23 August 2018

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

2018 FULL YEAR FINANCIAL RESULTS PRESENTATION

South32 Limited (ASX, LSE, JSE: S32; ADR: SOUHY) (South32) will hold a conference call at 8.00am Australian Western Standard Time to discuss the attached 2018 full year financial results presentation materials, the details of which are as follows:

Conference ID: 698528

Australia: 1 800 558 698
South Africa: 0800 999 976
International: +612 9007 3187
United States: (855) 881 1339
United Kingdom: 0800 051 8245

A presentation is attached. Following the conference call a recording will be available on the South32 website (https://www.south32.net/investors-media/financial-results).

Separately an audio presentation of the "2018 results analysis" section of the attached materials by South32 Limited Chief Financial Officer, Brendan Harris, is now available on our website at https://www.south32.net/investors-media/financial-results.

About South32

South32 is a globally diversified mining and metals company. We produce bauxite, alumina, aluminium, energy and metallurgical coal, manganese, nickel, silver, lead and zinc at our operations in Australia, Southern Africa and South America. We are also the owner of a high grade zinc, lead and silver development option in North America and have several partnerships with junior explorers with a focus on base metals. Our purpose is to make a difference by developing natural resources, improving people's lives now and for generations to come, and to be trusted by our owners and partners to realise the potential of their resources.

Further Information

Investor Relations

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

Tom Gallop
T +61 8 9324 9030
M +61 439 353 948
E Tom.Gallop@south32.net

Media Relations

James Clothier
T +61 8 9324 9697
M +61 413 391 031
E James.Clothier@south32.net

Jenny White
T +44 20 7798 1773
M +44 7900 046 758
E Jenny.White@south32.net

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

JSE Sponsor: UBS South Africa (Pty) Ltd
23 August 2018

2018 Financial Results

23 August 2018

Important notices

This presentation should be read in conjunction with the “Financial results and outlook – year ended 30 June 2018” announcement released on 23 August 2018, which is available on South32’s website (www.south32.net).

Figures in Italics indicate that an adjustment has been made since the figures were previously reported.

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 or statements of fact. 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. South32 makes no representation, assurance or guarantee as to the accuracy or likelihood or fulfilment of any forward-looking statement or any outcomes expressed or implied in any forward-looking statement. 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 debt, 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.

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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.

MINERAL RESOURCES AND ORE RESERVES

The information in this presentation that relates to estimates of Mineral Resources for the Hermosa Project are qualifying foreign estimates under ASX Listing Rules and reference should be made to the clarifying statement on Mineral Resources in the market announcement ‘South32 to acquire Arizona Mining in agreed all cash offer’ dated 18 June 2018, in accordance with ASX Listing Rule 5.12. South32 is not in possession of any new information or data relating to the foreign estimate that materially impacts on the reliability of the estimates. South32 confirms that the information contained in the clarifying statement in the 18 June 2018 market announcement continues to apply and has not materially changed. The estimates of Mineral Resources are not reported in accordance with the JORC Code. Competent Persons have not done sufficient work to classify the foreign estimates as Mineral Resources in accordance with JORC Code. It is uncertain that following evaluation and further exploration that the foreign estimates will be able to be reported as Mineral Resources or Ore Reserves in accordance with the JORC Code.

The information in this presentation that relates to estimates of Coal Resources for Eagle Downs metallurgical coal project was declared as part of South32's media release "South32 to acquire 50% interest in Eagle Downs and assume operatorship" issued on 29 May 2018 and prepared by Competent Person in accordance with the requirements of the JORC Code. South32 confirms that it is not aware of any new information or data that materially affects the information included in the original announcement. All material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. South32 confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

The information in this presentation that relates to the Ore Reserve and Mineral Resource estimates of Worsley Alumina was declared in the market announcement “Worsley Alumina Ore Reserves Update” dated 23 August 2018 and prepared by Competent Persons in accordance with the requirements of the JORC Code. South32 confirms that it is not aware of any new information or data that materially affects the information included in the original announcement. All material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. South32 confirms that the form and context in which the Competent Persons’ findings are presented have not been materially modified from the original market announcement.

Other information in this presentation that relates to Ore Reserve and Mineral Resource estimates was declared as part of South32's Annual Resource and Reserve declaration in the FY17 Annual Report (www.south32.net) issued on 14 September 2017 and prepared by Competent Persons in accordance with the requirements of the JORC Code. South32 confirms that it is not aware of any new information or data that materially affects the information included in the original announcement (other than as stated above for Worsley Alumina). All material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. South32 confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

FY18 Overview

Underlying earnings US$1.3B

↑16%

Underlying EBITDA US$2.5B

Operating margin 37%

Free cash flow[a] US$1.4B

Net Cash balance US$2B

Final ordinary dividend 6.2 US cents per share

US$946M returned to shareholders in respect of FY18

US$380M of US$1B capital management program to be completed in FY19

Reshaping our portfolio

Arizona Mining

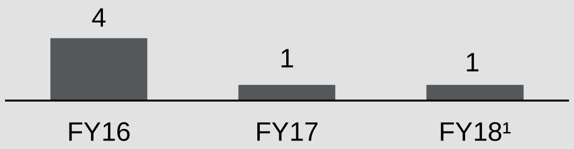
Eagle Downs

South Africa Energy Coal

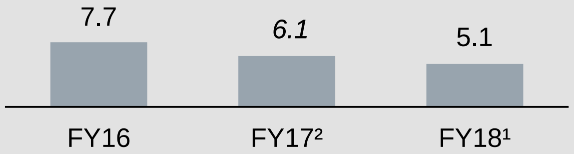
Notes:
a. Free cash flow from operations including net distributions from equity accounted investments (EAI).

Sustainability performance

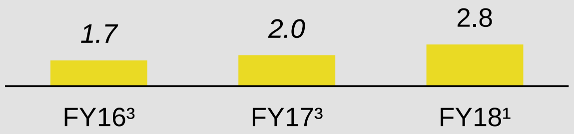
Fatalities[a][b]



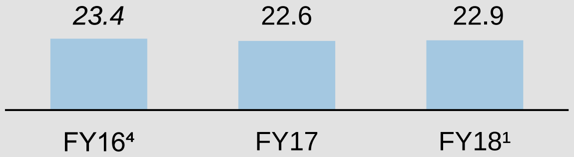
TRIF[a][b]



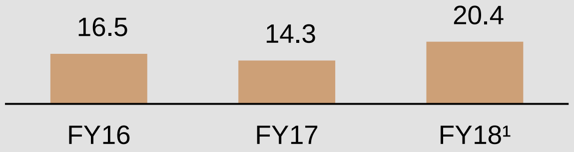
Employee Occupational Illness[a][b]



GHG emissions[a][b]
(Mt CO_2-e)



Community investment[b]
(US$M)



Notes:

