



## **Vedanta Resources Plc Mining Indaba – Cape Town**

9 February 2016

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# Safety and Sustainability – Key to Excellence



## Safety

- 11 fatalities in 9M FY2016
- Focus on bringing in a culture of Zero-Harm
  - Implementing programs to eliminate fatalities and control injuries
  - Performance incentives linked to safety performance

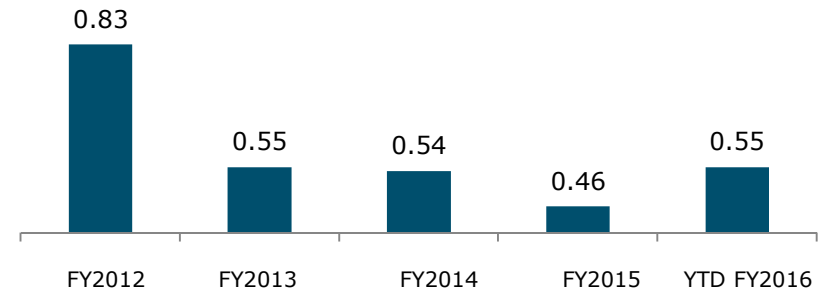
## Environment

- “Zero” Higher Category Environmental Incidents
- Implementation of Biodiversity Management Plan in progress
- Continued implementation of Waste to Wealth approach: Red Mud, Fly Ash and Gypsum projects
- Water and Energy savings – Process Innovation and technological interventions
- Completed internal sustainability risk assessment for FY2015 through Vedanta Sustainability Assurance Programme (VSAP)
- Climate change: Evaluating and updating our carbon strategy in line with the host of country regulations

## Society

- Supporting UN-Women Empowerment Principles and Sustainable Development Goals
- Strengthening social “license to operate” by doing community projects as per need assessment
- 120+ government and non-government partnerships in place

## LTIFR<sup>1</sup> (per million man-hours worked)



<sup>1</sup> Note: Numbers for FY2016 higher on adoption of ICMM 2014 methodology



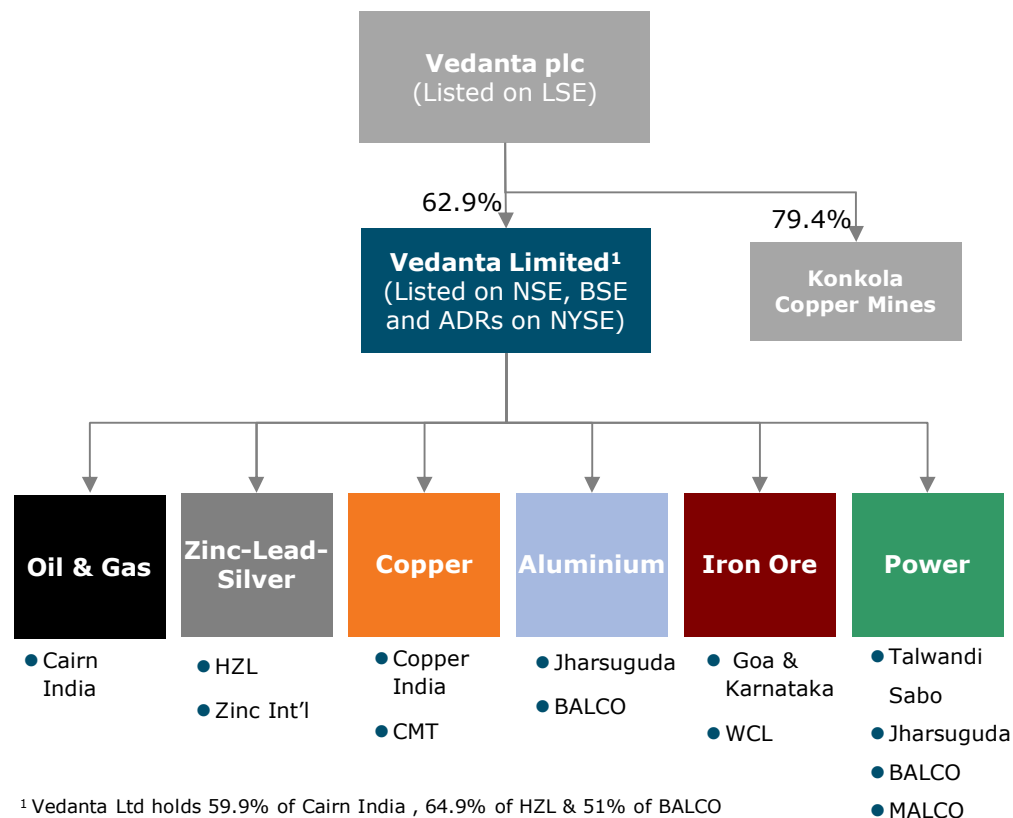
Leadership Drive : Safety Officer at Jharsuguda

