**What makes KCM unique?**

As the Zambia’s oldest mining operations, there are many elements that make Konkola Copper Mines unique.

**Our operations**

KCM is Zambia’s largest integrated copper producer, with an entire production value chain comprising of open pit and underground mines, concentrators, a state-of-the-art smelter, a tailings leach plant and a refinery. We are the only mining company in the country that has operations in four locations, including Chingola, Chililabombwe, Nampundwe and Kitwe, playing a key role in the communities around these mining areas.

**Our operations in Zambia include:**

**Nchanga mine**

o Open pit and underground mines

o Newly developed Concentrators

o State of the art Smelter

o Tailings Leach Plant

**• Konkola Mine**

o Underground mine

o Concentrators

o 24 megawatt diesel generator set for emergency power supplies

**• Nkana**

o Refinery

**• Nampundwe**

o Pyrite – pyrite concentrate is used in the smelter to improve furnace reaction during the smelting process

**Unique mining operations**

At KCM we have a unique set of challenges facing our mining operations. After mining for almost 70 years, copper grades at Nchanga mine have declined from 6% in the 1960s to an average 1.6% at present, while the depth of both underground and open pit mines has significantly increased. As a result we have had to place the underground mine at Nchanga under care and maintenance at the end of 2015. KCM is currently operating in a business environment which has seen falling copper prices, changing fiscal policy and policy uncertainty. It has been a turbulent time with delays in expected production ramp-up from the newly capitalized Konkola Deep Mining Project (KDMP). Commercially, all copper producers in Zambia face diverse issues, including the recently announced increase in power tariffs.

**Factors which define the current reality at KCM include:**

**• Operating multiple mines and processing facilities**

o We depend on multiple mining operations to produce our output, resulting in higher average production costs. The legacy issues of the mines also adds to the costs.

**• Declining grades and high strip ratios**

o Nchanga underground ore grades have significantly decreased from 6% Cu in 1960s to 1.6% today; while Nchanga open pit has dropped from 4.0% in 1960s to 1.8% today.

o Most Nchanga open pits are becoming uneconomic due to the high stripping ratio required to continue mining the pit.

o KCM has higher strip ratios with up to 12 tonnes of waste needing to be moved to access one tonne of ore. This is compared to less than 4 tonnes waste at newer Zambian mines and 2 tonnes waste at mines elsewhere in the world, such as in Chile. There are also longer haulage distances due to older and deeper pits.

**• Ore Bodies are becoming harder to access**

o Konkola mining is migrating to depths >1,000m with greater water and access challenges.

o Nchanga mining has moved towards the ‘fringes’ of the ore body.

o Remaining ore at the open pits needs to be accessed through underground mining.

o Our Konkola Deep mine has one of the longest (11 km) and thinnest (8 m) ore bodies of any major ore body in the world. This makes operations extremely development intensive and expensive. The mine has high capital expenditure requirements and a longer investment payback.

**Legacy employment structure**

o At KCM, we have high employment and yet low labour productivity. KCM productivity at 6 tonnes per employee per year is unsustainable compared to more than 50 tonnes at other mines and global norms of more than 100 tonnes.

o In the financial year (2014/2015), KCM produced 177,000 tonnes of copper with a large work force of 16,000 employees. In addition, KCM continues to pay the unionised employees highest wages in the industry.

o Despite large investments in new technology, productivity has not kept abreast.

**• Deep and wet mining operations**

o Konkola Deep Mine is one of the wettest mines in the world with high power consumption. We pump out over 450,000 cubic metres of water per day from all our operations. Our power consumption is the highest in the country with 212 mw of which 40 mw is diverted towards pumping out water out of the mine

o While we are the single highest consumer of power in Zambia, we pay the highest electricity tariffs compared to other industry peers

**• High cost value addition**

o We are one of the few companies that produce fully refined copper. The refining operation that converts anodes (grades of approximately 99.5%) to copper cathodes (grades 99.9999%) is an extremely energy intensive operation.

o The incremental revenue from selling copper cathodes does not compensate the additional costs at the current power cost environment.

