

BHP BILLITON LTD
Form 6-K
March 19, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934
March 19, 2015

BHP BILLITON LIMITED

(ABN 49 004 028 077)

(Exact name of Registrant as specified in its charter)

BHP BILLITON PLC

(REG. NO. 3196209)

(Exact name of Registrant as specified in its charter)

VICTORIA, AUSTRALIA

ENGLAND AND WALES

(Jurisdiction of incorporation or organisation)

171 COLLINS STREET, MELBOURNE,

VICTORIA 3000 AUSTRALIA
(Address of principal executive offices)

(Jurisdiction of incorporation or organisation)

NEATHOUSE PLACE, VICTORIA, LONDON,

UNITED KINGDOM
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): n/a

Table of Contents

Table of Contents

This document (the **South32 Listing Document**), which comprises a prospectus relating to South32 Limited (**South32** or the **Company**), prepared in accordance with the UKLA Prospectus Rules made under section 73A of FSMA, has been approved by the Financial Conduct Authority in accordance with section 87A of FSMA and has been made available to the public in accordance with Rule 3.2 of the UKLA Prospectus Rules. This document has been prepared in connection with the admission of the South32 Shares to the Official List and to trading on the London Stock Exchange. It is proposed that United Kingdom Admission will take place shortly after the demerger of South32 becomes effective.

South32 and the South32 Directors, whose names appear in Section 8.1(a) of this document, accept responsibility for the information contained in this document, (the liability of South32 and the South32 Directors being subject to certain indemnities BHP Billiton Limited has agreed to provide South32 as described in section 14.4 of this document).

BHP Billiton Limited accepts responsibility for the information contained in this document save for the information contained in Sections 5.2, 5.3, 5.5, 7.7, 8.1 to 8.6 and 8.8 (as well as information included in other sections of this document which substantially replicates, derives from or summarises the information referred to these sections).

To the best of the knowledge of South32, BHP Billiton Limited and the South32 Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

Application will be made to the FCA for all of the issued and to be issued shares of South32 to be admitted to the standard listing segment of the Official List and to the London Stock Exchange for the South32 Shares to be admitted to trading on the London Stock Exchange's main market for listed securities, which together will constitute official listing on a stock exchange under the UKLA Listing Rules (together, the **United Kingdom Admission**). It is expected that, subject to completion of the Demerger, the United Kingdom Admission will become effective and that dealings on the London Stock Exchange in the South32 Shares will commence at 8.00 a.m. (London time) on 26 May 2015 (ISIN: AU000000S320). Conditional dealings in the South32 Shares are expected to commence on the London Stock Exchange on 18 May 2015. Dealings on the London Stock Exchange before United Kingdom Admission will only be settled if United Kingdom Admission takes place. All dealings before the commencement of unconditional dealings will be on a *when issued* basis and will be of no effect if United Kingdom Admission does not take place and such dealings will be at the sole risk of the parties concerned.

Application will also be made to the ASX for quotation of the South32 Shares (the **ASX Admission**). It is expected, subject to completion of the Demerger, that the ASX Admission will become effective and that deferred settlement trading on the ASX of the South32 Shares will commence at midday (AEST) on 18 May 2015. Application will also be made to the JSE for the South32 Shares to be admitted to listing and trading on the Main Board of the JSE (the **South African Admission**). It is expected, subject to completion of the Demerger, that the South African Admission will become effective and that dealings on the JSE in the Letters of Allocation will commence at 9.00 a.m. (SAST) on 18 May 2015.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, any security.

Prospective investors should read the whole of this document and, in particular, the discussion of certain risks and other factors that should be considered in connection with an investment in the South32 Shares as set out in the Risk Factors section.

South32 Limited

(incorporated in Australia under the
Australian Corporations Act with
Australian Company Number 093 732 597)

Prospectus

**Admission to the standard segment of the Official List
and to trading on the London Stock Exchange of the
entire issued share capital of South32 Limited**

The South32 Shares have not been marketed to and are not available for purchase, in whole or in part, by the public in the United Kingdom or elsewhere in connection with the Demerger. This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for any securities.

The distribution of this document and the issue of the South32 Shares in certain jurisdictions may be restricted by law. No action has been taken or will be taken to permit the possession or distribution of this document in any jurisdiction where action for that purpose may be required. Accordingly, this document may not be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document should come in overseas territories are required to inform themselves about and observe any restrictions on the issue of the South32 Shares and the distribution of this document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

BHP Billiton Shareholders who are Ineligible Overseas Shareholders will not receive South32 Shares under the Demerger. South32 Shares that would otherwise be transferred to these shareholders under the Demerger will be transferred to the Sale Agent to be sold, with the net proceeds of such sale to be paid to Ineligible Overseas Shareholders. Refer to the Shareholder Circular for further information.

Notice to prospective South32 Shareholders in the United States

The South32 Shares have not been and will not be registered under the US Securities Act. Please refer to Section 3.8 of this document.

The South32 Shares have not been approved or disapproved by the US Securities and Exchange Commission (**SEC**), any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the South32 Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Certain terms used in this document are defined in the **Definitions** section of this document.

References to the singular in this document shall include the plural and vice versa, where the context so requires. References to sections or Parts are to sections or Parts of this document.

All references to time in this document are to London times unless otherwise stated.

The date of this document is 16 March 2015.

Table of Contents**CONTENTS**

1	<u>SUMMARY</u>	1
2	<u>RISK FACTORS</u>	9
2.1	<u>External risks relating to the industries in which South32 operates</u>	9
2.2	<u>Operational risks</u>	12
2.3	<u>Business risks</u>	15
2.4	<u>Financial risks</u>	15
2.5	<u>Sustainability risks</u>	16
2.6	<u>General risks relating to the South32 Shares</u>	18
3	<u>IMPORTANT INFORMATION</u>	21
3.1	<u>General</u>	21
3.2	<u>Preparation of, and responsibility for, this document</u>	21
3.3	<u>Investment decisions</u>	22
3.4	<u>Forward looking statements</u>	22
3.5	<u>Presentation of financial information</u>	23
3.6	<u>Independent Competent Persons Reports</u>	24
3.7	<u>Credit rating</u>	24
3.8	<u>Notice to BHP Billiton Shareholders outside Australia, the United Kingdom and South Africa</u>	24
3.9	<u>Where to find help</u>	24
4	<u>KEY TRADING DATES</u>	25
5	<u>SOUTH32 OVERVIEW</u>	27
5.1	<u>Introduction</u>	27
5.2	<u>South32 organisational structure</u>	31
5.3	<u>Strategy</u>	32
5.4	<u>Key strengths</u>	32
5.5	<u>Dividend policy</u>	35
6	<u>MARKET OVERVIEW</u>	37
6.1	<u>Bauxite, alumina and aluminium industry</u>	37
6.2	<u>Energy coal industry</u>	38
6.3	<u>Metallurgical coal industry</u>	39
6.4	<u>Manganese industry</u>	41
6.5	<u>Nickel industry</u>	42
6.6	<u>Silver, lead and zinc industry</u>	44
7	<u>SOUTH32 BUSINESS DESCRIPTION</u>	47
7.1	<u>South32 Businesses</u>	47
7.2	<u>Summary of Mineral Resources and Ore Reserves information</u>	81
7.3	<u>Description of joint ventures and other interests held by South32</u>	92
7.4	<u>South32 marketing</u>	93
7.5	<u>Employees</u>	94
7.6	<u>Government regulation overview</u>	96
7.7	<u>Health, Safety, Environment and Community</u>	96

