010 (the latest practicable date prior to publication of this document) was approximately 61.82 per cent.

Share Schemes

Certain of the Directors are also interested in unissued Ordinary Shares under share options and awards held by them pursuant to the Share Schemes. Those options and awards are not included in the interests of the Directors shown in the table above. The options and awards over Ordinary Shares held by the Directors as at 23 November 2010 (the latest practicable date prior to publication of this document) are as follows:

Director	Number of Ordinary Shares subject to option/award	Exercise period	Exercise price per Ordinary Share (US dollars)
A.K. Agarwal	37,000	14 November 2010 to 14 May 2011	0.10
	60,000	1 August 2012 to 1 February 2013	0.10
N. Agarwal	24,500	14 November 2010 to 14 May 2011	0.10
	40,000	1 August 2012 to 1 February 2013	0.10
M.S. Mehta	8,000	14 November 2010 to 14 May 2011	0.10
	17,500	1 August 2012 to 1 February 2013	0.10
TOTAL	**187,000**		

General

Naresh Chandra and Aman Mehta are both non-executive members of the board of directors of Cairn India.

There are no differences between the voting rights enjoyed by the Directors who are shareholders of the Company and those enjoyed by any other holder of Ordinary Shares in the Company.

Save as disclosed in this Part 7, no Director, nor their immediate families, nor any person connected with any Director within the meaning of Section 252 of the Companies Act 2006 has any interest (beneficial or non-beneficial) in the share capital of the Company or any of its subsidiaries.

Save as disclosed in this Part 7, no Director has, or has had, any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Company and which was effected by the Company during the current or immediately preceding financial year or which remains in any respect outstanding or unperformed and no other person involved in the Acquisition has an interest which is material to the Acquisition.

4. Service Contracts of the Directors

The Directors have each entered into a service contract or, as appropriate, a letter of appointment, with the Company relating to their appointment to the Board.

Service Agreements of the Executive Directors

Details of the Executive Directors' service contracts can be found on page 77 of the Company's 2010 Annual Report and Accounts in the section entitled "Remuneration Report". There have been no changes to the terms of these contracts since the publication of the 2010 Annual Report and Accounts.

The Executive Directors have entered into service agreements with the Company. Details of these service agreements are set out below.

Director	Date of service agreement	Commencement date of office	Expiry/Notice terms	Basic Annual Salary	Annual bonus payment for the year ended 31 March 2010
				(£000)	(£000)
A.K. Agarwal	27 November 2003	16 May 2003	Six months	1,170	305
N. Agarwal (Vedanta)	4 May 2005	24 November 2004	Six months	80	—
N. Agarwal (Sterlite)	1 August 2003	1 August 2003	Three months	744	197
M.S. Mehta (Vedanta)	1 October 2008	1 October 2008	Three months	80	—
M.S. Mehta (Sterlite)	1 October 2008	1 October 2008	Three months	253	72

Contracts and Letters of Appointment of the Non-Executive Directors

A summary of the Non-Executive Directors' letters of appointment can be found on page 78 of the Company's 2010 Annual Report and Accounts in the section entitled "Remuneration Report". Pursuant to a meeting of the Board held on 6 May 2010, the compensation of the Non-Executive Directors was reviewed leading to an increase in the annual fees payable to such Directors. Pursuant to a meeting of the Board held in July 2010, Mr. Aman Mehta was appointed as a member of Vedanta's nominations committee leading to a further increase in annual fees payable to Mr. Mehta. The current annual fees payable to the Non-Executive Directors is set out below. Save as disclosed in this paragraph 4 of Part 7 (Additional Information), there have been no changes to the terms of the letters of appointment of the Non-Executive Directors since the publication of the 2010 Annual Report and Accounts.

The Non-Executive Directors have entered into letters of appointment with the Company. Details of these letters of appointment are set out below.

Director	Date of agreement	Commencement date of office	Expiry/Notice terms	Annual Fee
				(£000)
N. Chandra	1 June 2010	18 May 2004	Three months	140
A. Mehta	24 November 2009	24 November 2004	Three months	112.5
E.R. Macdonald	23 March 2010	23 March 2005	Three months	100

Save as disclosed above, there are no service agreements between any Director and any member of the Group.

Save as mentioned above in this paragraph 4 of this Part 7, there are no existing or proposed service agreements between any Director and the Company or any of its subsidiaries providing for benefits upon termination of employment.

5. Interests of the Senior Managers

Share Capital

As at 23 November 2010 (being the latest practicable date prior to the publication of this document), the interests (all of which are beneficial) of the Senior Managers, their 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 FSMA) with the Senior Managers in the issued share capital of the Company, including: (i) those arising pursuant to transactions notified to the Company pursuant to DTR 3.1.2R; or

(ii) those of connected persons of the Senior Managers, which would, if such connected person were a Senior Manager, be required to be disclosed under (i) above are set out in the following table:

	Interests as at 23 November 2010 (the latest practicable date prior to the publication of this document)	
	Number of Ordinary Shares	**Percentage of voting issued share capital of the Company**
Senior Manager (Executive Officers)		
Tarun Jain	94,000	0.04%
Dindayal Jalan	20,040	0.01%
Dilip Golani	10,824	0.004%
A Thirunavukkarasu	—	—
Senior Manager (Other Significant Employee)		
Copper and Zinc business		
Rajagopal Kishore Kumar	—	—
Akhilesh Joshi	4,965	0.002%
Jeyakumar Janakaraj	3,463	0.001%
Aluminium business		
Mansoor Siddiqi	20,225	0.008%
Pramod Suri	9,000	0.003%
Iron Ore business		
Prasun Kumar Mukherjee	—	—

Taken together, the combined percentage interest of the Senior Managers in the issued voting ordinary share capital of the Company as at 23 November 2010 (the latest practicable date prior to publication of this document) was approximately 0.061 per cent.

Share Schemes

Certain of the Senior Managers are also interested in unissued Ordinary Shares under share options held by them pursuant to the Share Schemes. Those options and awards are not included in the interests of the Senior Managers shown in the table above. The options and awards over Ordinary Shares held by the

Senior Managers as at 23 November 2010 (the latest practicable date prior to publication of this document) are as follows:

	Number of Ordinary Shares subject to option/award	Exercise period	Exercise price per Ordinary Share
			(US dollars)
Senior Manager (Executive Officer)			
Tarun Jain	16,500	14 November 2010–14 May 2011	0.10
	25,000	1 August 2012–1 February 2013	0.10
Dindayal Jalan	8,000	14 November 2010–14 May 2011	0.10
	13,500	1 August 2012–1 February 2013	0.10
Dilip Golani	5,400	14 November 2010–14 May 2011	0.10
	10,000	1 August 2012–1 February 2013	0.10
Senior Manager (Other Significant Employees)			
Copper and Zinc Business			
Rajagopal Kishore Kumar	6,500	14 November 2010–14 May 2011	0.10
	12,000	1 August 2012–1 February 2013	0.10
Akhilesh Joshi	5,400	14 November 2010–14 May 2011	0.10
	10,000	1 August 2012–1 February 2013	0.10
Jeyakumar Janakaraj	5,400	14 November 2010–14 May 2011	0.10
	12,000	1 August 2012–1 February 2013	0.10
Aluminium Business			
Mansoor Siddiqi	8,000	14 November 2010–14 May 2011	0.10
	13,500	1 August 2012–1 February 2013	0.10
Pramod Suri	8,000	14 November 2010–14 May 2011	0.10
	12,000	1 August 2012–1 February 2013	0.10
Iron Ore Business			
Prasun Kumar Mukherjee	6,500	14 November 2010–14 May 2011	0.10
	12,000	1 August 2012–1 February 2013	0.10
TOTAL	**189,700**		

General

There are no differences between the voting rights enjoyed by the Senior Managers who are shareholders of the Company and those enjoyed by any other holder of Ordinary Shares in the Company.

Save as disclosed in this Part 7, no Senior Manager, nor their immediate families, nor any person connected with any Director within the meaning of Section 252 of the Companies Act 2006 has any interest (beneficial or non-beneficial) in the share capital of Vedanta or any of its subsidiaries.

Save as disclosed in this Part 7, no Senior Manager has, or has had, any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Company and which was effected by the Company during the current or immediately preceding financial year or which remains in any respect outstanding or unperformed, and no other person involved in the Acquisition has an interest which is material to the Acquisition.

6. Major Shareholders

So far as the Company is aware, as at 23 November 2010 (being the latest practicable date prior to publication of this document) the following persons (other than the Directors) hold directly or indirectly three per cent. or more of the Company's voting rights:

Shareholder	Number of Ordinary Shares	Percentage of issued voting share capital
Volcan Investments Limited	163,500,000	61.70%

Save as set out in this Part 7, the Company has not been made aware by any person who holds, or who will immediately following the date of Completion hold, as a shareholder (within the meaning of the Disclosure and Transparency Rules published by the FSA), directly or indirectly, three per cent, or more of the voting rights of the Company.

7. Working capital statement

The Company is of the opinion that, taking account of its existing debt facilities the Combined Group has sufficient working capital for its present requirements, that is, for at least the next twelve months from the date of this document.

8. Significant change

Vedanta

There has been no significant change in the Group's financial or trading position since 30 September 2010, the date to which the last interim financial statements were prepared by the Group.

