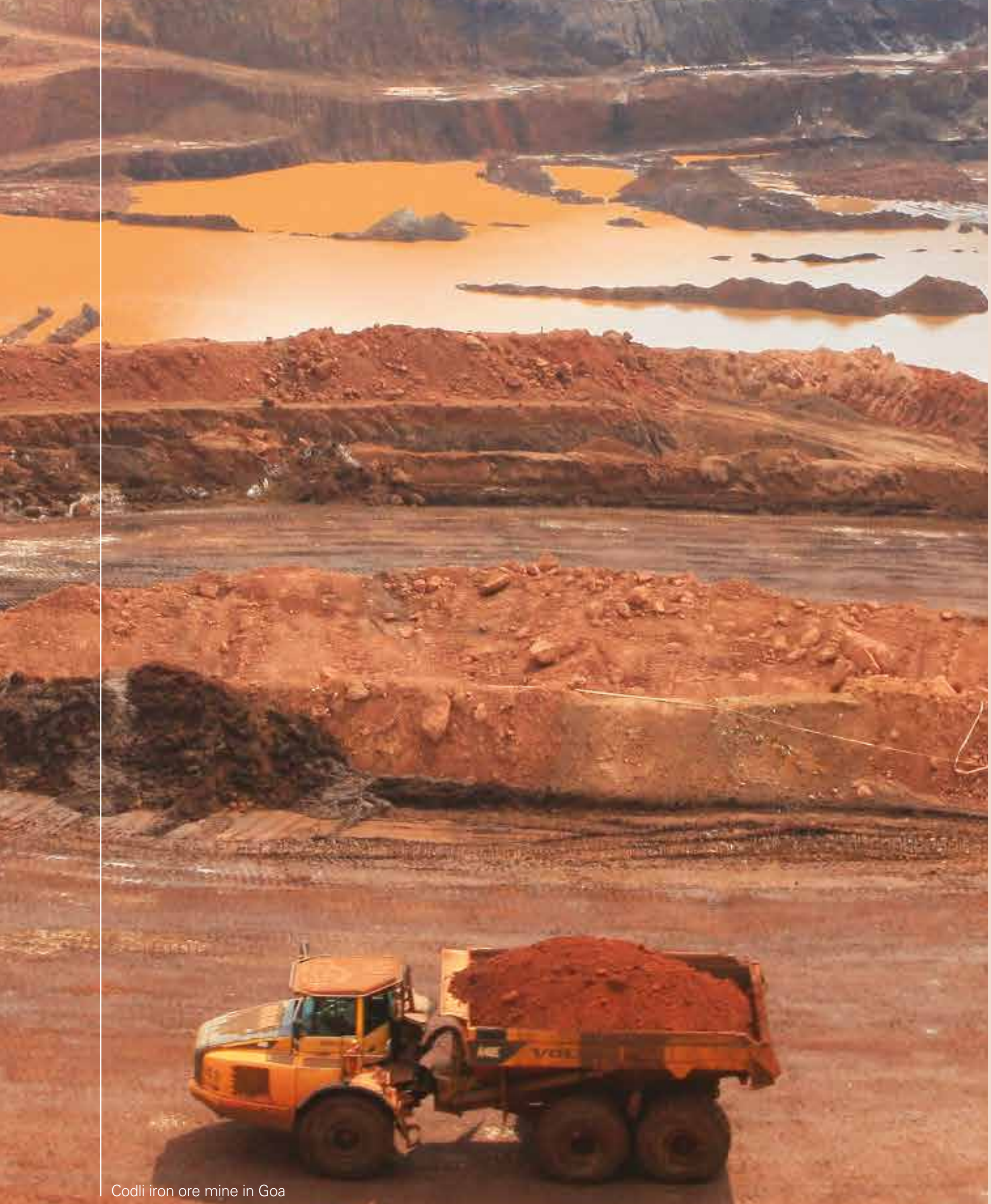
A PRODUCTIVE YEAR FROM OUR IRON ORE BUSINESS, WITH FULL PERMITTED ALLOCATIONS ACHIEVED AT BOTH OUR GOA AND KARNATAKA MINES.



