23 November 2017

South32 Limited
(Incorporated in Australia under the *Corporations Act 2001* (Cth))
(ACN 093 732 597)
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2017 Annual General Meeting Speeches

In accordance with ASX Listing Rule 3.13, attached are the addresses to shareholders to be given by the Chairman and Chief Executive Officer at South32 Limited's Annual General Meeting today in Perth.

An audio webcast will be available via a link on our website at:
https://www.south32.net/investors-media/annual-general-meetings

Further information on South32 can be found at www.south32.net.

Nicole Duncan
Chief Legal Officer and Company Secretary

SOUTH32 LIMITED
2017 Annual General Meeting
23 November 2017

Speeches by David Crawford AO, Chairman and
Graham Kerr, Chief Executive Officer

David Crawford AO, Chairman

Good morning everyone. My name is David Crawford, and I am the Chairman of South32.

Thank you for joining us today for our Annual General Meeting and welcome to our shareholders from around the world who have joined us via webcast.

….

I am informed that a quorum is present, so I declare the meeting open.

I will now introduce the Directors.

On my left:

- Dr Xolani Mkhwanazi
- Frank Cooper – Chair of the Risk and Audit Committee
- Karen Wood - welcome to your first meeting. And we look forward to hearing from you later
- Nicole Duncan - who I introduced earlier

And on my right:

- Keith Rumble – Chair of the Sustainability Committee
- Dr Xiaoling Liu – a special welcome to you at your first meeting and we will also hear from you a little later
- Futhi Mtoba
- Wayne Osborn – Chair of the Remuneration Committee, and
- Graham Kerr – Chief Executive Officer who is seated next to me.

The Lead Team are in attendance today and are sitting in the front row.

Also in attendance is Denise McComish representing the Company’s auditors KPMG, and Tim Heughan from Computershare is here to oversee the polling process.

I will begin with a short review of our performance for the 2017 financial year. Our CEO, Graham Kerr, will expand on some of those themes in his operational report.

We’ll then move to the formal business of the meeting and the resolutions.

And we will provide an opportunity for discussion, and any questions you might have, when we deal with each of the formal agenda items.

…

The 2017 financial year has been one of success and strong financial results. We continued to embed our strategy, focusing on long-term success and the sustainability of our business.

For that, we can thank our teams across seven countries – the diverse, talented and dedicated people who are the basis of everything we achieve at South32.

…

Our greatest priority is the safety of our people, and ensuring we have a culture of care and accountability that permeates every level of our organisation.

In some respects, we have done well. We reduced our Total Recordable Injury Frequency rate across all regions in the 2017 financial year.

However, we still have a long way to go.

It deeply saddens me to report a fatality on site this year. A contractor was fatally injured at our Metalloys Manganese Smelter in South Africa.

Any fatality is unacceptable, and only strengthens our resolve to further embed our culture of care and accountability. The Board and Management team are committed to continuously improving our safety performance, so that we can guarantee everyone goes home safe and well. Graham will share more on what we are doing to achieve this.

…

While we put a great deal of effort and planning into implementing our strategy, we must also consider the external factors that are beyond our control.

The price of most of our commodities increased during the 2017 financial year. Manganese led the way, and metallurgical coal, energy coal, zinc, lead and alumina all rose during the year.

Although market conditions remain positive, public policy remains a challenge in several areas.

The proposed new mining charter governing the mining industry in South Africa is of particular concern. While we are committed to the country's transformation agenda, the proposed Mining Charter Three has created uncertainty across the mining sector. The matter is before the courts and we are monitoring developments closely. The best outcome would be a Charter which all stakeholders in South Africa can support. While the developments around the mining charter play out, we will continue to focus on operating our businesses in South Africa sustainably.

…

Before speaking to our financial results, I want to acknowledge the challenges we faced at Illawarra Metallurgical Coal in New South Wales.

I have met with the regulator to understand her concerns, and we have an action plan in place to improve performance, and Graham will talk to this in more detail.

…

South32 delivered strong financial results in the 2017 financial year, with a significant increase in profitability and shareholder returns.

Rising commodity prices underpinned a 20 per cent increase in revenue, to 6.95 billion US dollars.

At the same time, we reduced controllable costs by 360 million US dollars.

As a result, basic underlying earnings per share rose from 2.6 to 21.6 US cents in the financial year.

This is reflected in an increase in Underlying EBITDA, to just over 2.4 billion US dollars. Our net cash position increased to over 1.6 billion US dollars at year end.