Table of Contents

8	<u>DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE</u>	99
8.1	<u>Directors</u>	99
8.2	<u>Senior management</u>	101
8.3	<u>Shareholdings and interests of South32 Directors, senior management and other specified persons</u>	105
8.4	<u>Conflicts of interest</u>	106
8.5	<u>Confirmations</u>	106
8.6	<u>Business address</u>	106
8.7	<u>Equity Incentive Plans</u>	106
8.8	<u>Corporate governance</u>	110
9	<u>SELECTED HISTORICAL COMBINED FINANCIAL INFORMATION</u>	115
9.1	<u>Overview</u>	115
9.2	<u>Summary of South32 s historical combined financial information</u>	116
9.3	<u>Capitalisation and indebtedness statement</u>	117
10	<u>SUMMARY OF PRO FORMA HISTORICAL FINANCIAL INFORMATION</u>	119
10.1	<u>Overview</u>	119
10.2	<u>Basis of preparation</u>	119
10.3	<u>South32 summary pro forma historical consolidated income statements</u>	121
10.4	<u>South32 summary pro forma historical consolidated cash flow statements before financing activities and tax and after capital expenditure</u>	122
10.5	<u>South32 pro forma historical consolidated balance sheet</u>	123
10.6	<u>Debt facilities</u>	125
10.7	<u>Pro forma net indebtedness summary</u>	126
10.8	<u>Accounting judgements and estimates</u>	126
10.9	<u>Taxation</u>	128
11	<u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	129
11.1	<u>Introduction</u>	129
11.2	<u>External factors and trends affecting South32 s results</u>	131
11.3	<u>Operating results Underlying Earnings</u>	138
11.4	<u>Consolidated results overview</u>	138
11.5	<u>Operating results</u>	139
11.6	<u>Business performance</u>	147
11.7	<u>Third party sales</u>	159
11.8	<u>Cash flow analysis</u>	160
11.9	<u>Net debt and sources of liquidity</u>	161
12	<u>INDEPENDENT ACCOUNTANT S ASSURANCE REPORT</u>	163
13	<u>TAXATION</u>	171
13.1	<u>Important information</u>	171
13.2	<u>Australian tax consequences of holding South32 Shares</u>	171
13.3	<u>United Kingdom tax consequences of holding South32 Shares</u>	173
13.4	<u>United States federal income tax consequences of holding South32 Shares or South32 ADSs</u>	174
13.5	<u>South African tax consequences of holding South32 Shares</u>	175
13.6	<u>New Zealand tax consequences of holding South32 shares</u>	176
14	<u>INFORMATION ON THE DEMERGER</u>	177
14.1	<u>Introduction</u>	177
14.2	<u>Internal Restructure</u>	177
14.3	<u>Implementation of the Demerger</u>	178
14.4	<u>Demerger Agreements</u>	178

ii **South32** Listing Document

Table of Contents

15	<u>ADDITIONAL INFORMATION</u>	183
15.1	<u>Incorporation and activities of South32</u>	183
15.2	<u>Corporate history</u>	183
15.3	<u>Share capital of South32</u>	183
15.4	<u>Summary of South32 s Constitution</u>	185
15.5	<u>Listing</u>	188
15.6	<u>South32 shareholdings</u>	188
15.7	<u>Trading your South32 Shares</u>	192
15.8	<u>Foreign ownership and other shareholding restrictions general</u>	193
15.9	<u>South African exchange control limitations affecting shares</u>	193
15.10	<u>ASX, ASIC, JSE and SARB waivers, confirmations and relief</u>	195
15.11	<u>Government protections and investment encouragement laws</u>	196
15.12	<u>Organisational structure</u>	196
15.13	<u>Details on South32 Directors and senior management</u>	197
15.14	<u>Pensions</u>	199
15.15	<u>Litigation</u>	199
15.16	<u>Material contracts</u>	200
15.17	<u>Material royalties</u>	200
15.18	<u>Property, plant and equipment</u>	200
15.19	<u>Significant change</u>	200
15.20	<u>Working capital statement</u>	200
15.21	<u>Announcement of completion of the Demerger and the admission of South32 Shares</u>	200
15.22	<u>Consents</u>	201
15.23	<u>Independent Competent Persons and Competent Persons interests in BHP Billiton Shares</u>	202
15.24	<u>Related party transactions</u>	203
15.25	<u>No incorporation of website information</u>	203
15.26	<u>Costs and expenses</u>	203
15.27	<u>Sources and bases of selected financial and other information</u>	204
15.28	<u>Documents available for inspection</u>	204
16	<u>DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS</u>	205
16.1	<u>Definitions</u>	205
16.2	<u>Units of measure</u>	212
16.3	<u>Terms used in relation to reserves and resources</u>	212
16.4	<u>Rounding</u>	212
<u>ANNEXURES</u>		213
Annexure 1	<u>Historical combined financial information for the years ended 30 June 2014, 30 June 2013 and 30 June 2012 for South32</u>	215
Annexure 2	<u>Half year historical combined financial information for the Half Year periods ended 31 December 2014 and 31 December 2013 for South32</u>	275
Annexure 3	<u>South32 pro forma historical consolidated income statement and cash flow statement reconciliations</u>	295
Annexure 4	<u>South32 pro forma segment reporting</u>	299
Annexure 5	<u>Selected financial metrics for the past 10 financial years</u>	303
Annexure 6	<u>Independent Competent Persons Reports</u>	311
<u>CORPORATE DIRECTORY</u>		IBC

Table of Contents

This page has been intentionally left blank.

iv **South32** Listing Document

Table of Contents

1 SUMMARY

The information in this document has been prepared to meet the disclosure requirements associated with the admission to trading of South32's ordinary shares on the ASX, JSE and LSE (as noted in Section 15.10(b), ASIC has granted an exemption from the prospectus provisions in the Corporations Act and this document is not a prospectus under the Corporations Act). It therefore reflects and meets the disclosure requirements of three jurisdictions.

The form and content of the summary below are prescribed by European Union Regulation and are required to be included for the purposes of the admission of the South32 Shares to trading on the LSE. The statements in Section A.1 in relation to claims based on the summary are only applicable where claims are brought on the basis of the UK Prospectus and do not alter the rights or liabilities of any person in relation to the information memorandum for the purposes of the listing of South32 Shares on the ASX or the pre-listing statement for the purposes of the listing of South32 Shares on the JSE.

Summaries are made up of disclosure requirements known as Elements. These Elements are numbered in Sections A E (A.1 E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of not applicable.

SECTION A INTRODUCTION AND WARNING

A.1 Warning

This summary should be read as an introduction to this document. Any decision to invest in South32 Shares should be based on consideration of this document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Economic Area, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of this document or it does not provide, when read together with other parts of this document, key information in order to aid investors when considering whether to invest in such securities.

A.2 Any consents to and conditions regarding use of this document

Not applicable.

SECTION B ISSUER

B.1 Legal and commercial name of the company

South32 Limited

B.2 Domicile and legal form of the company

South32 is a public company incorporated in Australia on 12 July 2000 (formerly known as BHP Coal Holdings Pty Limited) and registered under the Corporations Act.

B.3 Description of South32's current operations and principal activities

Following implementation of the Demerger, South32 will be a globally diversified metals and mining company with a portfolio of assets producing alumina, aluminium, coal, manganese, nickel, silver, lead and zinc. South32 will have multiple large assets, the majority of which are competitively positioned in the first or second quartile of their respective industry cost curves. South32's operated assets will have the advantage of having historically been managed and maintained in accordance with BHP Billiton's standards and practices.

