

ZAMBIA COPPER INVESTMENTS LIMITED

VEDANTA BECOMES A STRATEGIC EQUITY PARTNER IN KCM

The Board of Zambia Copper Investments Limited (ZCI) is pleased to announce that terms have been reached for the introduction of Vedanta Resources plc (Vedanta) as a strategic equity partner for Konkola Copper Mines plc (KCM).

Under the terms of the agreement Vedanta will subscribe for new KCM shares and obtain a 51% interest in KCM. In return, Vedanta will:

- inject the subscription price of US\$25 million as equity into KCM,
- pay ZCI US\$23.2 million as deferred consideration payable over 4 ½ years,
- be obliged if the free cash flow of KCM is negative at any time during a period of nine years after completion of the transaction, to fund any cash shortfalls up to a cumulative amount of US\$220 million

As a result of the subscription ZCI's stake in KCM will be reduced from 58% to 28.4% and ZCCM Investments Holdings plc's stake in KCM will be reduced from 48% to 20.6%.

The transaction is subject to the approval of the shareholders of ZCI at a general meeting of the shareholders of ZCI, which will be convened for this purpose. The notice of general meeting will be accompanied by a circular informing shareholders of the details of the terms and the action required to be taken.

Vedanta, which has also undertaken not to exit KCM prior to 1st January 2008, has agreed to contribute towards a feasibility study on the extension of the Konkola orebody to be completed by 31st December 2006 and will procure such funding as would be necessary to carry out any orebody extension project agreed to by the KCM board.

Commenting on the formal announcement of Terms, Mr. Barrie Ireton, Chairman of ZCI, said today:

“The proposed subscription for new shares in KCM by Vedanta will considerably strengthen the balance sheet of KCM and the payment of US\$23.2 million directly to ZCI will significantly improve ZCI's financial position. The board is currently considering how to best utilise the funds in order to develop the full business potential of ZCI for the benefit of shareholders.

“We have managed to secure a number of fundamental obligations from Vedanta, our new strategic partner, which together with the provision of a US\$220 million standby cash shortfall facility will enable us secure a long term sustainable and profitable future for KCM.”

“This agreement which has been finalised after many months of careful negotiation and which has been agreed to by the Government of the Republic of Zambia represents an excellent outcome for ZCI shareholders”.

Vedanta, an international metals and mining group, was selected as the preferred bidder to become a strategic equity partner because it was able to satisfy two key issues for KCM – the need for technical expertise and management experience, and funding support to ensure financial stability. KCM will also be able to benefit from Vedanta’s marketing and procurement skills acquired through its copper, zinc and aluminium operations in India and Australia.

By retaining a 28.4% stake, ZCI shareholders will be able to benefit from the added value that Vedanta, which already has demonstrated its ability to turnaround under performing assets can bring to the business. This remaining stake is subject to a call option agreement which may be exercised by Vedanta in circumstances where the underlying value in KCM’s future development potential would be reflected fully in the exercise price

Upon Vedanta becoming the new controlling shareholder of KCM, the Government of the Republic of Zambia has agreed the terms of a new development agreement with KCM, which regulates the legal and fiscal framework under which KCM operates in Zambia.

On completion of the Vedanta investment, it is intended that the Board of KCM will be reconstituted so as to consist of five Vedanta appointed directors, two ZCI appointed directors, two ZCCM-IH appointed directors and one GRZ appointed director (with limited voting rights).

- Ends -

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Note to Editors: English and French versions of the ‘Terms’ announcement can be accessed via the ZCI web site at www.zci.lu under the heading of Press Releases.

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