Cairn India

There has been no significant change in the Cairn India Group's financial or trading position since 30 September 2010 the date to which the last interim financial statements were prepared by the Cairn India Group, as set out in Section C of Part 3 (Financial Information relating to Cairn India) of this document.

9. Litigation

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 month period prior to the publication of this document, a significant effect on the Company's and/or the Group's financial position or profitability:

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

Under the terms of the shareholders' agreement between the Government of India and SOVL, SOVL was granted 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.

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 SOVL's second call option violated the provisions of section 111A of the Indian Companies Act, 1956, by restricting the right of the Government of India to transfer its shares and that as a result the shareholders' agreement is 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 did not make such a nomination. As a result, SOVL filed an arbitration application pursuant to Section 11(6) of the Indian Arbitration and Conciliation Act 1996 in the Delhi High Court petitioning the court to constitute an arbitral tribunal. The Delhi High Court has in its order dated 18 May 2010 directed the parties to appoint mediators to mediate the dispute and if mediation fails, arbitration proceedings shall commence. Both the Government of India and SOVL have appointed mediators. Depending on the outcome of the mediation process, arbitration proceedings may commence.

The amount of SOVL's claim against the Government of India is not quantifiable as SOVL is seeking specific performance as a remedy.

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

Under the terms of the shareholders' agreement between Sterlite and the Government of India, Sterlite was granted an option to acquire the shares of BALCO held by the Government of India at the time of exercise. Sterlite exercised this option on 19 March 2004. However, the Government of India has contested the purchase price and validity of the option. As negotiations for an amicable resolution were unsuccessful, on direction of the court, arbitrators were appointed by the parties, as provided for under the terms of the shareholders' agreement. Arbitration proceedings commenced on 16 February 2009 and concluded on 29 August 2010. The pronouncement of the award has been reserved and parties were directed to submit their written submissions within three weeks from 29 August 2010. Sterlite filed its written submission on

20 September 2010. However, in view of a subsequent judgment of the High Court of Bombay, which supported the contentions made by Sterlite, the arbitration tribunal had, at the request of the Government of India, given an opportunity to both parties to make oral submissions on the judgment. The hearing took place on 9 October 2010 and the award has been reserved. Notwithstanding the outcome of the dispute, the Government of India retains the right and has expressed an intention to sell five per cent. of its shareholdings in BALCO to BALCO employees.

The amount of Sterlite's claim against the Government of India is not quantifiable as Sterlite is seeking specific performance as a remedy.

Appeal proceedings in the High Court of Bombay brought by SEBI to overrule a decision by the SAT 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 it violated regulations prohibiting fraudulent and unfair trading practices, and also passed an order prohibiting Sterlite from accessing the capital markets for a period of two years. SEBI's order was overruled by the SAT on 22 October 2001 on the basis of 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 not been fixed and no further action or procedures have taken place since 2001.

SEBI's order was based on its finding that Sterlite had manipulated the price of its shares in connection with its proposed acquisition of shares in Indian Aluminium Company Limited ("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.

In addition to the civil proceedings, 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 quash those criminal proceedings on the grounds that the SAT had overruled SEBI's order on price manipulation. An order has been passed by the High Court of Bombay in Sterlite's favour, granting an interim stay of the criminal proceedings. The matter is pending at the stage of final arguments. The next date of hearing has not yet been notified and no further action or procedures has taken place since 2001.

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

Investigation by the SFIO.

The Ministry of Corporate Affairs of the Government of India had passed an order dated 23 October 2009 for the investigation by the SFIO into the affairs, mismanagement and malpractices alleged to have been adopted by Sesa Goa and SIL including siphoning and diversion of funds prior to the acquisition of Sesa Goa by Vedanta, and for a report to be submitted to the central government. Vedanta understands from the order that this investigation has been initiated pursuant to a report of the Registrar of Companies in Goa, India dated 8 October 2009 that recommended such an investigation and the order directs inquiry into allegations made in certain complaints. Sesa Goa did not have any notice of this report prior to receipt of the order and have not received a copy of this report of the Registrar of Companies in Goa, India. Sesa Goa has received requests from the Registrar of Companies in Goa for information. The investigation originates from the allegations made in the complaint filed by Ms. Krishna Bajaj against SIL, Sesa Goa and their directors. The SFIO investigation pursuant to Section 235 of the Indian Companies Act, 1956 is in progress.

The complainants' agitation against Sesa Goa, SIL and Mitsui relates to the siphoning of funds and mismanagement prior to the acquisition of Sesa Goa by Vedanta and therefore the Board believes Vedanta may not be directly impacted. The details of this investigation remain unclear. The financial impact, if any, of the investigation is not presently quantifiable.

Alleged violation of takeover code and the listing agreement by Mitsui in connection with the Vedanta Group's acquisition of SGL.

Mr. Harinarayan Bajaj filed a writ petition before the High Court of Bombay in 1998, challenging the acquisition by Earlyguard Limited, a UK incorporated wholly-owned subsidiary of Mitsui & Company Limited, a company incorporated in Japan, of its subsidiary Finsider International Company Limited ("Finco"), which held 51 per cent. of the share capital in SGL in 1996. Mr. Bajaj has alleged violation of the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1994 and 1997 (which was introduced thereafter) and the provisions of the listing agreement with the BSE and the NSE in relation to the acquisition of the shares of Finco by Earlyguard Limited. In April 2007, the High Court of Bombay declined to grant the interim injunction sought by the petitioner restraining Mitsui from, directly or indirectly, transferring or otherwise disposing of its interest in SGL, and subsequently the High Court of Bombay, dismissed the petition. Prior to the order, the petitioner's contentions were also dismissed by the SEBI and the SAT in 1997 on the ground that indirect acquisitions did not fall under the purview of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1994 and/or the listing agreements entered into with the Indian stock exchanges. Mr. Bajaj filed a special leave petition before the Supreme Court against the order of the High Court of Bombay. Mr. Bajaj then filed an application to expedite the hearing and the application was rejected on 22 March 2010 with leave granted to him to file similar application after six months. The next hearing date for the petition before the Supreme Court has not yet been determined. Although the past orders passed by the courts have been in favour of SGL, the Vedanta Group cannot be certain that the Supreme Court shall continue to take a view in its favour and if the order passed by the Supreme Court is not in favour of SGL, Vedanta's interest in SGL may be challenged or there may also be a penalty imposed. The claim amount in this case is not presently quantifiable.

Criminal proceedings against SGL, SIL and their directors.

Ms. Krishna Bajaj filed a complaint against the then directors of SIL before the Magistrate at Mumbai in 2000, in relation to shares issued on a preferential basis by SIL in 1993 to the shareholders of SGL, representing that the shares of SIL were not listed within 12 to 18 months of the offer as stated in the offering document. The Magistrate at Mumbai has completed its enquiry and had framed charges against the individuals who served as directors of SIL at the time of the issue of the shares. The four directors appeared before the court 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 before the High Court of Bombay. The matter is admitted and the proceedings before the Magistrate at Mumbai have been stayed. The next hearing has not been fixed.

Ms. Krishna Bajaj also filed another complaint against SIL, SGL and their directors in 2003 alleging that when SGL had offered in 2003 to buy-back the shares of SIL issued on a preferential basis by SIL 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 directors should also be liable for the failure to list the shares of SIL. There were also allegations of other irregularities under the Indian Companies Act, 1956, as amended from time to time. The Chief Judicial Magistrate at Mumbai, in connection with Ms. Krishna Bajaj's complaint of 2003, issued an order for process in October 2006 against SIL, SGL and its directors, against which a criminal writ petition was filed by SIL, SGL and their then directors before the High Court of Bombay, which stayed further proceeding, pursuant to an order in August 2007. The High Court passed an order in favour of SIL, SGL and their directors, quashing Ms. Bajaj's complaint. Ms. Bajaj has filed a special leave petition in the Supreme Court, challenging the order of the High Court. Ms. Krishna Bajaj requested for admission of the special leave petition and asked for a stay on the order passed by the High Court. No stay on the High Court order has been granted yet. The Supreme Court subsequently issued notices to all the parties and proceedings are on-going. The next hearing will take place on 3 December 2010. The financial impact, if any, of the complaint is not presently quantifiable.

Amalgamation of SIL and SGL.

The scheme of amalgamation of SIL with SGL was approved on 18 December 2008 by the Single Judge in the High Court of Bombay at Goa. The objector, Ms. Krishna Bajaj, submitted that the Single Judge 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 Ministry of Corporate Affairs revealed irregularities and requested an appeal before the Division Bench. By an order dated 21 February 2009, the Division Bench set aside the order passed by the Single Judge with the result that the merger is not operative. SIL filed a

petition in the Supreme Court challenging the order of the Division Bench. The Supreme Court has directed the Ministry of Corporate Affairs of India to file an affidavit disclosing the allegations against SIL and others pursuant to a concurrent SFIO investigation. The Ministry of Corporate Affairs of India has filed their affidavit with the report from the SFIO. The hearing in the Supreme Court was completed on 21 September 2010 and judgment has been reserved. The financial impact, if any, of the aforesaid is not presently quantifiable.

BALCO is involved in litigation whereby BALCO has allegedly engaged in illegal felling of trees situated on forest land.