South32's portfolio will comprise of the South32 Businesses, which are:

Worsley Alumina: an 86 per cent interest in an integrated bauxite mining and alumina refining operation located in Western Australia, Australia;

Table of Contents

South Africa Aluminium: a 100 per cent interest in the Hillside smelter near Richards Bay, South Africa. The business previously included the Bayside smelter, which was closed in FY2014, and Bayside casthouse. An agreement has been reached for the sale of the assets comprising the Bayside casthouse (the sale is subject to certain regulatory and other conditions, which are expected to be fulfilled in the first half of CY2015);

Mozal Aluminium: a 47.1 per cent interest in the Mozal Aluminium smelter located near Maputo, Mozambique;

Brazil Aluminium: a 14.8 per cent interest in the Mineração Rio do Norte open-cut bauxite mine (**MRN Mine**), as well as a 36 per cent interest in the Alumar alumina refinery and a 40 per cent interest in the Alumar aluminium smelter (together with certain interests in ancillary facilities and lands);

South Africa Energy Coal: a 90 per cent interest in four operating energy coal mines in the Witbank region in the Mpumalanga province of South Africa;

Illawarra Metallurgical Coal: a 100 per cent interest in three underground metallurgical coal mines located near Wollongong in New South Wales, Australia;

Australia Manganese: a 60 per cent interest in the Groote Eylandt Mining Company (**GEMCO**) open-cut manganese mine and the Tasmanian Electro Metallurgical Company (**TEMCO**) manganese alloy plant. GEMCO is located in the Northern Territory, Australia near port facilities at Milner Bay, and TEMCO is located in Tasmania, Australia, near the Bell Bay wharf;

South Africa Manganese: a 44.4 per cent effective interest in the Mamatwan open-cut mine and the Wessels underground mine (collectively known as the **Hotazel Mines**) and a 60 per cent interest in the Samancor Manganese Metalloys alloy plant (**Metalloys**). The Hotazel Mines are located near the town of Kuruman, South Africa;

Cerro Matoso: a 99.94 per cent interest in an open-cut lateritic nickel mine and ferronickel smelter located near Montelibano, in the Córdoba Department in northern Colombia;

Cannington: a 100 per cent interest in a silver, lead and zinc underground mine and concentrator operation located in northwest Queensland, Australia, approximately 200 km southeast of Mount Isa.

B.4a Description of significant trends affecting the company and the industries in which it operates

As a company which mines and produces commodities used in a range of manufacturing and industrial processes, South32 is exposed to fluctuations in the prices of its key commodities. Global demand and supply for the commodities the South32 Businesses produce are key drivers of commodity prices, and fluctuations in product demand and supply therefore affect South32's results, including cash flows and asset values.

B.5 Description of the South32 Group and the company's position within it

South32 is an Australian public company, which will be the holding company of the South32 Group. As at the date of this document, South32 is a wholly-owned subsidiary of BHP Billiton Limited. As part of the Demerger, South32 will be separated from the BHP Billiton Group to operate as a standalone entity.

South32 will be headquartered in Perth, Australia, with its Australian operations managed from Perth and African operations managed from a regional head office in Johannesburg, South Africa. South32 will also have a global shared service centre located in Johannesburg, South Africa.

B.6 Interests in the company and voting rights

As at 14 March 2015 (being the latest practicable date prior to the publication of this document), the entire issued share capital of South32 is held by BHP Billiton Limited. Following the Demerger, the shareholders of South32 shall be the same as the shareholders of BHP Billiton as at the relevant Record Date, except where BHP Billiton Shareholders are Ineligible Overseas Shareholders or elect to sell their South32 Shares pursuant to the Sale Facility.

To the knowledge of South32 and BHP Billiton Limited:

BHP Billiton is not (and therefore South32, immediately following the Demerger, will not be) directly or indirectly majority owned or controlled by another corporation or by any foreign government.

Immediately following the implementation of the Demerger, there is no person who, directly or indirectly, jointly or severally, will exercise or could exercise control over South32.

There are no arrangements the operation of which may at a subsequent date result in a change in control of BHP Billiton or South32 (other than as a result of implementation of the Demerger).

No public takeover offers by third parties have been made in respect of BHP Billiton's shares during the current and preceding financial year.

As at 14 March 2015 (being the latest practicable date prior to the publication of this document), to the knowledge of South32 and BHP Billiton Limited, there are no persons that are directly or indirectly interested in five per cent or more of the issued shares in BHP Billiton Limited and the following persons are directly or indirectly interested in three per cent or more of the issued shares in BHP Billiton Plc:

Aberdeen Asset Managers Limited, which holds 157,061,561 shares of which it controls voting rights in respect of 127,971,161 shares, representing 6.06 per cent of the BHP Billiton Plc Shares on issue (as notified on 13 March 2015);

BlackRock Inc, which holds and controls voting rights in respect of 213,014,043 shares, representing 10.08 per cent of the BHP Billiton Plc Shares on issue (as notified on 3 December 2009),

and none of the shareholders referred to above has or will have different voting rights from any other holder of South32 Shares in respect of any South32 Shares held by them.

2 **South32** Listing Document

Table of Contents**B.7 Selected historical combined financial information**

The table below sets out summary historical combined financial information for the six months ended 31 December 2014 (H1 FY2015) and the six months ended 31 December 2013 (H1 FY2014), which has been extracted from the historical combined financial information of the South32 Group set out in Annexure 2, and for the twelve months ended 30 June 2014 (FY2014), the twelve months ended 30 June 2013 (FY2013) and the twelve months ended 30 June 2012 (FY2012), which has been extracted from the historical combined financial information of the South32 Group set out in Annexure 1.

Table 1.1: Selected summary South32 historical combined financial information

US\$M	6 months ended		12 months ended June		
	H1 FY2015	H1 FY2014	FY2014	FY2013	FY2012
Income statement information					
Revenue	5,040	5,348	10,444	12,093	13,835
Profit/(loss) from operations	1,251	554	774	(963)	2,060
Profit/(loss) before taxation	1,214	446	422	(1,096)	2,018
Profit/(loss) after taxation	738	358	217	(1,304)	1,433
Other financial information^(a)					
Underlying EBITDA	1,306	976	2,055	2,118	2,831
Underlying EBIT	800	510	1,070	1,154	1,926
Underlying Earnings	534	369	614	755	1,258
Cash flow information					
Cash generated from operations	1,131	781	2,108	2,138	2,899
Less interest and tax, net of dividends received	118	(288)	(438)	(712)	(506)
Net operating cash flows	1,249	493	1,670	1,426	2,393
Capital expenditure	(411)	(394)	(769)	(1,139)	(2,013)
Net operating cash flows after capital expenditure	838	99	901	287	380
Balance sheet information					
Current assets	12,630	5,361	5,002	5,236	7,544
Non-current assets	14,093	14,322	14,688	14,307	16,468
Total assets	26,723	19,683	19,690	19,543	24,012
Current liabilities	1,936	2,601	2,133	2,764	3,194
Non-current liabilities	7,240	6,793	7,737	6,659	7,006
Total liabilities	9,176	9,394	9,870	9,423	10,200
Net assets/Total invested capital	17,547	10,289	9,820	10,120	13,812

- (a) Underlying Earnings is the key measure that South32 proposes to use to assess the performance of South32, make decisions on the allocation of resources and assess senior management. In addition, the performance of each of the South32 Businesses and operational management will be assessed based on Underlying EBIT. Underlying EBITDA and Underlying EBIT are calculated based on the accounting policies that South32 proposes to use when discussing its operating results in future periods. Refer to note 2 Segment reporting of Annexure 1 for further details of this approach. The accounting policies proposed by South32 for calculating these measures differ from those currently used by BHP Billiton, the key differences being that South32 will adjust for certain items each period, irrespective of materiality, and South32 management will retain the discretion to adjust for other significant non-recurring items that are not considered to reflect the underlying performance of the assets it holds.

