



24 August 2017

South32 Limited
(Incorporated in Australia under the *Corporations Act 2001* (Cth))
(ACN 093 732 597)
ASX / LSE / JSE Share Code: S32 ADR: SOUHY
ISIN: AU000000S320
south32.net

2017 FINANCIAL RESULTS PRESENTATION

An audio presentation of the attached materials by South32 Limited Chief Executive Officer, Graham Kerr and Chief Financial Officer, Brendan Harris is available on our website at: <https://www.south32.net/investors-media/financial-results>.

About South32

South32 is a globally diversified mining and metals company with high quality operations in Australia, Southern Africa and South America. Our purpose is to make a difference by developing natural resources, improving people's lives now and for generations to come. We are trusted by our owners and partners to realise the potential of their resources. We have a simple strategy to maximise the potential of our assets and shareholder returns by optimising our existing operations, unlocking their potential and identifying new opportunities to compete for capital.

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

FURTHER INFORMATION

INVESTOR RELATIONS

Alex Volante

T +61 8 9324 9029
M +61 403 328 408
E Alex.Volante@south32.net

Rob Ward

T +61 8 9324 9340
M +61 431 596 831
E Robert.Ward@south32.net

MEDIA RELATIONS

Hayley Cardy

T +61 8 9324 9008
M +61 409 448 288
E Hayley.Cardy@south32.net

James Clothier

T +61 8 9324 9697
M +61 413 319 031
E James.Clothier@south32.net

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JSE Sponsor: UBS South Africa (Pty) Ltd
24 August 2017



2017 FINANCIAL RESULTS

24 AUGUST 2017



THIS PRESENTATION SHOULD BE READ IN CONJUNCTION WITH THE “FINANCIAL RESULTS AND OUTLOOK – YEAR ENDED 30 JUNE 2017” ANNOUNCEMENT RELEASED ON 24 AUGUST 2017, WHICH IS AVAILABLE ON SOUTH32’S WEBSITE (WWW.SOUTH32.NET).

FINANCIAL INFORMATION

To assist shareholders in their understanding of the South32 Group, pro forma financial information for FY15 has been prepared to reflect the business as it is now structured and as though it was in effect for the period 1 July 2014 to 30 June 2015. The pro forma financial information is not prepared in accordance with IFRS.

FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements, including statements about trends in commodity prices and currency exchange rates; demand for commodities; production forecasts; plans, strategies and objectives of management; capital costs and scheduling; operating costs; anticipated productive lives of projects, mines and facilities; and provisions and contingent liabilities. These forward-looking statements reflect expectations at the date of this presentation, however they are not guarantees or predictions of future performance. They involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this presentation. Readers are cautioned not to put undue reliance on forward-looking statements. Except as required by applicable laws or regulations, the South32 Group does not undertake to publicly update or review any forward-looking statements, whether as a result of new information or future events. Past performance cannot be relied on as a guide to future performance. The denotation (e) refers to an estimate or forecast year.

NON-IFRS FINANCIAL INFORMATION

This presentation includes certain non-IFRS financial measures, including Underlying earnings, Underlying EBIT and Underlying EBITDA, Basic Underlying earnings per share, Underlying effective tax rate, Underlying EBIT margin, Underlying EBITDA margin, Underlying return on invested capital, Free cash flow, net cash, net operating assets and ROIC. These measures are used internally by management to assess the performance of our business, make decisions on the allocation of our resources and assess operational management. Non-IFRS measures have not been subject to audit or review and should not be considered as an indication of or alternative to an IFRS measure of profitability, financial performance or liquidity.

NO OFFER OF SECURITIES

Nothing in this presentation should be read or understood as an offer or recommendation to buy or sell South32 securities, or be treated or relied upon as a recommendation or advice by South32.

RELIANCE ON THIRD PARTY INFORMATION

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NO FINANCIAL OR INVESTMENT ADVICE – SOUTH AFRICA

South32 does not provide any financial or investment 'advice' as that term is defined in the South African Financial Advisory and Intermediary Services Act, 37 of 2002, and we strongly recommend that you seek professional advice.

MINERAL RESOURCES AND ORE RESERVES

The Cannington Ore Reserve estimates which appear on slide 17 are reported on a 100% basis. These Ore Reserve estimates, together with the ownership percentages were set out in the Mineral Resource and Ore Reserve statements in the FY14 to FY16 annual reports to shareholders. The FY14 Ore Reserves are available in the BHP Annual report released to the market on 11 September 2014. The FY15 and FY16 Ore Reserves are available in the South32 annual report released to the market on 22 September 2015 and 8 September 2016 respectively. The FY17 Ore Reserves are published in our market release on 24 August 2017 “Cannington Mineral Resources and Ore Reserves update”. The Competent Persons responsible for reporting of FY14 and FY15 Ore Reserves were Mark Dowdell (MAusIMM) and Tyson Curytko (MAusIMM(CP)) for FY16 and FY17. South32 is not aware of any new information or data that materially affects the information in the market release “Cannington Mineral Resources and Ore Reserves update”, and all material assumptions and technical parameters underpinning the estimates of Mineral Resources and Ore Reserves in that market release continue to apply and have not materially changed. The form and context in which those findings are presented have not been materially modified.

Underlying earnings
US\$1.1B

↑ US\$1.0B

Free cash flow
US\$1.9B¹

↑ US\$1.3B

Net Cash
US\$1.6B

↑ US\$1.3B

**Continuing to unlock value
from our portfolio**

**Embedding high quality
future options**

**Substantially increasing
returns to shareholders**

Notes:

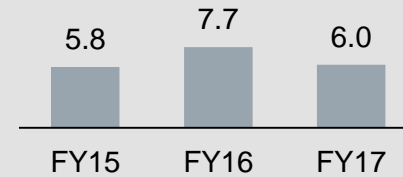
1. Group free cash flow includes distributions from equity accounted investments.

SUSTAINABILITY PERFORMANCE

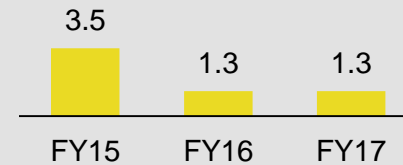
1 fatality



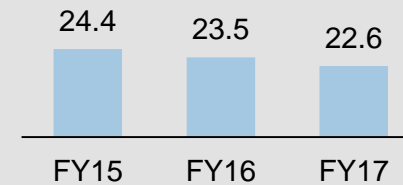
**TRIF
6.0**



**TRILF
1.3**



**GHG emissions
22.6 Mt CO₂-e**



Notes:

Fatalities, Total Recordable Injury Frequency (TRIF) per million hours worked and Total Recordable Illness Frequency (TRILF) per million hours worked, are all calculated in accordance with the United States Government Occupational Safety and Health Assessment (OSHA) guidelines for the recording and reporting of occupational injuries and illnesses. Greenhouse gas total includes Scope 1 and Scope 2 emissions. Measured according to the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol (WRI/WBCSD).

WORKFORCE DIVERSITY



Measurable objectives	Level	Actual ¹	FY20 Target
Women in workforce	Corporate & Marketing	47%	Continuing improvement
	Total	16%	
Women in leadership	Board	14%	30%
	Executive Committee	25%	30%
	Leadership ²	18% - 33%	30 - 40%
Black People³ in South African workforce	Management	42%	70%
	Total	79%	85%
Gender pay equity	US\$1.8M allocated to address gender pay gap		



Notes:

1. All as at 30 June 2017, except for Executive Committee announced as at 24 August 2017.
2. Leadership measure reflects the range of outcomes for our various Regional, Marketing and Corporate teams.
3. Black People is a term meaning Africans, Coloureds and Indians who are citizens of the Republic of South Africa by birth or descent.

