



11 May 2016

South32 Limited  
(Incorporated in Australia under the *Corporations Act 2001* (Cth))  
(ACN 093 732 597)  
ASX / LSE / JSE Share Code: S32  
ISIN: AU000000S320  
south32.net

## **BANK OF AMERICA MERRILL LYNCH GLOBAL METALS, MINING & STEEL CONFERENCE PRESENTATION 2016**

South32 Limited Chief Executive Officer, Graham Kerr, will present at the Bank of America Merrill Lynch Global Metals, Mining & Steel Conference, in Miami, Florida today.

Please note the same presentation was disclosed on 4 May 2016.

The presentation is attached and will also be available on South32 Limited's website at: <https://www.south32.net/investors-media/reports-and-presentations>.

### **About South32**

South32 is a globally diversified mining and metals company with high quality operations in Australia, Southern Africa and South America. Our purpose is to make a difference by developing natural resources, improving people's lives now and for generations to come. We are trusted by our owners and partners to realise the potential of their resources. We have a simple strategy to maximise the potential of our assets and shareholder returns by optimising our existing operations, unlocking their potential and identifying new opportunities to compete for capital. Further information on South32 can be found at [www.south32.net](http://www.south32.net).

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Further information on South32 can be found at [www.south32.net](http://www.south32.net).

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11 May 2016



# BANK OF AMERICA MERRILL LYNCH GLOBAL METALS, MINING & STEEL CONFERENCE

11 MAY 2016



The purpose of this presentation is to provide general information about South32 Limited. This presentation should be read in conjunction with the Annual Financial Report as at 30 June 2015, Financial Results and Outlook – Half Year ended 31 December 2015, Quarterly Report for March 2016 and any other announcements made by South32 in accordance with its continuous disclosure obligations.

## FORWARD LOOKING STATEMENTS

This presentation contains forward looking statements including where the substance involves future matters, expectations or predictions. This may include statements regarding South32's financial position, strategy, dividends, trends in commodity prices and currency exchange rates, demand for commodities, closure or divestment of certain operations or facilities (including associated costs); anticipated production or construction commencement dates; capital costs and scheduling; operating costs and shortages of materials and skilled employees; anticipated productive lives of projects, mines and facilities; provisions and contingent liabilities; tax and regulatory developments.

Forward looking statements can be identified by the use of terminology such as 'intend', 'aim', 'project', 'anticipate', 'estimate', 'plan', 'believe', 'expect', 'may', 'should', 'could', 'will', 'continue' or other similar words. These forward looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond South32's control, and which may cause the actual results to differ materially from those expressed in the statements. Readers are cautioned not to put undue reliance on forward looking statements. Except as required by law:

- None of South32, its officers or advisers or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statement in this document will actually occur, in part or in whole.

- South32 disclaims any obligation or undertaking to publicly update or revise any forward looking statement in this document, whether as a result of new information or future events.

Reserve life information is based on the previously disclosed FY15 annual resource and reserve statement (pg. 97-113 of the South32 Annual Report 2015). Resource life (slide 12) is estimated from the FY2015 Classified Mineral or Coal Resources (as applicable), and as provided in the ASX release titled, South32 Limited ASX Information Memorandum available on the ASX website at [www.asx.com.au](http://www.asx.com.au), converted to a run-of-mine basis using historical Mineral or Coal Resources (as applicable) to Ore Reserves conversion factors, divided by the nominated run-of-mine production rate on a 100 per cent basis. Weighted average individual mines Mineral or Coal Resources (as applicable) to Ore Reserves conversion factors and run-of-mine tonnages comprise:

Worsley Alumina: 0.96, 16.4Mt; Brazil Alumina: 0.99, 17.75Mt; Ilawarra Metallurgical Coal: Appin 0.38, 6.6Mt, Dendrobium/Cordeaux 0.34, 5.0Mt; Australia Manganese: 0.69, 9.0Mt; South Africa Manganese: Mamatwan 0.72, 3.5Mt, Wessels 0.60, 0.9Mt; Cerro Matoso: 0.33, 3.2Mt. For these operations South32 is not aware of any new information or data that materially affects the information included in the announcements mentioned above and, in the case of estimates of Mineral Resources or Ore Reserves, all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. In addition, the form and context in which the Competent Persons' findings are presented have not been materially modified. Cannington open cut Resource life is estimated using the FY2015 open cut resource of 21Mt, a resource to reserve conversion factor of 0.8 and a nominal production rate of 3.3Mtpa (resulting in an additional five years of Resource life). South Africa Energy Coal resource to reserve conversion factors and run-of-mine tonnages are as follows: Khutala 0.59, 8Mt; Klipspruit and Weltevreden 0.24, 10Mt; Wolvekrans-Middelburg Complex 0.72, 20Mt. Competent Persons for Cannington, Tyson Curytko (AusIMM), Matthew Readford (AusIMM), and South Africa Energy Coal, Philip Mulder (SAIMM) have reviewed and revised the historical conversion rates and production rates for the operations and revised the information in line with this new information and consent to their publication. Resource life calculations are indicative only and do not necessarily reflect future uncertainties such as economic conditions, technical or permitting issues. Reserve life is calculated based on the current stated Ore Reserves divided by the current approved nominated production rate as at the end of FY2015. Historical Mineral or Coal Resources to Ore Reserves conversion factors may not be indicative of future conversion factors.

## FINANCIAL INFORMATION

To assist shareholders in their understanding, pro forma financial information has been prepared to reflect the business as it is now structured and as though it was in effect for the period 1 July 2013 to 30 June 2015.

## NON-IFRS FINANCIAL INFORMATION

This presentation may include certain non-IFRS financial measures, including Underlying earnings, Underlying EBIT and Underlying EBITDA, Underlying effective tax rate, net debt, net operating assets and ROIC. These measures are used internally by management to assess the performance of South32's business, make decisions on the allocation of its resources and assess operational management. Non-IFRS measures have not been subject to audit or review and should not be considered as an indication of or alternative to an IFRS measure of profitability, financial performance or liquidity.