# Vedanta: A Global Diversified Natural Resources Company



- Portfolio of large, structurally low cost, long life Tier-I assets
  - Significant near term growth with well invested asset base not requiring large capex
  - Well positioned to capitalize on India's and Africa's growth and natural resource potential
- Operations across India, Africa, Australia and Europe
- Focus on disciplined capital allocation and balance sheet management
- Positively contributing to India and Africa
  - c.\$4bn invested in Africa since 2004, with recent approval of the Gamsberg Zinc Project
  - Contribution of \$4.6bn to exchequers
  - Direct and Indirect employment of c.80,000
  - Community investment of \$42mn benefiting 4mn people globally

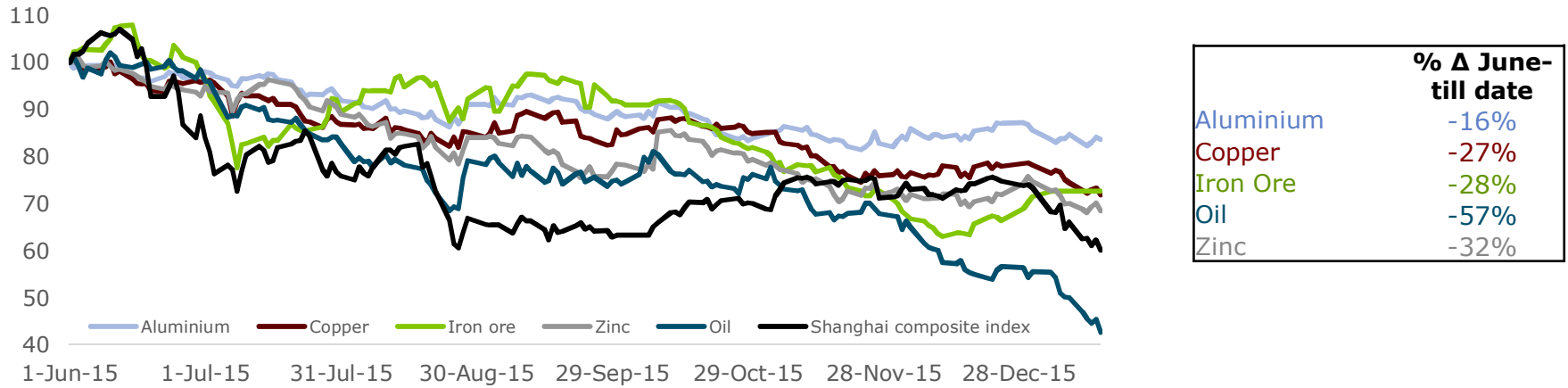
## Group Structure



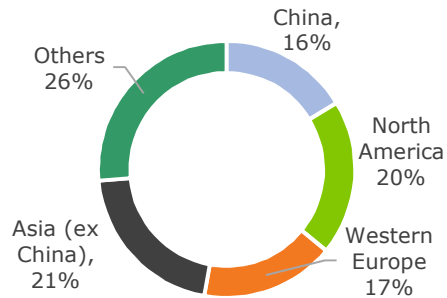
# Recent volatility in commodities mainly driven by China