**Investment in the country**

KCM’s shareholders have made the largest single investment in the Zambian mining sector since privatisation in the early 2000s. The investment of **US$ 3 billion** has gone towards mine development, expansions and upgrades:• Konkola Deep Mining Project (KDMP) • Sulphur burning acid plant • 311,000 t state-of-the-art smelter with 99.97 sulfur capture ratio • Nkana Refinery expansion • New concentrator at Konkola • Two new concentrators at Nchanga • Second Cobalt Recovery Furnace • Upgrade of mining plant & equipment

**Employment contribution**

Mining is one of Zambia’s most critical sectors providing employment opportunities for a substantial number of Zambians. KCM is one of the major employers in the country with over **14,000** employees and contractors, making us one of the top employers in the private sector.

**Social** **commitments**

Our investment in Zambia extends beyond production and employment, and into the communities which surround us. KCM operates the most extensive Corporate Social Responsibility (CSR) programmes in the industry touching on education, health, sustainable livelihoods, environment and biodiversity. Since 2005, KCM has invested over US$ 160 million in CSR.

**Vedanta’s Commitment to Zambia**

**Company overview**

Vedanta Resources PLC is a London Stock Exchange listed natural resources major with interests in zinc, lead, silver, copper, iron ore, aluminium, power and oil & gas. Vedanta is the world’s largest producer of zinc and, in India, Vedanta is the largest producer of oil and gas. The company has a diverse base of international shareholders who include Chairman Anil Agarwal, Blackrock, Standard Life and the Capital Group. Tom Albanese is the CEO of Vedanta Resources, . Tom brings skills and experience from leading Rio Tinto a world-class mining company, where he held the role as Chief Executive.

Vedanta’s Zambian operations comprise of mines at Konkola, Nchanga and Nampundwe, Kitwe:

• At Konkola, we have the flagship Konkola Deep Mining Project (KDMP), which provides access to one of the largest high- grade ore-bodies in the world, the Konkola underground mine, with a grade of 3.55% and around 25+ years mine life.

• We also own a tailings leach plant and smelter at Nchanga, and a refinery at Nkana. These operations delivered 177,000 tonnes of finished copper production in the 2014/2015 financial year.

**Background on KCM**

As part of our pledge to transparency, KCM and Vedanta have remained transparent about the history of Vedanta’s acquisition of KCM in 2004:

• The mines on the Copperbelt were initially established by Anglo American Corporation and Roan Selection Trust.

• In the early 1970s, the mines were nationalised and, during the subsequent 20 year period, the government’s ownership of the mines was restructured several times.

• In 1991, Zambia became a multi-party state and the government embarked on an exercise to privatize parastatal companies, including the mining industry.

• By March 2000, the privatization programme of the largest mining assets was completed.

• Anglo American reacquired a 51% stake in Konkola Copper Mines, which comprised mining operations in Chingola and Konkola, and smelting/refining operations at Nkana.

• In September 2002, Anglo American withdrew as shareholders of KCM, leaving a restructured company whose main shareholders were again government entities, the ZCCM-IH and ZCI.

**Operations:**

• A majority stake in KCM was subsequently acquired by Vedanta Resources plc in November 2004, following an international bidding process led by Standard Bank with support from the World Bank.

• The context of the purchase was a situation where much of the high-grade easy-to-access ore had been taken out by Anglo American during their previous two-year ownership of the company in 2000 to 2002. During the subsequent two years (2002-04), with record low copper prices, falling ore grades and a high cost base, KCM was under threat of closure without urgent and significant investment to resuscitate the operations.

It was in this environment that Vedanta came in and provided:

• Full commitment to re-capitalise the operations

• Commitment to maintaining and increasing employment

• Provide local business development support

• Commitment to provide social services and support for the community : We are committed to maintaining and increasing employment, provide local business development support and we remain devoted to providing social services and support for the community remain devoted to providing social services and support for the community**.**

**Vedanta’s Commitment to Zambia**

Vedanta, through its ownership of Konkola Copper Mine (KCM), is committed to its role as a responsible mining company operating in Zambia. There are several points worth noting regarding our commitment to the country:

• Since acquisition, the revenues earned at KCM, the majority up to US$ 2 billion, has been re-invested back into the company. This is in addition to the US$ 900 million that Vedanta, as a shareholder, has invested in KCM.

• Dividends for Vedanta shareholders have only amounted to about US$ 58 million. In addition, Vedanta has continuously supported the company financially as per its funding commitments in its agreements with the government.

• During the nine years, KCM has contributed approximately US$ 830 million to the Zambian Treasury in tax payments and US$ 22 million to local councils in rates.

