Operational Review
Copper – India and Australia

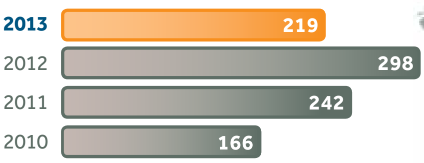
COPPER

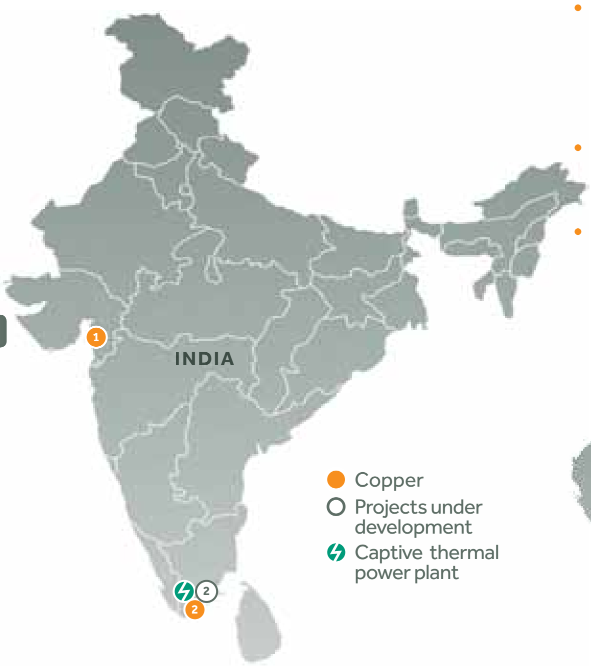
Key achievements
- Record copper cathode production
- Strong operating performance at Copper India
- Commissioned first 80MW unit of the 160MW captive power plant at Tuticorin in Q3 FY 2013
- Increased mined metal volumes in Australian copper mine
- R&R increased to 8.9mt at Australia mine with mine life around four years

Strategic priorities
- To resume Indian operations (currently under closure as per the order of the Tamil Nadu Pollution Control Board ('TNPCB'))
- Sustain efficiency of cost leadership at copper smelting operations
- Commissioning of second unit captive power plant

Production (kt)

EBITDA (US$m)





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1 Silvassa refinery
2 Tuticorin smelter
3 Mt Lyell mine, Australia

Operations

Production of cathodes at our Copper India business was 353kt in FY2012–13, up 8.4% year on year. Mined metal production in our Australian mines also improved at 26kt in FY2012–13.

Unit costs

CoP increased from 0.0 US cents per lb to 8.7 US cents per lb, mainly due to significantly lower by-product credits and higher power and petroleum costs.

In FY 2012–13, the unit cost of production at our Australian operations, including treatment and refining charges ('TC/RCs') and freight, was 220 US cents per lb down from 233 US cents per lb in FY 2011–12.

Financial performance

EBITDA for FY 2012–13 was US$219.1 million compared with US$298.0 million in the previous year. This decrease was primarily due to an increase in CoP, partially offset by positive currency movement resulting from the depreciation of the Indian rupee and EBITDA from the power plant. TC/RCs received in FY 2012–13 were also lower by 12% at 12.8 US cents per lb compared with 14.5 US cents per lb in FY 2011–12. Operating profit was US$157.5 million in FY 2012–13 as compared with US$164.0 million in FY 2011–12.

Tuticorin Copper Smelter update

Following a few public complaints against emissions, the TNPCB ordered closure of the Tuticorin Copper Smelter on 29 March 2013. The Company's appeal against the TNPCB order has been admitted by the National Green Tribunal ('NGT'). An expert committee constituted by NGT has submitted its report and the matter is now being heard by NGT.

Separately, on 2 April 2013, the Honourable Supreme Court has upheld our appeal filed in 2010 against the Madras High Court order for smelter closure and ordered us to deposit US$18 million with the District Collector, Tuticorin, which will be used to improve the environment, including soil and water, in the vicinity of the plant. Over the two year court process, regulatory bodies had inspected and confirmed that the plant meets the required standards. Some recommendations for improvements had been proposed during inspection, all of which had been implemented.

Production performance

	FY 2012–13	FY 2011–12	% change
Production (kt)			
Australia – Mined metal content	**26**	23	15.2%
India – Cathode	**353**	326	8.4%

Unit costs

	FY 2012–13	FY 2011–12	% change
Unit conversion costs (CoP) – (US cents per lb)	**8.7**	0.0	–
Realised TC-RCs (US cents per lb)	**12.8**	14.5	(11.7)%

Financial performance

(In US$ millions, except as stated)	FY 2012–13	FY 2011–12	% change
Revenue	**3,991.1**	4,205.2	(5.1)%
EBITDA	**219.1**	298.0	(26.5)%
EBITDA margin (%)	**5.5%**	7.1%	–
Depreciation and amortisation	**43.2**	45.4	(4.8)%
Special Items			
Operating profit	**157.6**	164.0	(3.9)%
Share in group operating profit (%)	**6.3**	6.9	–
Capital expenditure	**89.4**	110.5	(19.1)%
Sustaining	**47.6**	31.2	52.9%
Growth	**41.8**	79.3	(47.3)%

Projects

160MW captive power plant

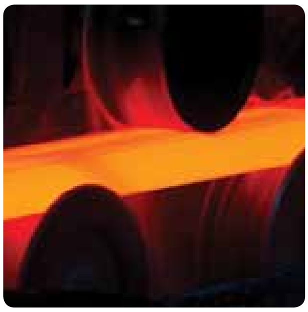
The first 80MW unit of the captive power plant was commissioned during the year and operating near to full capacity. The second unit is expected to be commissioned during Q1 FY 2013–14.

400ktpa copper smelter

The project is under hold and awaiting consent to establish from TNPCB.

Outlook

Due to the bi-annual shutdown planned in FY 2013–14 and the recent closure, we anticipate that production will be lower as compared to FY 2012–13. This will also depend on the commencement of operations after the current suspension. Sale of surplus power will augment the financial performance.



Above: Cast bar in copper rod plant, Sterlite.

Opposite: Night aerial view of Tuticorin smelting complex, Sterlite.