1 Summary 3

Table of Contents

The significant changes to South32's financial condition and operating results during or subsequent to the period covered by the historical combined financial information set out above, to the date of this document, are as follows:

reductions in operating costs, including the benefit of a stronger US dollar, have resulted in improved profitability during H1 FY2015;

there was a year on year decrease in revenue in FY2014 of US\$1,649 million and US\$1,742 million in FY2013. The primary cause was a fall in prices for most commodities over these periods, which in turn led to a significant decrease in profit attributable to shareholders;

the fall in commodity prices had an impact on asset values across the period. A decline in export prices for energy coal resulted in impairments booked against the South Africa Energy Coal assets in FY2014 of US\$292 million. The strength in the Australian dollar and weak alumina prices at the time led to a reduction in the asset value of Worsley Alumina in FY2013 of US\$2,190 million;

cost pressures impacted operating margins leading to the cessation of some smelting activities at South Africa Aluminium in June 2014. Closure costs of US\$167 million were recorded in FY2014 in relation to the cessation of production;

as part of a regular portfolio review in June 2012, various operations and projects were either suspended or closed early. These included: the temporary suspension of production at Australia Manganese, the permanent closure of the Metalloys South Plant at South Africa Manganese and the termination of the Samancor Manganese Gabon project, resulting in the recognition of US\$93 million in asset write-downs;

the move to joint control arising from changes to the joint venture arrangements for the Manganese Business effective from 2 March 2015 resulted in a gain of approximately US\$2 billion recorded after 31 December 2014 and the subsequent equity accounting for South32's interest in the Manganese Business;

certain other adjustments resulting from the Internal Restructure in preparation for the Demerger, including tax charges;

as part of the Internal Restructure during H1 FY2015 there was an issue of shares to BHP Billiton Limited of US\$8 billion to capitalise South32 to enable the acquisition of the companies that will comprise the South32 Group. The proceeds were primarily placed on deposit with BHP Billiton.

B.8 Selected pro forma historical financial information

The following is a summary of South32 pro forma historical financial information for the periods, which has been prepared to illustrate the effect:

- (a) on the income statement and cash flow statement of the move to joint control of the Manganese Business and the impact of the Demerger (including adjustments to reflect reversal of intercompany net financing costs and dividends), as if they had occurred on 1 July 2013;
- (b) on the balance sheet, of the move to joint control of the Manganese Business and the Demerger (including adjustments to reflect settlement of intercompany balances between South32 and BHP Billiton and Demerger set up costs to be incurred by South32 after the Demerger takes effect), as if they had occurred on 31 December 2014.

The South32 pro forma historical financial information has been prepared, and is intended, for illustrative purposes only. It addresses a hypothetical situation and therefore does not purport to reflect South32's actual financial performance or the actual financial position that South32 would have achieved if South32 had operated as a standalone entity for the periods presented.

Table 1.2: Selected summary of South32's pro forma historical income statement and cash flow information(a)

US\$M	6 months ended December H1 FY2015	12 months ended June FY2014
Income statement information		
Revenue	4,089	8,344
Profit from operations	724	337
Profit before taxation	729	150
Profit after taxation	306	103
Basic earnings per share (US cents)	5.75	1.93
Other financial information		
Underlying EBITDA	1,065	1,483
Underlying EBIT	648	660
Underlying Earnings	442	446
Underlying basic earnings per share (US cents)	8.30	8.38

Table of Contents

US\$M	6 months ended December H1 FY2015	12 months ended June FY2014
Cash flow information		
Cash generated from operations	929	1,419
Dividends received (including equity accounted investments)	131	206
Capital expenditure	(317)	(590)
Net operating cash flows before financing activities and tax and after capital expenditure	743	1,035

- (a) As described in Section 10.2, no pro forma adjustments have been made to South32's pro forma historical consolidated income statements or cash flow information to reflect the anticipated additional corporate overhead costs or savings of South32 operating as a standalone entity or savings from implementation of South32 regional operating model (refer to Section 11.2(d)).

Table 1.3: Selected summary of South32's pro forma historical balance sheet information

US\$M	South32 31 December 2014	Adjustments	South32 pro forma 31 December 2014
Balance sheet information			
Current assets	12,630	(10,075)	2,555
Non-current assets	14,093	1,037	15,130
Total assets	26,723	(9,038)	17,685
Current liabilities	1,936	(201)	1,735
Non-current liabilities	7,240	(4,240)	3,000
Total liabilities	9,176	(4,441)	4,735
Net assets/Total invested capital	17,547	(4,597)	12,950

B.9 Profit forecast or estimate

Not applicable.

B.10A description of the nature of any qualifications in the Independent Audit Report on the historical combined financial information

Not applicable. There are no qualifications to the Independent Audit Report on the historical combined financial information.

B.11 Working capital

Not applicable. South32 and its Directors are of the opinion that the South32 Group has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of publication of this document.

SECTION C SECURITIES

C.1 Types and class of securities being admitted to trading, including the security identification number

This document has been prepared in connection with the demerger of a selection of BHP Billiton Group's alumina, aluminium, coal, manganese, nickel, silver, lead and zinc assets into a separate company, South32. South32 will apply for admission of its ordinary shares to trading on the ASX, JSE and LSE.

Following the Demerger, South32 is expected to have a primary listing on the ASX and a secondary listing of all the issued South32 Shares in the general mining sector of the main board of the JSE and all the issued South32 Shares will be admitted to the standard segment of the Official List and to trading on the LSE's main market for listed securities.

When admitted to trading on the ASX, JSE and LSE, the South32 Shares will be registered with an ISIN AU000000S320.

South32 will also establish an ADS program, but the South32 American Depositary Shares (**ADSs**) will not be listed on the New York Stock Exchange or any other securities exchange in the United States and will trade over-the-counter.

Table of Contents

C.2 Currency of the securities in issue

The South32 Shares will be denominated in Australian dollars and quoted in Australian dollars on the ASX, South African rand on the JSE and pounds sterling on the LSE. South32 ADSs will be denominated in US dollars.

C.3 Number of shares in issue and par value

Immediately following the implementation of the Demerger, the issued share capital of South32 will be equal to the aggregate number of BHP Billiton Limited Shares on issue on the Limited Record Date and BHP Billiton Plc Shares on issue on the Plc Record Date. The South32 Shares will have no par value and, immediately following implementation of the Demerger, all South32 Shares will be fully paid.

As at 14 March 2015 (being the latest practicable date prior to the publication of this document), there were 3,211,691,105 BHP Billiton Limited ordinary shares and 2,112,071,796 BHP Billiton Plc ordinary shares on issue.

C.4 Rights of securities

All the South32 Shares will rank pari passu in all respects, there being no conversion or exchange rights attaching thereto, and all of the South32 Shares will have equal rights to participate in capital, dividend and profit distributions by South32.

C.5 Restrictions on the transferability of shares

There are no restrictions on the transferability of the South32 Shares imposed by the South32 Constitution.

C.6 Application for admission to trading on a regulated market

South32 will apply for its ordinary shares to be admitted to trading on the ASX, JSE and LSE.

South32 ADSs will not be listed on the New York Stock Exchange or any other securities exchange in the United States and will trade over-the-counter.

C.7 Dividend policy

The South32 dividend policy will be determined by the South32 Board at its discretion, having regard to South32's first two priorities for cash flow, being a commitment to maintain safe and reliable operations and an intention to maintain an investment grade credit rating through the cycle.

South32 intends to distribute a minimum of 40 per cent of Underlying Earnings as dividends to its shareholders following each six month reporting period. Consistent with South32's priorities for cash flow and commitment to maximise total shareholder returns, other alternatives including special dividends, share buy-backs and high return investment opportunities will compete for excess capital.

South32 will distribute dividends with the maximum practicable franking credits for the purposes of the Australian dividend imputation system. The extent to which a dividend can be franked will depend on South32's franking account balance (which immediately following the Demerger will be nil) and its level of distributable profits. South32's franking account balance will depend on the amount of Australian income tax paid by South32 following the Demerger. The timing of South32's Australian income tax payments may also impact its capacity to frank any dividend declared for the half year ending 31 December 2015.

No assurance can be given in relation to the level of future dividends or the franking of such dividends (if any), as these will depend on future events and circumstances.

South32 does not intend to pay a dividend for the period ending 30 June 2015, which will conclude only one month after the implementation of the Demerger.