BALCO is involved in public interest litigations filed by an organisation known as "Sarthak" and Bhupesh Baghel before the forest bench of Supreme Court alleging encroachment by BALCO over the land on which the Korba facility is situated. It alleges that the land belongs to the State Government of Chhattisgarh and that BALCO has engaged in illegal felling of trees on that land and usage of forest land in violation of the Forest Conservation Act, 1980. The Supreme Court has referred the matter to the Central Empowered Committee ("CEC") which has 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 diversion of forest land in possession of BALCO 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 disputes. The petitioners filed an application alleging contempt of the order dated 29 February 2008. The application was heard on 26 March 2010 where the Supreme Court referred the application to CEC. The CEC has since sought information and documents from the petitioners, BALCO and the Government of Chhattisgarh on the allegations made and will be submitting its report to the Supreme Court following which the matter will be listed for hearing. In the event that the judgment of the Supreme Court is held against BALCO, BALCO may be required to pay the net present value of the land in question to convert the forest land for non-forest use and the maximum amount payable, based on the highest prescribed rate, is approximately US$14.2 million.

Vedanta is involved in certain litigation seeking cancellation of permits and environmental approval for the 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 in 1996–1998 by the National Trust for Clean Environment and certain private citizens in relation to the operations of the Vedanta Group's smelter at Tuticorin in the State of Tamil Nadu, India. The smelter has been in operation since 1997. These writ petitions alleged that sulphur dioxide emissions from the Vedanta Group'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 were seeking an order from the High Court of Madras for discontinuation of the Vedanta Group's current operations at Tuticorin and revocation of the environmental permits granted to the Vedanta Group by the Tamil Nadu Pollution Control Board (the "TNPCB"), and the MoEF in relation to the Vedanta Group's Tuticorin smelter plant. The Court, after detailed hearing and examination by various committees, permitted SIL to operate its copper smelter at full capacity to know the adverse impact, if any, on the environment. The above writ petitions were finally heard on 12 February 2010 before the High Court of Madras wherein the Vedanta Group contended that these writ petitions have become infructuous and liable to be dismissed since the Vedanta Group had complied with all the conditions imposed and is successfully running the copper smelter and has received periodic consents from the TNPCB and has also received environmental clearances from MoEF for its various expansion projects. However, by an order dated 28 September 2010, the High Court of Madras has ordered the closure of the Vedanta Group's copper smelting plant at Tuticorin. The Vedanta Group has applied for a special leave petition before the Supreme Court against the order of the High Court of Madras for a stay on the order passed by the High Court of Madras on 28 September 2010. The Supreme Court on 1 October 2010 after hearing the Vedanta Group's petition, granted an interim stay over the order dated 28 September 2010 and the matter was heard on 18 October 2010. The Supreme Court admitted the special leave petition and granted the respondents four weeks to file a counter-affidavit and the Vedanta Group two weeks thereafter to file a rejoinder. The stay on the order passed by the High Court of Madras on 28 September 2010 was extended until the next hearing which is scheduled to take place in the second week of December 2010. The Vedanta Group has been asked by the Supreme Court to file the NEERI report of 1998 and 2005 and the other relevant reports and the TNPCB have also been asked to file a status report. The financial impact, if any, of the writ petition is not presently quantifiable.

Further, another writ petition has been filed in December 2009 in the High Court of Madras by one Mr. Pushparayan, challenging the grant of environmental clearance for Sterlite's expansion project from 400,000 tonnes per annum to 800,000 tonnes per annum of copper production. The petitioner is seeking an order from the High Court of Madras for declaring the environmental clearance as incorrect in law for want of public hearing for the aforesaid expansion of the smelter plant. The writ petition filed has been admitted without any adverse order or direction. The matter has been heard since 5 January 2010. The Vedanta Group's submission that the petitioner should have filed an appeal before the NEAA has not been accepted by the Court who directed the matter to be decided on merits. On 16 April 2010, counter-affidavits were filed by the TNPCB and the MoEF. Further, the Additional Solicitor General representing MoEF argued the case on merits. The matter is being heard regularly and is next scheduled for further hearing on 18 January 2011. The financial impact, if any, of the writ petition is not presently quantifiable.

Certain proceedings are on-going between Asarco, Sterlite and Sterlite USA.

Sterlite Industries (India) Limited ("Sterlite") and Sterlite (USA), Inc. ("Sterlite USA") had entered into an agreement with Asarco LLC ("Asarco") to purchase substantially all of the operating assets of Asarco on 30 May 2008 (the "30 May 2008 Agreement"). Following the financial turmoil in the global market, the steep fall in copper prices and adverse global economic conditions, Sterlite, Sterlite USA and Asarco entered into discussions to renegotiate the 30 May 2008 Agreement and a new agreement, superseding the 30 May 2008 Agreement in its entirety, was entered into on 6 March 2009 (the "March 2009 Agreement"). The consummation of the March 2009 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. ("Grupo Mexico") through its subsidiaries, also submitted a proposed reorganisation plan (the "Parent Plan"). The US District Court considered both plans and the Debtor Plan was rejected. Sterlite and Sterlite USA have appealed against that decision. This claim is unquantifiable as Sterlite and Sterlite USA are seeking an order approving their acquisition of Asarco's assets.

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 30 May 2008 agreement by, among other things, refusing to pay the US$2.6 billion purchase price as allegedly required by the 30 May 2008 agreement and refusing to assume the liabilities and contractual obligations as allegedly required by the 30 May 2008 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 their reorganisation and costs, disbursements and attorney's fees in connection with the proceedings. Asarco's complaint does not currently specify a quantum of damages suffered by Asarco. Both Sterlite and Sterlite USA intend to defend the complaint vigorously. A hearing date for the proceedings has not been fixed. This claim is currently unquantifiable as Asarco has not indicated the amount of damages it is seeking.

After confirmation of the Parent Plan, Asarco terminated the March 2009 agreement with Vedanta and Asarco has drawn the US$50 million provided as deposit under March 2009 Agreement. Vedanta has also filed a separate application to the US Bankruptcy Court for the return of the US$50 million drawn by Asarco and legal costs.

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 Sterlite, Vedanta Aluminium, the State of Orissa, the Republic of India, OMC, 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 Forest (Conservation) Act, 1980 of India (the "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 is in violation of the Forest Act and would have an adverse impact on the environment. The petition sought, among other things, to restrain the grant of the mining lease to mine bauxite in the Niyamgiri Hills at Lanjigarh in the State of Orissa by OMC to Vedanta Aluminium and Sterlite, to declare the memorandum of understanding entered into between OMC and Vedanta Aluminium void, a court

direction for the immediate cessation of construction of the alumina refinery by Vedanta Aluminium and an unspecified amount of compensation from Sterlite and Vedanta Aluminium for damage caused to the environment. This issue 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 report of CEC submissions made by MoEF and petitioners approved the forest diversion proposal for mining in the Niyamgiri Mines of OMC with Sterlite as the beneficiary of the Bauxite on terms and condition as specified in the order. Consequent to 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. However the environmental clearance was challenged by certain non-governmental organisations and individuals before the National Environmental Appellate Authority ("NEAA"). The MoEF on 24 August 2010 declined to grant the forest clearance to the Niyamgiri Mines and rendered the environmental clearance non-operational. Subsequently on 15 September 2010, the NEAA suspended the environmental clearance granted to the Niyamgiri Mines. OMC has the option of challenging the orders of the MoEF and the NEAA. 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 1.0 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 1.0 mtpa to 6.0 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 environment 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 1.0 mtpa to 6.0 mtpa. Vedanta Aluminium is currently assessing its next course of action.

Sterlite and Vedanta Aluminium have entered into three separate leases with the OIDC which specify that Sterlite and Vedanta Aluminium are required to start construction at the three sites that are the subject of the leases 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, Vedanta Aluminium has not been in compliance with the conditions of the leases. However, Sterlite and Vedanta Aluminium have not received any notice from the OIDC with respect to such non-compliance. Vedanta Aluminium applied to the OIDC 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 relating mining operations in Niyamgiri Hills is not presently quantifiable.

Demands against HZL by the Department of Mines and Geology and Ministry of Mines.

The Department of Mines and Geology of the State of Rajasthan issued several show cause notices in August, September and October 2006, aggregating US$83.5 million in demand, to HZL in relation to alleged unlawful occupation and unauthorised mining of associated minerals other than zinc and lead at its Rampura Agucha, Rajpura Dariba and Zawar mines in Rajasthan, during the period from July 1968 to March 2006.

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 at Jodhpur with regards 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 has claimed INR2,435.88 million (US$50.7 million) as the price to be recovered 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. It 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 coercive measures to recover the penalty. In January 2007, the High Court issued another order granting the Ministry of Mines more time to file their 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 next hearing has not been fixed.

TNEB alleges that MALCO failed to pay the applicable electricity consumption tax on self-generated power.

MALCO filed a writ petition before the High Court of Madras against the claim made by Tamil Nadu Electricity Board (a statutory body constituted by the Tamil Nadu Government to function as the State Transmission Utility & Licensee) and Tamil Nadu Government (the "TN Government") that MALCO failed to pay the applicable electricity consumption tax on self-generated power from MALCO's captive power plant at Mettur Dam during the period from May 1999 to June 2003. The claims are valued at US$25.7 million in aggregate as of 23 July 2004. MALCO is contending that it is entitled to rely on the exemption from the levy of electricity consumption tax on the basis that (i) the aluminium industry falls within the definition of an energy intensive industry as defined in the TN Electricity (Taxation on Consumption) Act, 1962 and (ii) other less energy intensive industries are entitled to the exemption.