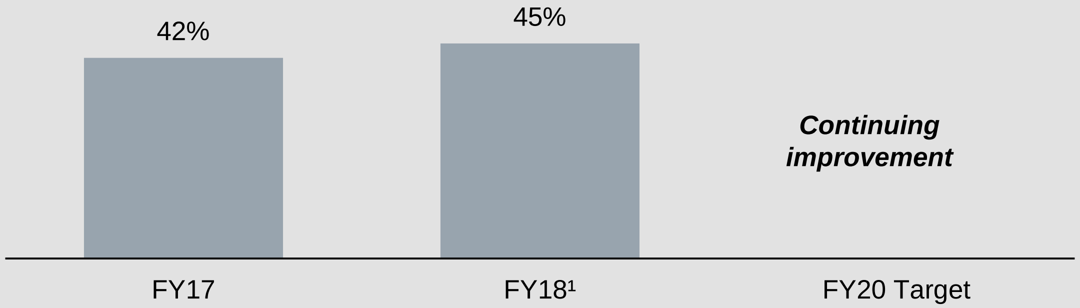
a. Fatalities, Total Recordable Injury Frequency (TRIF) per million hours worked and Employee Occupational Illness (EOI) per million hours worked, are all calculated in accordance with the United States Government Occupational Safety and Health Assessment (OSHA) guidelines for the recording and reporting of occupational injuries and illnesses. Greenhouse gas (GHG) 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).

b. Metrics describing sustainability performance apply to “operated assets” that have been wholly owned and operated by South32, or that have been operated by South32 in a joint venture operation.

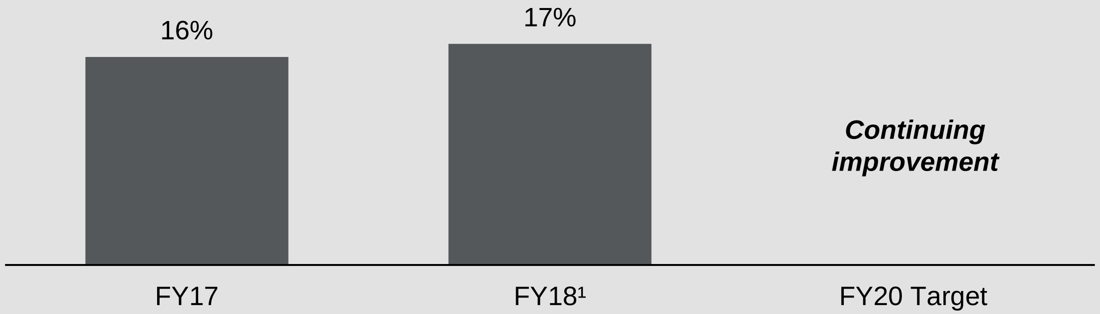
ICMM International Council on Mining & Metals

Workforce diversity

Black People in our South African management team[a]

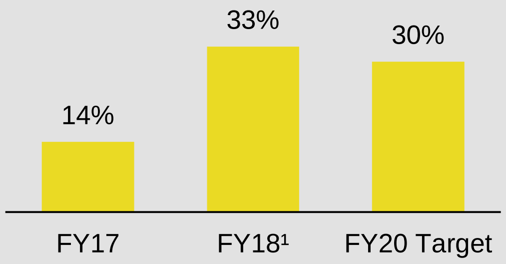


Women in our workforce

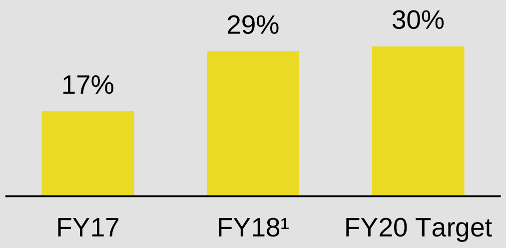


Women in leadership

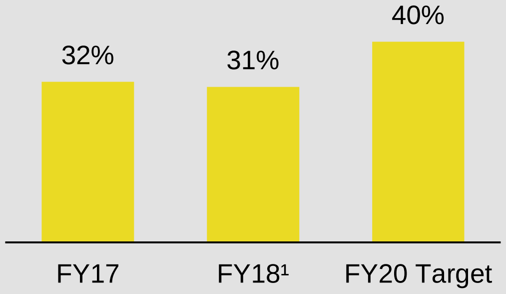
Board



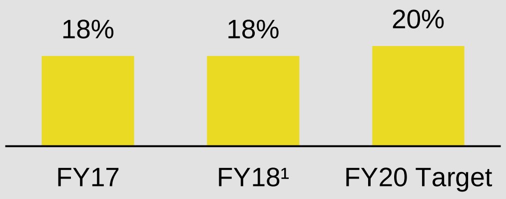
South32 Lead Team



Senior Leadership[b]



Operational Leadership



Notes:

a. Refers to Africans, Coloureds and Indians who are citizens of the Republic of South Africa by birth or descent (as more fully defined in the Broad-Based Black Economic Empowerment Amendment Act 2013 (South Africa)).

b. South32 leaders who report directly to the Lead Team.

Our performance highlights

10% increase in total manganese ore production

Record ore production at Australia Manganese

Another production record at Mozal Aluminium

20% increase in payable nickel production at Cerro Matoso

Production expected to increase by 5%[(a)] in FY19

Strong cost control across our upstream operations

Aluminium supply chain benefiting from long alumina position

Notes:
a. Revenue equivalent.

