



18 November 2015

South32 Limited
(Incorporated in Australia under the *Corporations Act 2001* (Cth))
(ACN 093 732 597)
ASX / LSE / JSE Share Code: S32
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2015 AGM 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.

The meeting will be webcast at <http://edge.media-server.com/m/p/bobusxue/r/1>

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

Nicole Duncan
Chief Legal Officer and Company Secretary

SOUTH32 LIMITED
2015 Annual General Meeting
18 November 2015

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

David Crawford AO, Chairman

Good afternoon everyone. My name is David Crawford and I am the Chairman of the South32 Board of Directors.

Today is a special occasion. It is our first Annual General Meeting. Thank you for sharing this day with us. And welcome to those shareholders from around the world who are following today's events via webcast.

At South32, safety is paramount.

Please take note of the emergency exits which are located in the North and South alcoves as well as around the ballroom. These exits are visible by illuminated green signs. In the event of an emergency, you will hear an intermittent alarm and you should prepare to evacuate.

If you hear a continuous, high-pitched alarm, a hotel employee will direct you to the nearest emergency exit. The assembly point for an evacuation is Langley Park, which is located between the back of the hotel and the Swan River.

The use of recording devices, photography equipment and mobile phones are not permitted during this meeting.

As a courtesy to your fellow shareholders, please turn off your mobile phones or switch them to silent mode.

I acknowledge Elders past and present of the Whadjuk people of the Noongar nation as the traditional owners of the lands and waters where we meet today.

Traditional owner and Noongar representative Mr Barry McGuire will now conduct a Welcome To Country on behalf of the Whadjuk people.

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Thank you Barry.

I draw your attention to these important notices displayed on the screen behind me.

In the presence of a quorum, I declare the meeting open.

As this is our first AGM, I will start by introducing my fellow Board members, and our Company Secretary.

On my right:

- Graham Kerr – our Chief Executive Officer
- Keith Rumble – the Chair of the Sustainability Committee

- Dr Futhi Mtoba
- Peter Kukielski

On my left:

- Chief Legal Officer and Company Secretary, Nicole Duncan, who is a member of the Executive team
- Dr Xolani Mkhwanazi
- Frank Cooper – the Chair of the Risk and Audit Committee and
- Wayne Osborn – the Chair of the Remuneration Committee

The other members of our Executive team are seated in the front row. They are:

- Dale Calhoun – Chief People Officer
- Mike Fraser – President and Chief Operating Officer, Africa
- Ricus Grimbeek – President and Chief Operating Officer, Australia
- Brendan Harris – our Chief Financial Officer and
- Paul Harvey – Chief Transformation Officer

Our Directors and Executive team invite you to join us for refreshments after the meeting.

I also note that Denise McComish is here representing the Company's auditors KPMG.

Tim Heughan from Computershare is also here to oversee the polling process.

I will commence proceedings with an overview of the key milestones to date.

Your CEO, Graham Kerr, will then present an operations report before we move to the formal business of the meeting and the resolutions.

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

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South32 has had a truly historic beginning.

On 18 May we listed on the Australian Securities Exchange, the Johannesburg Stock Exchange and the London Stock Exchange.

On 25 May we demerged from BHP Billiton.

And on 24 August we announced our first annual results.

Whilst these milestones were achieved in quick succession, they do not fully reflect the significant effort by hundreds of employees over many months and across multiple countries to turn an idea into reality.

To provide some insight, the demerger process took two years from concept to our listing in May.

It was also one of the most complex demergers in mining history, requiring us to obtain national and international regulatory approvals, obtain third party consents and navigate thousands of process steps to ensure a smooth transition.

At the core of this effort was a clear sense of commitment and purpose to maximise value from operations held by BHP Billiton and now under South32 management.

Through the demerger, we have inherited a long and proud history - we have been operating in Africa for 78 years, Australia for 80 years and South America for 34 years.

We have inherited a high quality, well-maintained portfolio.

Many of our operations are well positioned on their respective cost and margin curves. They are diverse by commodity, market and geography.