**Vedanta’s continued support to KCM**

Our commitment to Zambia is broad and is highlighted in a number of areas.

• Vedanta has continued to give support to KCM during the tough global economic climate:

o At the height of the global financial crisis KCM struggled to acquire third party funding for re- capitalising its operations. Vedanta provided KCM with up to US$ 500 million in bridge funding which was to be drawn over a three year period from mid- 2008 to early 2010.

o It has only been since 2012 that KCM has been able to borrow from third party sources without requiring a full bank guarantee from Vedanta.

• Vedanta has continued to support KCM in recent months:

o KCM has gone through difficult financial circumstances as a result of the 20% decline in copper prices.

o Vedanta Resources has provided the company with US$ 100 million in funding.

o Vedanta has also supported the company with a US$ 400 million bank guarantee towards the restructure of third party loans and to enable KCM to obtain additional funding.

**Management expertise**

We are looking towards increasing production and efficiency at KCM, and to achieve this we have brought in the best expertise to enhance our capabilities. The appointment of Steven Din as the CEO is a key development for our turnaround strategy at KCM. Steven Din has over two decades of experience working in mining development in Africa and has previously held positions as CEO.

**Capital investment and production**

Since Vedanta’s acquisition of KCM, we have invested a total of US$ 3 billion, representing the largest capital investment in Zambia as at 2014.

• Our investment in KCM has been in the form of new assets, the revamp of existing infrastructure and an increase in reserves and resources to extend the life of mine.

• We have already extended the life of various mines in Nchanga, which had 3 to 8 years left in 2004. Through exploration investment we have extended the life span of these mines by a further 10+ years.

• At the Konkola Deep Mining Project (KDMP), we have injected up to US$1.5 billion in investment. The infrastructure upgrade of the project is at the completion phase, and KCM will now focus on mine development to support the ramp-up of production. We have also commissioned a state-of-the-art smelter, one of the largest in Africa and one of the top three in the world in terms of sulphur capture.

• Our other investments include three new concentrators, an upgraded refinery and tailings leach plant, and significant upgrades across the mine to reduce its legacy environmental footprint. Over 5,000 jobs were created during the construction phase of this investment.

**In addition, capital investment over the years has included the following:**

• **2013:** Commissioned bottom shaft loading at the flagship KDMP, accessing the deep, tier-1 Konkola resource. The KDMP is the first shaft-sinking project in Zambia since the country’s independence from Great Britain in 1964.

• **2013:** Expanded material handling capacity at the tailings leach plant (TLP) to enhance plant recovery to about 80% from a previous of 71%.

• **2012:** Commissioned a 24MW diesel generator set for emergency power supplies to Konkola mine.

• **2008-2010:** Commissioned additional concentrators at Nchanga and Konkola with a combined throughput capacity of 16mtpa.

• **2008:** A state-of-the-art 311,000mtpa direct-to-blister flash smelter was commissioned; the smelter, one of the largest in Africa, recovers cobalt from copper concentrate and has a sulphur capture rate in excess of 99.6%.

**Technical skills and Up-skilling**

We remain one of the largest private sector employers in the country and one of the highest paying employers in the Zambian mining sector where wages have increased by more than 250% over the last ten years. People are a key part of our operations and we invest in this critical resource in order to enhance the capabilities in our operations. We have one of the most labour intensive operations in Zambia which requires some of the best technical skills in the country.

Some key achievements include sponsoring over 250 Zambians for full-time degree and other tertiary programmes; operating one of the largest private vocational training centres in the region where over US$ 2.6million was recently invested to upgrade the curriculum and facilities; and sending our Zambian employees and managers for leadership training and benchmarking exercises internationally.

KCM also has one of the lowest percentages of expatriates in the Zambian mining sector with only 1% of our workforce consisting of non-Zambians. Our local talent development programme has seen the reduction of expatriates from over 200 in 2008 to well under 60 in 2015. This highlights our focus on increasing the in-country skills development among our Zambian employees.

**Community development and social responsibility**

When Vedanta took over KCM’s operation we not only took responsibility of the company’s assets, but continued the inherited social responsibilities and expanded upon the corporate social investment (CSI) programmes. Vedanta and KCM are committed to the development of Zambia and the communities in which we operate. The company has also supported one of the most expansive community and social responsibility programs in the country having spent over US$120million in the last nine years.