



Operational Review continued

Copper-India and Australia

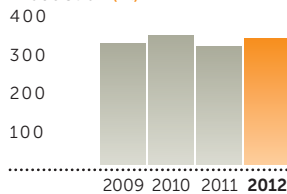
Key Achievements

- > Achieved highest ever Copper recovery of 98.28%
- > Achieved zero costs of production
- > Mechanical completion of first 80MW unit of the captive power plant at Tuticorin
- > Higher TC-RC

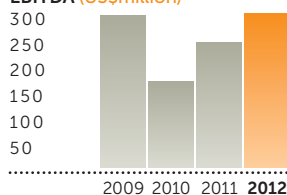
Strategic Priorities

- > Commissioning of captive power plant
- > Continue to retain and further sharpen cost efficiency
- > Secure approval to implement 400kt smelter project
- > Improve by-product and precious metal realisation
- > Commission captive power plant and continue to drive operational excellence initiatives

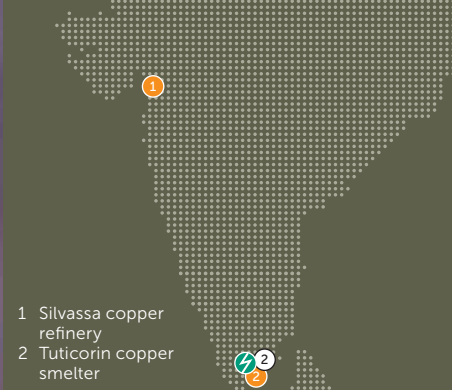
Production (kt)



EBITDA (US\$million)



Operations India



Operations Australia



Maps not to scale

Market Overview

Global refined copper production in 2011 was reported as 19.6mt, an increase of about 3% over the 2010 figure of 19.0mt despite uncertain macroeconomic conditions in 2011. Global refined consumption exceeded supply by about 93,000 tonnes. Global mine production growth slowed to 0.6% in 2011, hampered by falling copper grades and labour disputes. Global copper consumption is estimated to increase by about 4% during 2012.

Main image: Night view of SILL Tuticorin plant.

China, with the biggest consumption of copper in the world (with 40% consumption of total copper produced), remains the preferred destination for the exports. In the first half of the year, the spot concentrates market was dominated by the impact of the Japanese tsunami on smelter production, which drove spot treatment and refining charges to high levels and resulted in a mid-year benchmark settlement of US\$85 per tonne and 8.5 US cents/lb. However, growing rates of mine supply disruption during the second half tightened the market and generated a sharp decline in spot treatment and refining charges. 2012 annual copper concentrate TC-RC settlement were in the range of 15.4 to 16.3 cents/lb against 14.4 cents/lb in 2011.

Similar to the previous year, overall Indian copper consumption grew by 6% in FY 2011–12, constrained by increased imports of finished electrical machinery. We sold 61% of production in the Indian local market and the remaining 39% was exported to China and South East Asia. Growth in the power sector in India, and increased spending on infrastructure including housing, continued to drive the growth of copper consumption. Over the medium to long term it is expected to grow at about 7–8%.

Operations

Production of cathodes at our Copper India business was 326kt in FY2011–12, up 7.2% year on year due to improved operational performance and also reflecting the impact in the previous year of a 22 day bi-annual maintenance shutdown undertaken and of a temporary shutdown due to a High Court order in September 2010.

Mined metal production at our Australian mines was flat at 23kt in FY2011–12.