Codli iron ore mine in Goa

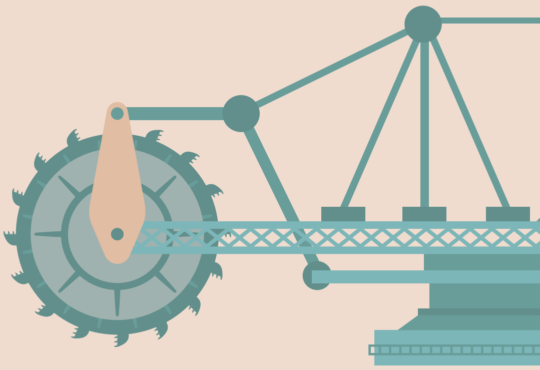
KISHORE KUMAR
CEO, IRON ORE

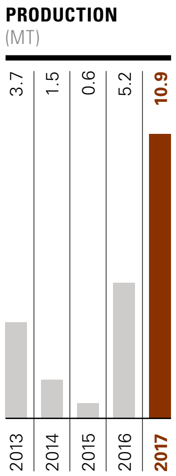
The year in summary:

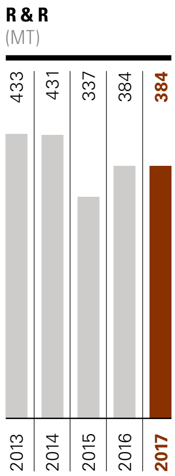
We can report a productive year from our Iron Ore business, with full permitted allocations achieved at both our Goa and Karnataka mines.

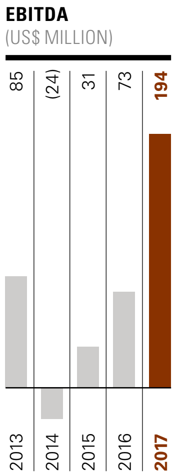
This, combined with improving realised prices, boosted revenues and EBITDA.

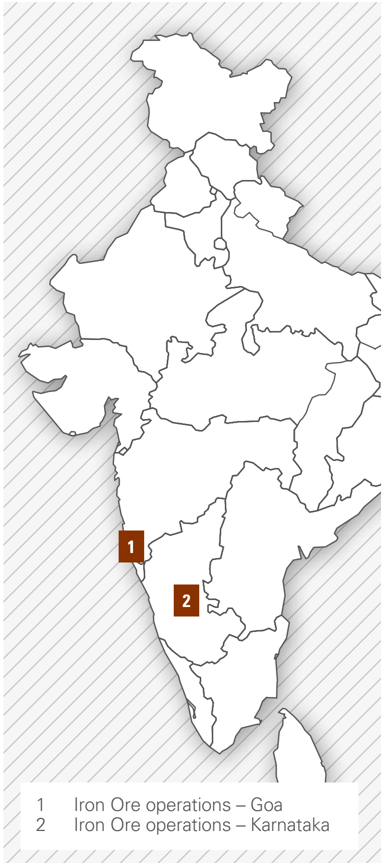
Against this positive backdrop, we continue to engage with both State and Central Government and the Supreme Court with the objective of securing increased allocations, ramped-up volumes and lower production cost.











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KISHORE KUMAR
CEO, IRON ORE

SAFETY

We are deeply saddened to report a fatality at our Karnataka mining operation wherein a vehicle collided with an employee, resulting in a fatal accident. This led us to review and strengthen our overall systems; some of the initiatives are as follows:

1. Design and implementation of Heavy Earth Moving Machinery (HEMM) parking yard across all mines.
2. Institutionalisation of 'Take 5' and safety pause.
3. Strengthening 'one day safety officer' and 'Monthly theme based safety' drive.
4. Introducing 'Simulator' for enhancing safe driving skills.
5. Training on 'defensive driving' by 'Institute of road traffic education'.
6. Checking the CAPA compliance for the last five years' major incidents / HIPOs/safety alerts.

We continue to invest time, effort and resources to make our business and behaviours safer.

ENVIRONMENT

It is our endeavour to make our operations zero discharge. At this point, the entire processed water from mines, plant and value-added business is recycled and reused as a part of the process, except for blow down of the cooling tower of the power plant which is treated and discharged as per a consent condition. Some of the initiatives during the reporting period are as follows:

- Biodiversity studies across all our mines in Goa, with the aim of integrating biodiversity conservation during the operational phase, and at closure.
- Installation of wheel wash systems at all mine exits.
- Truck-mounted road sweeping machines across major transport routes.
- Fixed dust suppression systems on identified stretches.
- Additional bag houses to capture graphite dust at VAB.
- Development of green belt across VAG.
- Creation of rainwater harvesting ponds in the nearby villages at our Karnataka mines which will help recharging of ground water.