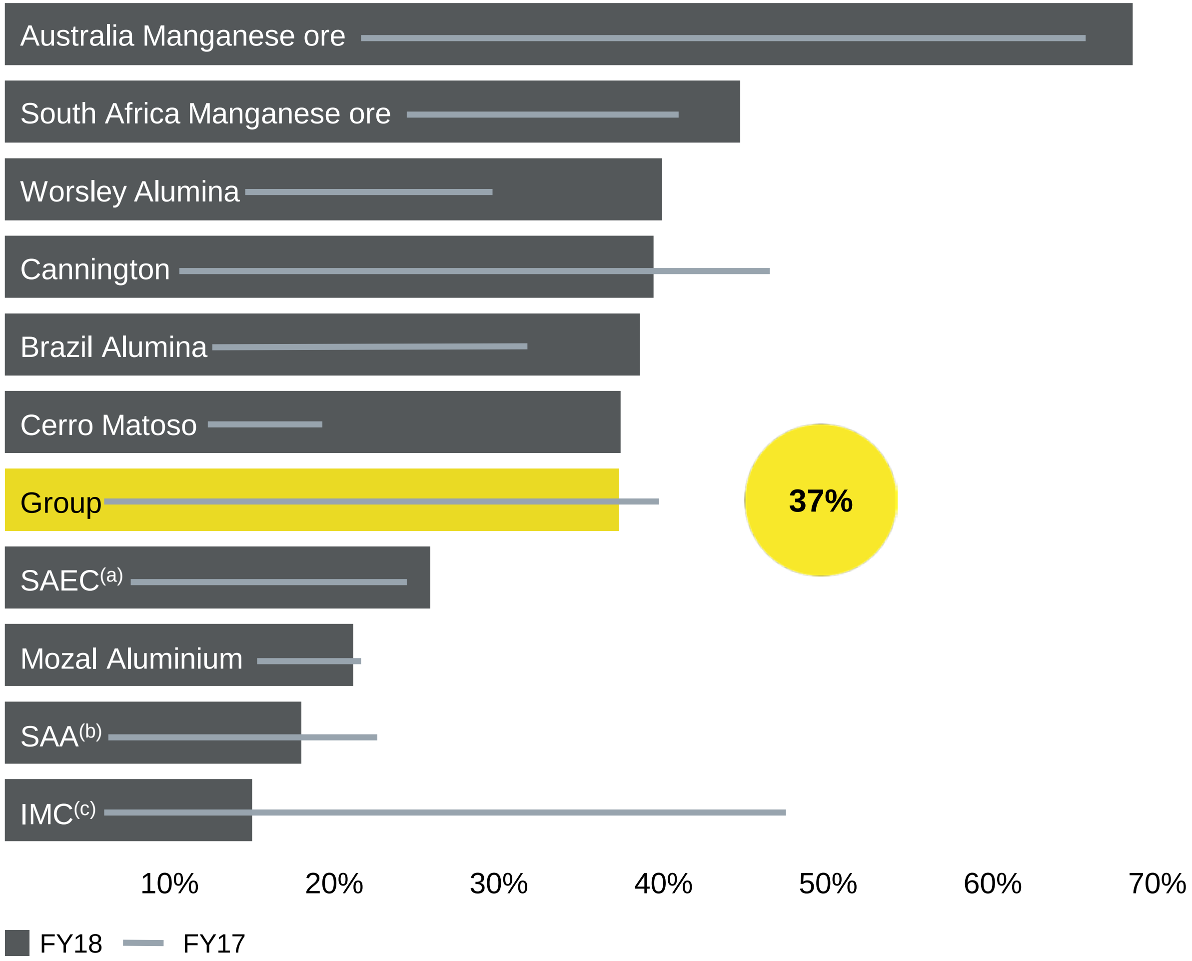
2018 Results analysis

Brendan Harris

CFO

Operating margin analysis

Operating margin[5]



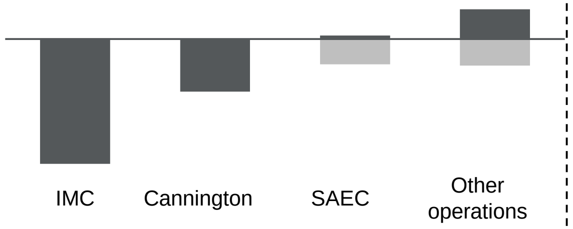
Mitigating inflationary pressure and enhancing margins

	Estimated impact on margin
Energy and materials	**~US$25M**
Power usage and price renegotiation (Cerro Matoso and Cannington)	
Lower caustic consumption from West Marradong bauxite feed (Worsley Alumina)	
Pot life extension (South Africa Aluminium and Mozal Aluminium)	
Sales and distribution	**~US$40M**
Lower negotiated treatment and refining charges (Cannington)	
Sale of excess logistics capacity (multiple)	
Volume	**~US$110M**
Additional primary and PC02 production (Australia Manganese ore)	
Opportunistic trucking volumes (South Africa Manganese ore)	
Coal diverted to export markets (South Africa Energy Coal)	
Sale of low quality stockpiles (South Africa Energy Coal)	
Throughput efficiencies (Cerro Matoso)	

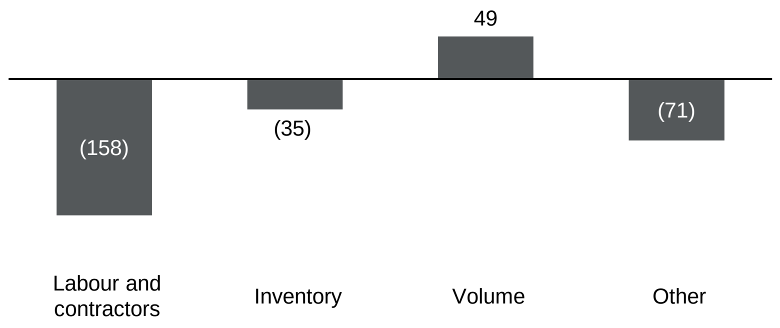
Notes:
a. South Africa Energy Coal
b. South Africa Aluminium
c. Illawarra Metallurgical Coal

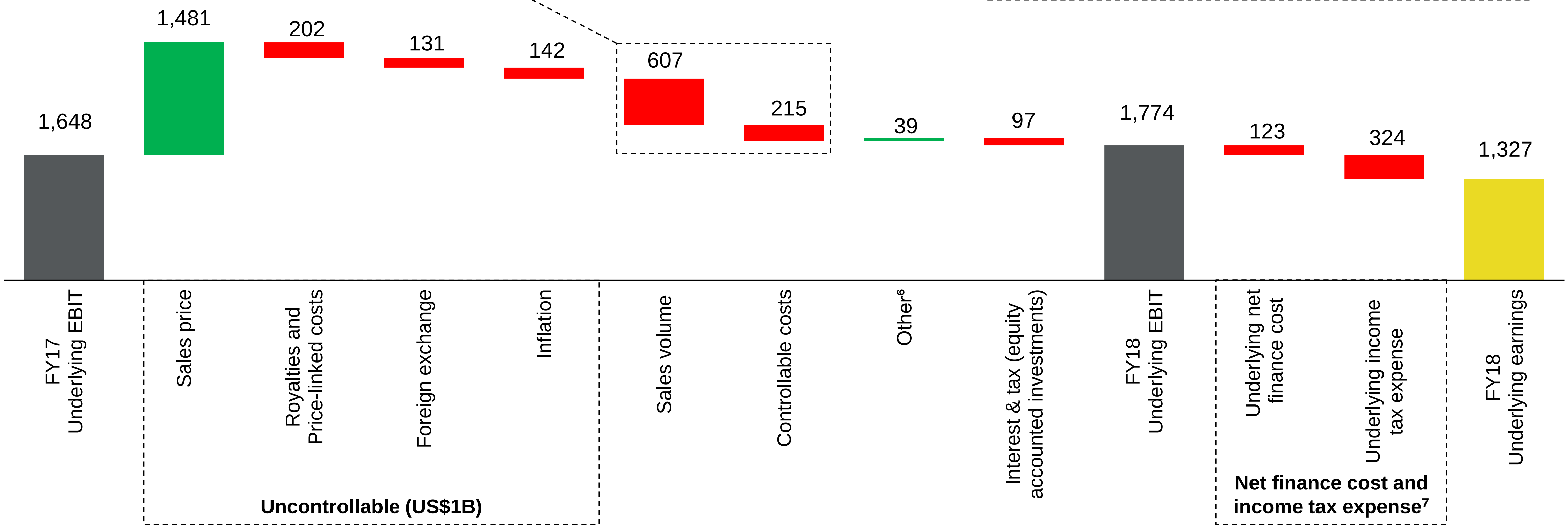
Earnings analysis

(US$M)

