



MANGANESE – THE NEED FOR A SUSTAINABLE FUTURE

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FEBRUARY 2016



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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.

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.

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CURRENCY

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

12 operations

10 commodities

7 countries (including Marketing)

Alumina and Bauxite

Large integrated alumina refineries with high quality bauxite resources

Aluminum

An aluminium producer with industry leading aluminium smelters

Energy Coal

Third-largest energy coal exporter in South Africa

Manganese

World's largest producer of manganese ore and a top producer of alloy

Metallurgical Coal

A major exporter of high quality metallurgical coal

Nickel

One of the world's largest and lowest-cost ferronickel producers

Silver, Lead, Zinc

World's largest silver producer



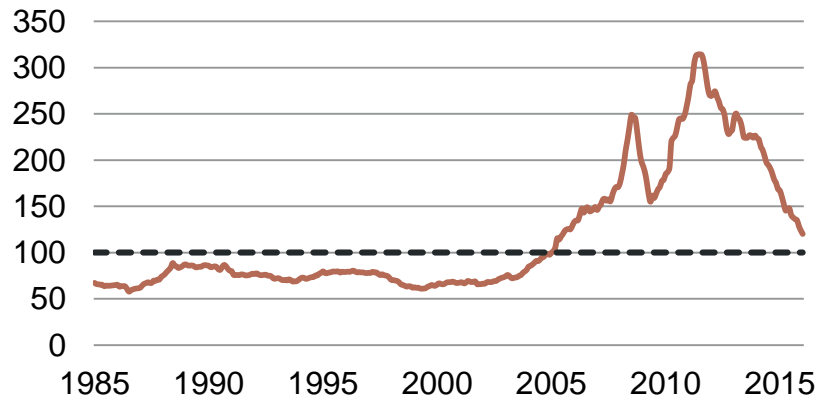
We're running our business differently

- We have a simple business strategy
 - Optimise our existing operations
 - Unlock their potential
 - Identify new opportunities to compete for capital
- We are focused on value, not volume
- Our new way of working enables our operational people to focus on what really matters – safety, production, costs and capital expenditure
- We fundamentally believe in a strong balance sheet.



RBA index of commodity prices

(index 2005=100)



Source: Reserve Bank of Australia

Commodity prices returning to norm

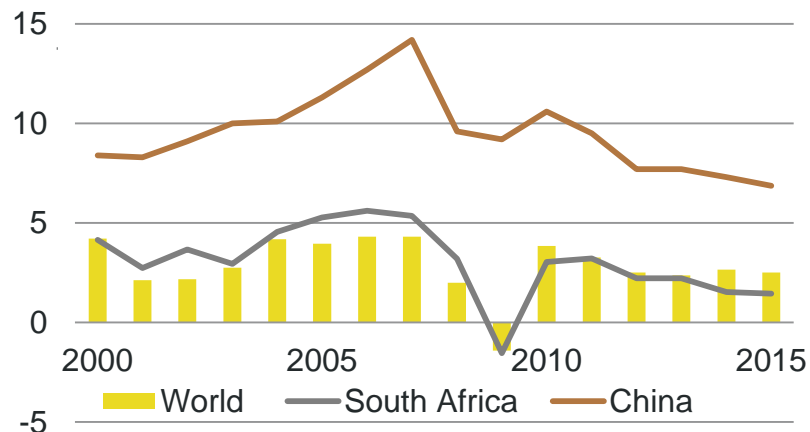
- Commodity industry cyclical, and high demand growth and prices during China boom were unsustainable
- Commodity producers face headwinds from structural and cyclical demand slowdown, amidst oversupply

Prolonged economic headwinds

- Many emerging countries, including South Africa, outperformed rest of the world in economic growth leading up to global financial crisis
- Economic growth sluggish since 2012 exacerbated by slowdown in China and other developing economies
- Global investment expected to slow amidst slower economic growth, currency volatility, and capital flight