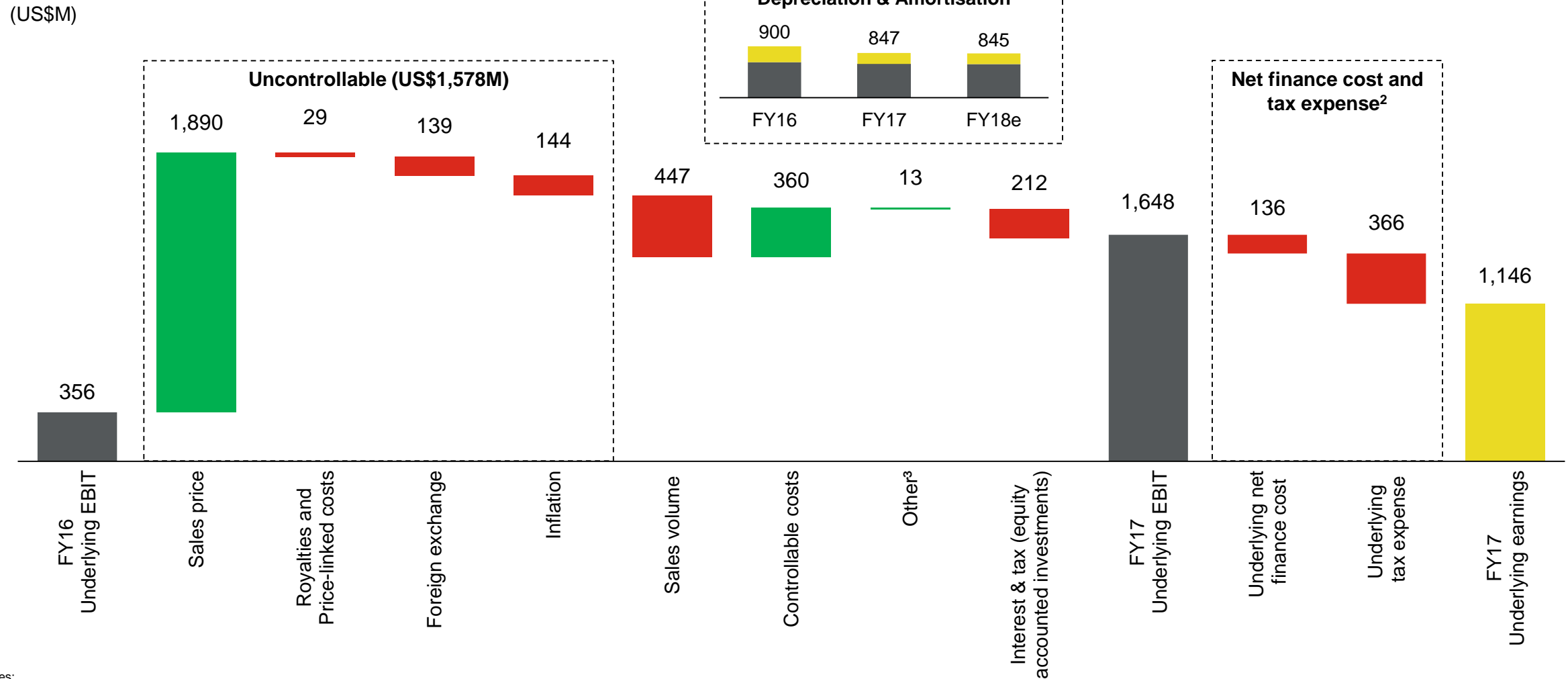


2017 RESULTS ANALYSIS

BRENDAN HARRIS
CFO



EARNINGS ANALYSIS



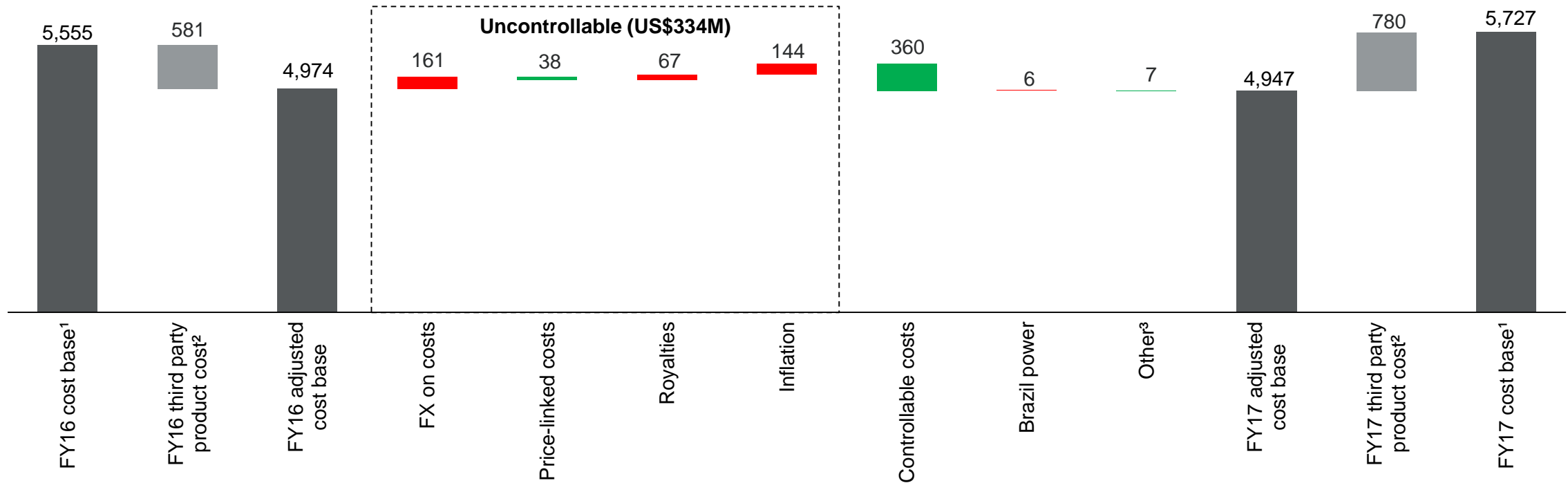
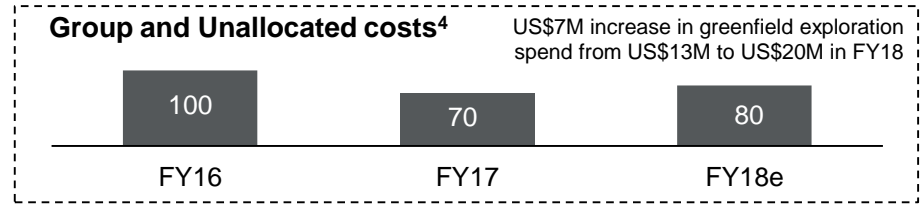
Notes:

1. Includes depreciation and amortisation for equity accounted investments for FY16, FY17 and FY18e of US\$125M, US\$84M and US\$85M respectively (absolute amounts, not year on year variances).
2. Underlying net finance cost and Underlying tax expense are actual FY17 results, not year-on-year variances.
3. Other includes depreciation and amortisation, adjustments to provisions, ceased and sold operations, third party product EBIT and Other income.

COSTS ANALYSIS



(US\$M)



Notes:

1. Cost base includes equity accounted investments and excludes Other income. FY17 includes US\$907M of statutory adjustments and a US\$281M adjustment for Other income to reconcile to Revenue minus Underlying EBITDA (FY16 includes US\$546M of statutory adjustments and a US\$328M adjustment for Other income to reconcile to Revenue minus Underlying EBITDA).
2. FY17 Third party product cost is US\$780M comprising US\$269M for aluminium, US\$137M for alumina, US\$167M for coal, US\$2M for manganese, US\$113M for freight services and US\$92M for aluminium raw materials. FY16 Third party product cost is US\$581M comprising US\$261M for aluminium, US\$62M for alumina, US\$67M for coal, US\$2M for manganese, US\$89M for freight services and US\$100M for aluminium raw materials.
3. Includes accounting related adjustments.
4. Group and Unallocated costs, excluding third party trading (absolute amounts, not year on year variances).

OPERATING UNIT COSTS ANALYSIS



Operating unit costs ¹	Unit	FY15	FY16	FY17	FY18e ²	FY17 vs. FY16 Operating unit costs movement				FY18e vs. FY17 Operating unit costs movement				FY17 vs. FY16	FY18e vs. FY17	FY18e vs. FY15
						(15%)	0%	15%	30%	(15%)	0%	15%	30%			
WORSLEY ALUMINA	US\$/t	250	210	203	211									(3%)	4%	(16%)
SOUTH AFRICA ENERGY COAL	US\$/t	30	26	29	32									12%	10%	7%
AUSTRALIA MANGANESE (FOB)	US\$/dmtu	1.68	1.41	1.52	1.50									8%	(1%)	(11%)
SOUTH AFRICA MANGANESE (FOB)	US\$/dmtu	1.97	1.91	2.09	2.06									9%	(1%)	5%
CERRO MATOSO	US\$/lb	5.14	4.08	3.77	3.53									(8%)	(6%)	(31%)
CANNINGTON ³	US\$/t	170	145	133	142									(8%)	7%	(16%)
ILLAWARRA METALLURGICAL COAL	US\$/t	74	61	80										31%		
BRAZIL ALUMINA	US\$/t	215	189	197										4%		
SOUTH AFRICA ALUMINIUM	US\$/t	1,761	1,430	1,454										2%		
MOZAL ALUMINIUM	US\$/t	1,762	1,559	1,495										(4%)		

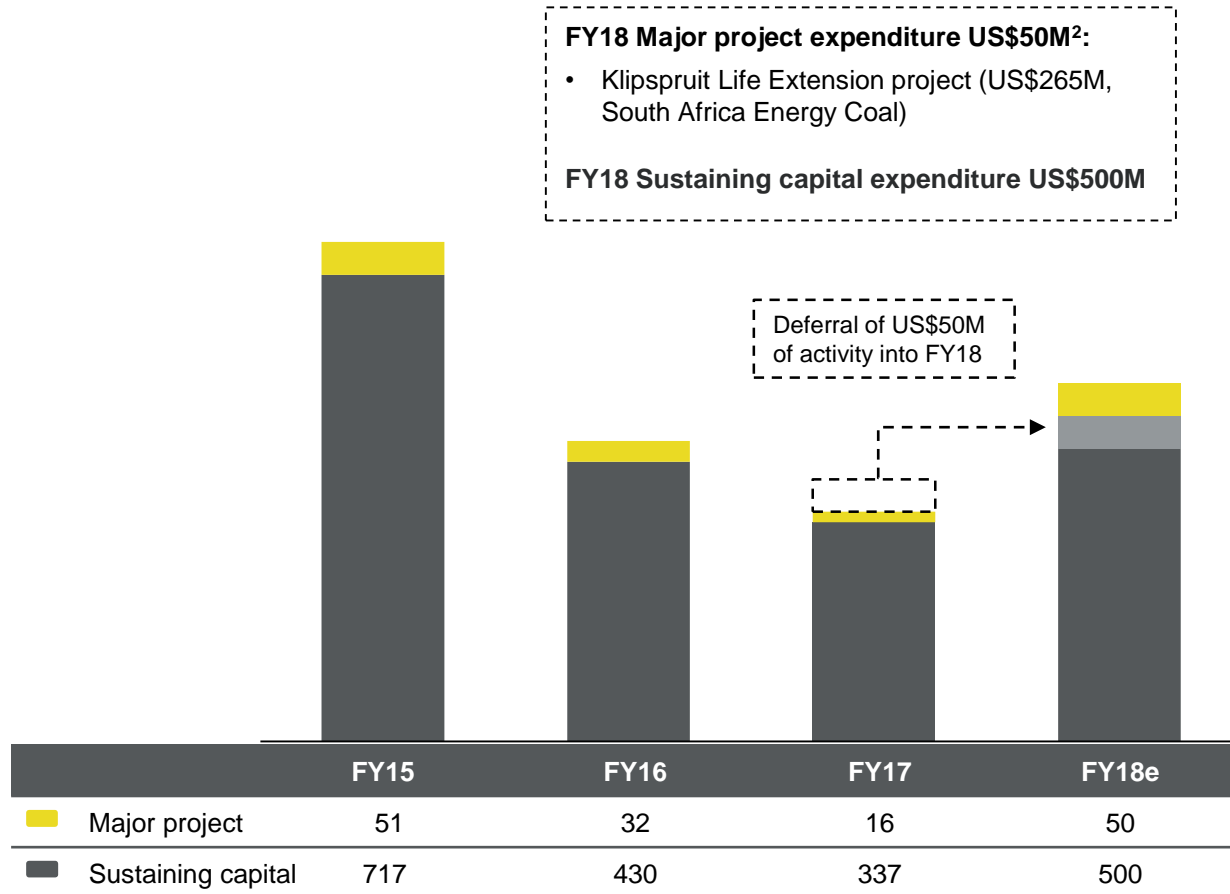
Notes:

- Operating unit costs is Revenue less Underlying EBITDA and excluding third party sales divided by sales volumes. Chart shows the percentage impact of movements in price-linked costs, foreign exchange and controllable costs on operating unit costs.
- FY18e Operating unit cost guidance includes royalties (where appropriate) and the influence of exchange rates, and is predicated on various assumptions for FY18, including: an alumina price of US\$299/t; a manganese ore price of US\$4.50/dmtu for 44% manganese product; a nickel price of US\$4.27/lb; a thermal coal price of US\$72/t (API4) for South Africa Energy Coal; a silver price of US\$16.82/troy oz; a lead price of US\$2,135/t; a zinc price of US\$2,555/t; an AUD:USD exchange rate of 0.74; a USD:ZAR exchange rate of 14.17 and a USD:COP exchange rate of 2,961; all of which reflected forward markets as at May 2017 or our internal expectations.
- US dollar per tonne of ore processed. Periodic movements in finished product inventory may impact operating unit costs as related marketing costs and treatment and refining charges may change.
- Price-linked costs reflects royalties, commodity price-linked costs and market traded consumables.