SECTION D RISKS

D.1 Key information on key risks specific to South32 and the industries in which it operates

External risks relating to the industries in which South32 operates

The prices South32 obtains for its products are determined by, or linked to, prices in world commodity markets, which have historically been subject to substantial volatility. In addition South32's assets, earnings and cash flows are affected by a wide variety of currencies, with the US dollar being the currency in which the majority of South32's sales are determined, and South32's operating costs are also influenced by the currencies of the countries in which it operates. Fluctuations in commodity prices, currency exchange rates and impacts of ongoing global economic volatility may negatively affect South32's results, including cash flows and asset values.

Actions by governments or political events could have a negative impact on South32 or the South32 Businesses. In particular, South32 or the South32 Businesses could be adversely affected by new or changed government regulations, such as controls on imports, exports and/or prices and changes in fiscal legislation. In addition, South32 or the South32 Businesses could be exposed to the risk of terrorism, civil unrest, nationalisation, renegotiation or nullification of existing contracts, leases, permits or other agreements, particularly in emerging markets in which the South32 Businesses operate.

Table of Contents

Audits and reviews by administrative bodies, in particular tax authorities, may result in South32 incurring additional tax or royalty payments. South32 is currently the subject of a number of tax-related claims.

Operational risks

South32 Businesses are dependent on access to infrastructure that is economical, and without such access these operations may be disrupted or further development may be prevented. A number of factors could disrupt the availability of the services utilised by the South32 Businesses to transport products to customers, including weather-related problems, rail or port capacity and allocation constraints, key equipment and infrastructure failures and industrial action.

South32 Businesses are dependent on access to water and power that is economical. Such access to water and power may be disrupted or further development may be prevented due to factors such as climate (including drought), changes in allocations, changes in activities or conditions at South32's operations, elections by contract counterparties to cease current arrangements, the term of contractual arrangements ending or changes in government policy.

Unexpected natural or operational catastrophes may adversely impact South32's operations or cause harm to its assets or equipment. In particular, the South32 Businesses rely on access to key port and rail infrastructure which may be subject to port, shipping or rail incidents and include six underground mines that can be exposed to incidents such as fire and explosion, loss of power supply and critical equipment failures.

Business risks

Failure to maintain, realise or enhance existing reserves, discover new reserves or develop new operations could negatively affect South32's future results and financial condition. Production from South32's operations results in existing reserves being depleted over time. The volume and quality of product the South32 Businesses recover may be less than South32 or Competent Persons have estimated. In addition, Mineral Resources and Ore Reserves estimates are expressions of judgement based on knowledge, experience and industry practice, among other things.

Financial risks

South32 is required in its financial statements to include provisions for the expected closure and rehabilitation costs of its operations. Closure and rehabilitation costs require significant judgements and estimates and are therefore subject to change. South32 and its management consider its closure and rehabilitation provisions to be appropriate based on currently available information (including estimated closure dates) and certain assumptions. However, given inherent uncertainties, the future actual expenditure may differ from the amounts currently provided.

One or more of the South32 Businesses may be affected by changed market or industry structures, commodity prices, technical operating difficulties, inability to recover its Ore Reserves or increased operating cost levels.

These may cause South32 to fail to recover all or a portion of its investment in mining assets and may require financial write-downs, adversely impacting financial results.

Sustainability risks

South32 and/or its workforce may be adversely affected by health and safety and environmental risks in respect of its activities. Longer-term health impacts may arise due to the exposure of the South32 workforce to hazardous substances. Potential safety events that may have an adverse impact on South32's operations may occur. In addition South32's operations, by their nature, have the potential to impact biodiversity, land, water resources and related ecosystems including from the discharge of contaminants.

South32's operations are exposed to a range of water and waste water management risks, including water scarcity, water excess, water quality, water discharge or discharge into ground water issues. Some assets are more prone than others to these water management-related risks.

South32 Businesses may be disrupted without the support of the local communities in which they are located. Notwithstanding South32's contributions to the communities in which the South32 Businesses are located, local communities may become dissatisfied with the impact of South32's operations or oppose new development projects, including through litigation, which may affect costs and production, and, in extreme cases, viability of the relevant operation or project.

D.3 Key information on the key risks that are specific to South32 Shares

South32 Shareholders should be aware that there are risks associated with investment in financial products quoted on a stock exchange. Share price movements could affect the value of any investment in South32.

The South32 Shares will be quoted in Australian dollars on the ASX, South African rand on the JSE and pounds sterling on the LSE. Dividends in respect of South32 Shares, if any, will be declared in US dollars. Fluctuations in the exchange rate between the US dollar and each of these currencies will affect, among other matters, the local currency value of the South32 Shares and of any dividends.

The rights of South32 Shareholders are governed by Australian law and may differ from the rights available to shareholders under the laws of South Africa, the United Kingdom or the United States.

Table of Contents

SECTION E OFFER

E.1 Proceeds of the issue/offer

Not applicable. This document does not constitute an offer or invitation to any person to subscribe for or purchase any shares in South32. BHP Billiton and South32 will not receive any proceeds as a result of the Demerger.

E.2a Reasons for the issue/offer and use of proceeds

Not applicable. This document does not constitute an offer or invitation to any person to subscribe for or purchase any shares in South32. South32 will apply for its ordinary shares to be traded on the ASX, JSE and LSE, in connection with the Demerger. South32 will not receive any proceeds as a result of the Demerger.

E.3 Terms and conditions of the offer

Not applicable. This document does not constitute an offer or invitation to any person to subscribe for or purchase any shares in South32.

E.4 Interests material to South32/the offer including conflicting interests

Certain South32 Directors and some of the Independent Competent Persons have shareholding interests in BHP Billiton and will therefore have shareholding interests in South32 immediately following the Demerger. South32 does not consider the interests of the Independent Competent Persons to be sufficiently material to compromise their independence. So far as the South32 Directors are aware, no other person involved in the Demerger has any interest, including conflicting ones, that are material to the Demerger.

E.5 Name of persons offering to sell the securities

Lock-up agreements details, including the parties involved and indication of the period of the lock-up

Not applicable.

E.6 Amount and percentage of immediate dilution resulting from the offer

Not applicable.

E.7 Estimated expenses charged to the investor by South32

Not applicable.

8 **South32** Listing Document

Table of Contents**2 RISK FACTORS**

In addition to the other information set out in this document, the following risk factors should be carefully considered. The risks and uncertainties described below represent those the South32 Directors consider to be material as at the date of this document. However, these risks and uncertainties are not the only ones facing South32 and the South32 Businesses or relevant to an investment in South32 Shares. Additional risks and uncertainties not presently known to the South32 Directors, or that the South32 Directors currently consider to be immaterial, could also materially and adversely affect the business, results of operations, financial condition and/or prospects of South32. In such case, the market price of the South32 Shares could decline and investors may lose all or part of their investment. Prospective investors in South32 Shares should consider not only the information on key risks summarised in Section 1, but also, among other things, the risks and uncertainties described below.

Many of these are risks to which South32 and the South32 Businesses are already exposed, while others arise or are increased as a result of the Demerger and the ability to take mitigating action may be more limited. Some of these risks may be mitigated by appropriate controls, systems and other actions as further described below, but others will be outside the control of South32 and may not be able to be mitigated.

Investors and prospective investors should consider carefully whether an investment in South32 is a suitable investment in light of the information in this document, their ability to bear risk and the financial resources available to them.

2.1 EXTERNAL RISKS RELATING TO THE INDUSTRIES IN WHICH SOUTH32 OPERATES**(a) Fluctuations in commodity prices and impacts of ongoing global economic volatility may negatively affect South32's results, including cash flows and asset values**

The prices South32 obtains for its products are determined by, or linked to, prices in world commodity markets, which have historically been subject to substantial volatility. Commodity prices are affected by underlying global economic and geopolitical factors, industry demand and supply balances, product substitution and national tariffs. In particular, the Chinese market has been a key driver of global materials demand and pricing over the past decade. A slowing in China's economic growth or additional supply has the potential to adversely impact prices for many of South32's products. South32's exposure to a range of commodities and customers operating in different economies, provides a level of diversification to partially protect against this risk.