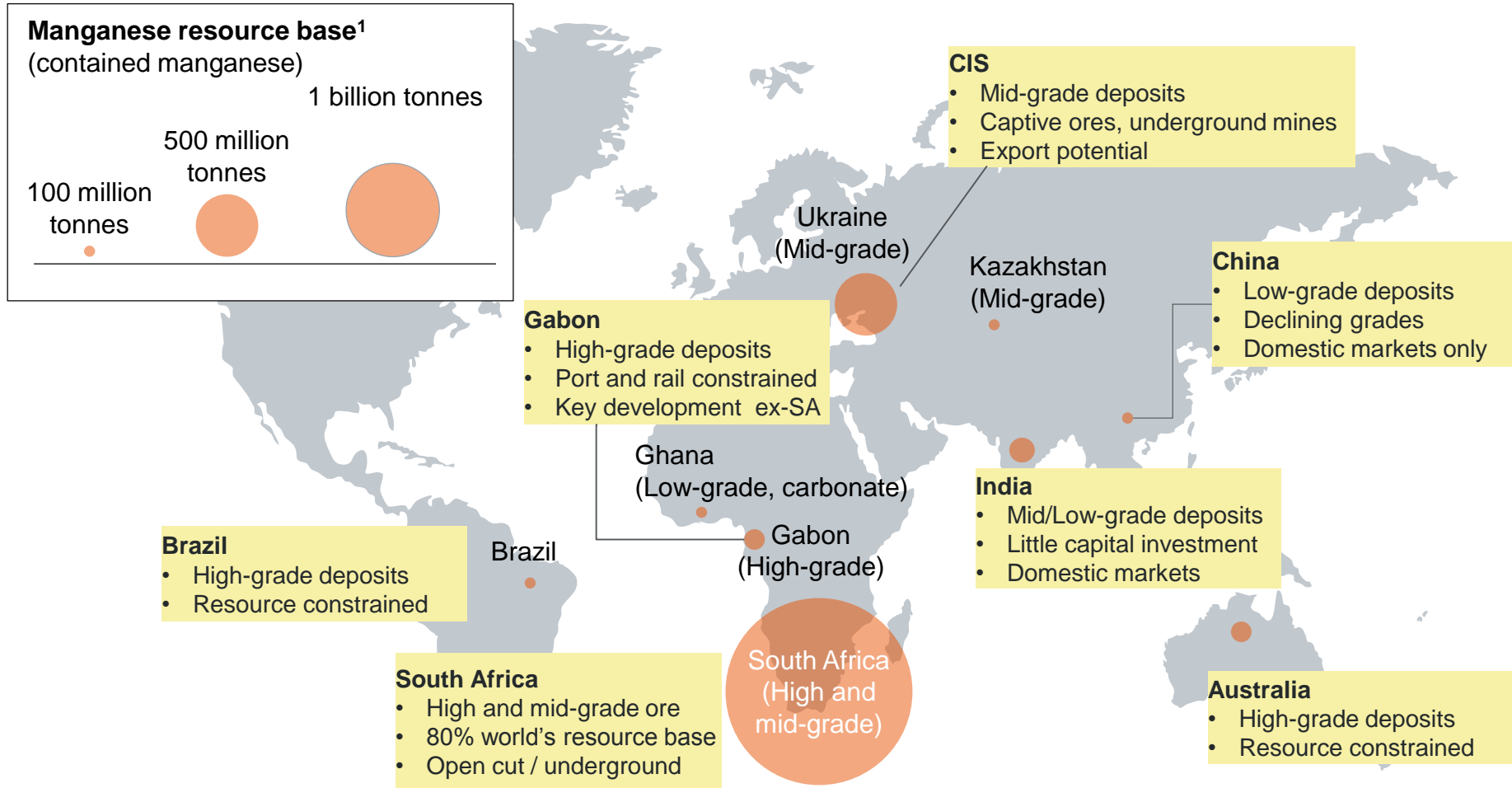
GDP, constant prices and exchange rate

(% Change)