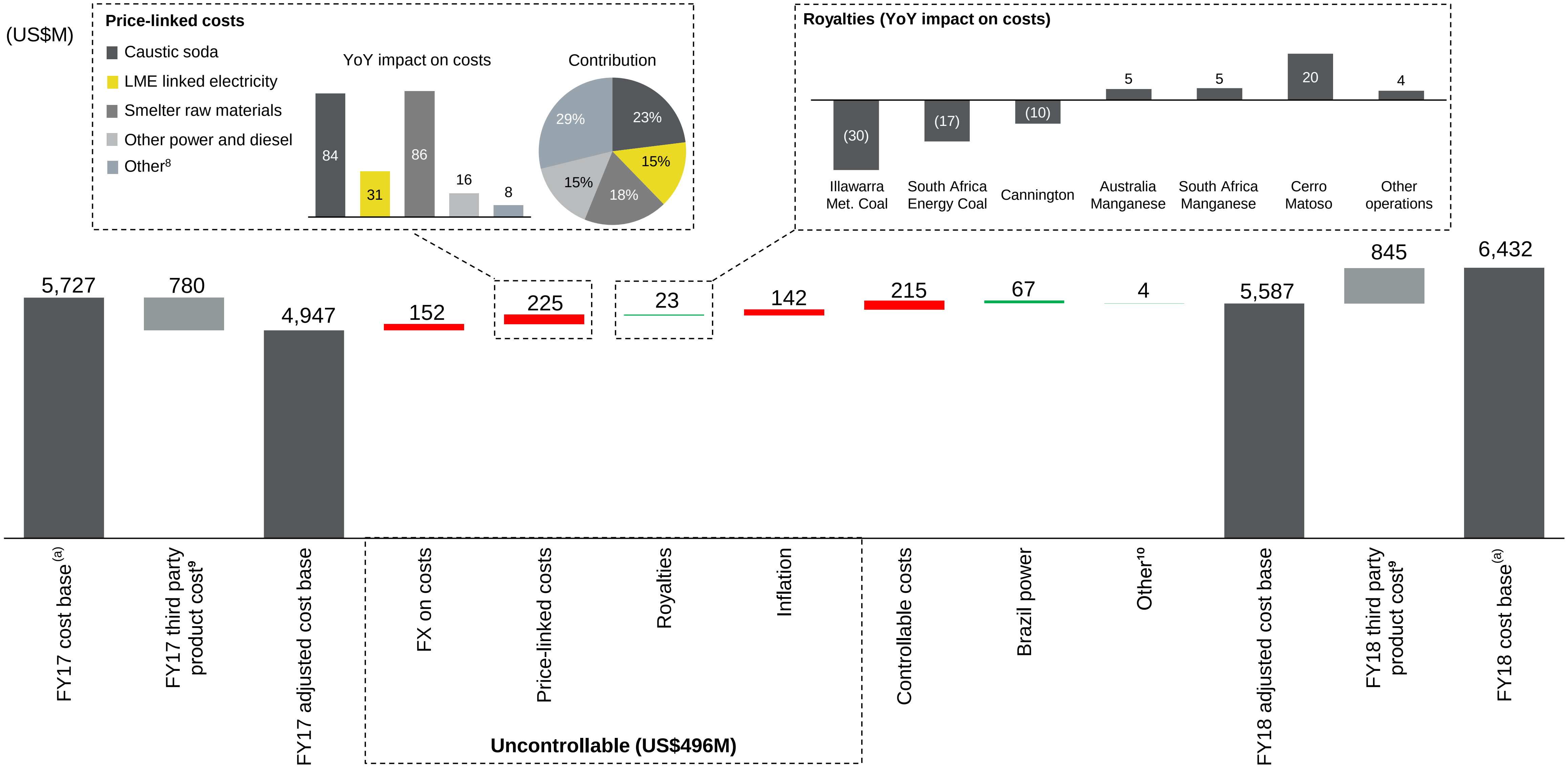


	IMC	Cannington	SAEC	Other operations
Sales volumes	(525)	(221)	14	125
Controllable costs	4	(1)	(106)	(112)
Net Underlying EBIT impact	(521)	(222)	(92)	13





Costs analysis



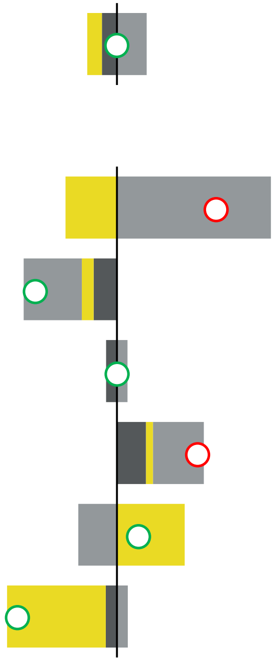
Notes:

a. Cost base includes equity accounted investments and excludes other income. FY18 includes US$1,179M of statutory adjustments and a US$220M adjustment for other income to reconcile to Revenue minus Underlying EBITDA (FY17 includes US$907M of statutory adjustments and a US$281M adjustment for other income to reconcile to Revenue minus Underlying EBITDA).

Operating unit costs

Operating unit costs[11]

Operation	FY17	H1 FY18	H2 FY18	FY18	FY18 guidance	FY18 vs. FY18 guidance (10%) (5%) 0% 5% 10%	Performance notes
Worsley Alumina (US$/t)	203	224	247	**235**	**235**		In-line with guidance despite lower production
Brazil Alumina (US$/t)	197	234	269	**252**			Higher prices for caustic soda and bauxite in FY18
South Africa Energy Coal (US$/t)	29	36	37	**36**	**34**		Above guidance as tonnes re-directed to export market (washing and logistics costs)
Illawarra Metallurgical Coal (US$/t)	80	149	136	**142**	**150**		Below guidance as production exceeded expectations
Australia Manganese (FOB, US$/dmtu)	1.52	1.55	1.72	**1.63**	**1.63**		In-line with guidance as lower cost PC02 circuit operated above nameplate capacity
South Africa Manganese (FOB, US$/dmtu)	2.09	2.31	2.74	**2.53**	**2.41**		Above guidance as we increased opportunistic trucking and paid higher price-linked royalties
Cerro Matoso (US$/lb)	3.77	3.41	3.92	**3.67**	**3.61**		In-line with guidance despite higher price-linked royalties
Cannington[12] (US$/t)	133	170	130	**150**	**159**		Below guidance due to reduction in treatment and refining charges
South Africa Aluminium (US$/t)	1,454	1,680	1,962	**1,826**			Sharply higher raw material costs in FY18 (mostly internally sourced alumina)
Mozal Aluminium (US$/t)	1,495	1,694	1,945	**1,810**			