The return on invested capital for the year was 11.4 per cent – up from 1.7 per cent the previous year.

…

The strong improvement in financial performance, and the disciplined application of our capital management framework, allowed us to substantially increase returns to shareholders.

At the end of October this year, as part of our 750 million US dollar capital management programme, we have purchased shares on market to the value of 282 million US dollars. Shares were purchased at an average price of 2.77 Australian dollars per share.

In addition, we paid 526 million US dollars in dividends.

These results reflect the contribution made by our teams around the world.

…

As part of our culture of care and accountability, we pay particular attention to creating working environments that are diverse and inclusive. This brings a vibrancy and energy to our operations.

In 2015, your Board approved a set of gender and ethnicity targets. I'm pleased to say that we are making progress in meeting those objectives.

In the 2017 financial year, 1.8 million US dollars went towards closing the gender pay gap.

We have improved the representation of women in our workforce, and in our leadership.

We still have some work to do if we are to increase the representation of Black People. However, in our South African workforce, particularly at the management level, we have initiatives in place to achieve this.

…

This year we have not increased Fixed Remuneration for any of our Non-Executive Directors or Key Management Personnel.

Our Short-Term Incentive is focussed on rewarding the key management personnel for outcomes they can influence. This year the outcomes are generally lower than last year, primarily due to lower than expected production volumes.

…

South32 recognises that acting on climate change is consistent with our goal of creating value for shareholders.

Our business is vulnerable to changes in demand for commodities as the world responds to climate change. Our climate change strategy focuses on finding and developing climate change opportunities through the commodities we supply, building climate resilience and reducing emissions. We are making good progress in all of these areas.

We support a smooth transition in which emissions fall to the levels needed to limit warming to less than two degrees.

This year we completed a detailed assessment of the resilience of our portfolio under different climate change scenarios. Pleasingly, our commodity exposure, the position of our operations within their industries and our strong balance sheet, creates financial resilience.

Looking back across the 2017 financial year, we made significant progress. We have strong foundations to create further value in 2018. We will maintain our financial discipline and remain focused on optimising our portfolio. In doing so, we will deliver sector leading returns for shareholders. We will continue to look for opportunities outside our existing portfolio to compete for capital.

…

On behalf of the Board, Graham and his management team, it is my pleasure to thank all of our people for their efforts during the past year. And to you, our shareholders, thank you for your continued support.

I will now hand over to Graham.

Graham Kerr, Chief Executive Officer

Thank you David, and welcome shareholders.

I will begin by reiterating David's comments about our culture of care and accountability and the absolute importance we place on creating a safe and healthy workplace.

The fatality at our Metalloys Manganese Smelter in South Africa in November last year is a stark reminder to all of us that we need to do more to ensure our people go home safe and well at the end of their shift.

If we're to establish our desired culture of care and accountability, we need to have well designed work, a way to continuously improve, and an inclusive workplace, where everyone plays a part in making the business safer.

We've taken a number of steps to achieve this.

For example, at our operations in Africa we've held a series of catalyst workshops across our leadership group to drive behavioural change. We've also undertaken a detailed capability review of our senior leaders. We continue to invest the time and resources to drive the necessary behavioural change required to create a culture of care and accountability.

At our operations in Australia, we're in the process of undertaking the same capability review and implementing a series of initiatives to ensure our leaders and teams are fully involved in making our operations a safe place for our people.

…

Technology and innovation can change the way we do so much in our business, and we've already introduced a range of technologies which are helping us to improve safety and productivity. For example, we now use drones to conduct inspections and maintenance in difficult to access or dangerous areas.

And this year we added the role of Chief Technology Officer to our Lead Team to help us build momentum and identify new ways to improve safety and productivity.

…

Although not without challenges, this year we have had some real highlights across the business as we continued to optimize our operations. For seven out of ten of our operations we performed in line with guidance. The three where we didn't, I will address shortly.

Every part of our aluminium business was strong.

Our bauxite mines, alumina refineries and smelters in Australia, South Africa and Brazil – earned over 2.8 billion US dollars of the Group's revenue. This contributed 35 percent to the overall Group underlying EBITDA.

A particular highlight was our Mozal Aluminium smelter in Mozambique which produced a record 271 kilotons of aluminium.

Manganese was another bright spot as we used the flexibility built into our South African operations to take advantage of higher prices and offset cost pressures.

As the market tightened, we increased volumes by 19 per cent and used our stockpiles to counter the impact of a stronger rand, inflation and higher price-linked royalties.