Review of Performance – India/Australia

(in US\$ millions, except as stated)

	FY 2011–12	FY 2010–11	% change
Production (kt)			
Australia – mined metal content	23	23	–
India – cathode ¹	326	304	7.2%
Average LME cash settlement prices (US\$ per tonne)	8,475	8,138	4.1%
Unit conversion costs – (US cents per lb)	0.0	4.0	(100.1)%
Exchange rate (INR per US\$)	47.9	45.6	5.0%
Realised TC-RCs (US cents per lb)	14.5	11.9	21.8%
Revenue	4,205.2	3,428.2	22.7%
EBITDA	298.0	241.5	23.4%
EBITDA margin	7.1%	7.1%	–
Operating profit	164.0	196.5	(16.5)%

1 Bi-annual shut down in FY 2010–11.

Benefiting from improved by-product sales of sulphuric acid and improved operational performance, Copper India performed well delivering a reduction in unit conversion cost from 4.0 US cents per lb to a zero cost per lb during FY 2011–12. Sulphuric acid sales were up 14.2% over the previous year. Treatment and refining charges ('TC/RCs') received in FY 2011–12 were marginally higher at 14.5 US cents per lb compared with 11.9 US cents per lb in FY 2010–11.

The unit cost of production at our Australian operations, including TC/RCs and freight, in FY 2011–12 was 233 US cents per lb up from 191 US cents per lb in FY 2010–11, mainly due to higher mining costs.

EBITDA for FY 2011–12 was US\$298.0 million, up 22.7% over the previous year (FY 2010–11: US\$241.5 million). This was primarily due to higher TC/RC realisations, higher volumes and better margins on acid sales.

Operating profit was US\$164.0 million in FY 2011–12 as compared with US\$196.5 million in FY 2010–11, despite an increase in EBITDA due to an exceptional charge of US\$88.6 million relating to the ASARCO legal dispute.

In reference to the Special Leave Petition filed by the Company in the Honourable Supreme Court, the Company has complied with all the TNPCB directions due to date and is in the process of progressively complying with all the remaining directions.

The smelter continues to operate at its rated capacity. The matter is being heard by the Supreme Court.

ASARCO filed a suit in the US Courts against Sterlite for the alleged breach of the Purchase and Sale Agreement signed in May 2008. The Court ruled in February 2012 that ASARO is entitled to net incidental damages of US\$88.6 million after adjustment of US\$50 million paid to ASARCO in December 2009.

Projects

160MW Captive Power Plant

The first 80MW unit of the captive power plant at Tuticorin has been mechanically completed and commissioning is expected by Q1 FY 2012–13. The second unit is expected to be commissioned during the second quarter of Q2 FY 2012–13.

400ktpa Copper Smelter

We have received Ministry of Environment and Forests ('MoEF') clearance for the 400ktpa copper smelter expansion project at Tuticorin. A Public Interest Litigation ('PIL') challenging the clearance issued by MoEF is being heard at the Chennai High Court. Activities have been put on hold. Expansion activities will resume after the matter is cleared by the Court.

Outlook

Once the power plant at Tuticorin is commissioned, it is expected that the cost of power incurred in smelting and refining will come down substantially and will reduce gross cost of production by 3 US cents/lb approximately.



Operational Review continued

Copper-Zambia

Improved water pumping processes reduce energy consumption



The Konkola Mine in Zambia, one of the world's wettest mines, has seen dramatic improvement in the efficiency of its water pumping operations. The mine currently pumps out close to 350,000 cubic meters of water per day. This water forms a major lifeline for the Kafue river. The management of underground water is critical to avoid flooding, which could result in a long-term impairment of the mine and it also accounts for a significant portion of the Company's total power consumption. As the efficiency and life of the pumps are influenced by the amount of suspended solids in the water being pumped, the Konkola mine management has focused on reducing this. Steps taken have included the installation of a separate slurry pumping system, cleaning of drain drives and the de-sludging and overhaul of existing settlers, launders and drain pits. This has resulted in a substantial reduction in the level of suspended solids from over 600mg/litre in 2008 to less than 100mg/litre today.

This reduction in suspended solids has significantly improved the efficiency of the pumps and reduced power consumption by 0.5KW per cubic metre of water pumped, resulting in an overall reduction of 7MW of electricity.