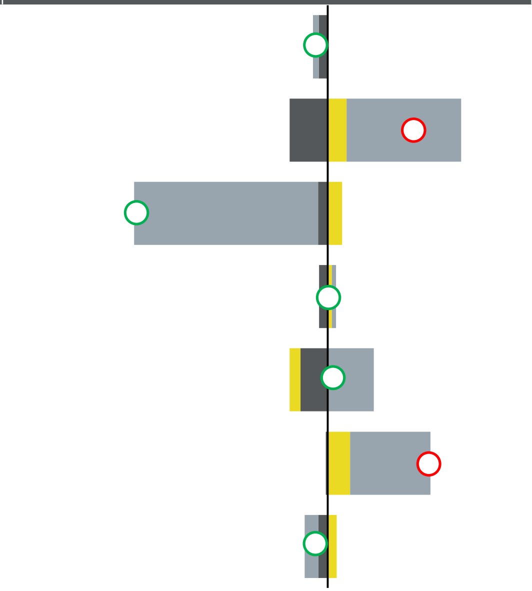
■ Foreign exchange ■ Price-linked costs (including royalties)[13] ■ Controllable costs

○ FY18 actual vs. FY18 guidance % movement ○ <5% of guidance ○ >5% of guidance

Operating unit costs guidance

Operating unit costs[11]

Operation	H2 FY18	FY18	FY19 guidance[14]	FY19 guidance vs. FY18 Operating unit costs movement (40%) (20%) 0% 20%	FY19 guidance assumptions
Worsley Alumina (US$/t)	247	**235**	**230**		Lower caustic prices and consumption rates
South Africa Energy Coal (US$/t)	37	**36**	**41**		An extended outage of the dragline at Klipspruit and an increase in material movement at the WMC
Illawarra Metallurgical Coal (US$/t)	136	**142**	**105**		Ramp-up in production at Appin colliery
Australia Manganese (FOB, US$/dmtu)	1.72	**1.63**	**1.63**		Low cost PC02 circuit to operate above nameplate capacity
South Africa Manganese (FOB, US$/dmtu)	2.74	**2.53**	**2.56**		Stronger primary production offset by a reduction in lower quality, fine grained material
Cerro Matoso (US$/lb)	3.92	**3.67**	**4.21**		Lower payable nickel production and higher price-linked royalties only partially offset by a further improvement in plant utilisation and throughput
Cannington[12] (US$/t)	130	**150**	**147**		Modest increase in mill throughput and lower power costs
South Africa Aluminium (US$/t)	1,962	**1,826**			The cost profile of our smelters will continue to be heavily influenced by the price of power and raw material inputs (primarily internally sourced alumina)
Mozal Aluminium (US$/t)	1,945	**1,810**			



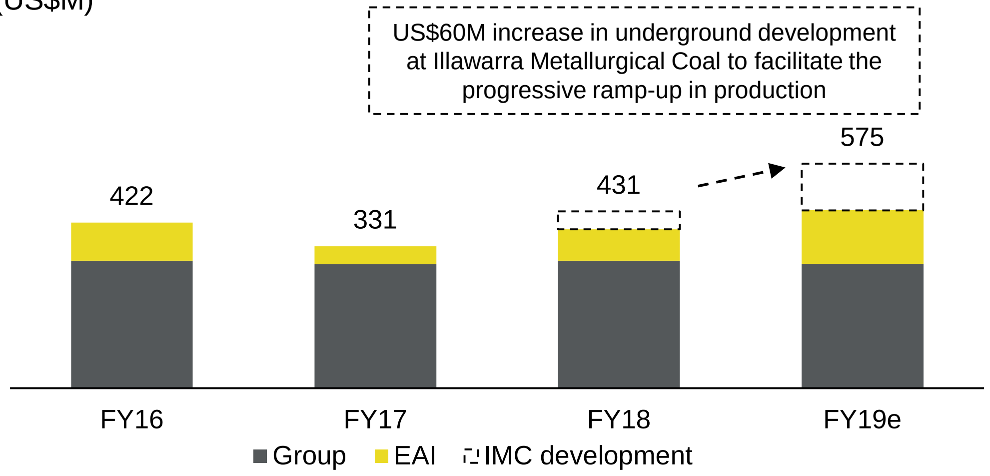
■ Foreign exchange ■ Price-linked costs (including royalties)[13] ■ Controllable costs

○ FY18 actual vs. FY19 guidance % movement ○ <5% of actual ○ >5% of actual

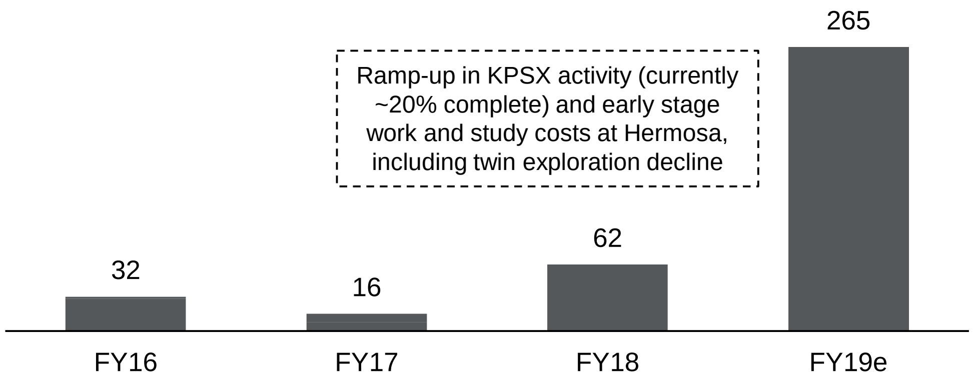
General and unallocated costs of US$80M expected in FY19, excluding greenfield exploration

Capital expenditure analysis

Sustaining capital expenditure, including equity accounted investments[15]
(US$M)



Major capital expenditure
(US$M)



US$M (South32's share)	FY18	FY19e	Guidance assumptions
Worsley Alumina	52	56	
South Africa Aluminium	28	24	
Mozal Aluminium	10	18	AP3XLE energy efficiency project
Brazil Alumina	12	40	Additional bauxite residue disposal capacity
South Africa Energy Coal	102	66	Does not include assessment of cost to repair the dragline at Klipspruit
Illawarra Metallurgical Coal (IMC)	89	170	Increase in underground development
Australia Manganese	48	75	Additional tailings storage capacity
South Africa Manganese	17	35	Mobile fleet replacement and boundary pillar extraction at Mamatwan
Cerro Matoso	22	41	Advance purchases for major furnace maintenance in FY20
Cannington	51	50	
Sustaining capital expenditure (including EAI)	**431**	**575**	
Klipspruit Life Extension (KPSX) project	62	165	On schedule and budget
Hermosa project	-	100	Provisional estimate
Major capital expenditure	**62**	**265**	
Total capital expenditure[15]	**493**	**840**	