CAPITAL EXPENDITURE ANALYSIS



Capital expenditure, including equity accounted investments¹ (US\$M)



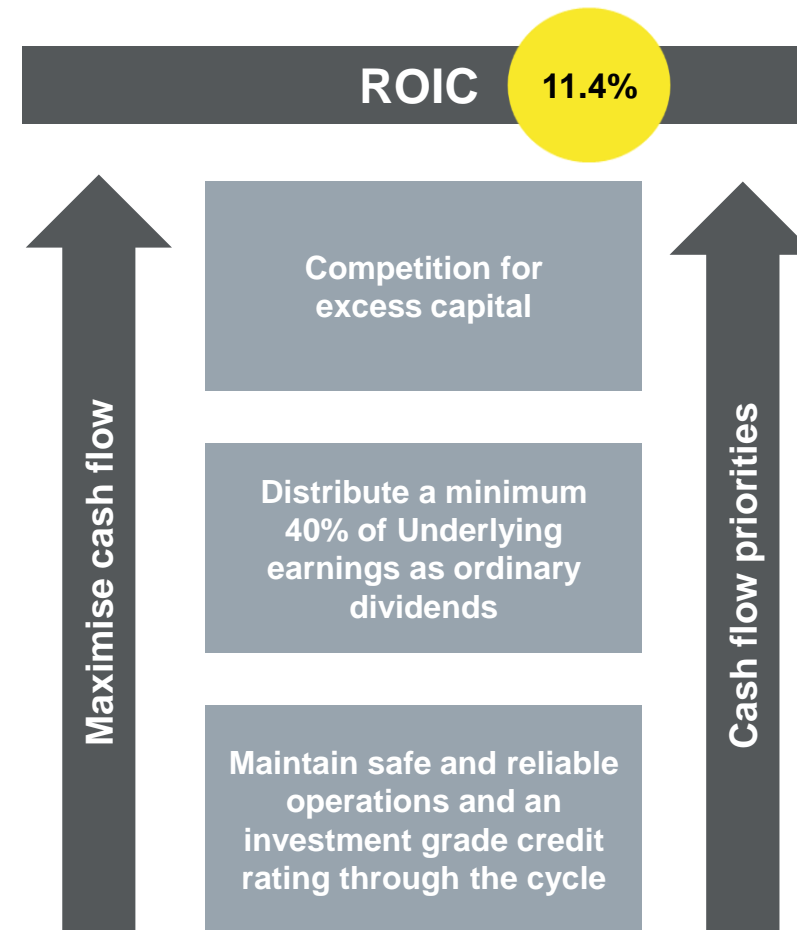
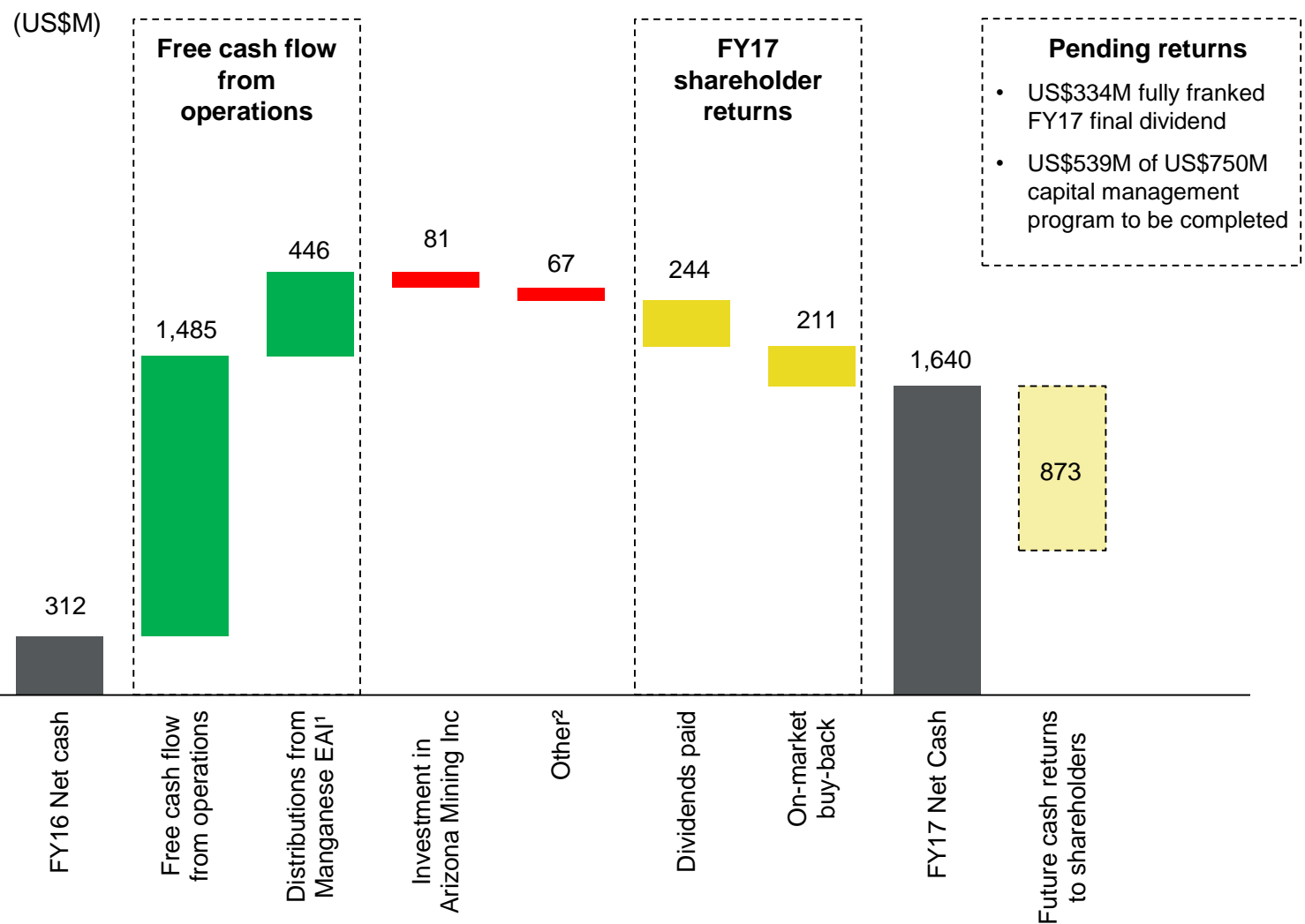
Notes:

- Capital expenditure guidance is predicated on an AUD:USD exchange rate of 0.74; a USD:ZAR exchange rate of 14.17 and a USD:COP exchange rate of 2,961; all of which reflected forward markets as at May 2017 or our internal expectations.
- Klipspruit Life Extension Project final investment decision pending internal approval processes, now expected in H1 FY18.
- Sustaining capital expenditure guidance for Illawarra Metallurgical Coal, including underground development, remains subject to the ongoing review of our systems and practices and will be updated, if required, when this process has been completed.

Sustaining capital expenditure

US\$M	FY17	FY18e
Worsley Alumina	43	48
South Africa Aluminium	15	26
Mozal Aluminium	6	14
Brazil Alumina	20	18
South Africa Energy Coal	56	112
Illawarra Metallurgical Coal ³	104	150
Australia Manganese	28	47
South Africa Manganese	9	23
Cerro Matoso	14	20
Cannington	36	42
Group & Unallocated	6	N/A
Sustaining capital expenditure (including equity accounted investments)	337	500

BALANCE SHEET AND CAPITAL MANAGEMENT



Notes:

- Includes dividends and the net repayment of shareholder loans from Manganese equity accounted investments (EAI).
- Other includes: Financial Investments, proceeds from the sale of PP&E, the purchase of shares in our employee share ownership plans, foreign exchange movement on finance leases, net loan drawdowns from other EAI and dividends from financial investments.



OUTLOOK

GRAHAM KERR
CEO





Optimise the performance of our existing operations

- Reduced controllable costs by ~US\$700M over two years
- Increased manganese production in response to higher prices
- Operated our aluminium supply chain at technical capacity and achieved a production record at Mozal



Unlock their potential

- Pursuing efficiency opportunities across the aluminium value chain
- Ramping up production at Cerro Matoso's high grade La Esmeralda deposit
- Preparing to approve the US\$265M Klipspruit Life Extension Project



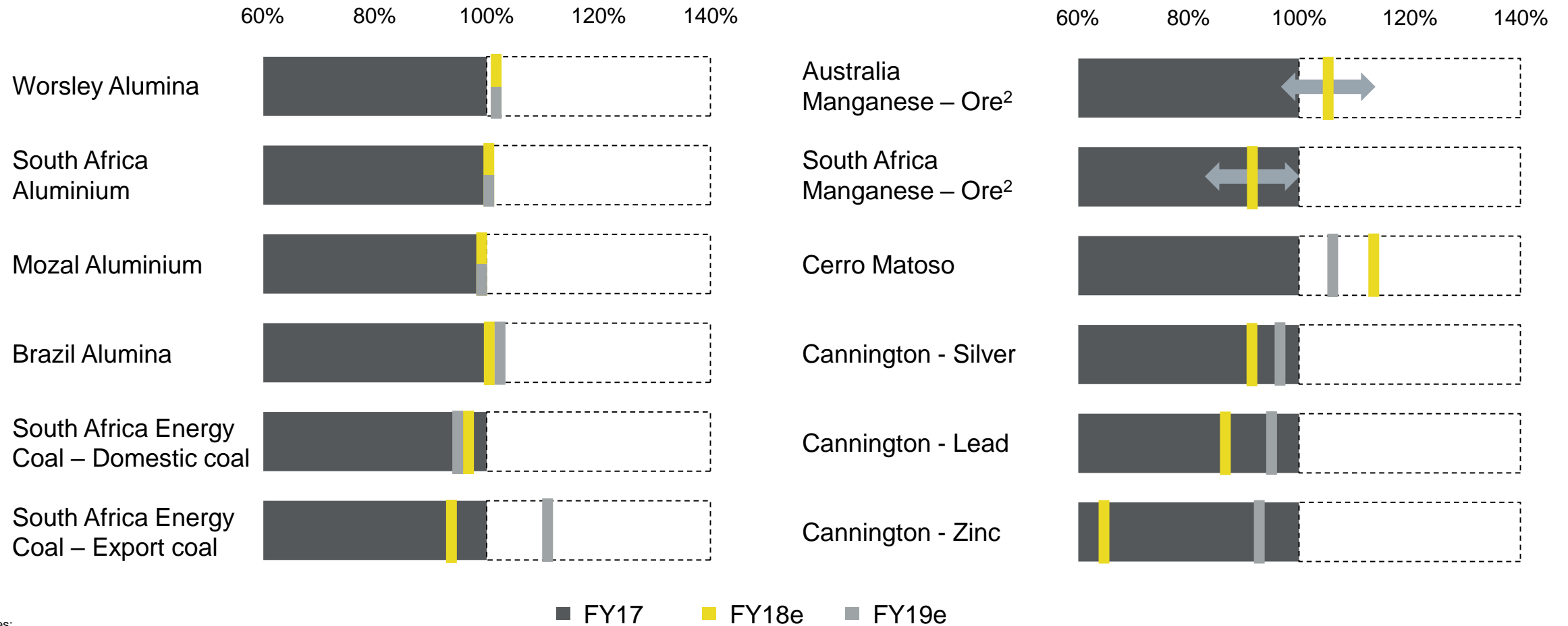
Identify new opportunities to compete for capital