## NO OFFER OF SECURITIES

Nothing in this presentation should be construed as either an offer to sell or a solicitation of an offer to buy or sell South32 securities, or be treated or relied upon as a recommendation or advice by South32.

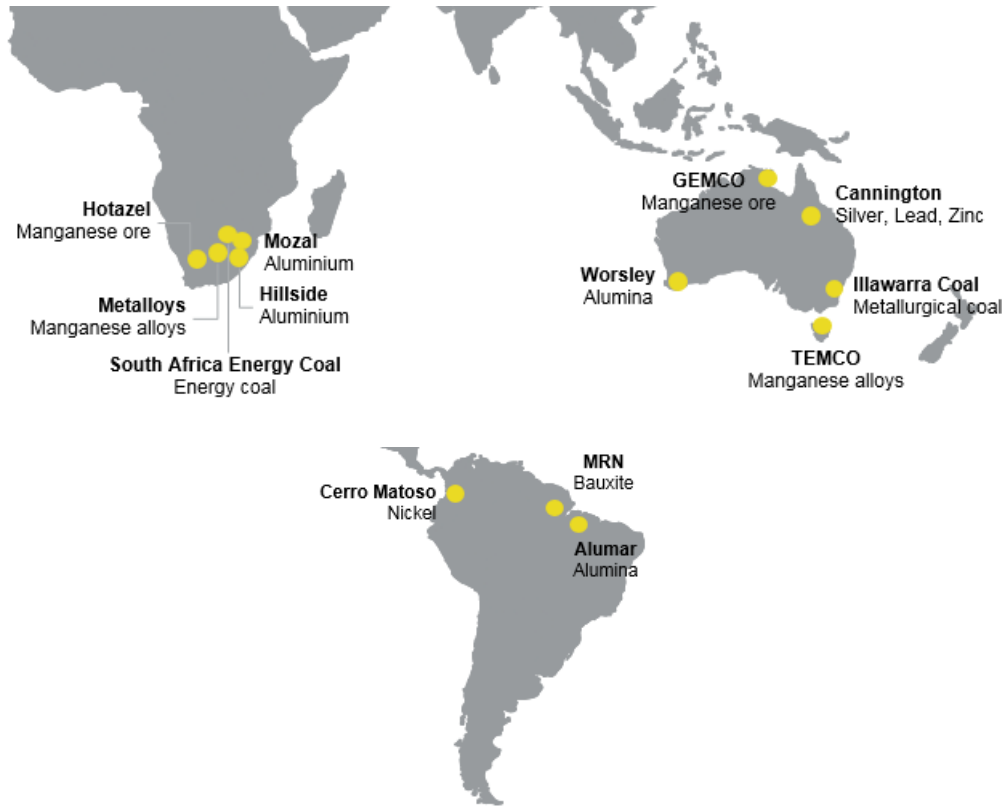
## NO FINANCIAL OR INVESTMENT ADVICE – SOUTH AFRICA

South32 does not provide any financial or investment 'advice' as that term is defined in the South African Financial Advisory and Intermediary Services Act, 37 of 2002, and we strongly recommend that you seek professional advice.

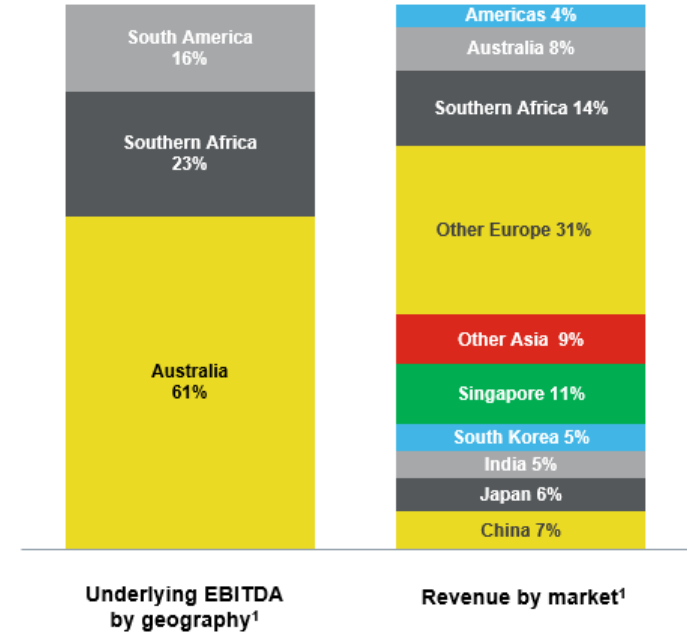
## CURRENCY

All references to dollars, cents or \$ in this document are to US currency, unless otherwise stated.

# A GLOBALLY DIVERSIFIED METALS AND MINING COMPANY



● Operations



1. Based on H1 FY16. Manganese revenue and Underlying EBITDA presented on a proportional consolidation (60 per cent) basis. Revenue by market represents location of customer.

## OUR STRATEGY

To invest in high quality metals and mining operations where our distinctive capabilities and regional model enable us to stretch performance in a sustainable way. By maintaining financial discipline and continually optimising our portfolio we will deliver sector leading total shareholder returns.