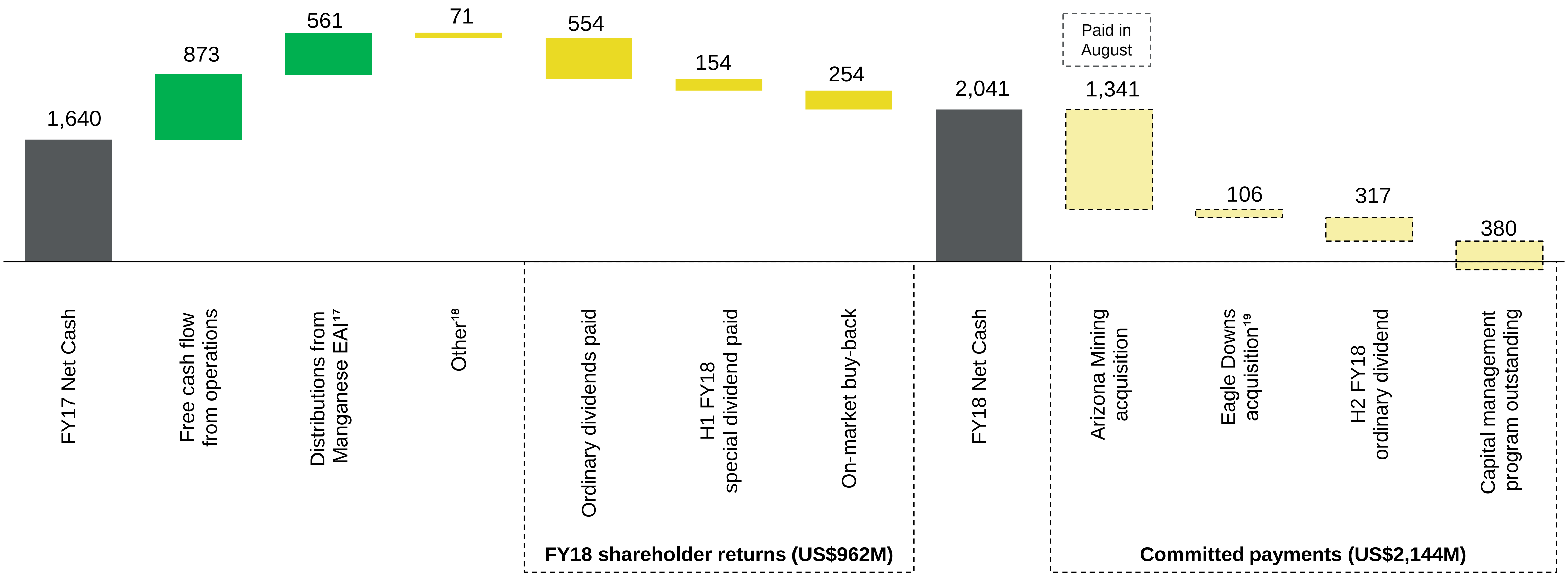
Cash flow and balance sheet

(US$M)

Free cash flow from Operations, including net distributions from EAI, of US$1.4B:

- Build in working capital (+US$392M) with stronger prices and higher raw material input costs
- Increase in tax payments (+US$179M to US$306M)[16] with an increase in profitability

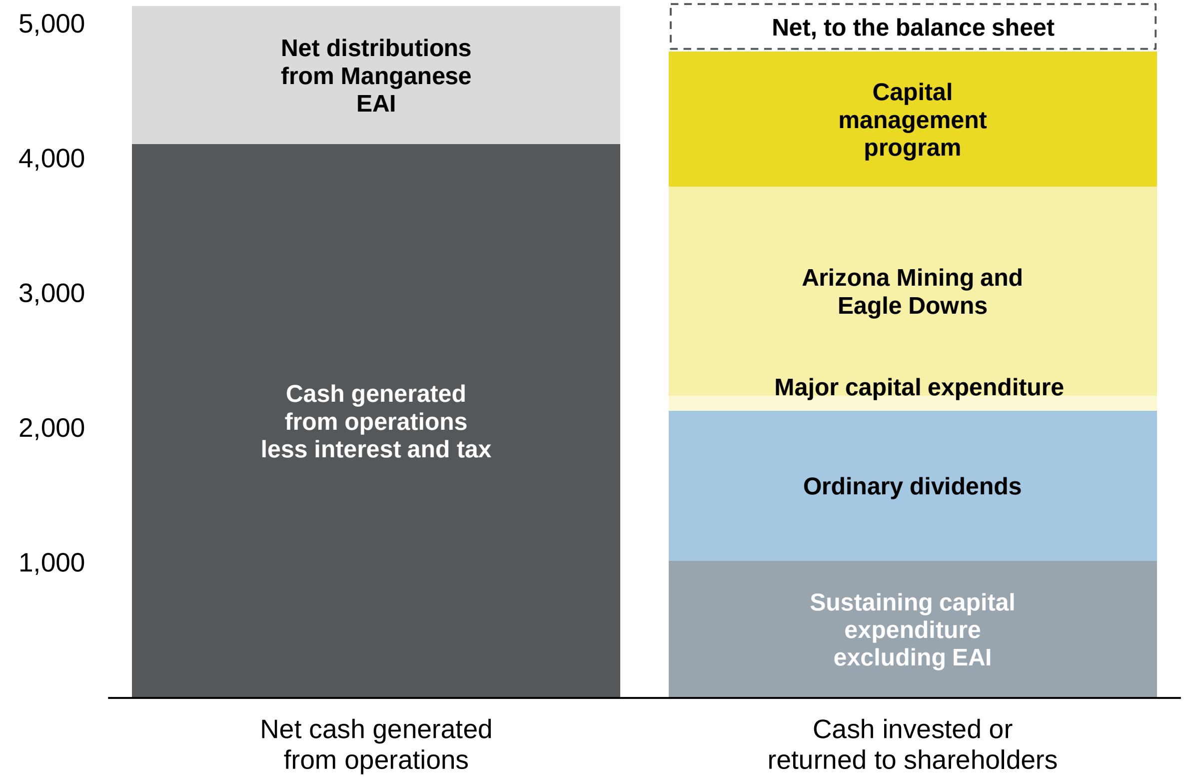
Returned US$1.0B to shareholders during FY18 and US$0.7B is already committed for FY19