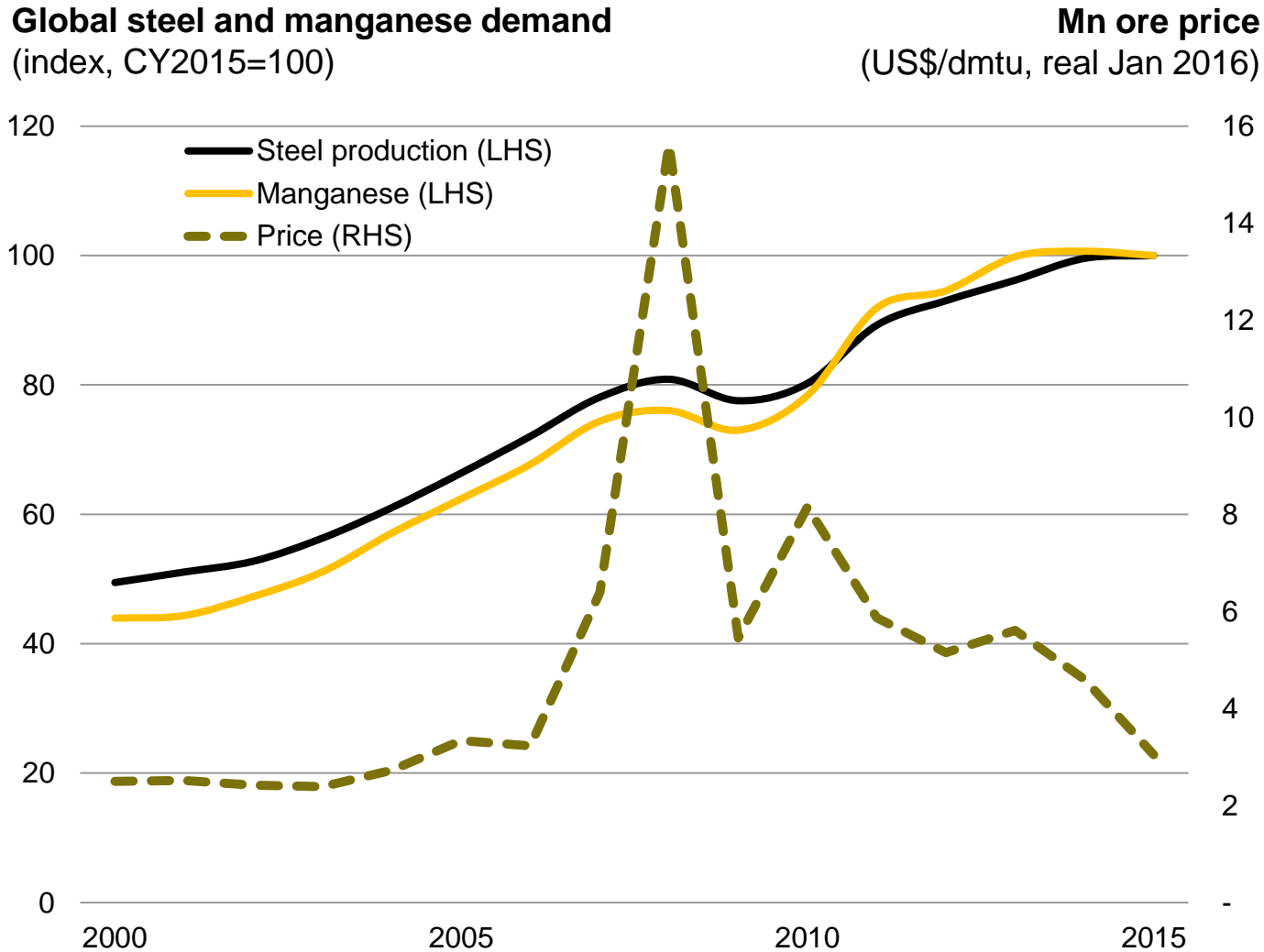
Source: Oxford Economics

SOUTH AFRICA ACCOUNTS FOR BULK OF GLOBAL MANGANESE RESOURCE



1) Defined by the US Geological Survey (USGS) as that part of an identified resource that meets specified minimum physical and chemical criteria related to current mining and production practices. The reserve base includes those resources that are currently economic (reserves), marginally economic (marginal reserves), and some of those that are currently subeconomic (subeconomic resources). Source: Roskill 2008, USGS.

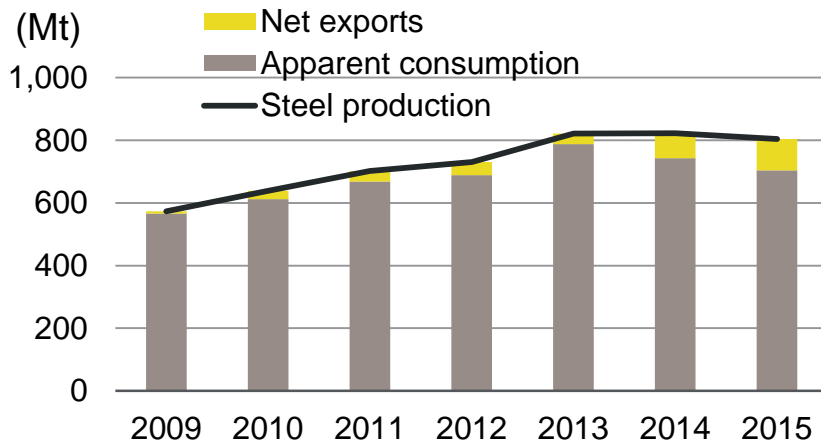
STEEL AND MANGANESE DEMAND GROWTH SLOWING DOWN