## OUR PLAN



Optimise the performance  
of our existing operations



Unlock their potential



Identify new opportunities  
to compete for capital



**We are on track to reduce controllable costs by US\$300M and capital expenditure by US\$218M in FY16**

**Our strong balance sheet remains a key point of difference**

**Net cash US\$18M**

(as at 31 March 2016)

**Our operations are well positioned on industry cost curves**



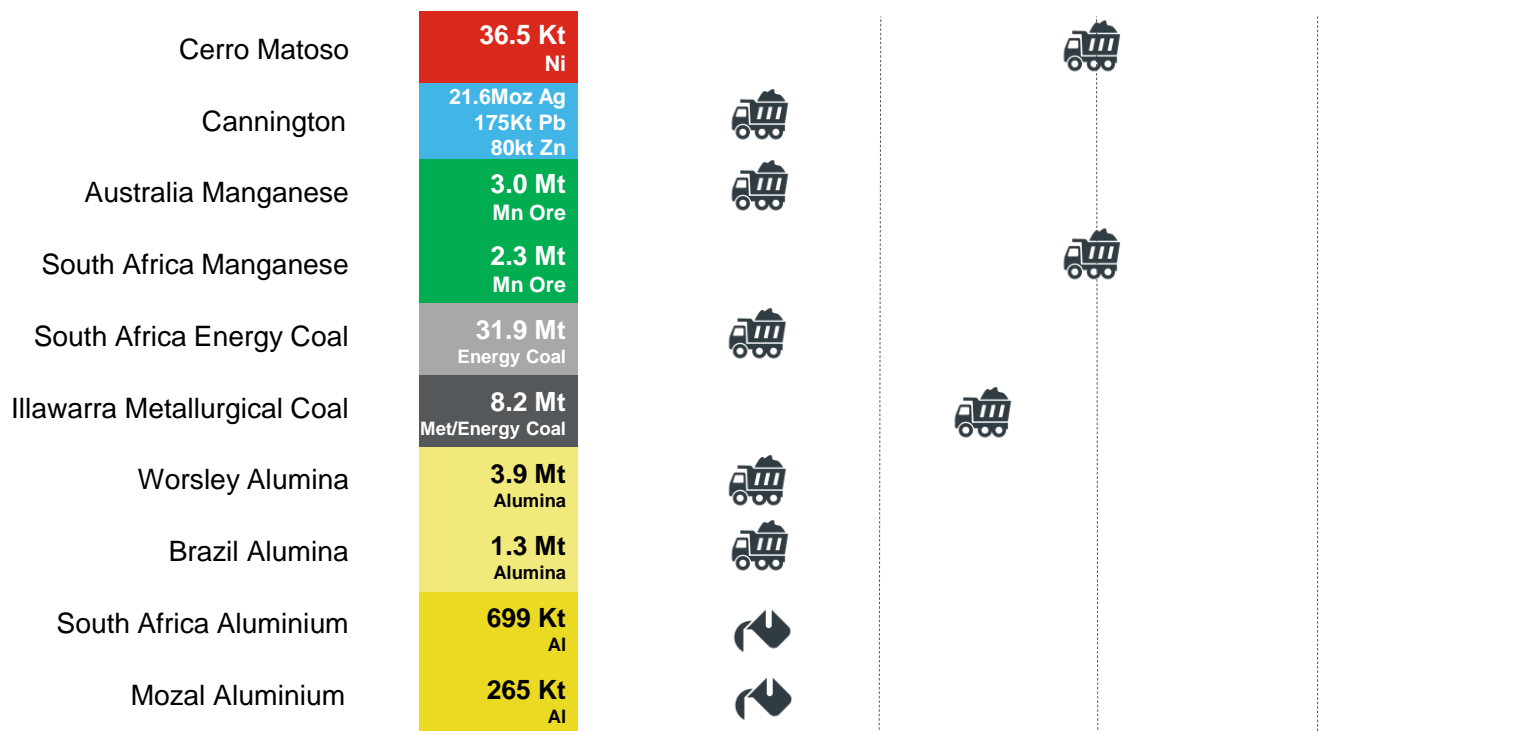
# WELL POSITIONED ON INDUSTRY COST CURVES



## FY16 production guidance<sup>1</sup>

## CY15 cost curve position by operation

1<sup>st</sup> quartile      2<sup>nd</sup> quartile      3<sup>rd</sup> quartile      4<sup>th</sup> quartile

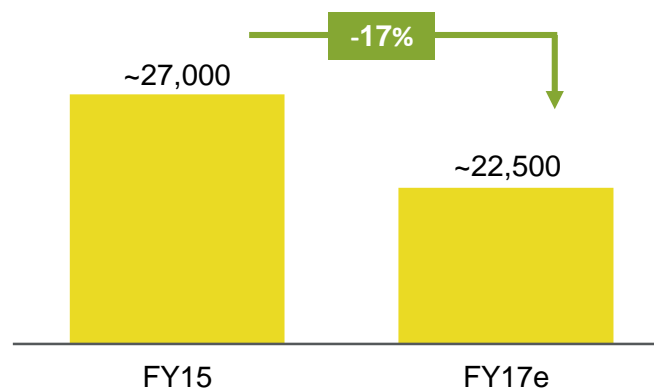


1. South32 equity share of production with the exception of South Africa Energy Coal (100%). South Africa Manganese, South Africa Aluminium and Mozal Aluminium are FY15 actual production (market guidance not provided).
2. Sourced from Wood Mackenzie based on CY15 production with South32 internal analysis. Australia Manganese and South Africa Manganese is based on CRU data using CY15 production. Cannington is based on AME Group data using CY13 Silver production.

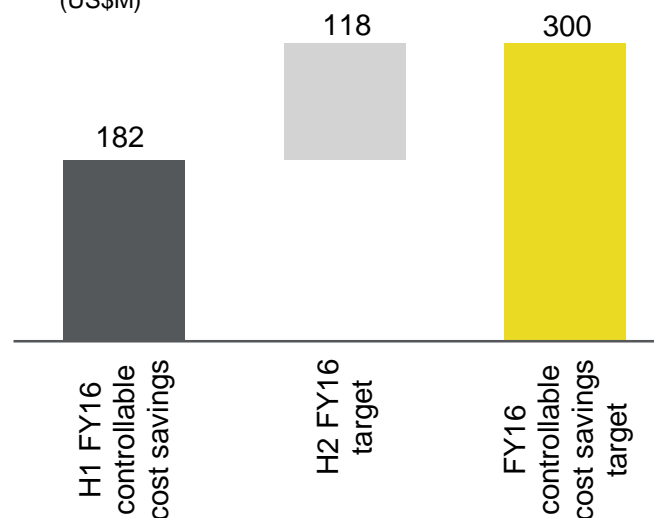


- Achieved US\$182M of controllable cost savings in H1 FY16 and remain on track to deliver US\$300M in FY16
- Restructuring at Worsley Alumina, South Africa Manganese and the Australia Manganese mining operations is largely complete
- Restructuring at Cerro Matoso and Illawarra Metallurgical Coal is expected to be completed by 30 June 2016
- Continuing to optimise support functions
- Sustainable restructuring initiatives will lower all-in costs and improve cash generating capacity