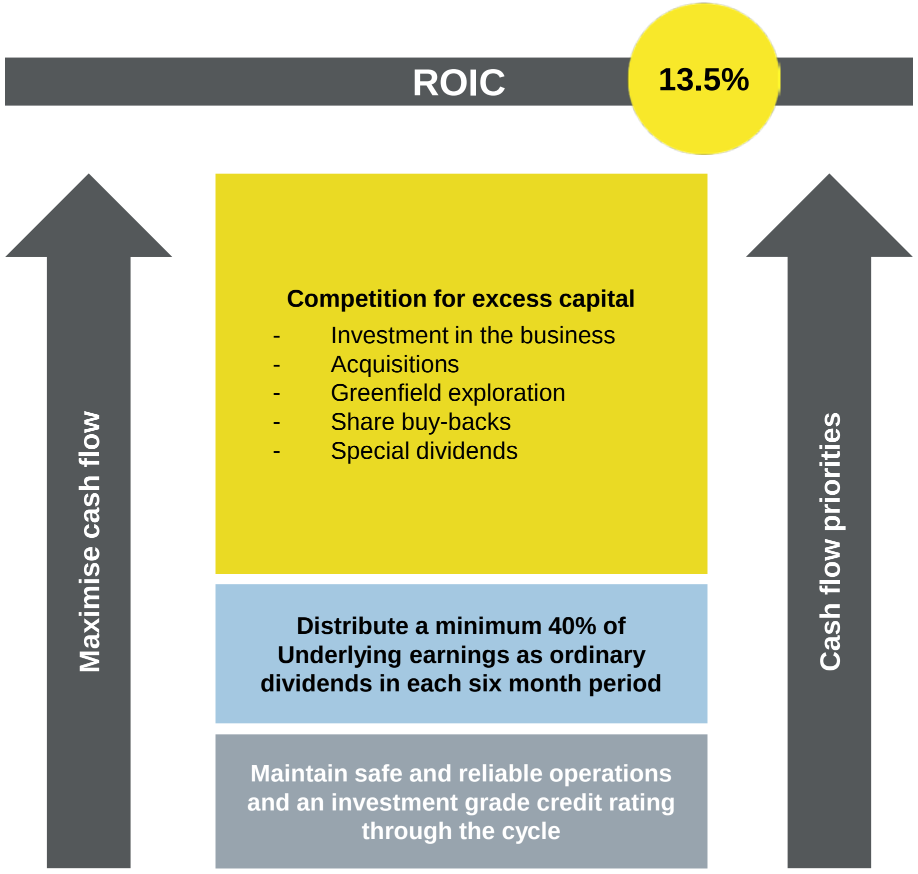


Shareholder returns

Since FY16 we have committed to return 81% of Underlying earnings to shareholders

Net cash generated from operations, invested and returned
(FY16 to FY18 including committed funds[20], US$M)





Outlook

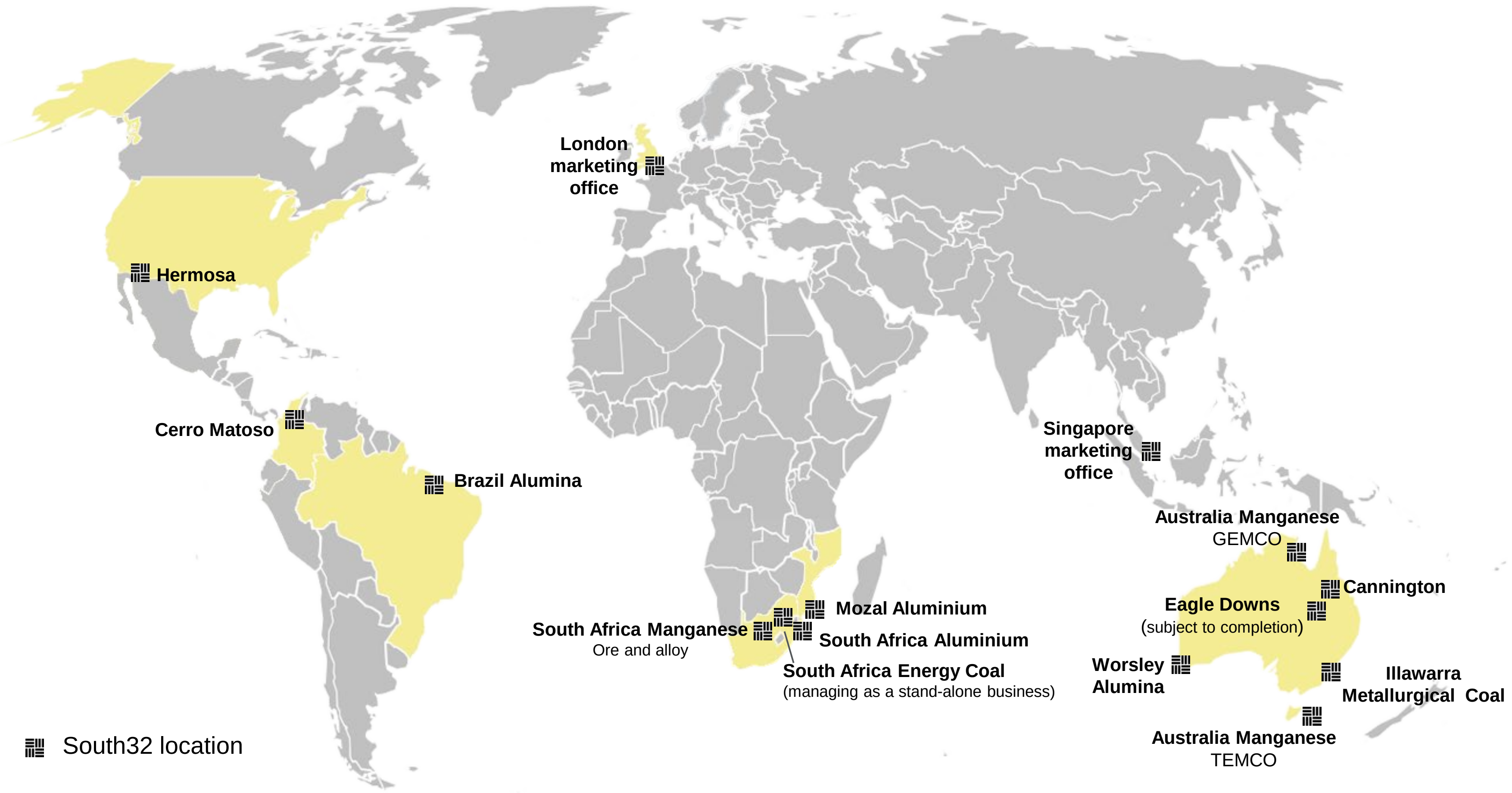
Graham Kerr

CEO

Our Portfolio

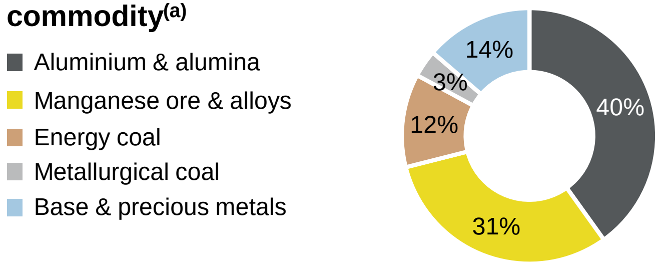
Managing South Africa Energy Coal as a stand-alone business has allowed us to simplify the Group, delivering US$50M in annual savings from FY20, further mitigating industry wide inflationary pressure

Structure is not only lean but also scalable, allowing us to expand our global footprint and invest where we can create value