Source: IMnI, CRU, Metal Bulletin, South32 analysis

CHINA'S STEEL DEMAND HAS PEAKED AND MARKETS REMAIN IN OVERSUPPLY

China crude steel

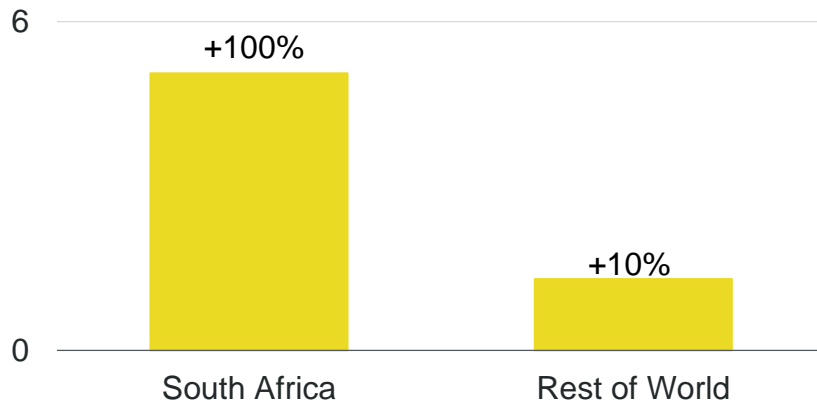


Source: World Steel Association, Platts

Note: Apparent consumption is calculated from steel production minus net exports.

Mn ore exports

(Mt change CY15 vs CY09, Mn content unadjusted)



Source: GTIS, South32 analysis

Steel market status

- Global steel output down, amidst weak demand and low profitability across most regions
- China domestic steel consumption peaked in 2013, as economy rebalances from investment-led to consumption-led
- Steel production in other regions remains constrained by high Chinese exports under weak demand growth conditions

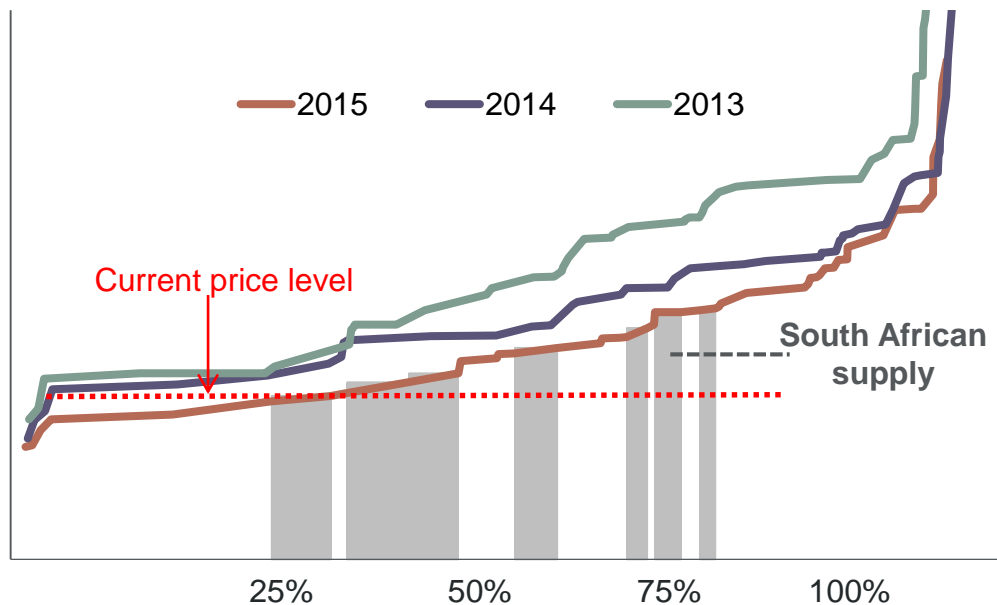
Manganese market in oversupply

- South African manganese ore exports accounted for most of the incremental seaborne demand growth in recent years
- Development of the Kalahari basin led to increased number of producers, competing to access the export market in a sub-optimal manner
- Outside South Africa, increased supply from Australia and Gabon offset by reduction of other smaller producers

MORE MANGANESE SUPPLY TO EXIT THE MARKET

Manganese ore cost curve

(US\$/t, 44% Mn, CIF China)



Manganese implications and outlook

- Amidst the manganese demand slowdown, increased low-cost South African supply has displaced higher-cost marginal suppliers
- Price decline exacerbated by a cost curve that has flattened over the years
 - Expansion of lower-cost South African supply in the middle of the cost curve
 - Depreciation of major producer currencies (Australia, South Africa, Brazil)
 - Reduction in freight and fuel prices
- Current prices are forcing producers to cut some supply, but in the absence of a demand recovery, prices likely to remain subdued
- South African supply no longer constrained by export capacity in the short term, as Transnet continues to provide multiple export channels

Industry outlook

- Commodity prices returning to norm
- Economic headwinds to continue
- Global steel output down and manganese demand slowdown
- No demand side rescue
- Manganese market oversupplied
- South Africa plays a key role in creating a sustainable manganese industry

South32 response

- 36% reduction in saleable production at Wessels mine
- 18% reduction in saleable production at Mamatwan mine
- Continued operation of only one of four furnaces at the Metalloys smelter



