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SPEECH TO THE MELBOURNE MINING CLUB

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Check against delivery

You may not realise that at South32, we've just had our first birthday, and today, I'd like to share part of our journey with you.

It's fair to say that it's been an incredible year. Whilst it's a year that in many respects has flown by, for me, it is a journey that began three years ago.

The demerger had a simple rationale. To split the core and non-core assets of BHP Billiton. It would allow BHP to focus on their gigantic assets, with 100 plus years of resource life and give South32 the opportunity to focus on the operations that whilst high quality, were not on the same scale in terms of size, and not well understood.

In theory, it sounds pretty straight-forward, but in reality, it amounted to 22 months of hard work, involving more than fifteen hundred people; thousands of process steps; and more than 65 government and regulatory approvals, across six countries.

When South32 listed last May, it was one of the most complex demergers in mining history. It wasn't easy. But was it the right thing to do? Based on our results so far - I'd say yes.

On numerous occasions I've been asked, why I chose to move to South32. The people who know me well will tell you it was an easy decision.

If I look back over my career, I have been lucky to work with some incredible people and to live in some amazing locations around the world - from the sub-zero temperatures of the North West Territories in Canada, to the outback plains of the Pilbara and North West Queensland, to the challenges of Angola – a country recovering from decades of civil war.

These experiences have shaped my fundamental beliefs and I'd like to share a few with you today.

Firstly, I believe that mining can change people's lives for the better. A great example was my time at the Ekati Diamond Mine in Canada where I saw the employment, education and business opportunities that, when done in the right way, mining can bring.

I also believe that to run our operations well, we must run them safely. My own experience with fatalities, and seeing the tragic impact on families, drives my commitment to eliminate all significant injuries to make sure everybody goes home safely.

Thirdly, I enjoy getting in at the start and being a part of building something new. I got this opportunity when I was at Cannington and Ekati, as well as through the Potash acquisitions and development in Saskatchewan.

And lastly, I don't really like the status quo. I love leading and developing people and bringing about real change. You don't have to be the biggest to be the best. I want to be part of a team that moves the needle and makes a difference.

These experiences gave me an insight into the type of company I wanted to be a part of building and I knew South32 was a once-in-a-lifetime opportunity to do this.

We decided early on that we wanted an inclusive culture, where the creation of our identity and brand, would be defined by our people. We wanted the different perspectives of all our employees, from our aluminium smelters in Africa to our manganese mines in Australia - knowing that together, we're better.

Starting with our values, of Care, Trust, Togetherness and Excellence that sit at the heart of what it means to be South32. They weren't written and handed down by me or the ExCo, they were developed by our people and they guide every decision we make.

The idea for our name also came from one of our employees. Their suggestion, was to use the line of latitude, the 32nd parallel south, to link all of our regions and employees together.

I've been told it sounds like a high end vodka brand, the name of a nightclub, or even as one of my closest friends commented - a bus route. As far as company names go, it's different and that was intentional. I am okay with being a little different.

For us, the name honours our heritage, but doesn't limit us, in time, to seek new opportunities around the world.

From the start, we had high-quality operations, and great people. But there would be a degree of juggling the old and the new. Not many new companies have eighty-odd years of history.

We are proud of where we came from, but most of the systems and processes inherited from a large multi-national were not going to be fit-for-purpose, for a mid-tier miner. So we kept those that were right for us and then we built our own.

We adopted a new way of working, starting with the implementation of our Regional Operating Model, to de-layer the business and right-size our systems and processes. We also developed a simple strategy to optimise the performance of our existing operations, unlock the potential of their resources and identify new opportunities to grow.

We had the building blocks for success - great people, high quality operations, right-sized systems and processes, and a simple strategy.

With this solid foundation, we were ready to stand on our own two feet. However, heading full pelt into the worst global commodity downturn in decades, wasn't part of the plan. But we had faith in our strategy, and we stuck to it.

In just 12 months, we've radically restructured our operations to reset the cost base and we're on track to achieve controllable costs savings of US\$300 million, this financial year. We will also reduce capital expenditure by US\$218 million in FY16.

We remain focused on growing cash flow, rather than fixating on volume growth, and we're demonstrating that in even the most difficult price environments, we can generate cash.

The reality is, prices have been worse than our low-case scenario ever envisaged. Yet, we have reduced net debt by US\$692 million. We are now in a position of net cash and we've maintained our credit rating.

Our low financial gearing and operational leverage, is a powerful combination.

Now, to how we deploy our capital to create value for shareholders. We have a simple capital management framework that prioritises safe and reliable operations, and an investment grade credit rating through the cycle. Once we've met these priorities, we intend to distribute 40% of underlying earnings as dividends. Beyond this, we will create competition for capital.

Our industry has a poor track record deploying capital and we are now seeing many mining companies forced to make decisions to repair their balance sheets. We have worked hard to get to where we are and we will be disciplined in our approach to deploying capital.

Are we open to external opportunities? Of course we are. So what commodities are we interested in? Naturally, there are some that are more attractive than others. For example, in thermal coal, due to lower demand and over-supply, we wouldn't be keen on acquiring anything new.

At the other end of the scale, I think base metals such as copper, zinc and nickel are very attractive. However, looking at the high prices recently paid for copper assets, it is difficult to see how value will be created for shareholders.

So we look at all opportunities between the two book ends and if we can't create value, we won't do it. I am not convinced we are through the challenging price environment. I'm sure there is still more pain to come. So we can, and will, be patient.

So where are we at? I'd say we are a good company, and we're making progress to take South32 from good, to great, to outstanding. We are working smarter and focused on growing cash flow per share - without compromising safety. We will come through this difficult price environment a stronger company.

We've set ourselves ambitious targets to further optimise our business and we're working hard to achieve these. We have the right teams in place to drive the change we need, to fit the nature and scale of our business.

But we can always do more.

When our people come to work and we can guarantee their safety, when every employee is living our values and when people want us to operate in their communities, we'll know we're heading in the right direction. When other companies benchmark against us and when we are delivering superior returns to our shareholders, that's when I'll know we're outstanding.

I look forward to updating you on our journey.

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