TNEB has also alleged that MALCO has 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 TNEB in this regard as the sale of surplus power is done only through TNEB. The TNEB issued a disconnection notice on 4 August 2001 which was stayed by the High Court of Madras vide orders dated 24 August 2001 and 15 September 2003. The matter was last heard on 21 October 2010 and was adjourned at the request of the TN Government. The date of the next hearing has yet to be fixed.

Self generation levy (New Act—2003).

The State Government of Tamil Nadu has imposed a tax on the consumption of self-generated electricity at a rate of 10 paise per unit under the Sale and Consumption of Electricity Act, 2003. MALCO, together with other petitioners, have filed a writ petition before the High Court of Madras challenging the validity of this tax on constitutional grounds. The writ petition was dismissed by the Single Bench of the High Court of Madras and MALCO along with other petitioners then filed an appeal to the Division Bench of the High Court of Madras. 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 Division Bench of the High Court of Madras. 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 Order, MALCO's writ appeal in respect of the same issue was dismissed on 22 September 2008 and the issue of whether MALCO is entitled to rely on exemption under the Old Electricity Act of 1962 is pending before the High Court of Madras. If the High Court of Madras decides this case in MALCO's favour, MALCO may also be entitled for protection from the tax on the consumption of self-generated electricity under the Sale and Consumption of Electricity Act, 2003. The claim amount is not currently quantifiable as the tax liability (if any) will be calculated up till the time when these cases are resolved.

The TN Government has enacted a Validation Act to negate the effect of the Supreme Court order. Some of the petitioners have challenged the same and the matter is pending for next hearing.

Tax demands against the subsidiaries of Twin Star.

The Indian Income Tax Department (the "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 and the Commissioner of Income Tax (Appeals) vide orders dated 31 October 2003 and 4 November 2003, disallowed the 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 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 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 Tax Department. The Tax Department is expected to appeal against the decision of the Income Tax Appellate Tribunal, details of which have not yet been made available to the Group.

The Tax Department subsequently issued notices to the three subsidiaries seeking to reopen the assessment of undisclosed income and assess the alleged income under reassessment proceedings, in lieu of the block assessment. The three subsidiaries have file 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.

There are certain proceedings under the environmental laws that are currently pending.

SGL is a defendant in a writ petition and civil application filed by Goa Foundation, a private organisation, against the State of Goa, and others before the High Court of Bombay, Goa Bench 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 legislations had not been obtained. The petitioner brought to the court's attention the decision of the Indian Board of Wildlife on 21 January 2002, requiring all lands 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 the 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 the defaulting units which 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 would be governed by the 2 March 2005 order. Proceedings before the High Court of Bombay have been adjourned until a final decision in the writ petition filed before the Supreme Court is pronounced. The claim amount in this case is not presently quantifiable. SGL has the necessary environmental clearance for operating its mines in Goa and Karnataka.

The Goa State Pollution Control Board (the "GPCB") has issued notices to some of the Vedanta Group's Goa mines under the provisions of the Air (Prevention and Control of Pollution) Act, 1981 and the Water (Prevention and Control of Pollution) Act, 1974 in relation to non-receipt of clearances from the relevant wildlife authority and has directed the Vedanta Group to suspend operations with immediate effect. The Vedanta Group has filed an appeal against this direction before the Administrative Tribunal, North Goa and have obtained a stay on the direction of the GPCB. The proceedings are on-going and the next hearing is scheduled for 25 November 2010. The financial impact of this matter is not presently quantifiable.

Certain local residents of Amona have filed a writ petition against SGL and SIL before the High Court of Bombay, Goa Bench, alleging pollution due to industrial activities in the village of Amona and seeking, among other things, an order to shut down one of the Sesa Goa group's plants located in Amona and to appoint the National Environmental Engineering Research Institute ("NEERI") to conduct an inquiry into the adverse effects of graphite pollution on the human body, agriculture and fishing. The High Court appointed NEERI to conduct such an inspection and NEERI submitted a report, which was largely in the Sesa Goa group's favour, to the court by 15 December 2008. The High Court subsequently directed the parties to file their responses to the report and ordered a further inspection by the GPCB to check the level of river pollution in Amona. The report submitted by the GPCB concluded that no pollution was

caused to the river by one of the Sesa Goa group's plants. The High Court directed the GPCB to evaluate whether the drainage to the river caused any pollution during the monsoon season and the inspection report was filed without any adverse observation against SGL.

On 17 September 2009, the High Court issued a stay order restraining SGL from carrying on its mining activities at Phase 1 and Phase 2 of SGL's iron ore mine at Advalpal. The next hearing date has not been fixed. The claim amount in this case is not presently quantifiable.

On 29 April 2010, the High Court appointed NEERI to oversee the work of removing mining waste from Phase 1. The High Court ordered that NEERI submit a report suggesting how such mining waste should be removed by 31 December 2010 and ordered SGL to complete the removal by 31 March 2011. The High Court has given liberty to the parties to approach the court if there is any difficulty in implementing directions issued, as per its order dated 3 August 2010.

SGL is involved in suits relating to the lands on which its units are located.

SGL has filed two civil appeals before the Administrator of Comunidade of North Zone Mapusa, Goa in relation to a notice issued by Comunidade of Amona to SGL in December 2005 (subsequently modified in February 2006) stating that SGL had violated the terms of lease entered into between SGL and Comunidade of Amona in relation to land, where the pig iron plant of SIL is located, on the grounds 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 alleged lease should not be forfeited. In the event of an adverse order and subject to SGL's right to appeal, the location of these plants may have to be relocated. The claim amount in this matter is not presently quantifiable. The next hearing before the Administrator of Comunidade has been adjourned until 25 November 2010 for final arguments.

SGL has filed a writ petition in the High Court of Karnataka against the Karnataka Government, challenging the imposition of the Forest Development Tax at a rate of 12 per cent. for the alleged production of iron ore from the mining leases in the forest area as set out in a notification dated 16 August 2008 as amended. The proceedings are on-going and the next hearing date has not been fixed.

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 the Company is aware), which may have, or have had during the 12 month period prior to the publication of this document, a significant effect on Cairn India's and/or the Cairn India Group's financial position or profitability:

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 Energy 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 application for admission of appeal which was allowed by the Federal Court of Malaysia on 27 May 2010. There is a final hearing scheduled for October 2010. The Cairn India Group is defending its position and is seeking to recover the revenues which it believes have been, and continue to be, wrongfully withheld.

Ravva Joint Venture Arbitration Proceedings: Base Development Cost.

Ravva is an unincorporated joint venture to which the Cairn India Group is a party (the "Ravva JV"). The Ravva JV received a demand from the Director General of Hydrocarbons ("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 billion) 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 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 ("PTRR"). The Cairn India Group believes that such a claim is unsustainable under the terms of the Ravva PSC because, amongst other reasons, the BDC cap only applies to the initial development of the Ravva Block and not to subsequent development activities under the Ravva PSC. 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. An arbitration panel has been fully constituted and all hearings are now complete. The panel indicated that they will release their decision in early December.

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) of the Indian Income Tax Act, 1961 ("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 Indian Ministry of Petroleum and Natural Gas have confirmed that a tax holiday would be available on production of crude oil but have continued to exclude gas. The High Court of Gujarat 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 of Gujarat. 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 31 March 2010 is approximately INR2.321 billion (US$49.6 million). A hearing date has not yet been scheduled and will be subject to Court availability.

Cess arbitration: Cairn Energy India Pty Limited.

The Cairn India Group has an ongoing dispute with the Government of India and ONGC in respect of whether cess, which is a levy on production of crude oil, under the Oil Industry (Development) Act 1974 ("OIDA cess") is payable by the Cairn India Group in respect of commercial crude oil production from the Rajasthan Block. The Cairn India Group disputes that they are liable for cess on a number of grounds, including the contention that any statutory obligation to pay OIDA cess that might be applicable as a matter of Indian law does not apply to the Cairn India Group in respect of production under the Rajasthan Block PSC. The facts, law and contractual interpretations relevant to the dispute are complex and the applicable rate of OIDA cess that might be payable is also contested. To the extent that OIDA cess becomes payable by the Cairn India Group, it would be liable for the percentage of the Cairn India Group's working interest in the Rajasthan Block, which is 70 per cent. In addition, if and to the extent that OIDA cess is payable on crude oil production, further levies may be payable. It is the Cairn India Group's belief based on other practices under other production sharing contracts in India where OIDA cess is payable by contractors, that, if the Cairn India Group is required to pay OIDA cess on commercial crude oil production from the Rajasthan Block, any such payments would be cost recoverable pursuant to the terms of the Rajasthan Block PSC. An arbitration panel has been constituted and is in the process of defining a timetable for the arbitration in respect of this dispute. The disputed amount is not currently capable of being quantified.

Writ petitions: Cairn Energy India Pty Limited.

Cairn Energy India Pty Limited ("CEIPL") and Cairn Energy Hydrocarbons Limited ("CEHL") have filed two writ petitions for stays against a demand by the Rajasthan Sales Tax Department for payment of 4 per cent. VAT on sales of crude oil. CEIPL and CEHL are currently paying 2 per cent. Central States tax. The writs currently remain open for counter affidavit by the Government of Rajasthan. The amounts claimed are not currently capable of being quantified.