**Commodity Price Performance & Chinese Stock Index (rebased to 100)**

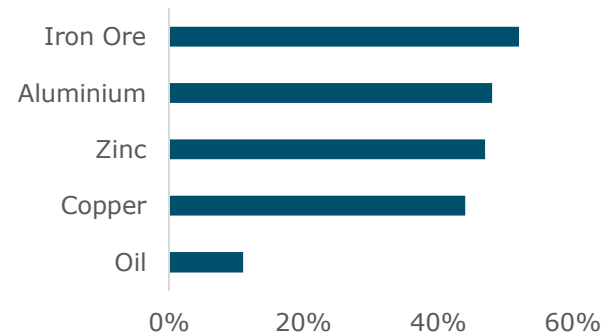


**China accounts for 16% of world's GDP.....**



Source: Bloomberg, IMF, Bloomberg intelligence, BP statistics

**..... But c.50% of world's base metals consumption**



## Diversified, Low-Cost, Tier-I Assets



Positioning	R&R Life <sup>1</sup>	FY2015 Production	Capacity <sup>2</sup>
<b>Oil &amp; Gas (Cairn India)</b> Top 20 global independent E&P; Platts 2013: Fastest growing energy company globally	15	212kboepd	225+ kboepd
<b>Zinc India (HZL)</b> 2 <sup>nd</sup> largest zinc miner globally	25+	887kt	1.2mtpa
<b>Silver (HZL)</b> One of the largest silver producers globally	25+	10.5moz	16mozpa
<b>Zinc International</b> One of the largest undeveloped zinc deposits	20+	312kt	400ktpa
<b>Iron Ore<sup>3</sup></b> Largest private sector exporter in India (pre-ban)	20+	0.6mt <sup>4</sup>	7.8mtpa
<b>Copper Zambia</b> World class resource	25+	117kt <sup>5</sup>	400ktpa <sup>6</sup>
<b>Aluminium</b> Strategically located large-scale assets with integrated power		877kt	2.3mtpa

**Notes**

1. Based on FY2015 production and R&R as at 31 March 2015; Iron ore is based on existing capacity; Zinc International includes Gamsberg deposit in R&R
2. Includes announced expansions; Iron ore shown at new approved capacity of 5.5mt in Goa and 2.3mt provisional capacity in Karnataka, and Gamsberg Project expected capacity of 250ktpa

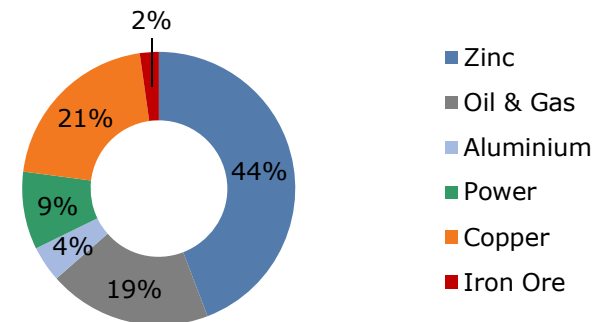
3. Numbers excluding Liberia
4. Iron Ore operations affected by mining restrictions in Karnataka and Goa
5. Integrated Production
6. Shaft capacity, subject to review