- Completed US\$81M investment in Arizona Mining Inc (TSX:AZ)
- Signed Trilogy Metals (TSX:TMQ) Option Agreement supporting exploration at Bornite deposit, Alaska
- Entered into AusQuest (ASX:AQD) Strategic Alliance
- Progressed exploration for Copper-Nickel-PGE mineralisation at Huckleberry in Labrador Trough, Canada

PRODUCTION GUIDANCE



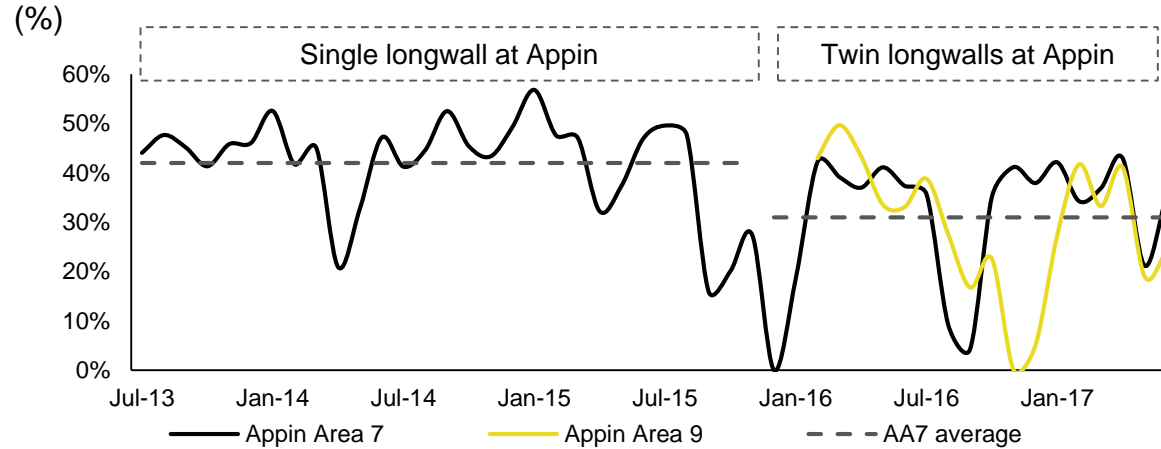
Year on year variance by operation¹



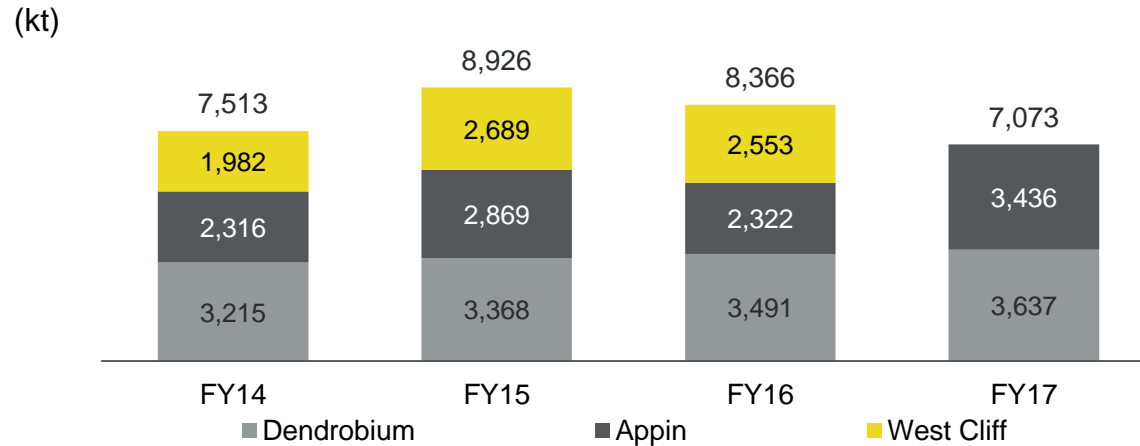
Notes:

1. South32 share. No guidance is provided for Illawarra Metallurgical Coal at this stage as we continue to review our operating systems and practices, with a specific emphasis on gas drainage and ventilation at the Appin colliery. A staged ramp-up of the Appin 707 longwall is expected to commence in early September. The reliability and predictability of its performance, and our associated gas management activities, will inform our future plans and ability to ramp-up to historical rates of production. We will provide a further update when we release our September quarterly results on 19 October 2017.
2. Manganese ore production guidance for FY19 remains subject to market demand.

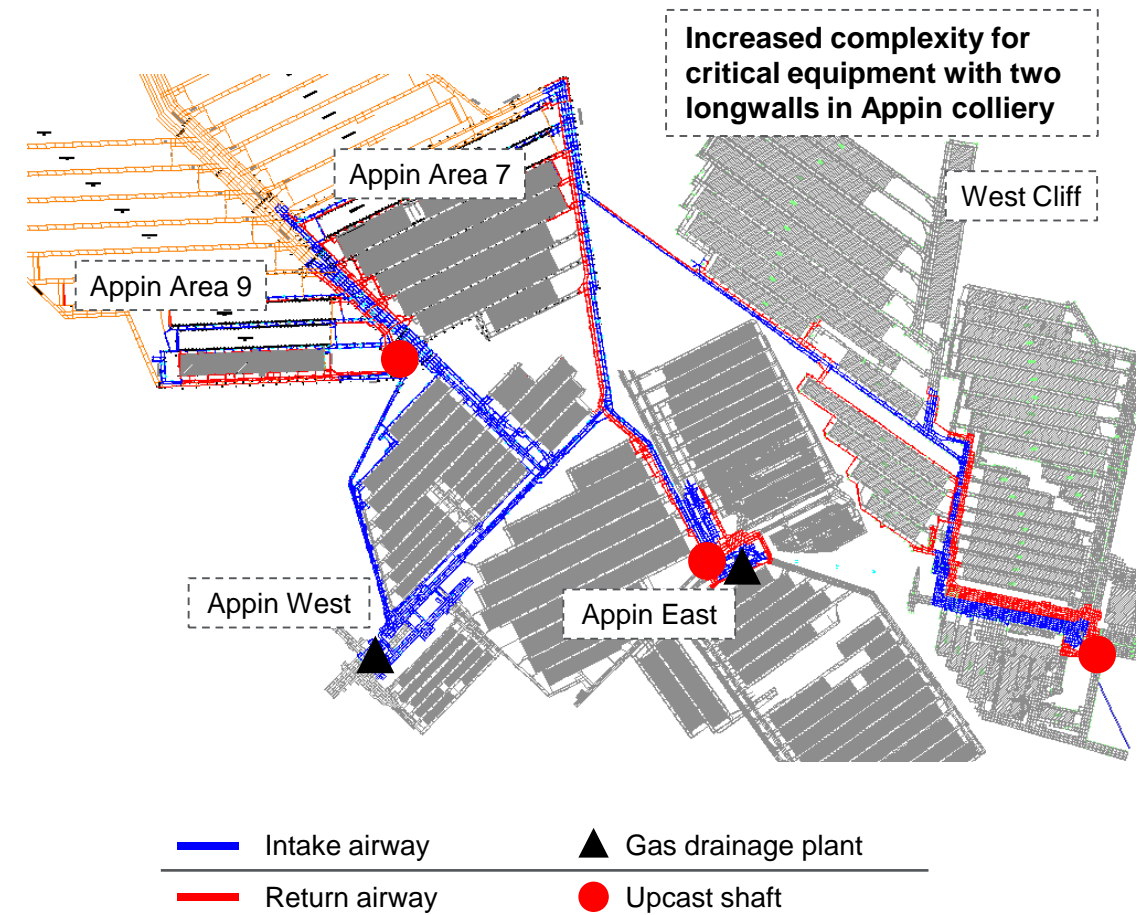
Longwall overall equipment effectiveness (OEE)¹



Illawarra Metallurgical Coal saleable production²



Plan view of Appin and West Cliff and the ventilation system



Notes:

- OEE is calculated as equipment utilisation multiplied by equipment availability. These measures exclude planned equipment outages such as longwall moves.
- Clean coal production split between Appin and West Cliff based on ROM contribution to the West Cliff Coal Processing Plant (which has 8.1Mtpa throughput capacity). Appin Area 9 production replaced West Cliff production in January 2016.

Phase I (~ 2 to 3 months)

Review systems, processes and organisational structure

Work with the regulator to address concerns

- ✓ Dedicated team of internal and external experts assigned to Appin restart plan
- ✓ Complete root cause analyses, including an assessment of any shortcomings in the Appin Area 9 project design (approved June 2012)
- ✓ Ensure fit for purpose organisational structure
- Implement minimum restart requirements identified in our review
- Complete longwall 901 in late August 2017

Phase II

Safe commencement of staged ramp-up

Focus on gas drainage and ventilation at Appin

- Move longwall to 902
- Complete design of staged ramp-up and recommence activity at longwall 707 in early September 2017
- Achieve steady state production at longwall 707
- Ongoing engineering studies

Phase III

Ability to safely return operation to historical levels of production

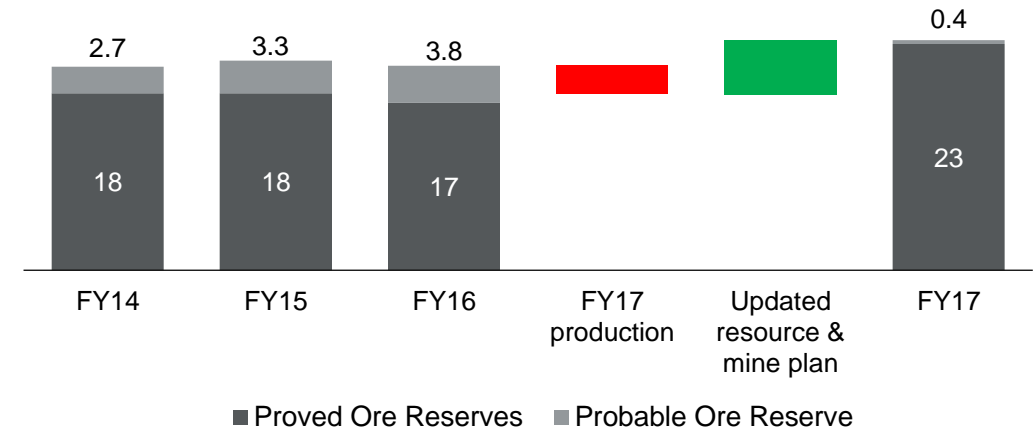
- Capture and embed learnings from Phase I and Phase II
- Maintain safe, reliable and predictable gas drainage and ventilation systems
- Assess optimal configuration of a two longwall operation at Appin

The reliability and predictability of Appin colliery's performance, and our associated gas management activities, will inform our future plans and ability to ramp-up to historical rates of production. We will provide a further update when we release our September 2017 quarterly results. Operating unit cost guidance for Illawarra Metallurgical Coal will be provided when we have finalised our operating plans for FY18.