10. Material contracts

Vedanta Material Contracts

Set out below is a summary of each contract (not being a contract entered into in the ordinary course of business) entered into by the Company or any member of the Group (i) within the two years immediately preceding the date of this document and which are or may be material to the Group; or (ii) which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

KCM Acquisition Agreements

Shareholders' Agreement

A shareholders' agreement among GRZ, Zambia Copper Investments Ltd., ZCIH, ZCCM, KCM, VRHL and Vedanta was entered into on 5 November 2004 and sets out, inter alia, 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, 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 ten directors and Vedanta has the right to appoint, remove or replace five of the ten directors, including the Chairman. ZCCM and ZCIH jointly and GRZ, 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 GRZ 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 (INR10,568.8 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 the London Interbank Offering Rate ("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 nondilutionary 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 (see below); 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 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 exit 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.

Amended and Restated Development Agreement

An amended and restated development agreement (the "Development Agreement") between GRZ and KCM was entered into on 5 November 2004 which 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 mining licenses granted to KCM for a period of 25 years from 31 March 2000. 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 GRZ following the coming into force of the Zambian Mines and Minerals Development Act No. 7 of 2008 and the introduction of a revised fiscal regime in Zambia. The Development Agreement also sets out the terms and conditions on which GRZ will grant its approval to any Extension Project proposed by KCM. The Development Agreement was abrogated by the Zambian Mines and Minerals Development Act No. 7 in April 2008 and KCM has entered into negotiations with the GRZ to enter into a new agreement.

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 Management Agreement (the "Management Agreement"). Additional services may be requested by KCM and will be provided by Vedanta on a per diem basis. This agreement was terminated at the end of its three year term; however, on 24 January 2008, Vedanta's Board agreed to renew the Management Agreement with a 10 per cent. increase in the fees applicable thereto. Since the expiration of the Management Agreement, Vedanta has continued to provide KCM with management services as if under the Management Agreement.

Purchase Agreement

Please see Part 5 (Principal Terms of the Acquisition) of this document for a summary of the terms of the Purchase Agreement.

Acquisition Facility Agreement

On 17 November 2010, Vedanta entered into a syndicated term loan facility agreement between, amongst 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").

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 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, Sesa Goa 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 for this purchase are not available at Completion, Vedanta is to procure that a further short term loan (the "Excess Payment Bridge") is utilised to fund the initial purchase of these shares from the Cairn Energy Group with such Excess Payment Bridge to be repaid from the proceeds of sale of such shares to the Sesa Goa group. The Excess Payment Bridge 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 (the "Roll-Over Option"). The Roll-Over 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 Roll-Over Option. Tranche B has a final maturity of three years following first drawdown under the Acquisition Facility Agreement.

A commitment fee also applies to both Tranches A and B 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.

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 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 prepayments from, sources derived from the sale of Cairn India Shares (whether to Sesa Goa or otherwise); dividends from Cairn India Shares; the sale of shares in other specified subsidiaries; the raising of new debt, equity, equity-linked instruments and bond proceeds (subject to agreed thresholds and exceptions); the sale of treasury stock; and the disposal of other assets by obligors under the Acquisition Facility Agreement (subject to a US$10 million threshold). There are covenants, without limitation, 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.

High Yield Bridge Facility Agreement

On 17 November 2010, Vedanta entered into a high yield senior secured bridge facility agreement 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 (the "High Yield Bridge Facility Agreement").

The Bridge Facility Agreement provides for a total aggregate amount of up to US$1.5 billion in cash (the "Bridge Loans") to be advanced to Vedanta for the purpose of further 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 Purchase Agreement, in addition to the financing provided to the Vedanta Group pursuant to the terms of the Acquisition Facility Agreement.

Interest on the Bridge Loans will be payable monthly in arrears at a rate per annum equal to one-month LIBOR plus 350 basis points per annum (the "Spread") plus mandatory costs. In the event that the Refinancing Notes (as defined below) to be issued by the Vedanta Group have received ratings of at least Ba2 from Moody's, BB from S&P and BB from Fitch (the "Specified Ratings"), the Spread will be adjusted by reference to such Specified Ratings. In the event that ratings on the Refinancing Notes have not been issued at the time amounts are first drawn down under the Bridge Facility Agreement, ratings on existing unsecured, non-convertible and non-exchangeable bonds issued or guaranteed by Vedanta shall be used to determine the Specified Ratings. In the event that the ratings on the relevant notes are at any time less than the Specified Ratings, the Spread shall be adjusted and subject to a cap (the "Total Cap") by reference to a ratchet grid based on the credit rating of the Company. The Spread shall increase by an additional 100 basis points per annum at the end of each 30 day period for as long as the Bridge Loans remain outstanding, subject to a default rate. The default rate, which applies during the continuance of a payment default under the High Yield Bridge Facility Agreement, accrues on overdue amounts on the Bridge Loans at a rate of 100 basis points in excess of the rate otherwise applicable to such overdue

amounts and is payable on demand. The representations and warranties and events of default provisions in the High Yield Bridge Facility Agreement are substantially the same as in the Acquisition Facility Agreement.

The Bridge Loans shall be subject to mandatory prepayment: (1) with the proceeds of Refinancing Notes (as defined) or other similar debt securities and (2) with 50 per cent. of the proceeds of most mandatory prepayment events set forth under the Acquisition Facility Agreement (but only where the percentage of the proceeds of such events required to be applied to amounts under the Acquisition Facility Agreement has been reduced to 50 per cent.). If any of the events in the foregoing sentence occur prior to the drawing of the Bridge Loans, commitments under the Bridge Loans would be reduced by a corresponding amount. Finally, upon a change of control of Vedanta (defined on a basis consistent with the Acquisition Facility Agreement), the Majority Lenders (as defined therein) may declare all Bridge Loans due and payable.

The Bridge Loans will mature three months after Completion and may be prepaid at any time, without premium or penalty, subject to payment of all interest accrued up to the prepayment date, break costs and other amounts due. If the Bridge Loans are not prepaid on or prior to the date falling three months after Completion (the "Rollover Date"), the principal amount of the Bridge Loans outstanding on the Rollover Date will be automatically converted, subject to the satisfaction of certain conditions, into senior secured rollover loans with a maturity of five years from the date of execution of the High Yield Bridge Facility Agreement and with terms substantially similar to the Exchange Notes (as defined) (except that the Rollover Loans (as defined) shall be secured and not subject to prepayment premiums) (the "Rollover Loans"). Interest on the Rollover Loans is to be payable at the rate of the Total Cap. Default interest will accrue on the same basis as for the Bridge Loans.

Each lender under the High Yield Bridge Facility Agreement who is (or will immediately transfer to) an Eligible Holder (as defined) shall have the right at any time on or after the Rollover Date to exchange Rollover Loans held by it for unsecured senior exchange notes to be issued by Vedanta (the "Exchange Notes"). However, Vedanta will not be required to carry out such an exchange, until all such requests total at least US$100 million. In connection with each such exchange and if requested by one or more lenders under the High Yield Bridge Facility Agreement holding (subject to a total of two such requests) at least US$100 million of Exchange Notes, Vedanta shall:

(a) deliver to the relevant lenders an offering memorandum of the type customarily used in a Rule 144A offering of high yield securities covering the resale of such Exchange Notes by the relevant lenders; and

(b) deliver such opinions, comfort letters, certificates and other customary documentation as such lenders may request to receive as is customary in a Rule 144A offering; and

(c) take or procure the taking of such actions as may be reasonably requested by such lenders in connection with a Rule 144A offering.

The Exchange Notes are to have a maturity of five years from the date of execution of the Bridge Facility Agreement (the "Rollover Maturity Date"). Interest on the Exchange Notes is to be payable semi-annually in arrears at the rate of the Total Cap. Default interest will accrue on the same basis as for the Rollover Loans.

Up until the third anniversary of the execution date of the High Yield Bridge Facility Agreement, the Exchange Notes will be redeemable by Vedanta at a customary "make-whole" premium calculated using a discount rate equal to the yield on comparable treasury securities plus 0.50 per cent. Thereafter, the Exchange Notes will be redeemable at Vedanta's option at a premium equal to 50 per cent. of the coupon on the Exchange Notes, declining to 25 per cent. of the coupon on the fourth anniversary of the execution date of the High Yield Bridge Facility Agreement up until the Rollover Maturity Date.

Covenants in relation to the provision of information and other representations and warranties, general undertakings, events of default and indemnities shall be customary for such instruments.

Amounts loaned under the High Yield Bridge Facility Agreement are subject to (i) customary commitment and funding fees payable on Completion; (ii) rollover fees calculated by reference to the percentage of the Bridge Loans outstanding under the agreement on the Rollover Date, payable on the Rollover Date; (iii) fees based on the commitments under the agreement, for the period beginning 90 days after execution of the High Yield Bridge Facility Agreement until the earlier of expiration/termination of the commitments thereunder and Completion; (iv) refinancing fees by reference to the amounts repaid under the High Yield Bridge Facility Agreement; and (v) alternative financing fees where alternative financing to

financing provided under the High Yield Bridge Facility Agreement is used by the Vedanta Group for the Acquisition.

Bridge Facility Agreement

On 17 November 2010, Vedanta entered into a senior unsubordinated bridge loan 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 plc and Morgan Stanley Bank International Limited as mandated lead arrangers, and Standard Chartered Bank as the agent (the "Bridge Facility Agreement").