## Q3 FY2016 Results - Resilient Portfolio in volatile commodity environment

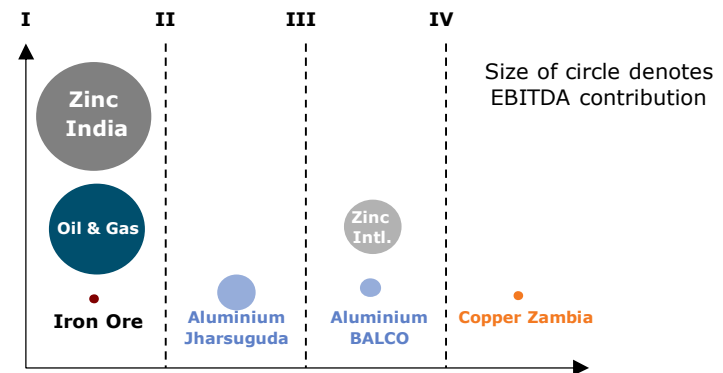


- Strong production across all commodities
  - New capacities commissioned at Power businesses
- Delivering strong results in a volatile market
  - Q3 EBITDA of c.\$500 mn with an EBITDA margin of 23%<sup>1</sup>
  - Free cash flow of \$1.3 billion in nine months ended 31 Dec 2015
- Maintained 1st/2nd quartile cost positions across major businesses
  - Driven by major cost and marketing initiatives across all businesses: Delivered c.\$100 mn in Q3 (in addition to \$200mn in H1)
- Strong liquidity with c.\$9 billion of cash and liquid investments
- Continued focus on opex, capex and free cash flow

**EBITDA Mix: Q3 FY2016**



**Competitive Position on Global Cost Curve**



Note: 1. Excludes custom smelting at Zinc India and Copper India

### Pragmatic decisions under current market conditions

#### Strong focus on opex

- Cost in 1st/2nd quartile of the global cost curve across all major businesses
- Cost restructuring and optimisation at all businesses

#### Ready to restructure operations to protect free cash flows

- BALCO rolled product facility temporarily shut
- One stream at Lanjigarh alumina refinery temporarily shut
- Closure of Nchanga underground operations at Copper- Zambia, reviewing options to reduce cost

#### Reducing capex in light of a lower commodity price environment

- Reduced FY 2016 capex guidance by 30%
- Gamsberg: Re-phased FY2016 capex, and reduced overall project capex by \$100mn

### Deliver on c.\$1.3bn cost savings & marketing synergy plan

- Delivered c. \$100 mn cost, marketing and capex savings in Q3 (in addition to \$200 mn in H1)
- On track to deliver c. \$400mn in FY2016

### Free cash flow generation and Net Debt reduction

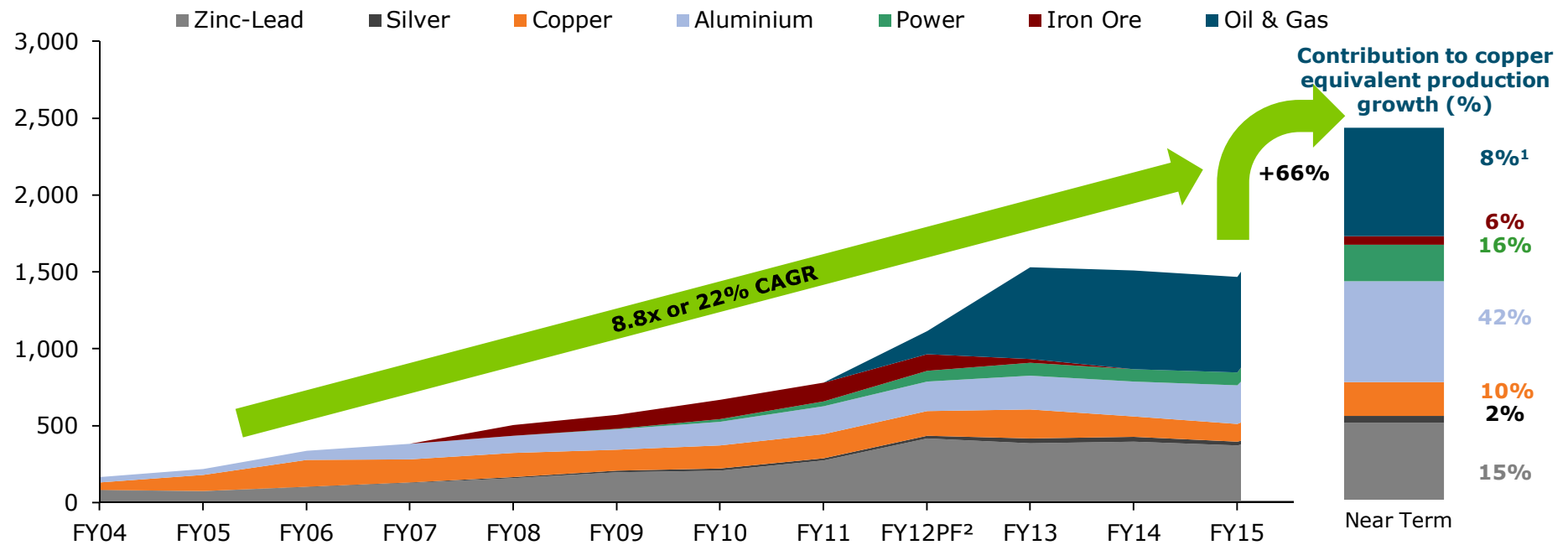
- \$1.3 billion FCF generated in 9M FY2016
- Net debt reduced by \$600 mn in 9M FY2016
- FCF at each segment is a priority