**Group employee and contractor headcount<sup>1,2</sup>**



**Targeted controllable cost savings (US\$M)**



1. Compares employees and contractors at the end of FY17 with employees and contractors at the end of FY15.  
2. Group employee and contractor headcount excluding non-operated Brazil Alumina. FY17 based on current activity level.





## Worsley Alumina

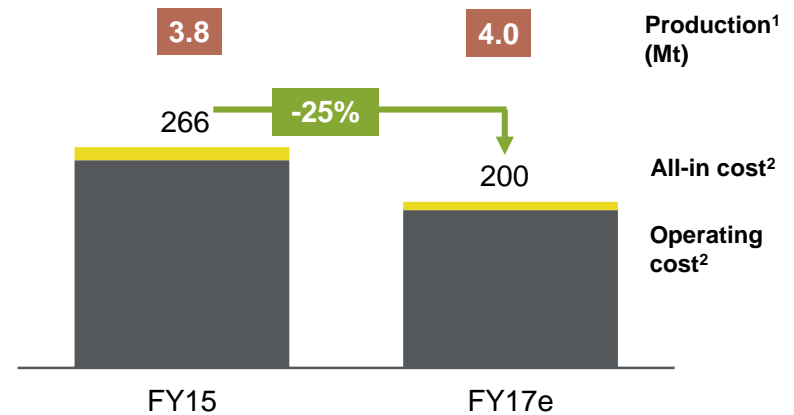
- Large, low-impurity bauxite resource
- Completed in 2011, US\$3.2B Efficiency & Growth project; positioned the refinery as one of the largest and lowest cost in the industry
- Restructure is focused on stretching operational performance and sustaining the refinery in the lowest cost quartile

## Illawarra Metallurgical Coal

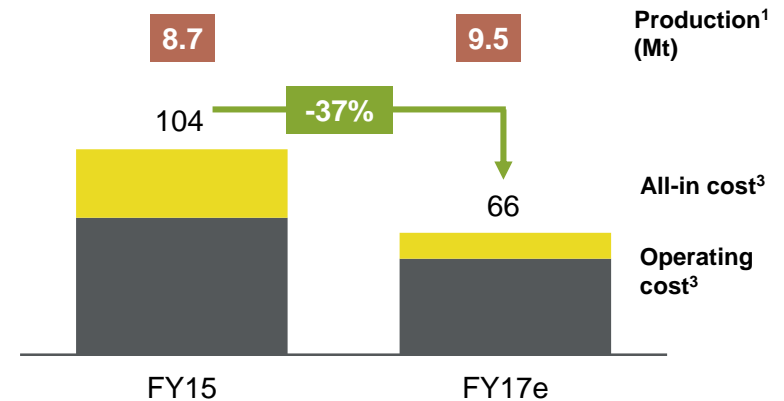
- Unconstrained by infrastructure, producing a premium low volatile hard coking coal (~85% of product mix)
- US\$565M Appin Area 9 growth project completed below budget and ahead of schedule
- Targeting 9% increase in production and 37% reduction in costs by FY17

1. South32 share.  
 2. All-in cost is operating cost plus sustaining capital expenditure. Operating costs is Revenue less Underlying EBITDA divided by sales. Projected all-in costs for FY17 include royalties (where appropriate) and the influence of exchange rate assumptions, and are predicated on: an alumina price of US\$255/t for royalty calculations and an average AUD:USD exchange rate of 0.68.  
 3. All-in cost is operating cost plus sustaining capital expenditure. Operating costs is Revenue less Underlying EBITDA divided by sales. Projected all-in costs for FY17 include royalties (where appropriate) and the influence of exchange rate assumptions, and are predicated on: a blended coal price of US\$65/t for royalty calculations and an average AUD:USD exchange rate of 0.68.

### Worsley Alumina: All-in cost and volume (US\$/t)



### Illawarra Metallurgical Coal: All-in cost and volume (US\$/t)





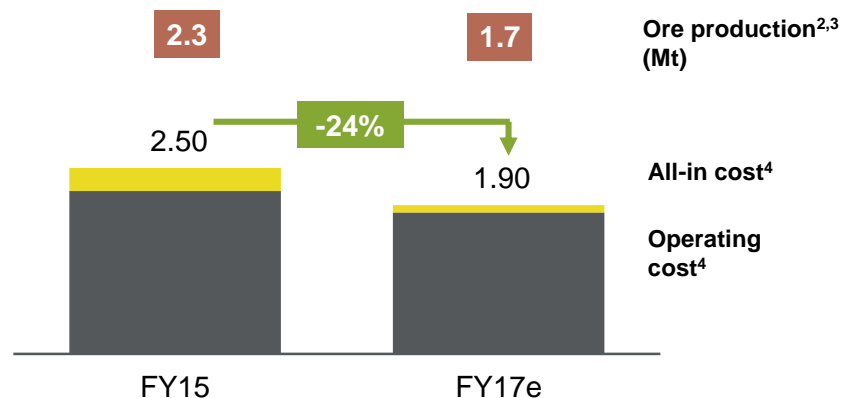
## South Africa Manganese

- 900ktpa<sup>1</sup> cut in saleable manganese production following strategic review completed in February
- Reconfigured operation has greater flexibility to respond to market demand