We also have great people and a solid foundation of systems and processes.

These attributes are underpinned by a strong balance sheet.

Within this context, let us consider our strategic direction.

South32 has a clearly defined purpose, which is to make a difference by developing natural resources, improving people's lives now and for generations to come.

We acknowledge the importance of being trusted by our owners and partners to realise the potential of their resources.

Our business strategy is simple, 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.

Graham will talk about the strategy in more detail. Your Board has put in place the right incentives to underpin the strategy, with a focus on short and long-term performance.

Underpinning this strategy are our values ... Care, Trust, Togetherness and Excellence.

They have been developed by our employees and have been embraced across the business – from Africa to Australia to the Americas.

Our values are defining the right behaviours for how we work together and how we engage with our stakeholders. We believe in living these values every day.

Having the right people in place is an imperative for any company.

At South32 we have appointed a Board of Directors who bring the right mix of skills, experience and diversity to a company of our size and geographic diversity.

The Board has collective expertise in the areas of mining, refining, smelting and processing of minerals, and project development. They also have experience in the host countries of our operations and the jurisdictions where our shares are listed.

We have also recruited an executive management team dedicated to the delivery of sector-leading total shareholder returns.

This commitment is critical in the ever-changing environment in which we operate.

In summary, the Board considers that the Directors and senior management have the combined skills and experience to discharge their responsibilities in a publicly listed, globally diversified metals and mining company.

Having the right governance framework is fundamental for the way we run our business.

We had a unique opportunity to develop a governance structure that is fit-for-purpose and building upon the best from our heritage.

In developing this framework, the Board had regard to the standards of corporate governance applicable in each of the jurisdictions where we are listed.

Our aim is to adopt the better of those standards, which leads to the best outcome from a governance perspective for our stakeholders.

We are taking a fresh approach to running our business.

Most importantly, our goal is to increase total shareholder returns, and not solely focus on increasing production volume.

A key enabler is our operating model, with regional offices in Perth for our Australian and South American activities, and Johannesburg for our African activities.

Our head office is here in Perth, supported by a centralised marketing function in Singapore.

The regional model is already delivering savings and operating efficiencies, and is being fast-tracked. We plan to have it fully implemented by the end of this year.

We have adopted a simple approach to capital management, with well-defined priorities for cash flow. We also start with a commitment to maintain safe and reliable operations and an investment grade credit rating through the business cycle.

We received a number of questions from shareholders prior to the AGM on dividends.

We intend distributing a minimum of 40 per cent of Underlying earnings as dividends following each six-month reporting period.

This pay-out ratio policy protects the balance sheet when margins are compressed and rewards shareholders as financial performance improves.

South32, like the rest of industry, is operating in a challenging environment.

Our view is that market uncertainties are likely to persist for some time.

We are responding to this global challenge through a targeted program of reducing operational and capital expenditure, and changing the way we work.

Before I hand over to Graham I want to reiterate:

We have high quality assets

We have the right people

We have the right strategy

And we are putting in place the right organisational structure, governance and business culture to deliver sector-leading total shareholder returns.

My thanks go to my fellow Board members, as well as to the South32 management team and employees, for their commitment throughout a challenging and rewarding start to our journey.

I also thank you our shareholders and look forward to your continued support as we build South32 into a great company.

And I now hand over to Graham to address you.

Graham Kerr, Chief Executive Officer

Thank you David.

Good afternoon.

As our Chairman mentioned in his address, despite challenging markets, South32 has had a strong start, not just in the milestones we have achieved, but also in the foundation we are laying for the years ahead.

This includes:

- fast-tracking our regional model
- putting the right teams in place
- right-sizing our systems and processes
- driving organisational and cultural change across the Group
- and, importantly, implementing a simple business strategy to maximise returns for shareholders.

These building blocks are being laid across the company and I would like to thank our people for their collective effort in making South32 a different kind of resources company.

Despite the significant progress we made during the year, we sadly had three fatalities at our operations in the previous financial year and two so far this year.

A single fatality is unacceptable and not what South32 is about.