# Well-invested assets to deliver near-term growth with minimal capex



## Total Production (copper equivalent kt)



**Disciplined approach towards ramp-up  
FY2016 capex guidance reduced from \$1bn to \$0.7bn, continue to optimise capex**

All commodity and power capacities rebased to copper equivalent capacity (defined as production x commodity price / copper price) using average commodity prices for FY2015. Power rebased using FY2015 realisations, copper custom smelting capacities rebased at TC/RC for FY2015, iron ore volumes refers to sales with prices rebased at average 56/58% FOB prices for FY2015.  
1. Based on O&G announced capex.

## Making a Positive Contribution



### Environment

- Significant investments (US\$250mn+ over last 3 years)
- Indian operations signed World Business Council of Sustainable Development (WBCSD) Pledge for access to safe Water, Sanitation and Hygiene (WASH)
- Partnering with IUCN – Cairn India and BMM

### Stakeholder Engagement

- 4mn people benefit globally through our initiatives on health, education, livelihood and environment
- Focus on local consent prior to accessing resources
- Community relations: partnerships with NGOs, local governments, academia and private hospitals
- Employment: c.80,000 direct and indirect employees

### Vedanta Sustainability Framework

- Aligned to international standards (IFC, ICMM and OECD)
- Externally audited by DNV and ERM: Continued improving trend



### We've had a presence in Africa since 2004

- Mining copper in Zambia at Konkola Copper Mines (KCM)
- Producing zinc & lead concentrate in South Africa at Black Mountain Mining (BMM)
- Producing Special High Grade zinc metal at Skorpion Zinc in Namibia

### We've invested ~US\$4bn in Africa

- Some \$3bn of capital invested at KCM since acquisition
- Recently commenced construction of Gamsberg Zinc Project at BMM; one of the world's largest undeveloped zinc sulphide deposits
- Major community investments in health, education and training, and rural livelihood programmes

### We employ ~17,000 people across South Africa, Namibia and Zambia

### Our Presence in Africa



## Making a Positive Contribution in Africa



### In Zambia -

- +40,000 people access our CSR programmes every year
- KCM operates 2 hospitals and 8 clinics; 63,000 people access these healthcare services
- Helped +500 people into local and foreign universities and tertiary schools in past 11 years
- About 2,200 young people access education at KCM's 4 primary and high schools
- KCM is a major sponsor of sports, supporting 3 football clubs in Zambia's top league



### In South Africa and Namibia -

- +950 cataract cases treated in the Northern Cape (SA) BMM
- Developed a full brick-making plant, run by members of the local community in the Northern Cape
- School support programmes
- Upgrade of Rosh Pinah State Clinic, Namibia
- Children's Activity Parks, including swimming pools and sports pavilions
- Sustainable livelihood programmes include the //Karas region Goat Project at Skorpion