(b) South32's financial results may be negatively affected by currency exchange rate fluctuations

South32's assets, earnings and cash flows are affected by a wide variety of currencies. The US dollar is the currency in which the majority of South32's sales are determined and its financial results will be reported. Operating costs are influenced by the currencies of those countries where South32 Businesses' mines and processing plants are located and also by those currencies in which the costs of imported equipment and services are determined. The Australian dollar, South African rand, Brazilian real, Colombian peso and US dollar are the most important currencies affecting South32 Businesses' operating costs. Fluctuations in the exchange rates of relevant currencies may impact on South32's financial results.

(c) Actions by governments or political events could have a negative impact on the business

South32 or the South32 Businesses could be adversely affected by new government regulations, such as controls on imports, exports and/or prices. Increasing requirements relating to regulatory and environmental approvals may affect existing operations or potentially cause delays in and adversely affect the expansion of existing operations. South32 could also be adversely affected by changes in fiscal legislation, as South32's operations are based on material long-term investments that are dependent on long-term fiscal stability.

In addition, South32 or the South32 Businesses could be exposed to the risk of terrorism, civil unrest, nationalisation, renegotiation or nullification of existing contracts, leases, permits or other agreements, changes in laws and policy (including changes in exchange control policies regulating the repatriation of earnings or capital out of the relevant jurisdiction) and governmental reviews and investigations (including historical tax audits), as well as other unforeseeable risks in the jurisdictions in which it operates that could have an adverse impact upon the profitability of an operation. In particular, South32 has operations in emerging markets, where such risks are more prevalent.

Potential government actions, reviews or policies that may have specific application to the South32 Businesses are set out below:

The South African tax policy review by the Davis Commission, the outcomes of which are uncertain and may impact upon the financial results of South32's operations in South Africa.

The Indonesian Government ban on export of unprocessed aluminium and nickel ores, which affects Chinese alumina and nickel pig iron production, may be reversed at any time with potential changes to global supply balances and the prices South32 receives for some of its products.

Table of Contents

Possible amendments to the Mineral and Petroleum Resources Development Act, which are under consideration by the South African Government through the National Assembly. Furthermore, a review of compliance with the Mining Charter is also currently being undertaken by the Department of Minerals and Energy.

In Brazil, the Executive Branch submitted to the Brazilian House of Representatives Bill of Law No 5.807/201 which, if and when approved, will replace the existing Mining Code. Among other changes, the proposed bill of law provides for changes in the procedure for the granting of mineral exploration and concession rights, new rules for the calculation of the Financial Compensation for the Exploitation of Mineral Resources (Compensação Financeira pela Exploração de Recursos Minerais, or CFEM) and the assessment of new taxes on mining activities. A new mining regulatory framework may result in limitations on the term of existing mining concessions and in the tender of mining concessions if they are deemed by the Brazilian government to have strategic and economic importance.

In February 2015, TEMCO was notified of a petition filed with the United States Department of Commerce and the United States International Trade Commission requesting the imposition of antidumping duties on silicomanganese imports of Australian origin (of which TEMCO is the only producer). The petition is being investigated at a preliminary phase by the Department of Commerce and the International Trade Commission and TEMCO intends to co-operate fully in the investigations. TEMCO intends to vigorously contest the claims and strongly defend its position. An adverse outcome could potentially result in the imposition of duties on the sale of TEMCO's product into the United States, which could significantly impact demand for TEMCO's product in that market and, as a result, could impact TEMCO's revenues.

(d) Challenges by administrative bodies, in particular tax authorities, may lead to additional liabilities for South32

Consistent with the general separation principles set out in Section 14.4(b), South32 will assume, and be responsible, for all tax liabilities relating to the South32 Businesses and to the former South32 Businesses, subject to certain exceptions.

Audits and reviews by administrative bodies, in particular tax authorities, may result in South32 incurring additional tax or royalty payments.

Excluding tax exposures that will remain with BHP Billiton, there are certain material claims (or categories of claims) made by tax authorities to which South32 is exposed, which are discussed in further detail below.

In Brazil there are eight separate disputes involving BHP Billiton Metais S.A. (**BMSA**) (a wholly-owned subsidiary of South32), which relate to the payment of Federal and State Value Added Tax, which are currently the subject of proceedings in the Tax Administrative Court. The principal claims relate to non-payment of State Value Added Tax by BMSA on interstate sales of aluminium to customers in the period from 2000 to 2004 and the use of Federal Value Added Tax credits relating to power supply by BMSA. As at the date of this document, the estimated total amount being claimed against BMSA in respect of these eight matters is equal to approximately US\$84 million.

BMSA is also currently disputing an adverse tax assessment in respect of social security contributions in the Tax Administrative Court. The assessment relates to social security contributions not paid by BMSA during 2004 to 2007. BMSA's position that social security contributions in respect of this period are not payable is based on a 1992 Federal Regional Court decision exempting BMSA from payment of the contributions on the basis that the tax was

unconstitutional. The Supreme Court subsequently decided in favour of the constitutionality of the tax in 2007. BMSA contests that the Supreme Court's decision should not apply where a previous judicial decision has exempted payment of the contributions, such as the exemption provided to BMSA pursuant to the Federal Regional Court's decision in 1992. As at the date of this document, the amount claimed in respect of this matter is equal to approximately US\$105 million.

Cerro Matoso SA (**CMSA**) (a 99.94 per cent owned subsidiary of South32) is disputing an adverse assessment by the Colombian Revenue Service made in July 2014 concerning the non-taxation of revenue sales and deductibility of certain costs. The likely timing of the resolution of this matter is currently uncertain. As at the date of this document, the amount claimed in respect of this matter is equal to US\$60 million.

South Africa Energy Coal is disputing an adverse assessment by the South African Revenue Service made in September 2013 concerning the purchase price allocation for a sale of assets that occurred in 2008. The likely timing of the resolution of this matter is currently uncertain. As at the date of this document, the amount claimed in respect of this matter is equal to approximately US\$53 million.

Certain other tax-related claims have been made in respect of the South32 Businesses, which are separate and none of which is considered to be individually material but aggregate to a total of US\$149 million. These comprise tax claims relating to corporate income tax credits and offsets in Brazil and underpayment of royalties and income tax payment shortfalls and certain other matters have been claimed against South32 Businesses in Colombia.

In each of these cases, South32 intends to continue to vigorously contest the matter. While South32 believes that some of these claims may take many years to be resolved, if there is an adverse finding against South32 in these matters it may result in material liabilities for, or reduce future profitability of, South32.

Where South32 considers a claim may result in probable loss, it is reflected in a provision in South32's balance sheet. Where South32 considers that a claim has a lower probability of resulting in loss, South32's exposure may be reflected in a contingent liability disclosure in South32's financial statements (set out in Section 10.8(d) and note 18 Contingent liabilities to the historical combined financial information set out in Annexure 1).

Table of Contents

Given the uncertainty in respect of claims of this nature from tax authorities, and South32's view that it is confident that an outcome favourable to South32 will be achieved in most of these cases, the provisions and contingent liabilities in South32's financial statements do not cover all of, and may not adequately capture, South32's total potential liability in respect of these and similar claims. As a result, the ultimate exposure South32 faces for claims may be greater than that provided for in South32's financial statements or included in its contingent liabilities.

(e) South32's operations are dependent on licences and permits, the obtaining, renewal or maintenance of which may be uncertain or challenging

South32 Businesses generally require governmental licences, permits, authorisations, concessions and other approvals in connection with their activities. Obtaining and complying with the necessary governmental permits and regulations can be particularly complex, costly and time-consuming and are therefore not assured.