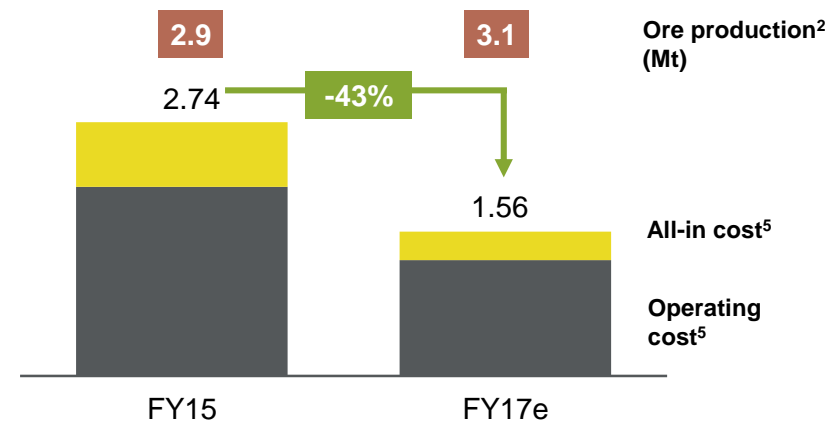
## Australia Manganese

- GEMCO is one of the largest and lowest cost manganese ore producers in the world
- Completion of PC02 delivers new flexibility to respond to market demand
- Seeking to convert Eastern Leases to a mining license and gain exploration access to Southern Areas

### South Africa Manganese: All-in cost and volume (US\$/dmu)



### Australia Manganese: All-in cost and volume (US\$/dmu)



1. 100% basis. Compares FY17 to FY15.  
 2. South32 share.  
 3. FY17e production guidance subject to market demand.  
 4. All-in cost is operating cost plus sustaining capital expenditure. Operating costs is Revenue less Underlying EBITDA divided by sales. Projected all-in costs for FY17 include royalties (where appropriate) and the influence of exchange rate assumptions, and are predicated on: a manganese ore price of US\$2.00/dmtu for 44% manganese product; and a USD:ZAR exchange rate of 14.12.  
 5. All-in cost is operating cost plus sustaining capital expenditure. Operating costs is Revenue less Underlying EBITDA divided by sales. Projected all-in costs for FY17 include royalties (where appropriate) and the influence of exchange rate assumptions, and are predicated on: a manganese ore price of US\$2.00/dmtu (44% manganese product) for royalty calculations and an average AUD:USD exchange rate of 0.68. FY17 is on a FOB basis.



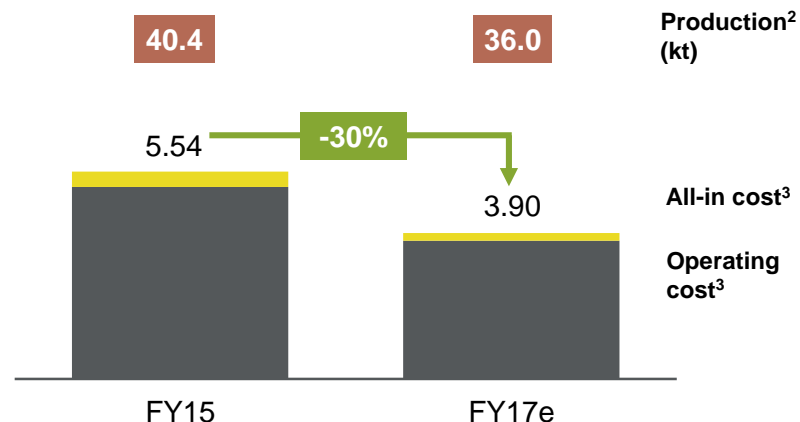
## Cerro Matoso

- Restructure initiatives are targeting all-in cost reductions by FY17
- La Esmeralda<sup>1</sup> will improve nickel head grade between FY18 and FY22 for a modest capital investment

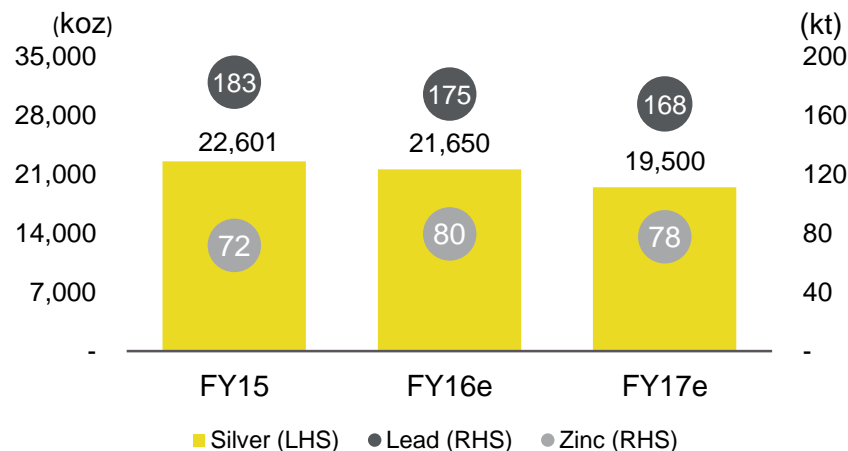
## Cannington

- Optimising mine and mill throughput to maximise value
- Studying the potential to extend mine life beyond the current underground

**Cerro Matoso: All-in cost and volume**  
(US\$/lb)



**Cannington: Production**



1. La Esmeralda comprises 18Mt of the FY15 CMSA Mineral Resources. It is made up of 44% Measured Mineral Resources and 56% Indicated Mineral Resources. The estimates have been prepared by a Competent Person in accordance with JORC (2012). The project is based on a completed Feasibility Study demonstrating the project is economically viable. La Esmeralda has recently been granted regulatory environmental approvals and is pending approval by the company for execution

2. South32 share.

3. All-in cost is operating cost plus sustaining capital expenditure. Operating costs is Revenue less Underlying EBITDA divided by sales. Projected all-in costs for FY17 include royalties (where appropriate) and the influence of exchange rate assumptions, and are predicated on: a nickel price of US\$3.75/lb for royalty calculations and an average USD:COP exchange rate of 3,170.