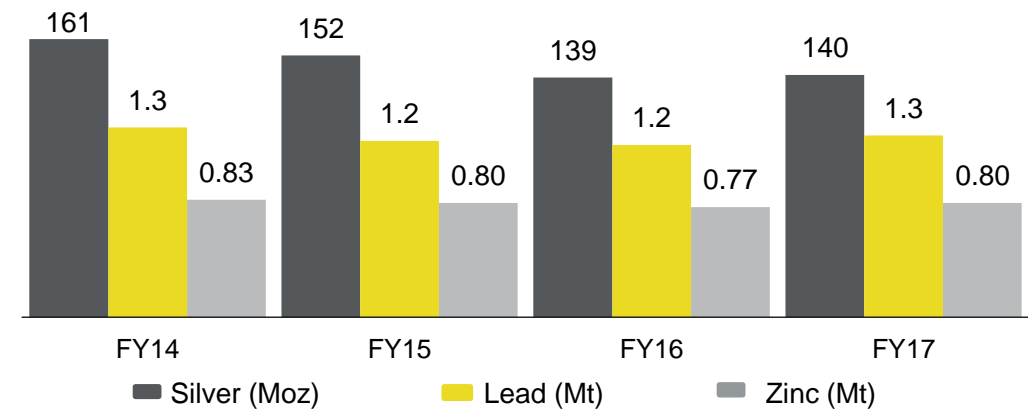
Maximising metal production over the life of mine

- Reserve Life¹ increased to 10 years, reflecting:
 - 4.8Mt of additional underground Ore Reserves identified in FY17 more than offsetting FY17 depletion
 - Planned extraction of Ore Reserve over a declining production profile to FY27
- Exploration activity of US\$2M planned in FY18 as we continue to invest through the drill-bit to add value
- Stope sequence optimised for recovery and to maximise value
- Preserving future options – open pit decision not required until beyond 2020

Underground Ore Reserves² (Mt)



Metal contained in Ore Reserves³



Notes:

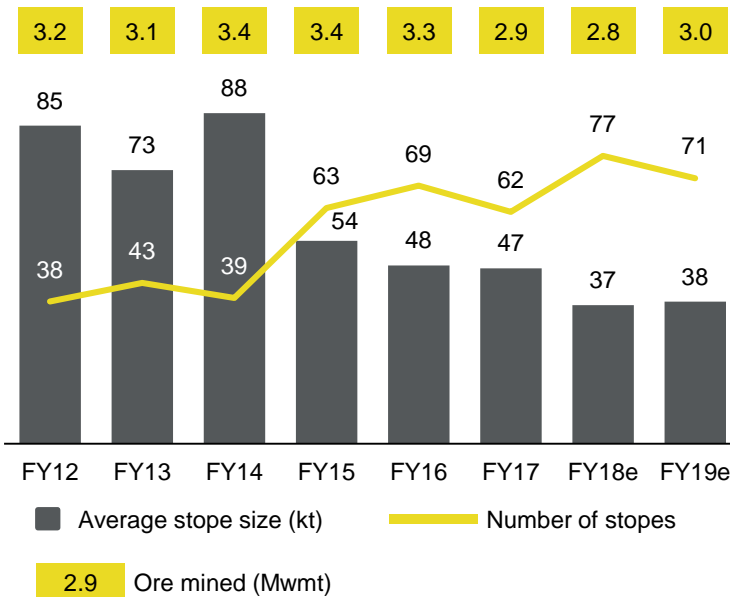
- Reserve Life: The scheduled extraction period in years for the total Ore Reserves in the approved Life of Operations Plan reported to two significant figures. Previously, FY16 Reserve Life was stated as total Ore Reserves divided by the nominated production rate.
- Refer to the statements supporting Ore Reserve set out on Slide 2 of this presentation
- Contained metal is obtained by multiplying Ore Reserve tonnes with grade. Contained metal for silver is converted to millions of troy ounces.

- Trucking to replace all shaft haulage from September 2017 to March 2018 when the replacement crusher chamber becomes operational
- Rebuilding ROM stocks in FY18 following an underground fire in April 2017
- FY19 production recovers on improved throughput as Ag and Pb grades remain largely unchanged
- Optimising mine plan for recovery as number of stopes and general complexity increases

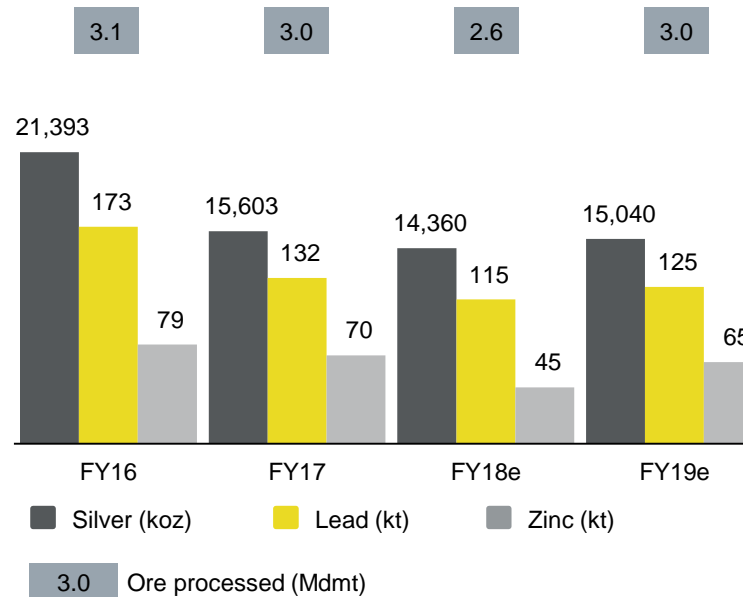
- FY18 operating costs increase on reduced throughput and stock build partially offset by lower negotiated TC/RCs
- FY19 operating unit costs expected to improve with increasing production

Mine output

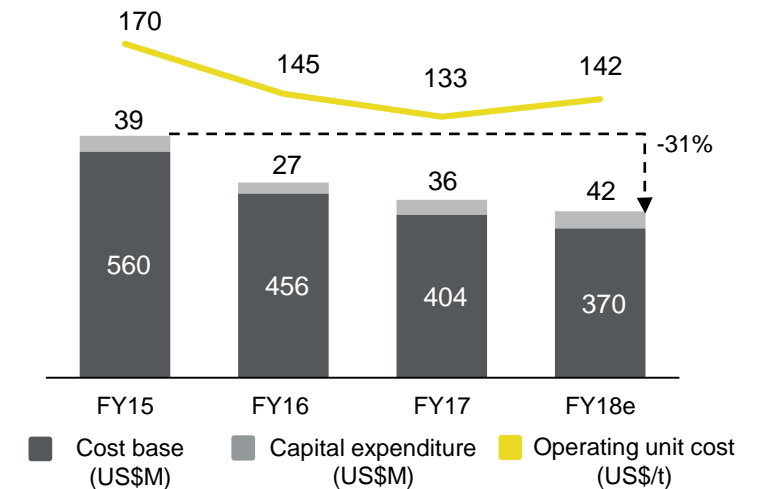
Average stope size and number of stopes extracted



Payable metal production



Cost base and Operating unit cost^{1,2}



Notes:

1. FY18e Operating unit cost guidance includes royalties (where appropriate) and the influence of exchange rates, and is predicated on various assumptions, including: a silver price of US\$16.82/troy oz; a lead price of US\$2,135/t; a zinc price of US\$2,555/t; an AUD:USD exchange rate of 0.74; all of which reflected forward markets as at May 2017 or our internal expectations.
2. US dollar per tonne of ore processed. Periodic movements in finished product inventory may impact Operating unit costs as related marketing costs and treatment and refining charges may change.

Targeting an improvement in performance at Wolvekrans-Middelburg Complex (WMC) following the establishment of focussed export and domestic teams

Greater potential for domestic supply opportunities

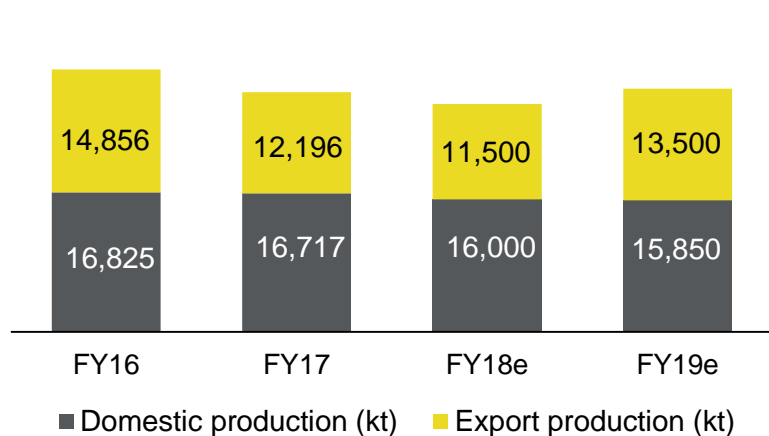
Managing contractual exposure for take-or-pay rail and domestic power supply contracts

General inflation in South Africa represents an additional headwind

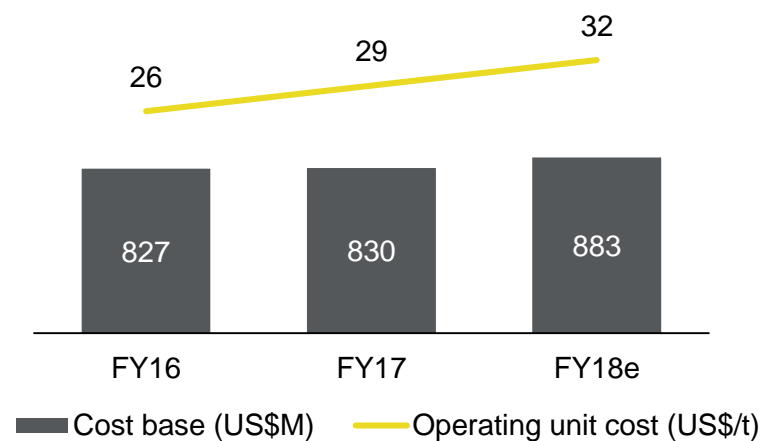
US\$265M Klipspruit Life Extension project pending final investment decision