The Bridge Facility Agreement provides for a total aggregate amount of up to US$1 billion in cash (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 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 KCM, the proceeds received as a result of the issue of new equity in connection with the actions contemplated by the Standby Equity Underwriting Letter, 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 customary for a facility of this nature.

Amounts loaned under the Bridge Facility Agreement are subject to a commitment fee equal to one 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.

Standby Equity Underwriting Letter

In connection with the Acquisition and pursuant to the Standby Equity Underwriting Letter, J.P. Morgan Securities Limited, Goldman Sachs International and Morgan Stanley & Co. International plc (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 (and to take, in a timely fashion, any and all actions which are reasonably necessary for), 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, amongst others, the following provisions:

(i) the Banks and Vedanta 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, each acting reasonably and in good faith in the light of, amongst other things, the then prevailing market conditions in London, feedback pursuant to discussions with investors, any relevant Listing Rules or analogous requirements, the market price of an Ordinary Share immediately prior to launch, customary discounts to market price for similar transactions together with the advice of other bookrunners (if any) and, failing such agreement, at a price of US$0.10 per Ordinary Share (being the nominal value of an Ordinary Share);

(ii) the Banks and Vedanta 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 by the Vedanta Group, the form of customary indemnities in favour of the Banks and the form of customary conditions and termination provisions and the form of customary force majeure provisions (if any). In addition, Vedanta has, amongst 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 Investments Limited ("Volcan") to vote in favour of any shareholders' resolutions proposed at any such general meeting convened in connection with an Ordinary Share Offering (the "Volcan Undertaking"). Volcan executed the Volcan Undertaking on 16 November 2010;

(iii) 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 KCM 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.

(iv) 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;

(v) 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 (the "Volcan Shares") 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 the Volcan 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;

(vi) 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

(vii) if (A) the Bridge Facility Agreement is terminated before any funds are drawn down under it, (B) completion of the 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.

Cairn India Material Contracts

Set out below is a summary of each contract (not being a contract entered into in the ordinary course of business) entered into by Cairn India or any member of the Cairn India Group (i) within the two years immediately preceding the date of this document 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 material to the Cairn India Group as at the date of this document.

Relationship Agreement

Pursuant to an agreement between CUKHL, Cairn India and Cairn Energy (the "Relationship Agreement"), Cairn Energy and Cairn India undertake to one another that they will each exercise all of their respective powers and, so far as they are respectively able to do so, will procure that the directors of Cairn India exercise their respective powers to ensure: (i) that the business of Cairn India is at all times carried on independently of any other member of the Cairn Energy Group; (ii) all dealings between the Cairn India Group and the rest of the Cairn Energy 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 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 they are traded. The Relationship Agreement requires Cairn India to provide Cairn Energy with such information as it may require in order to comply with its legal, regulatory and reporting obligations for so long as the Cairn Energy Group's holding in Cairn India is of a level that requires Cairn Energy to account for the holding as a subsidiary or associated undertaking under international accounting standards. The 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 by CUKHL in accordance with the articles of association of Cairn India. For so long as the Cairn Energy 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, Cairn Energy 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 Cairn Energy Group. The Purchase Agreement provides that the Relationship Agreement is to be replaced by an Information Agreement with effect from Completion. Further information on this is set out in paragraph 11 of Part 5 (Principal Terms of the Acquisition) of this document.

Cairn India Facilities

In October 2009, Cairn India refinanced an existing revolving credit facility to fund the Rajasthan development. The refinancing package comprised a US dollar facility ("USD Facility") and an Indian Rupee facility ("INR Facility").

The USD Facility is for up to US$750 million. It is provided by a consortium of six international banks and the International Finance Corporation to Cairn Energy Hydrocarbons Limited (a wholly owned subsidiary of Cairn India) and expires on 31 December 2015. The aggregate amount of the loan that can be drawn under the facility at any point in time is determined by reference to the net present value of the Rajasthan developments. The interest payable on amounts drawn is 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 is calculated can be selected by the borrower, but must be three months, six months or such other period as is agreed with the facility agent. Cairn Energy Hydrocarbons Limited may 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 Cairn Energy Hydrocarbons Limited. Further securities may require to be granted in certain circumstances.

The INR Facility is for up to INR40 billion (approximately US$855 million). It is provided by a consortium of seven leading Indian banks and financial institutions to Cairn India. It expires on 31 December 2015. Amounts drawn under the facility are repayable in quarterly instalments (in specified amounts) from March 2012 to December 2015. For the first 12 months that the facility is available, interest is charged at the State Bank of India's Advance Rate on 14 October 2009 minus 125 basis points. For each subsequent 12 month period, interest is charged at the State Bank of India's Advance Rate on the date immediately prior to the beginning of the relevant period minus 125 basis points. Cairn India may cancel and prepay the amounts drawn under the facility (in full or in part) at any time by giving notice. A repayment premium of 1 per cent. of the amount which is prepaid is payable if the prepayment is made on a date which is not an anniversary of 14 October 2009. 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 customary for a facility of this nature. These include a cross default provision which will be triggered on a failure of Cairn India or Cairn Energy India Pty Limited (a 100 per cent. indirect subsidiary of Cairn India which holds 50 per cent. of the Cairn Energy Group's interest in Rajasthan) ("CEIPL") to pay any indebtedness exceeding INR1 billion when due. Under the terms of the INR facility agreement, certain securities have been granted over certain assets owned by CEIPL or Cairn India in respect of the Rajasthan development. Security in terms of a charge over the participating interest of CEIPL in the Rajasthan Block is to be executed, subject to certain conditions, as a condition subsequent. In October 2010, Cairn India substituted the above INR Facility by raising US$500 million through an issuance of INR unsecured non-convertible debentures (described below), at competitive commercial terms. On 13 October 2010, the total outstanding amount of US$314.6 million of the INR Facility was fully repaid.

Cairn India issued Unsecured Redeemable Non Convertible Debentures ("NCDs") for INR22.5 billion (approximately US$500 million) in October 2010, 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$139 million) having a maturity of 21 months, Series B for INR6.25 billion (approximately US$139 million) having a maturity of 24 months and Series C for INR10 billion (approximately US$222 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 upfront and the remaining 90 per cent. i.e. INR9 billion available as a commitment until October 2011. A different coupon rate is applicable on each individual series of the said NCDs. Series A attracts a coupon at the rate of 8.35 per cent. per annum; Series B at 8.4 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 8.5 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 such NCDs at the end of 12 months i.e. on 12 October 2011.

11. Related party transactions

For each of the years ended 31 March, 2010, 2009 and 2008, the six months ended and during the period between 31 March 2010 and 23 November 2010 (being the latest practicable date prior to the publication of this document) the Company has not entered into any material transactions with related parties save as disclosed:

(a) in note 35 on pages 146 to 147 of the Company's 2008 Annual Report and Accounts;

(b) in note 36 on pages 104 to 105 of the Company's 2009 Annual Report and Accounts; and

(c) in note 34 on pages 130 to 132 of the Company's 2010 Annual Report and Accounts.

12. Consents and related matters

J.P. Morgan Cazenove has given and not withdrawn its written consent to the issue of this document with references to its name being included in the form and context in which they appear.

Morgan Stanley & Co. Limited has given and not withdrawn its written consent to the issue of this document with references to its name being included in the form and context in which they appear.

Deloitte LLP (a member of the Institute of Chartered Accountants in England and Wales) whose address is at 2 New Street Square, London EC4A 3BZ, has given and has not withdrawn its written consent to the inclusion in this document of its report which is set out in Part 4 (Unaudited Pro Forma Statement of Net Assets of the Combined Group) of this document in the form and context in which it appears.

Ernst & Young LLP (a member of the Institute of Chartered Accountants in England and Wales) whose address is at 1 More London Place, London SE1 2AF, has given and not withdrawn its written consent to the inclusion of its report which is set out in Section B of Part 3 (Financial Information Relating to Cairn India) of this document in the form and context in which it appears.

DeGolyer and MacNaughton, 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 of its report set out in Part 6 (Mineral Expert's Report) of this document in the form and context in which it appears.

13. Documents available for inspection

Copies of the following documents may be physically inspected at the London offices of the Company at 16 Berkeley Street, London W1J 8DZ and at the London offices of Latham & Watkins (London) LLP at 99 Bishopsgate, London EC2M 3XF during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until the date of Completion. Copies of these documents will also be available for inspection at the General Meeting for at least 15 minutes prior to the commencement of the Meeting and throughout its duration.

(a) the consent letters referred to in paragraph 12 of this Part 7 (Additional Information);

(b) the Purchase Agreement;

(c) the reports by (i) Ernst & Young LLP on the Cairn India Financial Information set out at Section B of Part 3 of this document and (ii) Deloitte LLP on the unaudited proforma financial information set out at Part 4 of this document;

(d) the historical financial information relating to the Cairn India Group for the years ended 31 December 2007, 31 December 2008 and 31 December 2009 and for the nine months ended 30 September 2010;

(e) the Mineral Expert's Report set out at Part 6 (Mineral Expert's Report) of this document;

(f) this document; and

(g) all documents incorporated by reference into this document set out in Part 9 (Documentation Incorporated by Reference) of this document.