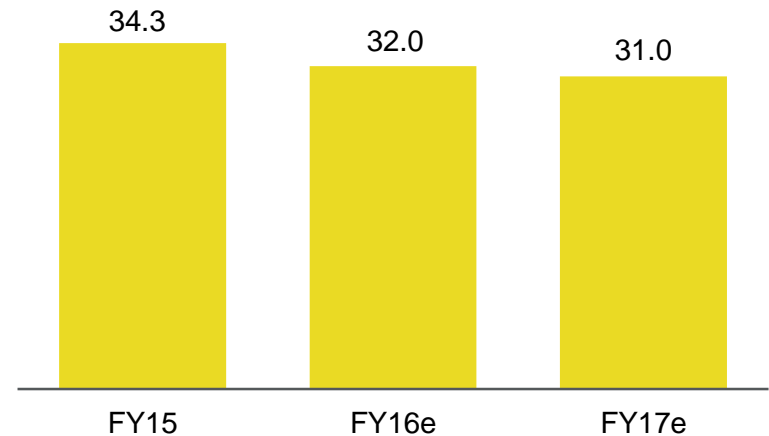
## South Africa Energy Coal

- Increasing Rand denominated cost pressure and higher stripping activities as new mining areas accessed
- Lower production volumes expected in FY16 and FY17
- Klipspruit feasibility and Khutala pre-feasibility studies are on-going

## African smelters

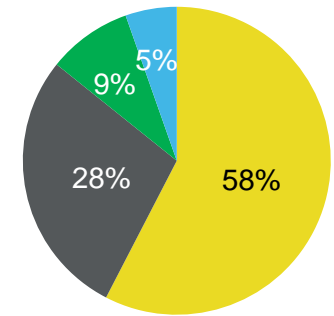
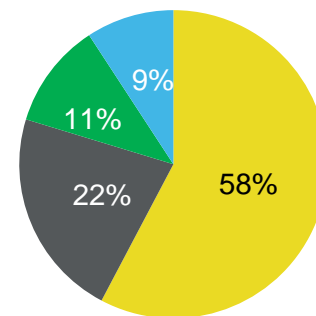
- Smelter cost base mostly variable, commodity price and foreign exchange linked inputs
- Our focus is on activities to maximise cash flow
- Both operations are well positioned in 1<sup>st</sup> quartile of industry cost curves

### South Africa Energy Coal: Production<sup>1</sup> (Mt)



### Hillside: Operating cost base

### Mozal: Operating cost base



■ Raw materials & consumables ■ Energy ■ Labour ■ Other

1. 100% basis. South32 share is 90%.