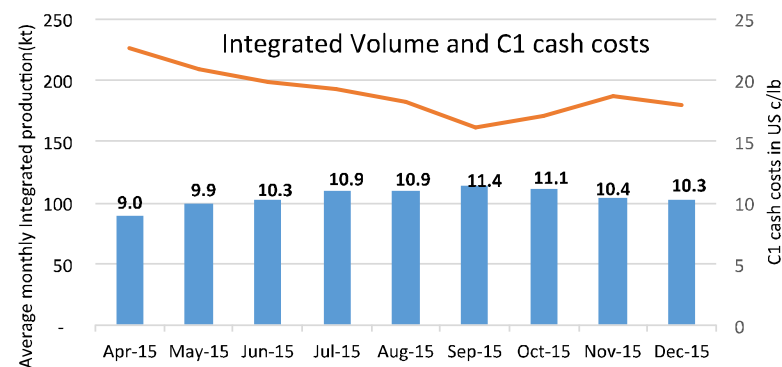


## Copper Zambia

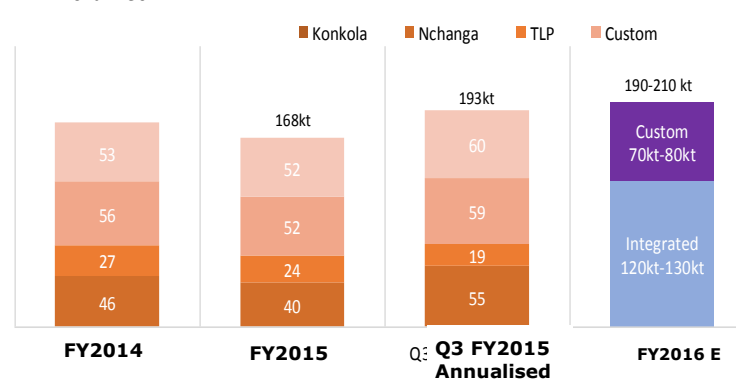


- High quality asset, significantly invested
  - c.\$3 billion of capital invested since acquisition
  - Increased life of Konkola mine from 10 years to +30 years; constructed a world class smelter
- Focus on ramping up production from Konkola
  - Konkola is a large, long life, high grade orebody that underpins the company's 50 year vision
  - On track to increase Konkola mine production from 40kt to 60kt in the current fiscal year.
  - Shaft No.1 resumed hoisting Q1 FY2016; remediation work at Shaft 4 completed and hoisting expected to recommence in Q4 FY2016; equipment availability >70%.
- Integrated Production has increased over the year and C1 costs have declined

### Volume (kt) and C1 Cash Cost (Usc/lb) – 9M FY2016



### Production Volume (kt)



## Copper Zambia – Current challenges and responses



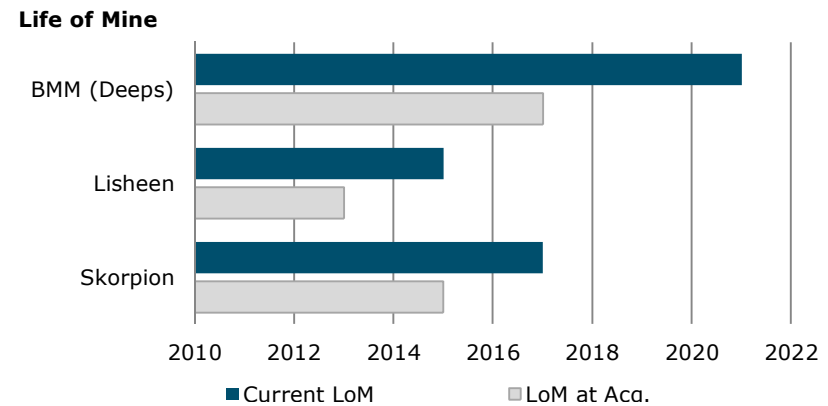
- Zambia is experiencing significant power shortages. KCM is preparing for the contingency if these shortages persist for longer period than previously anticipated
  - Current power consumption stands at 210MW
  - Power prices have increased significantly. Exploring self generation and direct importation as options.
  - Power consumption has declined by 12% over FY2016 due to savings initiatives and NUG C&M.
  