Date: 25 November 2010

PART 8

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

"2P"	proven plus probable
"2010 Annual Report and Accounts"	the annual report and accounts of the Company for the year ended 31 March 2010
"2009 Annual Report and Accounts"	the annual report and accounts of the Company for the year ended 31 March 2009
"2008 Annual Report and Accounts"	the annual report and accounts of the Company for the year ended 31 March 2008
"Acquisition"	the proposed acquisition by Vedanta and/or members of its Group of 51 per cent. to 60 per cent. of the entire issued and to be issued share capital of Cairn India pursuant to the terms of the Purchase Agreement, the Open Offer and the Sesa Transfer
"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
"Anglo American"	Anglo American plc
"Asarco"	Asarco LLC, formerly known as American Smelting and Refining Company
"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 Limited, a company incorporated in India
"Block CB/OS-2"	the offshore area on the west coast of India described in the Production Sharing Contract for Block CB/OS-2, made on June 30, 1998 between Oil & Natural Gas Corporation Ltd., Tata Petrodyne Limited and Cairn Energy India Pty Limited
"Board"	the board of directors of the Company as constituted from time to time
"boepd"	barrels of oil equivalent per day
"bopd"	barrels of oil per day
"Business Day"	any day (other than a Saturday or Sunday or public holiday) on which banks are open for business in London
"Cairn Energy"	Cairn Energy PLC
"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
"Cairn India Group"	Cairn India, its subsidiaries and subsidiary undertakings, and "member of the Cairn India Group" shall be construed accordingly
"Cairn India Shareholders"	the holders of Cairn India Shares

"Cairn India Shares"	ordinary shares of INR10 each in the share capital of Cairn India
"Canada"	Canada, its possessions and territories and all areas subject to its jurisdiction or any political subdivision thereof
"Combined Group"	the Group as enlarged by the Acquisition
"Companies Act 1985"	the Companies Act 1985, as amended
"Companies Act 2006"	the Companies Act 2006, as amended
"Companies Acts"	the Companies Act 1985 and the Companies Act 2006
"Completion"	completion of the Acquisition in accordance with the terms of the Purchase Agreement and the Open Offer
"CREST"	the relevant system, as defined in the CREST Regulations (in respect of which Euroclear is the operator as defined in the CREST Regulations)
"CREST member"	a person who has been admitted to Euroclear as a system member (as defined in the CREST Regulations)
"CREST participant"	a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations)
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended
"CREST sponsor"	a CREST participant admitted to CREST as a CREST sponsor
"CREST sponsored member"	a CREST member admitted to CREST as a sponsored member
"CUKHL"	Cairn UK Holdings Limited
"Disclosure and Transparency Rules"	the Disclosure Rules and Transparency Rules published by the FSA
"EBITDA"	earnings before interest, taxes, depreciation and amortisation
"Euroclear"	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales under number 2878738, which operates CREST
"Executive Directors"	Anil Agarwal, Navin Agarwal and Mahendra Singh Mehta, being the executive directors of the Company, whose details are set out in Part 7 (Additional Information) of this document
"Existing Shares"	the Ordinary Shares of US$0.10 each in the capital of the Company in issue at the date of this document and "Existing Share" means any one of them
"FDP"	field development plan
"Financial Services Authority" or "FSA"	the Financial Services Authority of the United Kingdom
"financial year"	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 and in respect of which audited accounts have been prepared
"Form of Proxy"	the Form of Proxy for use at the General Meeting which accompanies this document
"FSMA"	the Financial Services and Markets Act 2000 (as amended)

"General Meeting"	the general meeting of the Company to be held at The Lincoln Centre, 18 Lincoln's Inn Fields, London, WC2A 3ED at 3.00 p.m. on 13 December 2010, the Notice of which is set out at the end of this document
"GoI"	the Government of India
"Group" or "Vedanta Group"	the Company, its subsidiaries and subsidiary undertakings, and "member of the Group" shall be construed accordingly
"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
"GRZ"	the Government of Zambia
"HZL"	Hindustan Zinc Limited, a company incorporated in India
"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
"IFRS"	International Financial Reporting Standards
"Indian Takeover Code"	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended
"INR", "Indian Rupees" or "Rupees"	the lawful currency of the Republic of India
"IOC"	Indian Oil Corporation
"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 & Co. International plc
"Joint Sponsors"	J.P. Morgan Cazenove and Morgan Stanley & Co. Limited
"J.P. Morgan Cazenove"	J.P. Morgan plc (which conducts its UK investment banking business as J.P. Morgan Cazenove)
"KCM"	Konkola Copper Mines plc, a company incorporated in Zambia
"KDMP"	Konkola Deep Mining Project
"Konkola Resources"	Konkola Resources plc
"LIBOR"	the London Interbank Offered Rate
"Listing Rules"	the listing rules and regulations of the UK Listing Authority, as amended
"London Stock Exchange"	London Stock Exchange plc, together with any successors thereto
"MALCO"	Madras Aluminium Company Ltd, a company incorporated in India
"mmboe"	million barrels of oil equivalent
"MoEF"	Ministry of Environment and Forest of the Government of India
"Morgan Stanley"	Morgan Stanley & Co. Limited
"MPT"	Mangala Processing Terminal
"NEERI"	National Environmental Engineering Research Institute

"Non-CREST Shareholder"	a Vedanta Shareholder who does not hold their Ordinary Shares in CREST
"Non-Executive Directors"	Naresh Chandra, Aman Mehta and Euan R. MacDonald, being the non-executive directors of the Company, whose details are set out in Part 7 (Additional Information) of this document
"Northern Fields"	the Mangala, Aishariya, Bhagyam and Shakri fields in the Rajasthan Block in the State of Rajasthan in northwest India
"Notice of General Meeting" or "Notice"	the notice of the General Meeting set out at the end of this document
"NYSE"	the New York Stock Exchange
"Official List"	the official list of the UK Listing Authority
"OIDC"	Orissa Infrastructure Development Corporation
"OMC"	Orissa Mining Corporation Ltd.
"ONGC"	Oil and Natural Gas Corporation Limited
"Open Offer"	the offer to be made jointly by Vedanta and Sesa Goa, to Cairn India Shareholders (other than any member of the Cairn Energy Group) to acquire up to 20 per cent. of the fully diluted share capital of Cairn India under the Indian Takeover Code
"Ordinary Shares" or "Vedanta Shares"	the ordinary shares of US$0.10 each in the capital of the Company
"pounds" or "£"	UK pounds sterling, the lawful currency of the United Kingdom
"Prospectus Rules"	the rules for the purposes of Part VI of FSMA in relation to offers for securities to the public and the admission of securities to trading on a regulated market
"PSC"	production sharing contract
"Purchase Agreement"	the sale and purchase agreement dated 15 August 2010 (as amended) among CUKHL, Cairn Energy, Twin Star and Vedanta providing for the purchase by Twin Star from CUKHL of 51 per cent. of the fully diluted share capital of Cairn India
"Rajasthan Block"	the area located in Rajasthan, India described in the PSC for Block RJ-ON-90/1, entered into on 15 May 1995 between ONGC, Cairn Energy Hydrocarbons Limited and Cairn Energy Pty Limited as amended from time to time
"Ravva Block"	the off shore area on the east coast of India described in the PSC for Ravva Oil and Gas Field, made on October 28, 1994 between ONGC, Videocon Petroleum Limited, Command Petroleum (India) Pty Ltd. and Ravva Oil (Singapore) Pte Ltd. as amended from time to time
"RBI"	the Reserve Bank of India
"Registrar"	Computershare Investor Services PLC
"Regulatory Information Service"	one of the regulatory information services authorised by the Financial Services Authority to receive, process and disseminate regulatory information in respect of listed companies
"Relationship Agreement"	the agreement between CUKHL, Cairn India and Cairn Energy dated 4 October 2006, as amended
"Resolution"	the resolution to be proposed at the General Meeting, as set out in the Notice of General Meeting
"Rothschild"	NM Rothschild & Sons Limited

"SAT"	the Securities Appellate Tribunal of India
"SEBI"	the Securities and Exchange Board of India
"Sesa Goa" or "SGL"	Sesa Goa Limited, a company incorporated in India
"Sesa Transfer"	the proposed acquisition by Sesa Goa (and/or any of its subsidiary undertakings) of up to 20 per cent. of the fully diluted share capital of Cairn India from (a) the Company (and/or any of its subsidiary undertakings) and/or (b) any member of the Cairn Energy Group, as a result of Sesa Goa (and/or any of its subsidiary undertakings) being nominated as a purchaser of Cairn India Shares pursuant to the Purchase Agreement in each case on the terms described in this document
"SFIO"	the Serious Fraud Investigation Office of India
"Share Schemes"	the Vedanta Long-Term Incentive Plan which was adopted to grant share options to employees of the Vedanta Group
"SIL"	Sesa Industries Limited, a company incorporated in India
"SOVL"	Sterlite Opportunities Ventures Limited, a company incorporated in India
"SPE"	Society of Petroleum Engineers
"Sterlite"	Sterlite Industries (India) Limited, a company incorporated in India
"Sterlite Energy"	Sterlite Energy Limited, a company incorporated in India
"Sterlite USA"	Sterlite (USA), Inc.
"subsidiary" or "subsidiary undertaking" or "undertaking"	each have the meanings given by the Companies Act 2006
"Supreme Court"	the Supreme Court of India
"TNPCB"	the Tamil Nadu Pollution Control Board
"TSMHL"	Twin Star Mauritius Holdings Ltd.
"Twin Star"	Twin Star Energy Holdings Ltd. (formerly known as THL Aluminium Limited)
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority" or "UKLA"	the FSA acting in its capacity as competent authority for the purposes of FSMA
"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 may be transferred by means of CREST
"US" or "United States"	the United States of America, its territories and possessions, any State of the United States and the District of Columbia and all other areas subject to its jurisdiction
"Vedanta" or the "Company"	Vedanta Resources plc
"Vedanta Aluminium"	Vedanta Aluminium Limited, a company incorporated in India
"Vedanta Directors" or "Directors"	the directors of the Company, whose names are set out in Part 7 (Additional Information) of this document and "Director" means any one of them
"Vedanta Shareholders"	holders of Ordinary Shares

"Vedanta Share Purchase"	the purchase by Vedanta from CUKHL of 51 per cent. of the fully diluted share capital of Cairn India pursuant to the terms of the Purchase Agreement
"Volcan"	Volcan Investments Limited
"VRHL"	Vedanta Resources Holdings Limited, a company incorporated in England and Wales
"WPC"	World Petroleum Congresses
"ZCCM"	Zambia Consolidated Copper Mines Limited, a company incorporated in Zambia
"ZCIH"	ZCI Holdings S.A., a company incorporated in Zambia

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and *vice versa,* and words importing the masculine gender shall include the feminine or neutral gender.