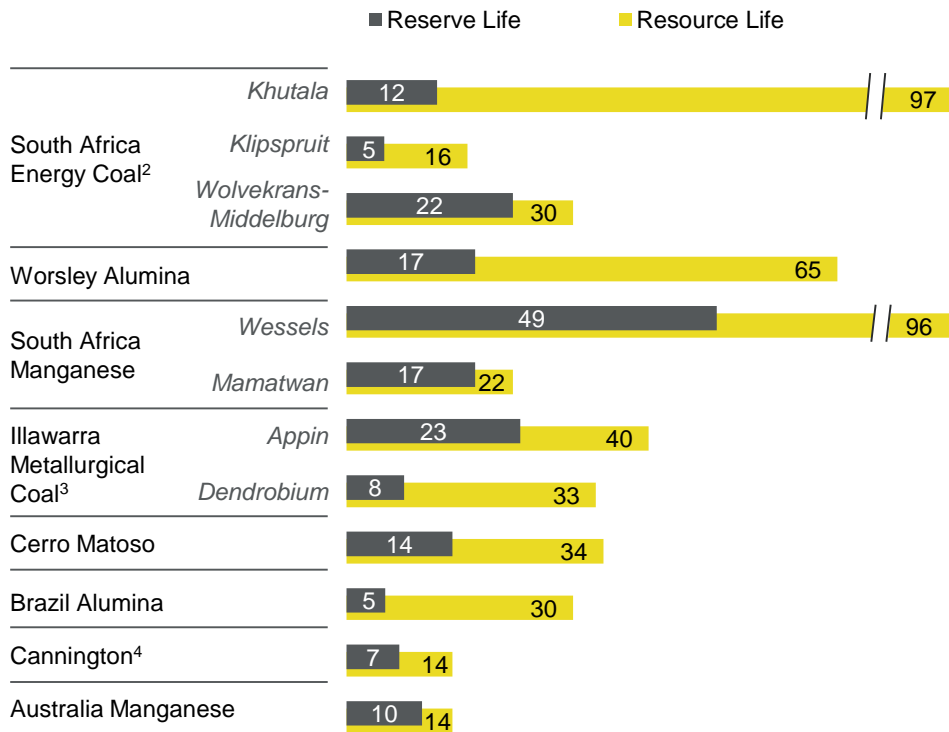


# RESERVE LIFE AND PRODUCTION OUTLOOK



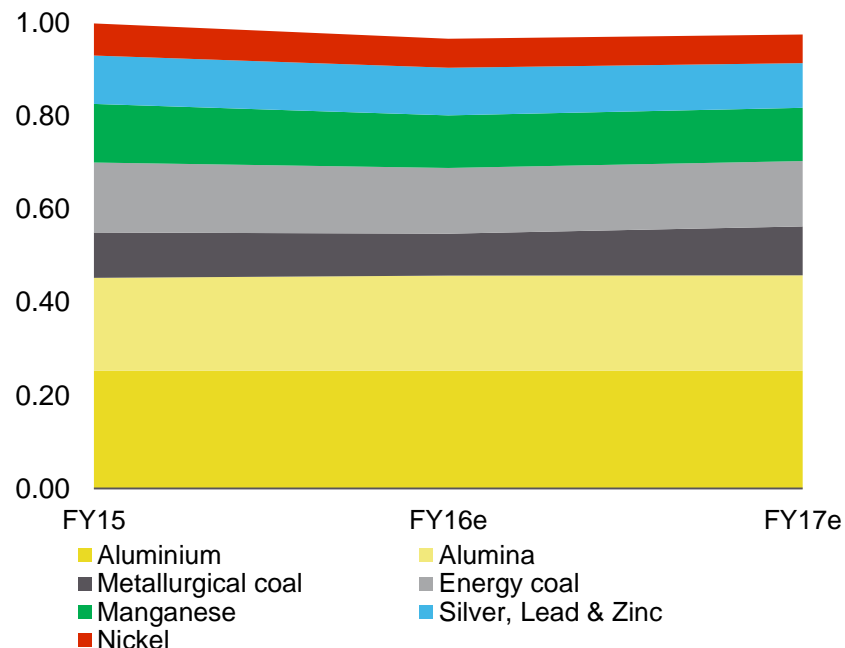
## Reserve and Resource Life of upstream operations<sup>1</sup>

(Years)



## Indicative production profile<sup>5</sup>

(Normalised: index 1 = FY15)



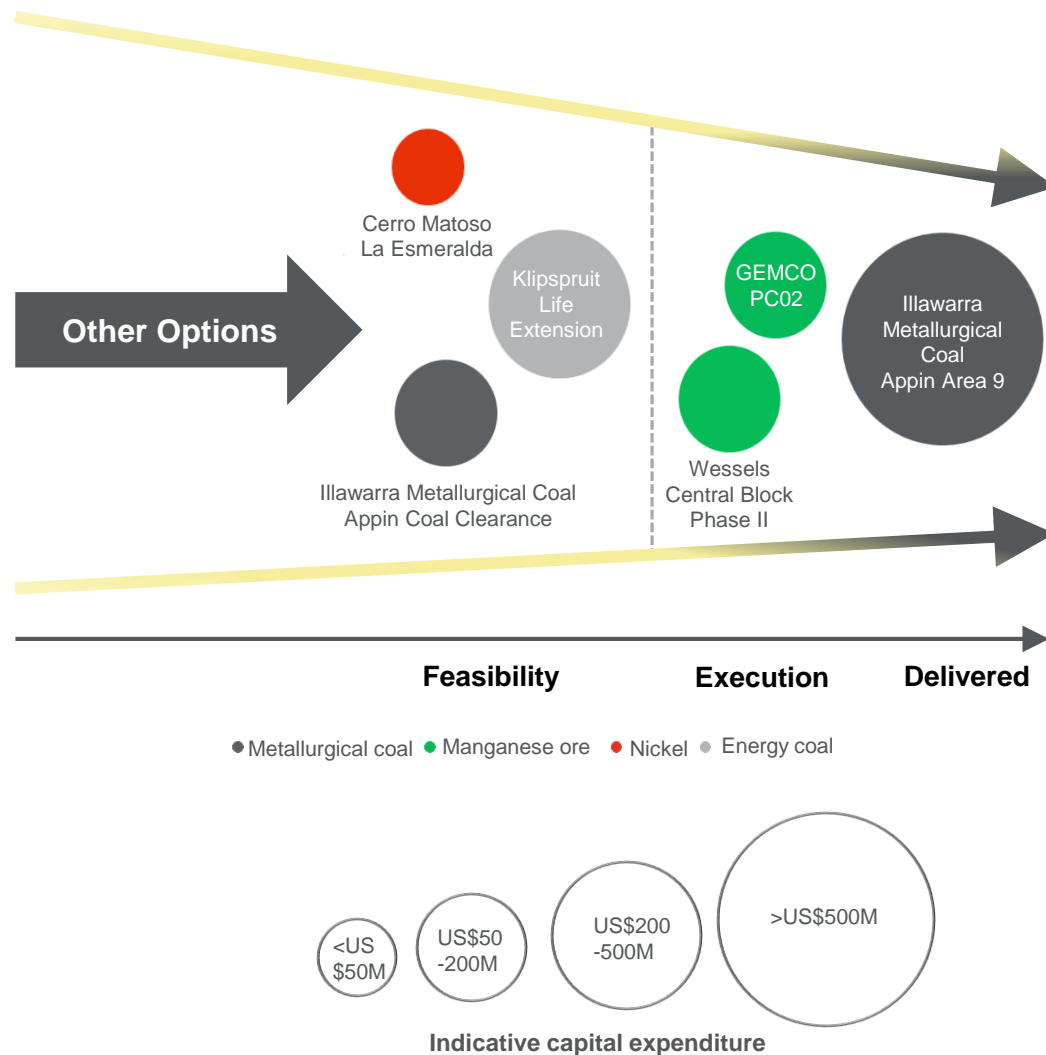
1. Resource and Reserve Life calculations are based on the previously disclosed FY15 annual resource and reserve statement (pg. 97-113 of the South32 Annual Report 2015) which has been prepared by competent persons in accordance with the requirements of JORC (2012). Resource conversion factors and run-of-mine production assumptions are shown in slide 2 – Important Notices.
2. Khutala Coal Resource life is inclusive of undeveloped domains; Klipspruit Coal Resource life is inclusive of Weltevreden Resources.
3. Dendrobium Coal Resource life is inclusive of Cordeaux resources. All coal resource lives are inclusive of undeveloped domains.
4. Cannington underground Reserve life is 7 years and underground Resource life is an additional 2 years, based on the nominal production rate. Open cut Resource life is estimated at a resource to reserve conversion rate of 0.8.
5. The Indicative production profile illustrates existing production guidance for FY16 and FY17 for upstream operations and annualised FY16 production for the nine months to 31 March 2016 for downstream operations. The production profile is normalised on the basis of FY15 production by operation and FY15 realised prices, as disclosed in the South32 Annual Report FY15, for comparative purposes.