Sustaining capital to open new pits at WMC

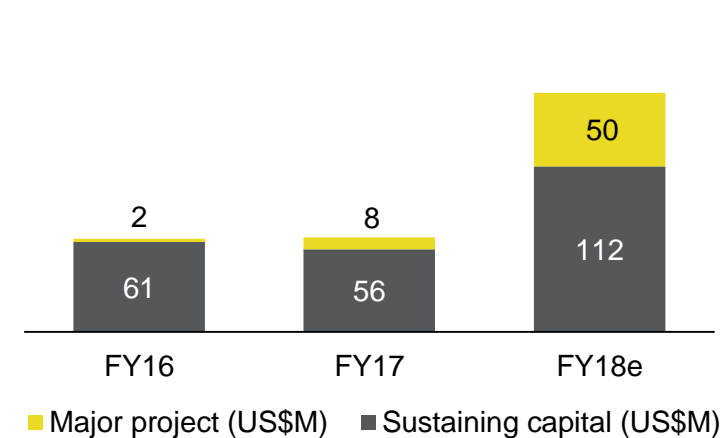
Saleable coal production and guidance



Cost base and Operating unit cost^{1,2}



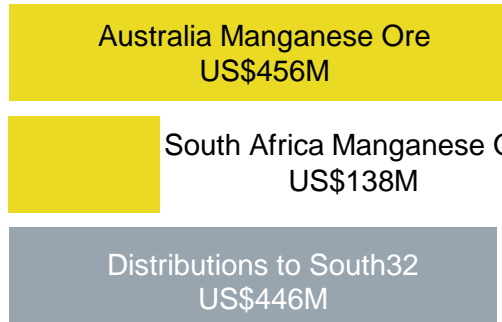
Capital expenditure



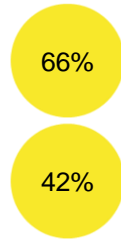
Notes:

1. FY18e Operating unit cost guidance includes royalties (where appropriate) and the influence of exchange rates, and is predicated on various assumptions for FY18 including: a thermal coal price of US\$72/t (API4) for South Africa Energy Coal; a USD:ZAR exchange rate of 14.17; all of which reflected forward markets as at May 2017 or our internal expectations.
2. Operating unit cost is Revenue less Underlying EBITDA and excluding third party sales divided by sales volumes.

FY17 Underlying EBITDA (South32 share)



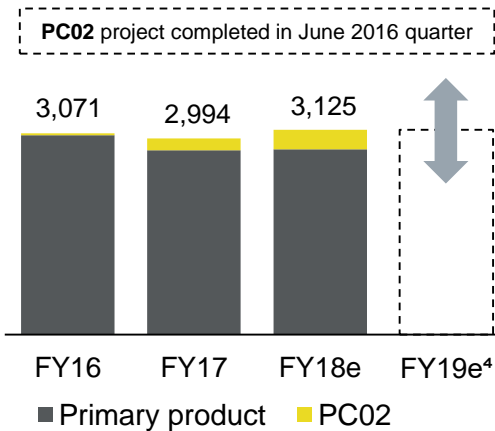
FY17 Operating Margin¹



FY17 Average realised price²

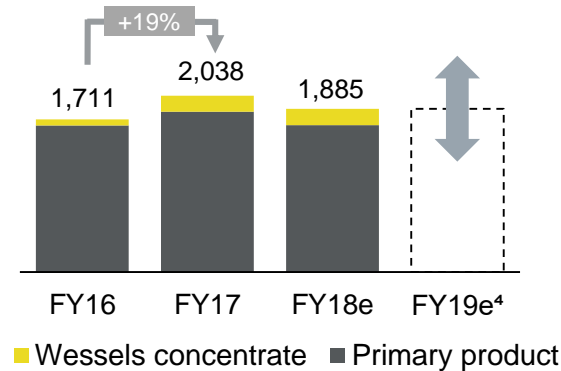


Manganese ore production (kwt, South32 share)



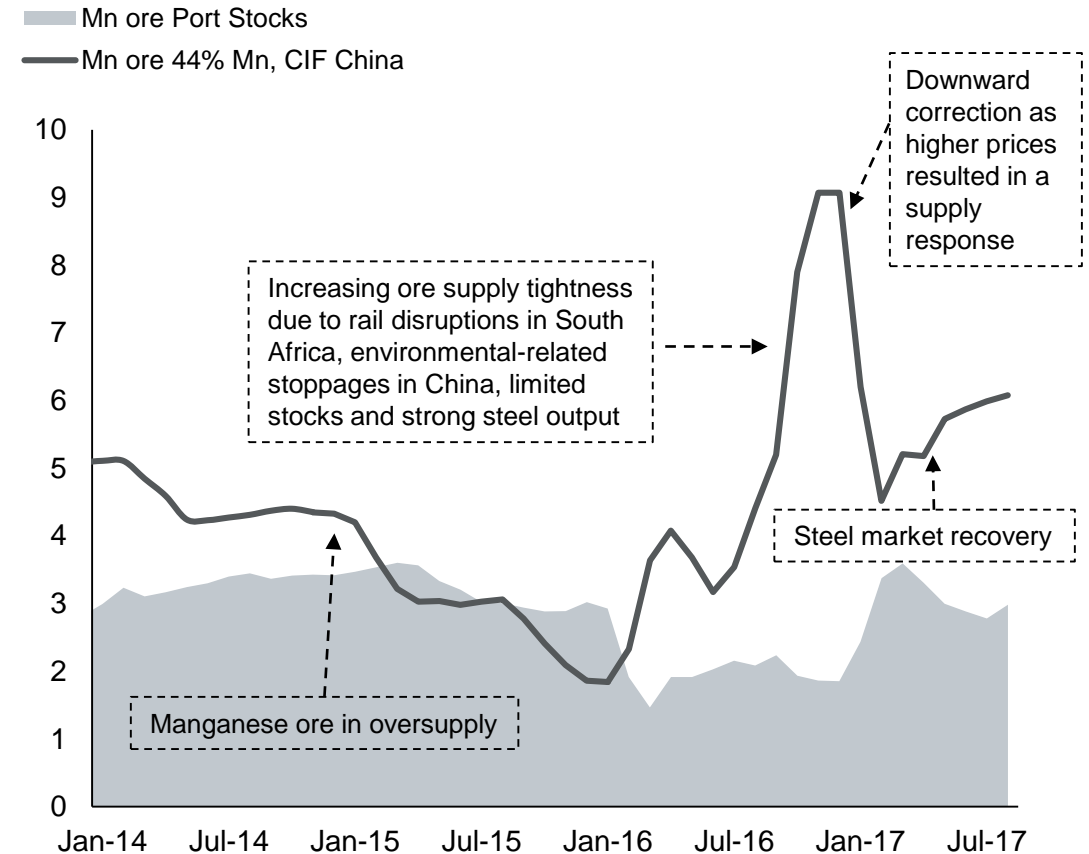
Australia Manganese ore

Wessels Central Block commissioned in March 2017 quarter



South Africa Manganese ore

Manganese ore price and China port stocks³ (US\$/dmtu; Mt)



Notes:

- Operating margin is Underlying EBITDA margin, excluding third party product.
- Average realised price reflects US\$/dmtu and are calculated as external sales revenue less freight and marketing costs, divided by external sales volumes.
- Closing chart data as at 16 August 2017. All other data at month end. Sources: SteelOrbis, Metal Bulletin.
- Manganese production will continue to be adjusted in response to market demand.

ALUMINIUM VALUE CHAIN

FY17 Underlying EBITDA (South32 share)

Alumina
US\$452M

Aluminium
US\$397M

FY17 Operating Margin¹

30%

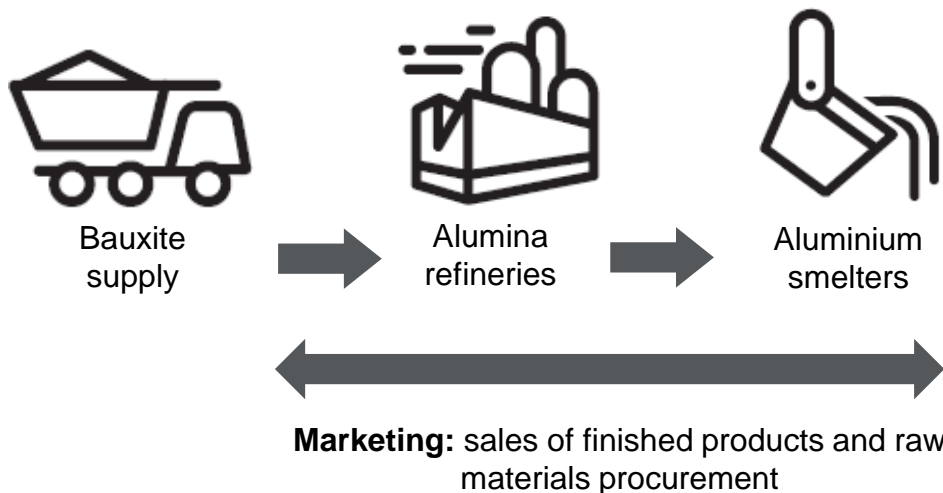
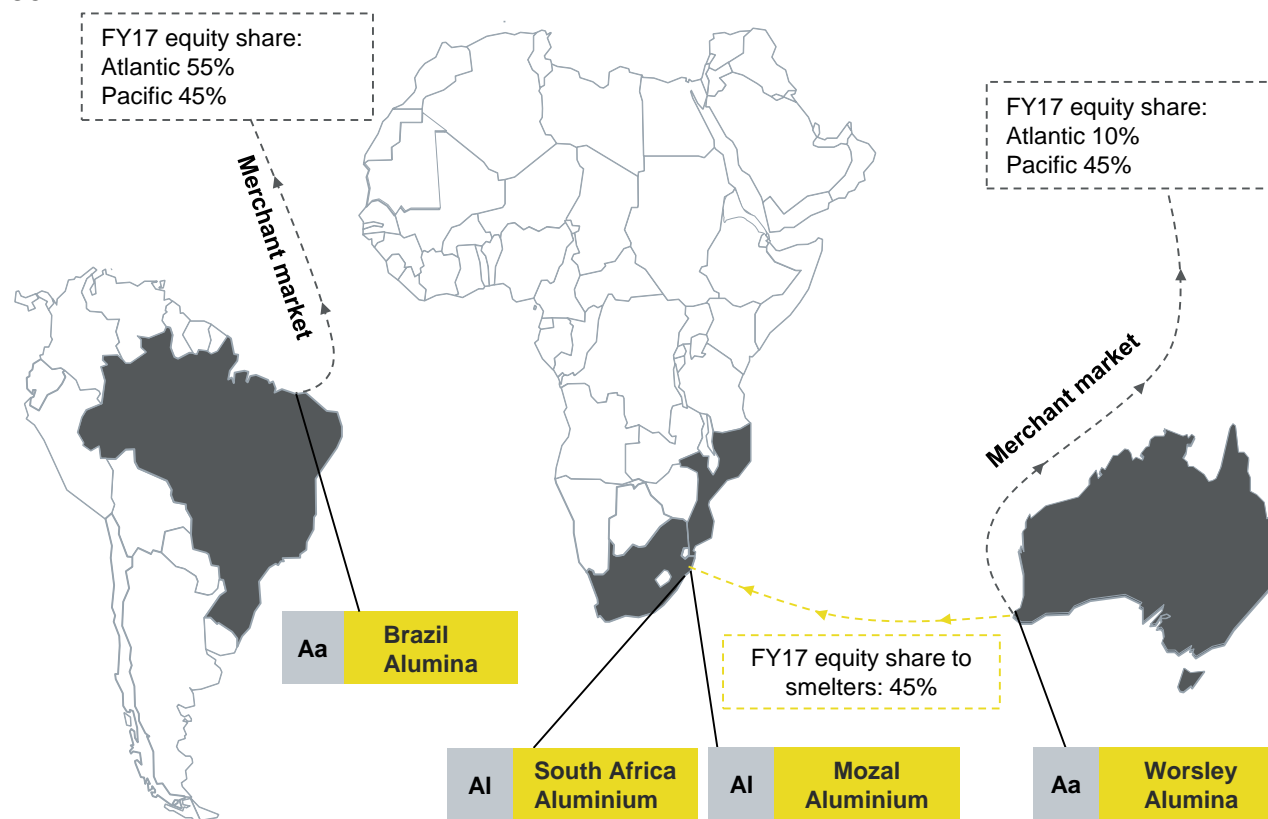
22%