In order to make a step change in our safety performance we are:

- focusing on having the right leadership capability at all levels supporting a safety culture in our business, evidenced by behaviours linked to our values

- engaging and developing our people to ensure we have a workforce with deep functional expertise and
- ensuring we have fit-for-purpose systems and structures that are simple, effective and well understood and drive the design, planning, execution and improvement of work.

We have a core value of care and all our people need to go home safe and well at the end of their shifts to their loved ones.

Nothing is more important than this.

Our operations continue to perform well, despite a significant deterioration in the operating environment.

In FY15, we achieved four annual production records alumina at Brazil Aluminium, coal at Illawarra Metallurgical Coal, alloy at Australia Manganese and ore at South Africa Manganese.

Record volumes of hydrate were also achieved at Worsley Alumina.

On a pro forma basis we recorded an annual increase in Underlying EBIT in FY15 of 56 per cent to 1 billion dollars and an annual increase in Underlying earnings of 41 per cent to 575 million dollars.

We were able to convert this earnings growth into cash flow, with pro forma FY15 free cash flow before interest and tax of 1.68 billion dollars.

We also maintained our strong balance sheet, with a net debt position at the end of FY15 of 402 million dollars and a strong investment grade credit rating.

During FY15 we continued to focus on reducing operating costs that form part of Underlying EBIT.

282 million dollars of productivity-led and other cost efficiencies were embedded during FY15 as we fast-tracked the implementation of our regional operating model.

This strong performance continued in FY16, with production records achieved at Australia Manganese and Illawarra Metallurgical Coal during the September quarter.

Significant savings are also being achieved in procurement and logistics following the aggregation of these commercial activities.

Our net debt position has also continued to improve with net debt declining by 206 million dollars to 196 million dollars during the September quarter.

Furthermore, our strong balance sheet is a key point of difference, which positions us well given the challenging outlook.

We have a simple strategy, to maximise return on invested capital and total shareholder returns.

This strategy will enable us to:

- reduce controllable costs by at least 350 million dollars per annum by the end of FY18,
- and reduce sustaining capital expenditure by 9 per cent to 650 million dollars in FY16.

At the time of the demerger we recognised that a fresh approach to managing our operations was required, with a focus on improving our return on invested capital, addressing resource and grade decline, and building stronger stakeholder relationships, particularly in South Africa and Colombia.

In developing our strategy, we first looked at the strengths of our inheritance, which include a strong focus on sustainability, great people, a solid foundation of systems and process and a strong balance sheet.

We also acknowledged that we would need to right size our systems, processes and culture to suit the scale of our operations.

The end result was a simple strategy with three key elements:

- firstly, optimise the performance of our existing operations through a relentless pursuit of the basics - safety, volume, costs and capex
- secondly, maximise the potential of our portfolio by converting high value resource to reserves
- and finally, identify new options to compete for capital.

Our regional model is a key enabler of our strategy.

Using this model we will deliver more efficient and productive operations by:

- reducing layers of management
- aggregating functional support at the regions
- fostering stronger stakeholder relationships particularly in Africa where we have for the first time one voice for all stakeholders
- changing the capability and structure of the procurement function
- and implementing resource development plans, with a view to optimising performance and growth opportunities.

Most importantly, we are putting significant effort into our operations to ensure we have safe, reliable production, wherever we work.

Our operating model is already delivering results.

Our operations are being run differently.

Our financial approach is disciplined.

And our people are talented and motivated to drive the change we need and to deliver on our commitments.

Looking ahead, despite the challenging market conditions, I can assure you that we have the right strategy, the right balance sheet strength and management commitment to deliver sector leading returns.

I look forward to sharing with you our performance in the reporting periods ahead.

Thank you and I 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, we have had a full and fair discussion.

This brings us to the end of our first Annual General Meeting. On behalf of the Board, thank you for your participation. We look forward to your continued support in the coming year.

Please join me and my fellow Directors and executive management for light refreshments outside this room.

I now declare this meeting CLOSED.

JSE Sponsor: UBS South Africa (Pty) Ltd
18 November 2015