DIVISIONAL REVIEW CONTINUED
IRON ORE

PRODUCTION PERFORMANCE

	FY2017	FY2016	% change
Production (dmt)			
Saleable ore	**10.9**	5.2	–
Goa	**8.8**	2.2	–
Karnataka	**2.1**	3.0	(30.0)%
Pig iron (kt)	**708**	654	8.2%
Sales (dmt)			–
Iron ore	**10.2**	5.3	91.0%
Goa[1]	**7.4**	2.2	–
Karnataka	**2.7**	3.1	(12.9)%
Pig iron (kt)	**714**	663	7.6%

FINANCIAL PERFORMANCE
(IN US$ MILLION, UNLESS STATED)

	FY2017	FY2016	% change
Revenue	**615.4**	350.0	75.8%
EBITDA	**194.2**	73.4	–
EBITDA margin	**31.6%**	21.0%	
Depreciation	**25.7**	26.8	4.2%
Acquisition-related amortisation	**44.2**	35.7	23.9%
Operating (loss) before special items	**124.3**	10.9	–
Share in Group EBITDA %	**6.1%**	3.1%	
Capital expenditure	**3.7**	13.2	(71.9)%
Sustaining	**3.7**	10.3	(64.2)%
Growth	**0.0**	2.8	–

Employees near an ore pile at Iron Ore operations

OPERATIONS

At Goa, production was 8.8 million tonnes and sales were 7.4 million tonnes during FY2017. We achieved our annual mining allocation of 5.5 million tonnes in January 2017. The Goa Government granted an additional allocation of 2.6 million tonnes in Q4 FY2017. Production in FY2016 was significantly lower as we were ramping up after the lifting of the mining ban in August 2015.

At Karnataka, production was 2.1 million tonnes with sales of 2.7 million tonnes during FY2017. Sales included 0.7 million tonnes of opening ore inventory. Environmental Clearance (EC) annual capacity of 2.29 million tonnes was achieved during the year and we continue to engage with the Government to enhance the mining capacity in Karnataka.

During the year, production of pig iron ramped up from the previous year's 654,000 tonnes to a record 708,000 tonnes, with higher plant availability.

PRICES

Prices for 62Fe grade averaged US$67.8 per tonne CFR basis, up by 30% in FY2017 compared to prior year. The net realisation after freight for 56Fe grade was around US$39 per tonne for FY2017. The realisation for Goa ore was also lower due to the 10% Goa Permanent Fund.

In FY2017, the price recovered, following lower production forecasts compared to the earlier guidance from the major iron ore mining companies, and an uptick in Chinese demand. The main driver of this price increase was a rebounding of the billet and futures market. Also, the Chinese Government announced deadlines to halt substandard steel production of induction furnaces; this resulted in incentives for blast furnaces to increase steel production to compensate for this loss. This resulted in an increase in demand for iron ore demand and a rise in iron ore and steel futures market.

Currently, the realisation for 56Fe has softened due to the surge in steel inventory and inventory of IO at steel mills and ports in China.

Because of its logistical proximity to the port and inland waterways, Vedanta's iron ore business in Goa caters primarily for the global seaborne trade. Goa low-grade exports are primarily destined for Chinese steel mills that are able to blend the low grades with other high-grade expensive ores from Brazil, Australia or within China.

In contrast, the iron ore business in Karnataka caters primarily for the domestic steel industry in the state of Karnataka, within a 200km radius of the mine.

Karnataka ex-works realisation was US$18.1 per tonne for FY2017, as domestic prices are largely determined by government mining companies and local supply and demand factors.

The value-added business (pig iron) margin reduced from US$72 per tonne in FY2016 to US$51 per tonne, primarily due to higher coking coal prices.

In FY2017, EBITDA increased to US$194 million compared with US$73 million in FY2016. The increase was due mainly to volume ramp up and better price realisations, partly offset by higher met coke prices.

OUTLOOK

The Company has been engaging with the respective State governments to increase the mining cap in Goa and Karnataka.

The State of Goa is seeking the intervention of the Honourable Supreme Court to accept the recommendation of the Expert Committee for a higher limit of 37 million tonnes per annum for the state. The Government of Goa has asked mining companies to aim for cumulative production of 8 million tonnes during Q1 FY2018.

Iron ore production in Karnataka has reached close to 30 million tonnes. We are continuously engaging with government for our EC enhancement from 2.29 million tonnes per annum to 6 million tonnes per annum.

To be ready for future production growth, we will debottleneck the capacity at pig iron plant furnaces from 785kt to 890kt.

STRATEGIC PRIORITIES

- To enhance environmental clearance limits in both Goa and Karnataka, and ramp up to full capacity;
- To achieve focused cost reduction through various operational and commercial initiatives; and
- To increase our footprint in iron ore by continuing to participate in auctions across the country;