FY17 Average realised price²

\$289

\$1,871

Group alumina and aluminium operations



Notes:

1. Operating Margin is Underlying EBITDA margin, excluding third party product.
2. Alumina average realised price reflects the average weighted price for alumina sales from Worsley Alumina and Brazil Alumina. Aluminium average realised price reflects the average weighted realised price for sales from South Africa Aluminium and Mozal Aluminium. Realised sales price is calculated as sales revenue divided by sales volume.

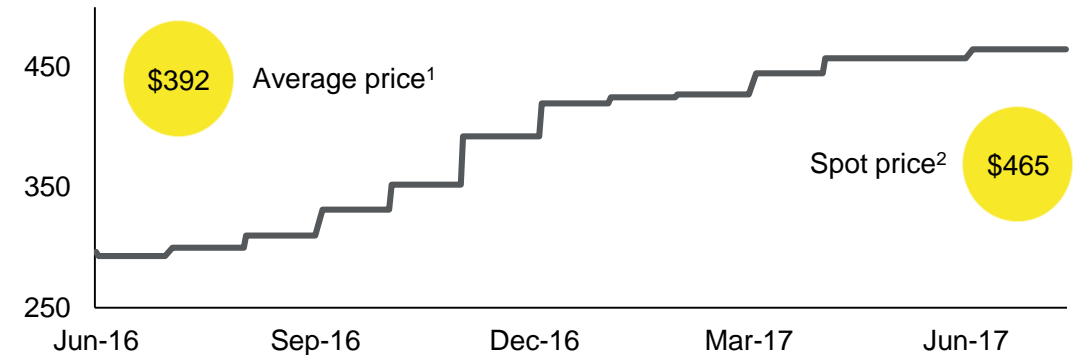
Worsley Alumina (86% share)

- Refinery operating at technical capacity
- Tight cost control offset impact of higher caustic soda price in FY17
- 25% year on year caustic price increase assumed in FY18
- West Marradong bauxite from FY19 has the potential to:
 - defer capital to establish new mining areas; and
 - reduce caustic soda consumption

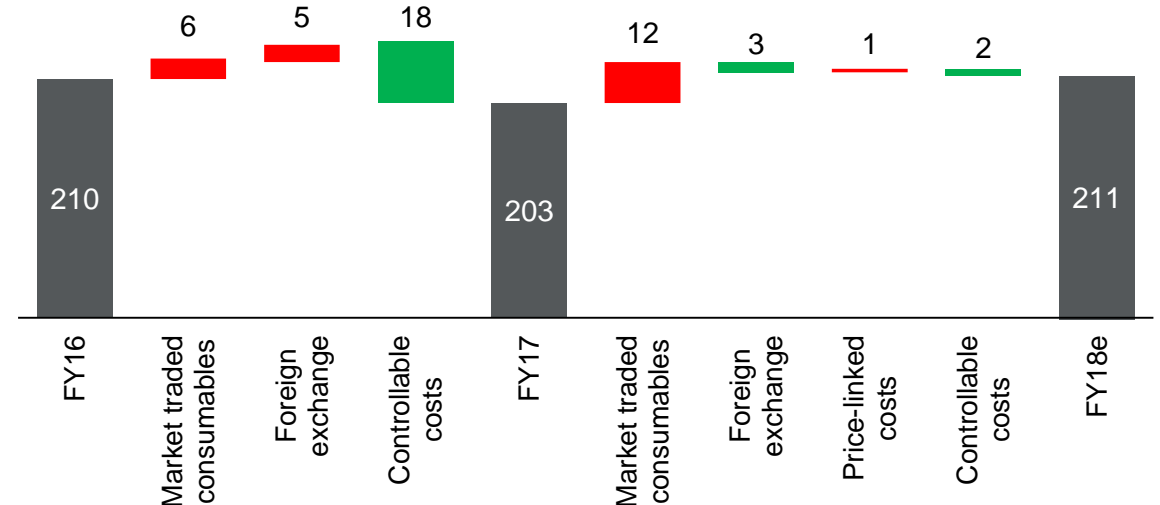
Brazil Alumina (36% share)

- Refinery operating at technical capacity with excellent cost control (FY17 Operating unit cost: US\$197/t)
- De-bottlenecking Phase One project expected to deliver production creep in FY18 and FY19

Caustic soda price (US\$/t)



Worsley Alumina Operating unit cost (US\$/t)



Notes:

1. Average price between 30 June 2016 and 11 August 2017. Source IHS Markit.
2. Spot price reflects price on 11 August 2017. Source IHS Markit.

South Africa Aluminium (100% share)

- Smelter achieving benchmark levels of operating efficiency
- Restarted 22 pots in December 2016 quarter
- Targeting record production in FY18

Mozal Aluminium (47.1% share)

- Achieved production record in FY17
- Smelter achieving benchmark levels of operating efficiency
- Pending approval of US\$38M¹ AP3XLE project will increase production by ~5% with no increase in energy consumption

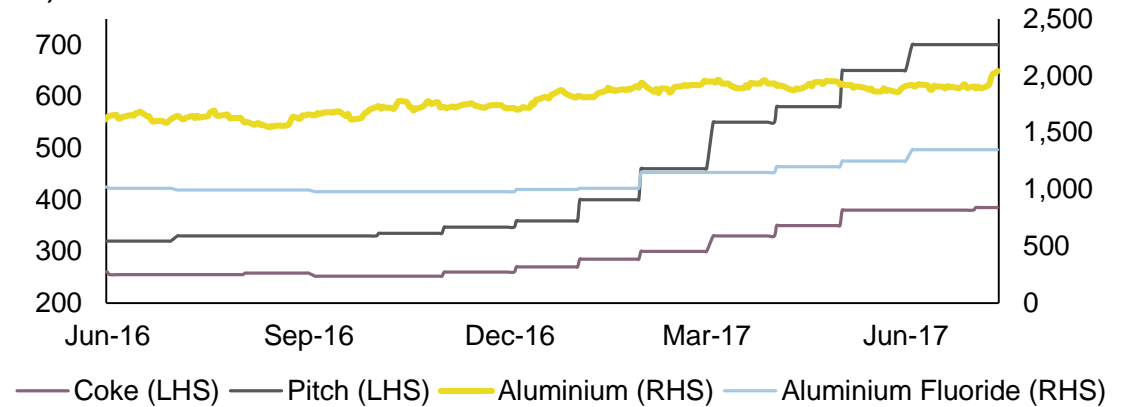
Raw material cost inflation

- Calcined Petcoke, CoalTar Pitch and Aluminium Fluoride
- Supply-demand balance remains tight
- Prices have all rallied strongly from CY16 lows, introducing cost inflation to the industry

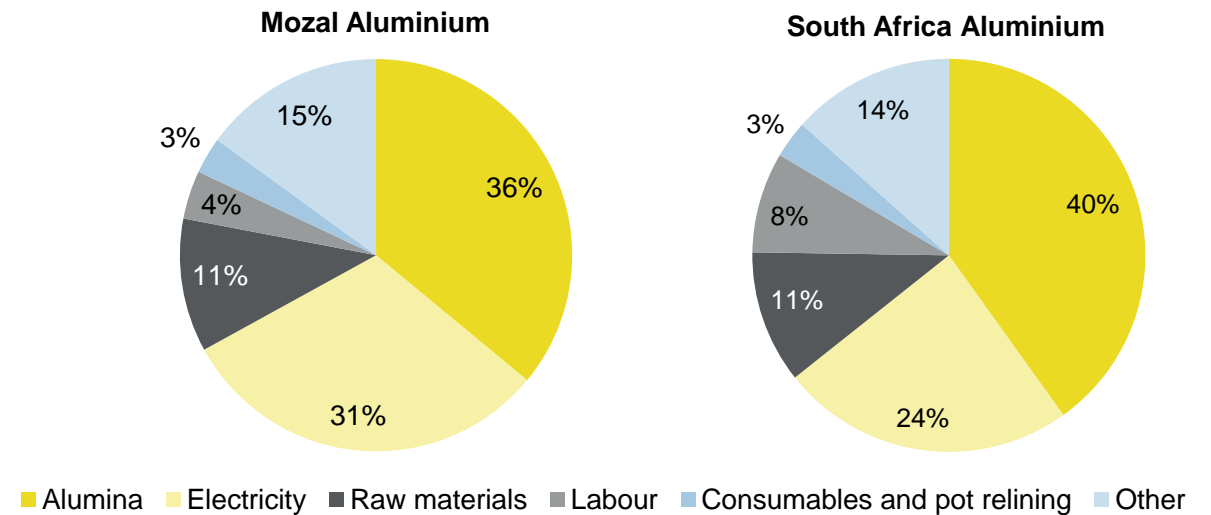
Notes:

1. Capital budget, 100% basis.
2. Sources: LME, Baiinfo, Aladinny, AZ China, CRU, Platts, Jacobs and South32 analysis.

Raw material input prices vs LME Aluminium² (US\$/t)



FY17 cost base



Underlying earnings
US\$1.1B

↑ US\$1.0B

Free cash flow
US\$1.9B¹

↑ US\$1.3B

Net Cash
US\$1.6B

↑ US\$1.3B

Continuing to unlock value
from our portfolio

Embedding high quality
future options

Substantially increasing
returns to shareholders

Notes:

1. Group free cash flow includes distributions from equity accounted investments.



SUPPLEMENTARY INFORMATION



EARNINGS ADJUSTMENTS



Earnings adjustments ¹	FY17	FY16
	US\$M	US\$M
Adjustments to Underlying EBIT		
Significant items	-	24
Exchange rate (gains)/losses on restatement of monetary items	37	(43)
Impairment losses	-	1,386
Fair value (gains)/losses on derivative instruments	(194)	60
Major corporate restructures	2	63
Impairment losses included in profit/(loss) of equity accounted investments	-	291
Earnings adjustments included in profit/(loss) of equity accounted investments	8	16
Total adjustments to Underlying EBIT	(147)	1,797
Adjustments to net finance cost		
Significant items	-	9
Exchange rate variations on net debt	35	(30)
Total adjustments to net finance cost	35	(21)
Adjustments to income tax expense		
Significant items	-	31
Tax effect of earnings adjustments to Underlying EBIT	42	(187)
Tax effect of earnings adjustments to net finance cost	(9)	9
Exchange rate variations on tax balances	(6)	124
Total adjustments to income tax expense	27	(23)
Total earnings adjustments	(85)	1,753

Notes:

1. Refer to disclosure of Earnings adjustments in 30 June 2017 Financial Results announcement.

UNDERLYING TAX EXPENSE



Underlying income tax expense reconciliation and Underlying effective tax rate ¹	FY17	FY16
	US\$M	US\$M
Underlying EBIT	1,648	356
Include: Underlying net finance cost	(136)	(125)
Remove: Share of profit/(loss) of equity accounted investments	(320)	23
Underlying Profit/(loss) before tax	1,192	254
Income tax expense	393	70
Tax effect of earnings adjustments to Underlying EBIT	(42)	187
Tax effect of earnings adjustments to net finance cost	9	(9)
Exchange rate variations on tax balances	6	(124)
Tax on significant items	-	(31)
Underlying income tax expense	366	93
Underlying effective tax rate	30.7%	36.6%

Notes:

1. Refer to disclosure of Underlying tax expense in 30 June 2017 Financial Results announcement.

UNDERLYING NET FINANCE COST



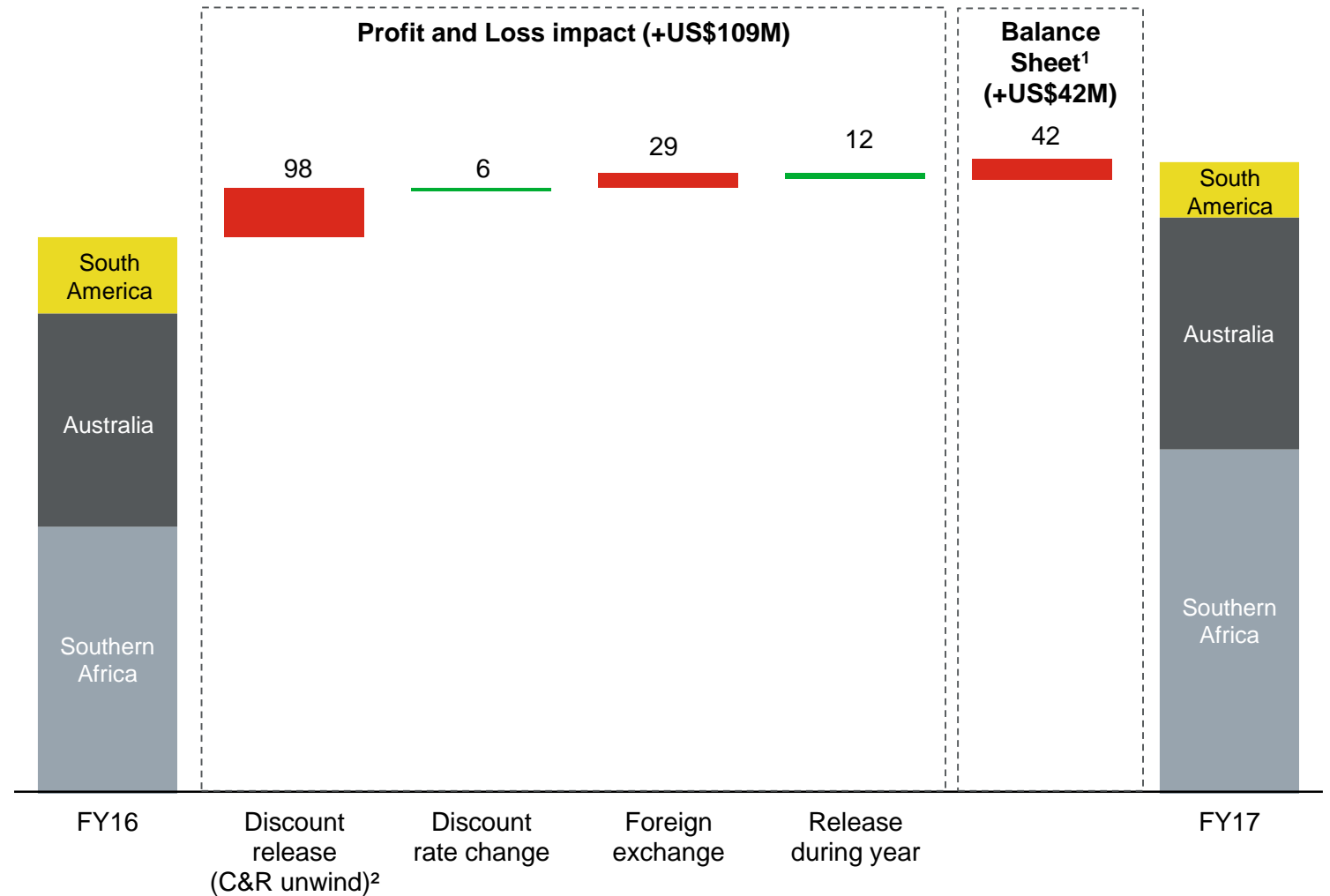
Underlying net finance cost reconciliation ¹	FY17	FY16
	US\$M	US\$M
Unwind of discount applied to closure and rehabilitation provisions	(98)	(96)
Finance lease interest	(52)	(37)
Other	14	8
Underlying net finance cost	(136)	(125)
Add back earnings adjustment for exchange rate variations on net debt	(35)	30
Add back significant items	-	(9)
Net finance cost	(171)	(104)

Notes:

1. Refer to disclosure of Underlying net finance cost in 30 June 2017 Financial Results announcement.

CLOSURE PROVISIONS

Closure and rehabilitation provisions by operation (South32 share)	FY17 US\$M	FY16 US\$M
South Africa Energy Coal	746	616
South Africa Aluminium	195	164
Worsley Alumina	292	278
Cerro Matoso	89	100
Cannington	86	88
Mozal Aluminium	46	54
Illawarra Metallurgical Coal	88	61
Brazil Aluminium	22	52
Other ³	1	1
Total	1,565	1,414



Notes:

- Balance Sheet movement of +US\$42M reflects net impact of a US\$25M decrease in provisions associated with a change in discount rates, a US\$46M increase in provisions as a result of other changes (including a review of underlying cash flow assumptions), a US\$91M increase in provisions associated with the capitalisation of foreign exchange impacts on restatement of closure provisions and a US\$70M decrease as a result of closure activities.
- Unwind of discount applied to closure and rehabilitation provisions.
- Other includes Corporate and Marketing.

FY18 UNIT COSTS GUIDANCE



Operating unit costs, including Sustaining capital expenditure by upstream operation		H1 FY17	H2 FY17	FY17	FY18e ³
Worsley Alumina (US\$/t)	Operating	200	205	203	211
	Sustaining capital	10	13	11	12
	Total	210	218	214	223
South Africa Energy Coal (US\$/t)	Operating	26	32	29	32
	Sustaining capital	2	2	2	4
	Total	28	34	31	36
Australia Manganese (US\$/dm³)¹	Operating	1.44	1.61	1.52	1.50
	Sustaining capital	0.20	0.13	0.17	0.31
	Total	1.64	1.74	1.69	1.81
South Africa Manganese (US\$/dm³)¹	Operating	1.96	2.15	2.09	2.06
	Sustaining capital	0.11	0.10	0.10	0.26
	Total	2.07	2.25	2.19	2.32
Cerro Matoso (US\$/lb)	Operating	3.81	3.73	3.77	3.53
	Sustaining capital	0.11	0.23	0.17	0.21
	Total	3.92	3.96	3.94	3.74
Cannington² (US\$/t)	Operating	131	136	133	142
	Sustaining capital	10	13	12	16
	Total	141	149	145	158

Notes:

1. Manganese Operating unit costs, including Sustaining capital expenditure are FOB.
2. US dollar per tonne of ore processed. Periodic movements in finished product inventory may impact Operating unit costs as related marketing costs and treatment and refining charges may change.
3. FY18e Operating unit costs guidance includes royalties (where appropriate) and the influence of exchange rates, and are predicated on various assumptions for FY18, including: an alumina price of US\$299/t; a manganese ore price of US\$4.50/dm³ for 44% manganese product; a nickel price of US\$4.27/lb; a thermal coal price of US\$72/t (API4) for South Africa Energy Coal; a silver price of US\$16.82/troy oz; a lead price of US\$2,135/t; a zinc price of US\$2,555/t; an AUD:USD exchange rate of 0.74; a USD:ZAR exchange rate of 14.17 and a USD:COP exchange rate of 2,961; all of which reflected forward markets as at May 2017 or our internal expectations.

EARNINGS SENSITIVITIES



Estimated impact on FY18 Underlying EBIT of a 10% change in commodity or currency	EBIT impact +/- 10% US\$M
Aluminium ¹	172
Alumina	154
Metallurgical coal	81
Energy coal	79
Manganese ore ²	76
Nickel	33
Manganese alloy ²	25
Lead	23
Silver	22
Zinc	13
Australian Dollar	152
South African Rand	97
Colombian Peso	21
Brazilian Real	12

Notes:

1. Aluminium sensitivity shown without any associated increase in Alumina pricing.
2. The sensitivity impact for manganese ore and manganese alloy are on a pre-tax basis. The Group's manganese operations are reported as equity accounted investments. As a result, the Profit after taxation for manganese is included in the Underlying EBIT of South32.