- Nchanga underground was placed under managed care and maintenance in December
  - Cost reduction of US\$1 million per month
  - Production made up by CRO material and increased concentrate purchases.
  
- Smelter throughput has increased to 80tph and on track to reach 95tph by end FY2016
  
- VAT refunds up to date since March 2015; assessment audit for past refund is being finalised at ZRA

## Zinc International: Commitment, Delivery & Our Focus



- **Acquired the Zinc International** grouping of assets in 2010, which comprise of
  - Black Mountain Mining (South Africa), Skorpion Zinc (Namibia) and the Lisheen Mine (Ireland)
- **Delivering on Commitments made on acquisition –**
  - Job preservation and creation
  - Extension the life of mine of each operation & commence Gamsberg development
- **Business in a transition phase -**
  - Lisheen mine has come to the end of its life in December 2015
  - We aim to replenish and grow production over the long-term in southern Africa with the Gamsberg Project
- **Cost Reduction Initiatives & Productivity Improvements to drive FCF improvement**
  - Optimizing short-term mine plans whilst re-aligning fixed-cost base
  - Further centralization to enhance Southern African synergies (procurement, finance etc.)

### 2 to 3 year extension of life of mine at each operation



**Deeps Shaft, Black Mountain Mine, Aggeneys**

# Gamsberg – Large, Scalable Resource

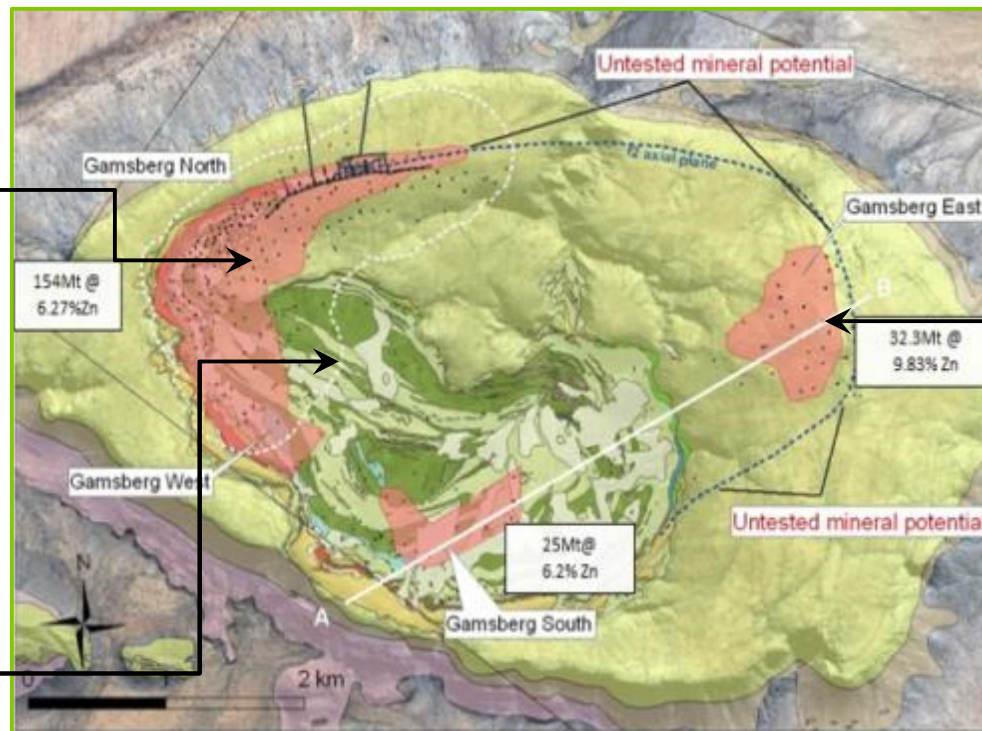


## 1 Gamsberg Project

- 13 year mine life with further 150mt of resources available
- Current project 4.4 Mtpa ROM; 250 ktpa Zn MIC