References to "£", "Sterling", "p", "penny" and "pence" are to the lawful currency of the United Kingdom.

References to "$", "US$", "US Dollars", "US dollars" and "cents" are to the lawful currency of the United States.

References to time are to London time.

PART 9

DOCUMENTATION INCORPORATED BY REFERENCE

The following information (but not any information incorporated by reference into such information), which is available free of charge from the London offices of Vedanta at 16 Berkeley Street, London W1J 8DZ and at the London offices of Latham & Watkins (London) LLP at 99 Bishopsgate, London EC2M 3XF during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until the date of Completion, is incorporated by reference into this document:

Reference Document	Information Incorporated by Reference	Reference Document Page Reference	Page Reference in this Document
Vedanta 2008 Annual Report and Accounts	Audited financial statements of the Vedanta Group as at, and for the financial year ended, 31 March 2008, including:		
	• Notes to the financial statements	146 to 147	152
Vedanta 2009 Annual Report and Accounts	Audited financial statements of the Vedanta Group as at, and for the financial year ended, 31 March 2009, including:		
	• Notes to the financial statements	104 to 105	152
Vedanta 2010 Annual Report and Accounts	Audited financial statements of the Vedanta Group as at, and for the financial year ended, 31 March 2010, including:		
	• Remuneration Report	77 to 78	130 to 131
	• Notes to the financial statements	130 to 132	152
Vedanta's interim financial results for the six months ended 30 September 2010	Entire report	1 to 54	134

NOTICE OF GENERAL MEETING

VEDANTA RESOURCES PLC

(incorporated in England under the Companies Act 1985 with registered number 04740415)

NOTICE IS HEREBY GIVEN that a **GENERAL MEETING** of Vedanta Resources plc (the "Company") will be held at The Lincoln Centre, 18 Lincoln's Inn Fields, London, WC2A 3ED on 13 December 2010 at 3.00 p.m. for the purpose of considering and, if thought fit, passing the following Resolution as an ordinary resolution. Unless expressly stated otherwise, terms defined in the Circular of the Company dated 25 November 2010 shall have the same meanings in this Notice of General Meeting.

The results of the voting at the General Meeting will be announced through a Regulatory Information Service and will appear on the Company's website (www.vedantaresources.com).

ORDINARY RESOLUTION

THAT:

(i) the proposed share purchase (the "Share Purchase") by the Company and one or more of its subsidiary undertakings of 51 per cent. of the entire issued and to be issued share capital of Cairn India Limited ("Cairn India") pursuant to the terms and subject to the conditions of the sale and purchase agreement dated 15 August 2010 between the Company, Cairn Energy PLC ("Cairn Energy") Cairn UK Holdings Limited ("CUKHL") and Twin Star Energy Holdings Ltd. (the "Purchase Agreement")), as described in the circular to the shareholders of the Company dated 25 November 2010 of which this Notice forms part (the "Circular") and all associated and ancillary agreements contemplated by the Purchase Agreement and/or described in the Circular and related matters thereto, be and are hereby approved and that the Directors of the Company (the "Directors") (or a duly authorised committee of the Directors) be and they are hereby authorised to take all necessary or appropriate steps to complete or to procure completion of the Share Purchase and give effect thereto with such modifications, variations, revisions, waivers or amendments (not being modifications, variations, revisions, waivers or amendments which are material in nature) as the Directors or a duly authorised committee thereof may deem necessary, expedient or appropriate; and

(ii) the proposed offer to be made jointly by the Company and Sesa Goa Limited to shareholders of Cairn India (other than Cairn Energy or any of its subsidiary undertakings) to acquire up to 20 per cent. of the entire issued and to be issued share capital of Cairn India under the Indian Takeover Code (the "Open Offer") and the Sesa Transfer, as described in the Circular and all ancillary agreements and related matters thereto, be and are hereby approved and that the Directors (or a duly authorised committee of the Directors) be and they are hereby authorised to take all necessary or appropriate steps to complete or to procure completion of the Open Offer and the Sesa Transfer and give effect thereto with such modifications, variations, revisions, waivers or amendments (not being modifications, variations, revisions, waivers or amendments which are material in nature) as the Directors or a duly authorised committee thereof may deem necessary, expedient or appropriate.

By order of the Board

Deepak Kumar
Company Secretary
25 November 2010

Vedanta Resources plc
Registered Office:
2nd Floor
Vinters Place
68 Upper Thames Street
London EC4V 3BJ

Notes

Proxies

1. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this Notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY ("Computershare") (helpline number +44(0)870 707 1388). To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

2. To be valid, any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY no later than 3.00 p.m. on 11 December 2010. If they are a CREST member, shareholders may use the electronic proxy voting service provided by Euroclear.

3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 9 below) will not prevent a shareholder attending the General Meeting and voting in person if he/she wishes to do so.

4. For online voting, members may go to the following website: www.eproxyappointment.com. Shareholders will be asked to enter the Control Number, the Shareholder Reference Number (SRN) and PIN as provided on their proxy form and agree to certain terms and conditions. Vedanta shareholders may not use any electronic address provided in this notice of General Meeting or the form of proxy to communicate with the Company for any purposes other than those expressly stated.

Nominated persons

5. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

6. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 to 4 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

Right to attend and vote

7. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company at 3.00 p.m. on 11 December 2010 or, in the event of any adjournment, at 3.00 p.m. on the date which is two days before the day of the adjourned meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Total number of shares and voting rights

8. As at 23 November 2010 (the latest practicable date before publication of this Notice), the Company's issued share capital comprised 296,120,052 ordinary shares of US$0.10 each, of which 265,008,241 carry voting rights in relation to all circumstances at general meetings of the Company. Of the remaining 31,111,811 ordinary shares of US$0.10, 24,206,816 were held as treasury shares including

1,704,333 shares purchased by Gorey Investments Limited, an independent company and 6,904,995 were issued on the conversion of certain convertible bonds issued by one of the Company's subsidiaries. These 6,904,995 ordinary shares are held through a global depositary receipt and, as a result, carry no voting rights. Therefore, the total voting rights in the Company as at 23 November 2010 were 265,008,241.

Instructions for electronic proxy appointment through CREST

9. CREST members who wish to appoint a proxy or proxies through the Euroclear electronic proxy appointment service may do so by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

10. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Computershare (ID number 3RA50) no later than 3.00 p.m. on 11 December 2010. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which Computershare is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

11. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

12. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Corporate shareholders

13. A shareholder of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the General Meeting. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.

Right to ask questions

14. Any member attending the General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered. The Company will not answer any questions which do not relate directly to the business of the General Meeting.

Communication

15. You may not use any electronic address (within the meaning of Sections 333(4) of the Companies Act 2006) provided in this notice (or in any related documents, including the Chairman's letter and Proxy Form) to communicate with the Company for any purpose other than those expressly stated.

Inspection of documents

16. The following documents will be available for inspection during normal business hours at the Company's registered office, 2nd Floor, Vintners Place, 68 Upper Thames Street, London EC4V 3BJ from the date of this notice until the close of the General Meeting (Saturdays, Sundays and public holidays excepted) and at the General Meeting location from 15 minutes before the General Meeting until it ends:

    1. A copy of the Circular and Form of Proxy; and

    2. A copy of the Purchase Agreement.

Company's registrars

17. The Company's register of members is maintained by Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE. The shareholder helpline number is +44(0)870 707 1388.

Registration

18. Shareholders should note that doors to the General Meeting will open at 2.00 p.m. and registration will start at 2.00 p.m.

Security

19. Please note that for security reasons, all hand luggage may be subject to examination prior to entry to the General Meeting. Certain items will not be permitted in the meeting room. These include cameras, recording equipment, items of any nature with potential to cause disorder and such other items as the Chairman of the meeting may specify.

20. Persons who are not shareholders of the Company will not be admitted to the General Meeting unless prior arrangements have been made with the Company in writing. Investors holding shares through nominees are welcome to attend provided that they bring proof of their holding with them to the General Meeting.

21. We ask all those present at the General Meeting to facilitate the orderly conduct of the meeting and reserve the right, if orderly conduct is threatened by a person's behaviour, to require that person to leave.

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