The duration, cost and success of permit applications are contingent on many factors, including those outside the control of the South32 Group. Failure to obtain or renew a necessary permit could mean that South32 Businesses would be unable to proceed with the development or continued operation of a mine or project, which in turn may have an adverse effect on the relevant South32 Businesses, results of operations, financial condition or prospects. The permits that South32 Businesses need may not be issued, maintained or renewed either in a timely fashion or at all, which may constrain the ability of South32 Businesses to conduct their mining operations, which in turn may impact South32's financial results.

From time to time, parties may seek to challenge the validity of permits and licences or attempt to interfere with rights granted to South32 Businesses. This may result in the loss of rights held by, or the incurrence of additional cost to, South32 Businesses.

(f) South32 may be exposed to litigation and claims that could result in a significant cost to South32 or affect its operations

South32 is exposed to risks of litigation that may have an adverse effect on South32. There are some actions and claims that have been raised by third parties that are yet to be resolved. South32 may lose such claims and may incur costs in addressing such claims.

CMSA and certain Colombian Government agencies are defendants to proceedings in the Colombian Constitutional Court. The proceedings involve a review of multiple claims that are similar in nature brought by representatives of local communities. The claims, which CMSA and the defendant Government Agencies strongly contest, allege that Amendment No. 4 to Contract 051-96M (which set forth revised conditions for the continued operation of CMSA under its key mining licence in 2012) is not valid on the basis that local communities should have been consulted about the amendment, that CMSA's environmental licence expired when the concessions under which CMSA operated until 30 September 2012 expired (notwithstanding that the environmental licence was issued for the term of the project and the project continues under Contract 051-96M) and that CMSA's operations are impacting the health of the neighbouring communities. First and second instance judgments in respect of one of these actions and a first instance judgment in respect of the other action were issued against the plaintiffs in 2013 and early 2014. The Constitutional Court is now conducting a review of these judgments, with submission of evidence and arguments in the proceedings continuing. A decision in respect of this matter is expected in 2015. An adverse outcome could result in a court order for the temporary suspension or revocation of CMSA's mining or environmental licences, require CMSA to modify its operations to address the alleged health and environmental impacts or require CMSA to undertake a

retrospective community consultation process in relation to Amendment No. 4 under the supervision of the Ministry of the Interior.

A separate action has been brought in respect of the privatisation process conducted for Cerro Matoso. The relief sought is the annulment of the sale of a shareholding of approximately 47.6 per cent in CMSA to BHP Billiton Group (BVI) Limited in 1997 (which, if successful, would require the Colombian Government to reimburse the South32 subsidiary for the amount it paid for the shareholding and to reimburse CMSA for investments made in the Cerro Matoso project after 1997 that have not been amortised as at the date of the judgment). At first instance, a decision was issued by a Civil Judge in favour of CMSA and the other defendants. However, an appeal of the decision at first instance decided that the Colombian administrative courts (which are responsible for considering actions involving government-related law suits) have the appropriate jurisdiction in respect of the matter. An action was therefore commenced in the Council of State (Colombia's highest administrative court dealing with government-related law suits). The basis for the claim has not been stated, the proceedings have not progressed since this action was commenced in October 2008 and notice of the action has not been formally served upon BHP Billiton Group (BVI) Limited, the relevant South32 subsidiary. Illawarra Metallurgical Coal has a long term contract with BlueScope Steel for the supply of metallurgical coal to BlueScope Steel's steelworks located at Port Kembla. BlueScope Steel has made certain claims in relation to the calculation of historical prices under the contract, and in relation to the quality of coal supplied under the contract. Illawarra Metallurgical Coal does not accept the claims made by BlueScope Steel, and a dispute resolution process to resolve these claims has recently commenced.

In each of the cases above, South32 intends to continue to strongly contest the matter. However, if there is an adverse finding it may result in liability for, and/or reduce the future profitability of, South32.

There are also other litigation and arbitration proceedings to which South32 Businesses are exposed, but which are not regarded as material by South32. However, it is possible that South32's assessment of its exposure in respect of these proceedings may change in the future, including as a result of developments in the proceedings or additional information becoming available.

Table of Contents

2.2 OPERATIONAL RISKS

(a) Cost pressures and reduced productivity could negatively impact South32's operating margins and expansion plans

Cost pressures may occur across industries to which South32 Businesses are exposed and affect a variety of inputs into South32's operations, which would negatively impact South32's operating margins.

Labour is a significant input into South32's operations, and labour costs may vary depending on demand and requirements at South32's operations. Labour costs and productivity may also be affected by the actions of labour unions, which may adversely affect workplace flexibility, productivity and costs.

Increased costs of energy and other raw materials used by South32 may also adversely affect South32's earnings.

(b) South32 Businesses are dependent on access to infrastructure that is economical, and without such access these operations may be disrupted or further development may be prevented

South32 Businesses' products are transported to customers by a range of methods, including road, rail and sea. A number of factors could disrupt the availability of these transport services, including weather-related problems, rail or port capacity and allocation constraints, key equipment and infrastructure failures and industrial action, which may limit South32 Businesses' ability to deliver product to customers and may have an impact on productivity and profitability. Furthermore, the cost of accessing required infrastructure may increase (possibly substantially), and South32 Businesses may not be able to pass on the full extent of that cost increase to its customers.

In South Africa, South32 Businesses' access to the rail infrastructure of Transnet (the South African Government-owned rail freight and port provider) is key to its operations. South Africa Manganese and South Africa Energy Coal currently have allocations to access Transnet's rail infrastructure; however, securing future access when current allocations expire (and the terms on which that access may be secured) is uncertain due to capacity constraints and the level of demand from third parties. Transnet has recently allocated volumes for the next five years for manganese export capacity (final terms are still under discussion). The ability of South32 Businesses to develop and expand operations, particularly in South Africa, is impacted by South32's access to infrastructure to support increased output.

(c) South32 Businesses are dependent on access to water and power that is economical, and without such access these operations may be disrupted or further development may be prevented

Water and power are critical to a number of South32's operations. However, continued access, or access on current terms, to water and electricity to support existing activities cannot be guaranteed in the future, due to factors such as climate (including drought), changes in allocations, changes in activities or conditions at South32's operations, elections by contract counterparties to cease current arrangements, the term of contractual arrangements ending or changes in government policy.

The cost and reliability of power supply are risks to the financial position and operations of South32's aluminium smelters, particularly South Africa Aluminium and Mozal Aluminium. Due to ongoing power shortages and reliability issues in the South African power grid, South Africa Aluminium and Mozal Aluminium are, at times, subject to load shedding. In recent years the reliability of electricity supply in South Africa has further deteriorated and the frequency

of load shedding has increased. Eskom, the South African Government-owned power utility, announced a national program of load shedding in January 2015 and has stated that the South African power system is likely to be constrained for the foreseeable future. A temporary increase in the electricity levy has been proposed until the electricity shortage is over. Interruptions to the supply of power to South32's aluminium smelters can result in production losses and damage to plant. More generally, the lack of reliability, and potential increases in the cost, of power supply could significantly affect operations at South Africa Aluminium and Mozal Aluminium for an extended period of time. In addition, Eskom referred the power pricing regime for South Africa Aluminium's power supply contracts to the National Energy Regulator of South Africa for review in October 2012.

Current levels of hydro-generation power plants' water reservoirs in Brazil have increased the risk of electricity rationing occurring. Should electricity rationing occur, the performance and profitability and ongoing operations of the Alumar Smelter could be adversely impacted.

Furthermore, expansion and development of activities of South32 Businesses may be subject to the ability to access sufficient water and power on economic terms. A failure to procure supplies of water and power, or access to water and power infrastructure on economically acceptable terms, could limit the ability of South32 Businesses to expand activities or develop new operations.