# INTERNAL OPPORTUNITIES



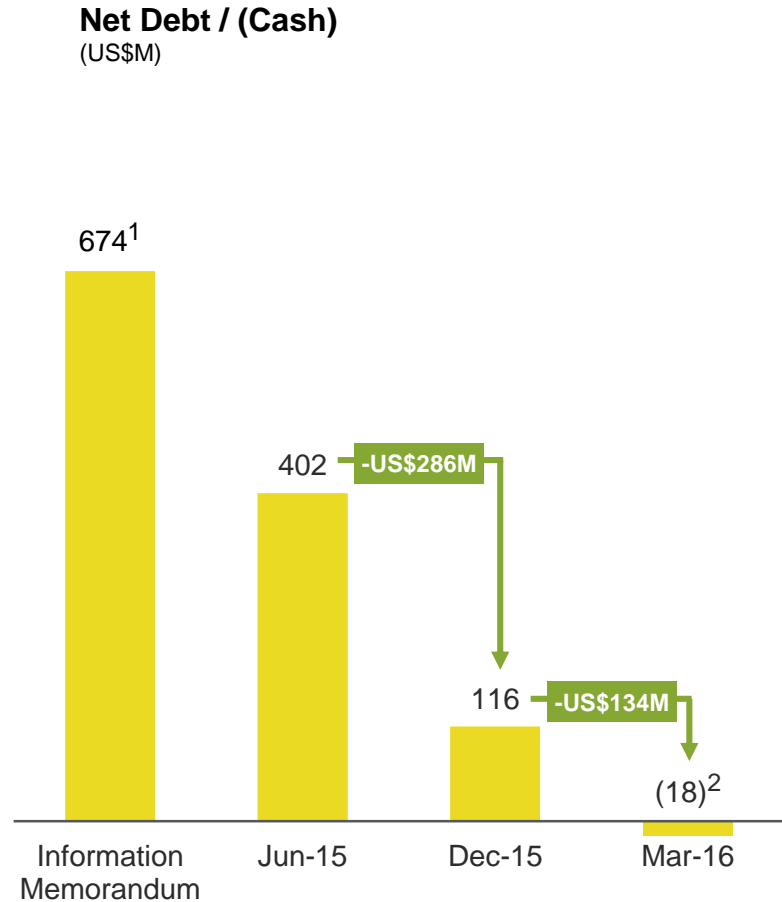
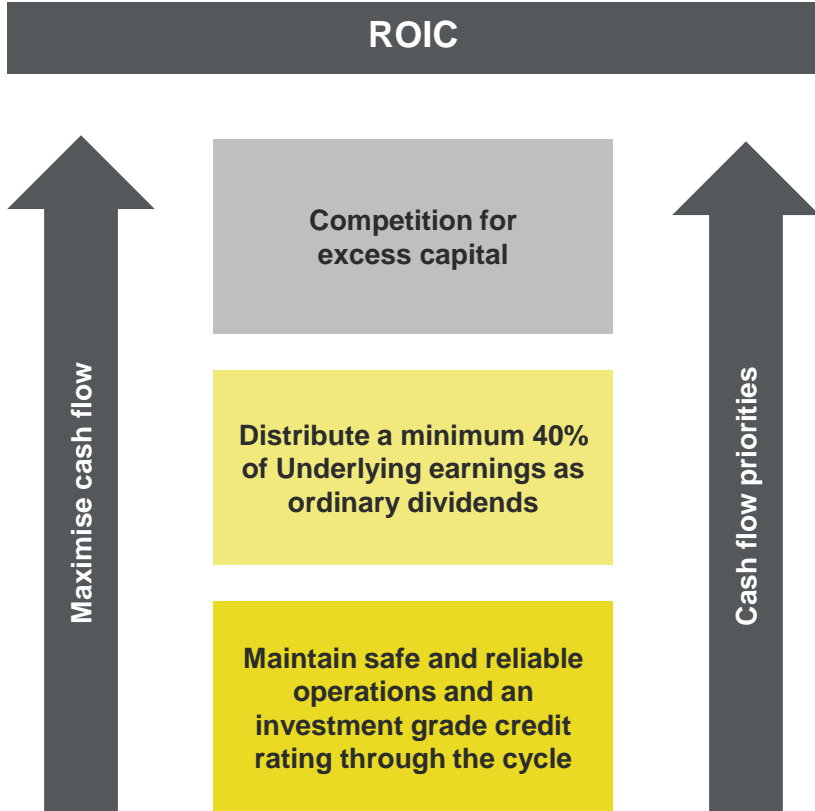
- US\$565M Appin Area 9 Project completed 33% under budget and ahead of schedule
- US\$139M<sup>1</sup> PC02 and \$US30M<sup>1</sup> Wessels Central Block projects remain under budget and are nearing completion
- Options in feasibility and concept phase will compete for future capital, including
  - Klipspruit Life Extension<sup>2</sup>
  - La Esmeralda<sup>2</sup>
  - Cannington Life Extension
- Targeted exploration activity will create additional opportunities
  - GEMCO Southern Areas
  - Cannington regional exploration
  - Early stage joint venture agreements



1. 100% basis.  
 2. Klipspruit Life Extension at South Africa Energy Coal. La Esmeralda at Cerro Matoso.



# IDENTIFY OPPORTUNITIES TO COMPETE FOR CAPITAL



1. Information Memorandum Net Debt as at 31 December 2014.

2. Provisional unaudited net cash balance as at 31 March 2016.



## OPTIMISE

- Operations well positioned on industry cost curves
- Significant reduction in controllable costs and capital expenditure
- Focussed on optimising operational performance
- Strong balance sheet a key point of difference



## UNLOCK

- Operations have long reserve lives with significant resource potential
- Well positioned to sustain production with minimal capital investment



## IDENTIFY

- Will remain disciplined and will not compromise the balance sheet





Further information on South32 can be found at [south32.net](https://www.south32.net)