…

Meanwhile, as we mentioned we faced challenges at some of our operations.

At the Appin metallurgical coal mine in Illawarra in New South Wales we had an unacceptable year as we experienced a series of outages, which affected our production.

We have recently commenced a measured ramp-up of longwall mining activity at Appin that will allow us to reset the operation's culture, re-establish minimum performance criteria and increase productivity towards a more acceptable level.

At Cannington in North West Queensland, lead, zinc and silver production were all down as ore grades declined, consistent with the mine plan, and run-of-mine stocks were depleted following an underground fire.

Following the decommissioning of the original underground crusher in September this year, we successfully replaced shaft haulage with additional trucking capacity. We expect processing rates to increase once we commission the new underground crusher in the March 2018 quarter.

South Africa Energy Coal recorded an overall drop in saleable production caused by heavy rain and associated delays in the development of the Wolvekrans Middelburg Complex. However, by the June quarter of the 2017 financial year we saw an 11 per cent improvement in production as we continued to open up new mining areas.

…

This year we also made significant progress as we sought to further unlock the potential of our operations.

For example, we finalised an agreement with Alcoa to access the West Marradong mining area at Worsley Alumina in Western Australia. This will allow us to defer spending capital on new mining hubs into the future.

We delivered the first higher-grade ore from La Esmeralda deposit at Cerro Matoso in Colombia.

We started exploration at the Southern Areas of our Northern Territory GEMCO manganese mine.

And in South Africa we have made good progress towards approving a project to extend the life of the Klipspruit colliery.

…

We are also focused on identifying growth opportunities that increase the competition for capital within the Group. We have been working with credible partners that provide access to greenfield exploration opportunities in which we can use our technical abilities while minimising operating risk.

We've reached agreements with:

AusQuest on base metals prospects in Peru and Australia.

Trilogy Metals to extend a high-grade copper resource at the Bornite deposit in Alaska.

And Arizona Mining on the Hermosa zinc, lead and silver project in Arizona.

…

Elsewhere in the business, our recruitment process increasingly reflects the importance we place on creating a diverse, inclusive and effective work force.

Lead team appointments include new faces in marketing and sustainability, strengthening our capacity in areas of growing importance.

It remains a priority for us to create a workforce that is as diverse as the communities where we operate.

As David mentioned, we are improving workforce diversity with more women appointed to our regional and operational lead teams.

We are committed to providing an inclusive and supportive workplace for our people. We have commenced the introduction of a new family care policy, increasing paid parental leave for the primary carer to 26 weeks' full pay. On top of this, we will pay a lump sum superannuation payment on return to work, and offer flexible working conditions.

It is important to me that we have a workplace where people feel safe asking for help when they need it. In line with this, we've implemented a new policy focused on supporting staff who are victims of domestic violence and offer a range of support options including paid leave, temporary accommodation and payment towards legal advice.

We've also implemented a new harassment policy, reinforcing our zero-tolerance approach to all forms of intimidation, harassment and discrimination.

…

In South Africa, we're engaging with all areas of our business to support our transformation strategy. In January this year, we awarded a three-year core mining contract to a Broad-Based Black Economic Empowerment company, Modi Mining, at our Wolvekrans Middleburg Complex. The award of this contract is particularly significant as it is our first core mining contract awarded to a 100 per cent black owned company and marks a major step forward in our plans to deliver a more inclusive supplier landscape.

…

In the past year, we've made good progress towards an inclusive and diverse workplace and will continue to work hard in these areas.

…

Looking to the year ahead, we will continue to optimize our portfolio to deliver value to our shareholders. We will seek more exposure to base metals and we've made a good start through our exploration partnerships.

Across the industry, we expect rising raw material input costs. Should these external pressures persist across the remainder of the year, we will not be immune to additional cost inflation.

…

To sum up, our financial results for the 2017 financial year, together with the strides we've made towards our sustainability, diversity and safety targets give me confidence for the year ahead. I look forward to updating you on our progress.

…

Thank you, I will now hand you back to our Chairman.

The Chairman then conducted the formal items of business.

David Crawford AO, Chairman

Closing remarks

Ladies and gentlemen, thank you for your attendance and attention.

This brings us to the end of the 2017 Annual General Meeting. On behalf of the Board, I would like to thank you for joining us today. We look forward to your continued support in the coming year.

For those of you here in Perth, please join me and my fellow Directors and executive management for light refreshments.

I now declare this meeting CLOSED.

JSE Sponsor: UBS South Africa (Pty) Ltd
23 November 2017