## 2 Gamsberg Mega Pit

- Expand pit to 10 Mtpa ROM
- Modular expansion to concentrator
- Refinery and 300MW captive power plant required



- The project execution will be carried out in a phased manner with a view to lowering the upfront capex

## 3 Gamsberg East Underground

- Underground option for Gamsberg East 2.5 Mtpa
- Possible expansion of underground by using sub-level caving to 4 Mtpa

**Vision is to build Gamsberg production of 250 ktpa and then grow to 450 ktpa and beyond, in three phases**



## Zinc International - Project Update

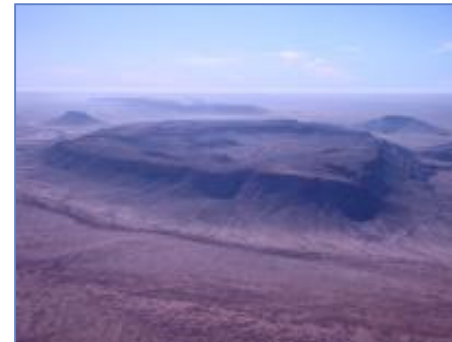


### GAMSBURG

- Modular approach to project execution and development
- First Blast – Jul 2015
  - Pre-stripping progressing in line with plan with 4Mt of waste excavated since July 2015
- Concentrator discussions underway with various EPC vendors (21-24 Month expected time to completion)
- Gamsberg capex for FY2016 estimated at c.\$40m and FY2017 to be reviewed based on market conditions
- Further re-phasing of Gamsberg, in light of current market conditions

### REFINERY CONVERSION

- Skorpion Refinery Conversion Project: Feasibility Study on track for completion by end FY2016
  - Basic engineering underway



Before pre-start activities



Progress to date



Gamsberg; Mining In Progress

## Vedanta's Priorities in Africa – Delivering on Commitments



Delivering an **operational turnaround** at KCM

- Focus on safe production build-up at Konkola
- Cost reduction initiatives with dedicated teams to deliver
- Actively engaged with the government

**Production growth** and replacement at ZI

- Manage costs in lights of increasing depth and declining grades
- Mine closure and commencement of site rehabilitation and monitoring at Lisheen
- Gamsberg to partially offset loss of production from the Lisheen Mine
- Continued focus on reducing capex at Gamsberg

**Vision to create a regional Zinc Complex**

- Southern African region to become an important supplier of zinc globally
- Optimal use of existing assets that will yield benefits for all stakeholders

**Contribution to regional economy**

- Ensure the region's vast mineral wealth is used to fight poverty and uplift communities
- Compliment the needs of the region and align to Vedanta's vision of growth and sustainability with long-term value creation

## Strategic Priorities Remain Unchanged



### **Production Growth and Asset optimisation**

- Disciplined approach towards ramp up: positive FCF at each segment a top priority



### **Deliver the Balance Sheet**

- Optimising opex and capex to maximise cash flows
- Deliver cost and marketing savings of US\$1.3bn
- Reduce net gearing and efficiently refinance upcoming maturities



### **Simplification of the Group structure**

- Merger with Cairn India improves our ability to allocate capital to highest return projects
- Pursue further simplification



### **Protect and preserve our License to Operate**

- Achieve zero harm
- Obtain local consent prior to accessing resources



### **Identify next generation of Resources**

- Disciplined approach towards exploration

**Thank You**