(d) Unexpected natural or operational catastrophes may adversely impact South32's operations

Members of the South32 Group have extractive, processing and logistical operations in a number of geographic locations. South32's operations may be subject to accidents or incidents that impact the ability of South32 Businesses to continue operating or cause harm to its assets or equipment.

In particular, South32 Businesses access key port facilities located at Richards Bay in South Africa and Bunbury, Milner Bay, Bell Bay, Townsville and Port Kembla in Australia, together with key rail facilities located at Richards Bay and Bunbury. This port and rail infrastructure may be subject to port, shipping or rail incidents that could temporarily or permanently restrict access.

Table of Contents

South32 Businesses include six underground mines, including four underground coal mines. Mines, particularly underground mines, and associated mining and processing equipment and processing plants can be exposed to incidents such as fire and explosion, loss of power supply and critical mechanical equipment failures. South32 may also be exposed to other incidents that affect operations, including pit wall failures at open-cut mines.

South32's operations may also be subject to unexpected natural catastrophes such as earthquakes, floods, hurricanes and fires. The mine and processing facility at Cannington is located between the confluence of two ephemeral watercourses at the headwaters of the Lake Eyre Basin catchment, and, if flooding were to occur, this could have adverse implications on the operations.

Existing business continuity plans may not provide full protection for all of the costs that arise from such events. The impact of these events could lead to disruptions in production, increased costs and/or loss of facilities, which would adversely affect South32's financial results and prospects. Third party claims arising from these events may also exceed the limit of liability in the insurance policies South32 has in place in respect of such events.

(e) South32 is reliant on non-controlled operators and contractors at some operations

South32 does not control (or solely control) all aspects of each of the South32 Businesses. The Brazil Aluminium assets (MRN and Alumar) are managed by joint venture partners, limiting the level of decision-making power South32 has in respect of these assets. Other South32 Businesses or assets may, in the future, also be managed by joint venture partners. These non-controlled assets may not comply with South32's management and operating standards, controls and procedures, including its health, safety, environment and community (HSEC) standards. Failure to adopt equivalent standards, controls and procedures at these assets could adversely impact South32's reputation and financial results.

South32 is also reliant on the use of contractors and other third parties for exploration, mining and other activities. While the situation is normal practice for the mining and exploration industry and South32 seeks to actively manage these contractors to achieve desired performance levels, to some extent South32 relies on these contractors performing their roles properly and their failure to do so may impact the performance of South32.

(f) Outputs produced from processing are dependent on quality and consistent supply of inputs

Some of South32's activities rely on the processing of raw materials, including some raw materials supplied from South32's own mines, the quality of which is not always consistent. In these activities, the quality and quantity of output, cost of processing and/or time taken to process raw materials may be affected by the quality of raw material supplied and the consistency of supply of inputs, which may in turn impact the financial results achieved by South32.

The grade of minerals produced from mining operations often diminishes over the life of a mine, resulting in lower quality products being produced from mining operations in their later stages.

(g) South32's operations may be affected by unfavourable employee and union relations, which could disrupt its activities

Some of the employees at South32 Businesses are represented by labour unions under various collective labour agreements.

Parts of South32's workforce in certain locations, including Australia, Colombia and South Africa, are members of unions. The South32 Businesses may not be able to satisfactorily renegotiate collective labour agreements when they expire and may face higher wages and changes in benefits.

In addition, existing labour agreements may not prevent strikes or work stoppages in the future, and any strike or other work stoppage could have an adverse effect on the operations and financial results of the South32 Businesses.

(h) Due to the nature of its business and operations, South32 is exposed to the risks of fraud and corruption

As a diversified metals and mining company operating in a number of jurisdictions, South32 is exposed to the risks of fraud and corruption, both within its organisation and in dealing with parties external to the organisation. Some of South32's activities are located in countries where corruption is generally understood to exist.

South32 will seek to fully comply with applicable legislative and regulatory requirements in respect of fraud and corruption in the jurisdictions in which it operates. South32 will also seek to implement internal control systems to limit the occurrence of fraud or corruption. However, there can be no assurance that such procedures and established internal controls will adequately protect South32 against fraudulent or corrupt activity and such activity could have an adverse effect on South32's business, reputation, results of operations, financial condition or prospects. In addition, South32 may suffer from delays or disruption resulting from a refusal to make so-called facilitation payments in some of the countries in which South32 operates.

BHP Billiton's policies on financial sanctions and competition law are currently applicable to South32. Prior to implementation of the Demerger, South32 will establish policies or controls to address trade and financial sanctions and competition law. However, such policies and controls may not prevent instances of dishonesty by employees, contractors or third parties nor guarantee compliance with legal or regulatory requirements. This may lead to regulatory fines, disgorgement of profits, litigation, loss of operating licences or reputational damage.

Table of Contents

(i) South32 will be smaller in scale than BHP Billiton following the Demerger

Following the Demerger, South32 will be an independent entity and much smaller in scale than BHP Billiton. This may result in South32 facing additional costs or risks compared to the position historically, including reduced access to, and less favourable terms in, any future financing facilities and different terms on which it procures goods or services.

(j) The Demerger may fail to realise anticipated benefits for South32

South32 may fail to realise any or all of the anticipated benefits of the Demerger, either in a timely manner or at all. Some of the potential benefits of the Demerger may not be achieved as a result of circumstances outside the control of South32.

(k) Third party consents required as part of the Demerger may not be obtained

The Demerger (or steps associated with the Demerger) may result in breaches or defaults under certain contracts to which South32 is a party, unless relevant counterparty consents are obtained. In addition, there are certain BHP Billiton Group-wide contracts relevant to South32's operations, which BHP Billiton is seeking to assign to South32 or renegotiate so that there are separate contracts for South32 and BHP Billiton.

Although all material contractual consents required to effect the Demerger have been obtained, there are a number of less material consents that have not been obtained as at the date of this document. BHP Billiton has started seeking these consents, but not all counterparties may provide consent (and some counterparties may seek to alter the terms of the relevant contract, as a condition of providing consent). A failure to obtain these consents may result in breaches or defaults under contracts, or an inability to align contractual arrangements to South32 and BHP Billiton as independent entities.

(l) There is potential for delays, unexpected costs or other issues in establishing South32 as a standalone legal entity

As a subsidiary of BHP Billiton prior to the Demerger, South32 has been supported by BHP Billiton's corporate services infrastructure, including the provision of services relating to group accounting, treasury, tax, superannuation, legal, insurance administration, information management and information technology, certain group purchasing and general human resources.

As part of the implementation of the Demerger, South32 will replace these support services with its own internal capability, third party contracts and transitional service agreements as appropriate. During a transitional period of up to 12 months, South32 will be reliant on BHP Billiton for the provision of certain information management-related services.

It may take some time to procure the necessary resources and services and ensure that all processes are operating fully and efficiently. There is a risk that the establishment of these capabilities may take longer than expected or may involve greater costs than anticipated.

(m) Breaches of South32's information technology security processes may adversely impact South32's business activities

South32 will acquire or develop and maintain, or source from other parties, global information technology systems, consisting of infrastructure, applications and communications networks to support South32's business activities. These systems could be subject to security breaches (for example cyber-crime) resulting in theft, disclosure or corruption of information, including information relating to acquisitions and divestments, strategic decision-making, non-public investment market communications or commercially sensitive information relating to major contracts. Security breaches could also result in misappropriation of funds or disruptions to South32's operations.

(n) Failure to retain and attract key employees to South32 may impact on operations and financial results

The loss of key personnel or the failure to attract, train and recruit sufficiently qualified staff could affect South32's operations, financial condition and growth.

Furthermore, BHP Billiton employees may not accept employment offered by South32 as part of the Demerger, resulting in South32 not retaining the benefit of employees with specialist knowledge of their functions.

Table of Contents

2.3 BUSINESS RISKS

- (a) Failure to maintain, realise or enhance existing reserves, discover new reserves or develop new operations could negatively affect South32's future results and financial condition**

The volume and quality of produ