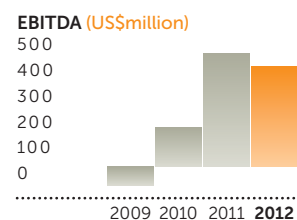
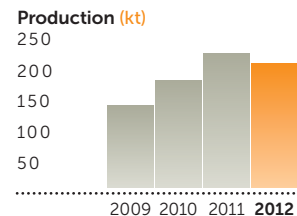


Key Achievements

- > Integrated production up by 4.5% at 139kt
- > Nchanga East concentrator and cobalt recovery furnace commissioned
- > Key infrastructure for KDMP completed including commissioning of the mid-shaft loading station
- > Continued exploration success with Reserves and Resources as at 31 March 2012 stands at 689mt

Strategic Priorities

- > Deliver multi-source production growth
- > Drive cost reduction through productivity enhancement and by-product strategy
- > Completion of the Shaft 4 infrastructure by Q3 FY12
- > Ramp-up mine development at Konkola to increase production
- > Completion of the new West Mill concentrator at Nchanga
- > Start production at the Nchanga UOB mine
- > Enhancing options through brown field and green field exploration



Main image: KDMP – headgear of Shaft 4, KCM.
 Above left: Dewatering columns from Pumping System at KCM.
 Opposite right: Aerial view of Nchanga open pit mine, KCM.

Review of Performance – Zambia

(In US\$ millions, except as stated)

	FY 2011–12	FY 2010–11	% change
Production (kt)			
Mined Metal	142	144	(1.4)%
Cathode:	200	217	(7.8)%
Integrated	139	133	4.5%
Custom	61	84	(27.4)%
Average LME cash settlement prices (US\$ per tonne)	8,475	8,138	4.1%
Unit costs (US cents per lb)	236.8	197.5	19.9%
Revenue	1,709.8	1,825.0	(6.3)%
EBITDA	387.9	439.9	(11.8)%
EBITDA margin	22.68%	24.1%	–
Operating profit	220.9	309.1	(28.5)%



Map not to scale

Market Overview

The Zambian copper belt has in the recent past attracted substantial, high profile investment interest with its large, higher grade deposits with growth opportunities in a stable political environment. This is against the global backdrop of declining production and continued strong demand. Since our acquisition of KCM we have invested US\$2.5 billion principally on developing the Konkola Deep Mine Project ('KDMP') and the new 311ktpa capacity Nchanga smelter along with sustaining and other Capex. With this renewed investment focus by major players including Konkola, Zambia copper production is on a trajectory to reach a record production of 1 million tonnes per year by 2013. This growth will contribute to Africa achieving the fastest growth rate in mined metal production over the next few years.

Copper demand in Africa is growing due to better economic conditions and improving consumption patterns amongst the African demographics. The commitment by the government to reforms seen over the past few years has helped to improve the political stability in Zambia which has encouraged investors into the country.

Operations

Integrated copper production was 4% higher at 139kt for the full year. Total copper cathode production was 7% lower at 200kt for the full year, due to lower volumes from custom smelting on account of lower availability of concentrate.

The unit cost of production was 237 US cents per lb in FY 2011–12, up 19.9% compared with FY 2010–11. The cost increased due to higher pre-stripping cost, wages and higher power costs.

EBITDA in FY 2011–12 was US\$387.9 million (FY 2010–11: US\$439.9 million), impacted by higher production costs.

Projects

The new 7.5mtpa Nchanga East concentrator and the second cobalt recovery furnace were commissioned during the quarter and are ramping up well. The new 3mtpa Nchanga West concentrator is now expected to be commissioned in Q1 FY 2012–13. At KDMP, work is progressing on schedule, and the bottom shaft loading is expected to be completed by Q3 FY 2012–13.

Exploration

The Company continued its extensive exploration programme resulting in no depletion of its Reserves and Resources (excluding tailings and refractory stockpiles). The ore bodies at Kakosa and Mimbula have been well defined, adding potential in open pit mining. The Company is also seeking new large prospecting licences for additional exploration.

Outlook

Given the strong outlook of the copper market fundamentals and the investments in Konkola, the Company is well poised to deliver results in line with expectations.