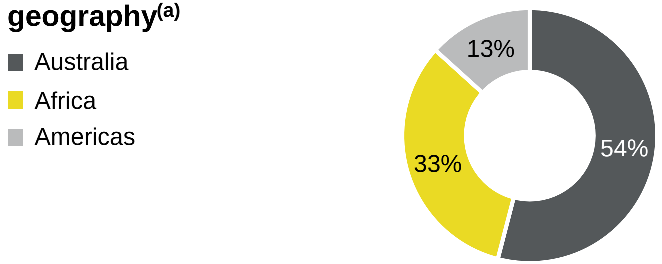


South32 location

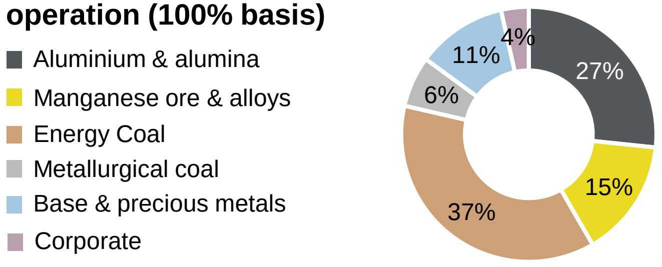
FY18 Underlying EBITDA contribution by commodity[a]



FY18 Underlying EBITDA contribution by geography[a]



FY18 Employee and contractor split by operation (100% basis)



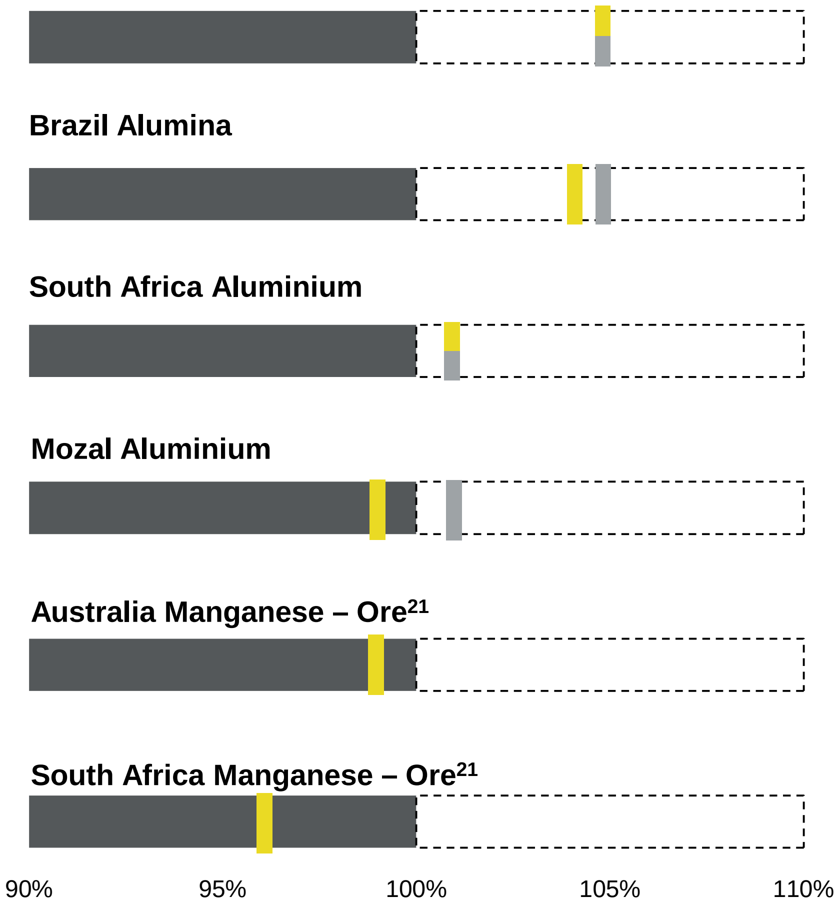
Notes:

a. Presented on a proportionally consolidated basis and excludes G&U costs.

Production guidance

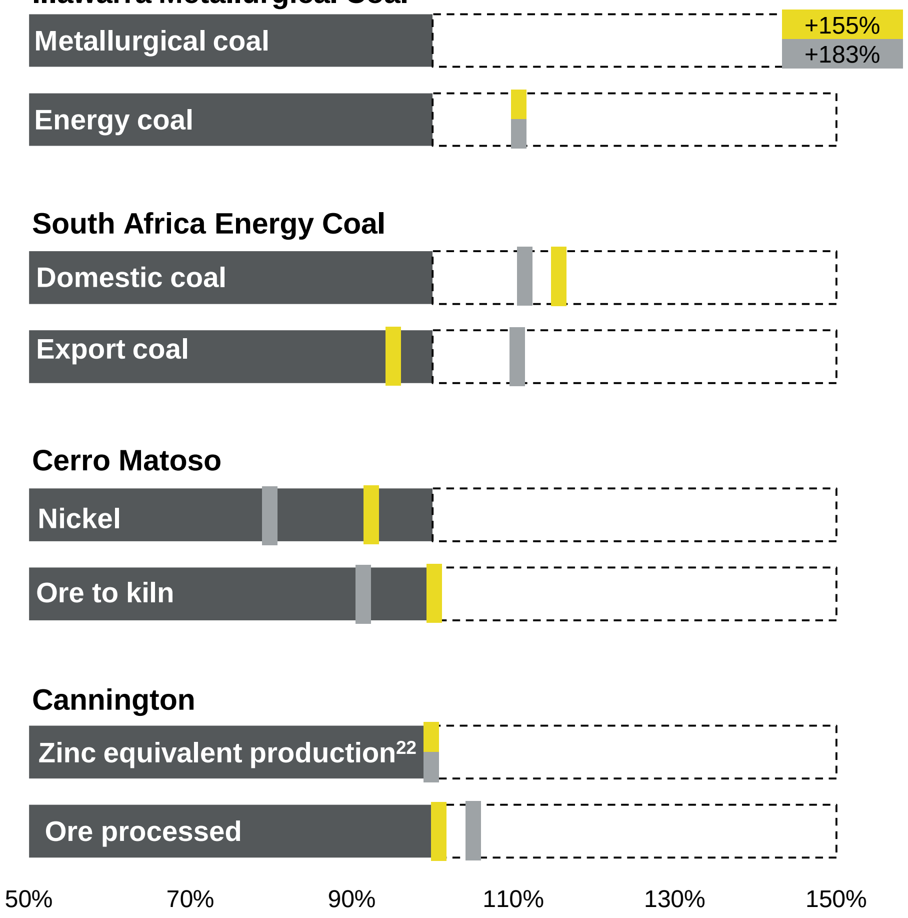
Year on year variance by operation from FY18
(South32's share)

Operation	Unit	Production FY18	Production FY19e	Production FY20e	Guidance Assumption
Worsley Alumina	kt	3,764	3,965	3,965	Improvement in calciner availability and a drawdown of excess hydrate
Brazil Alumina	kt	1,304	1,355	1,370	Production creep from De-bottlenecking Phase One project
South Africa Aluminium	kt	712	720	720	Smelter to test technical capacity
Mozal Aluminium	kt	271	269	273	Smelter scheduled to reach peak in pot relining cycle in FY19 AP3XLE energy efficiency project to add production from FY20
Australia Manganese – Ore[21]	kwmt	3,396	3,350	Subject to demand	PC02 circuit to operate above nameplate capacity
South Africa Manganese – Ore[21]	kwmt	2,145	2,050	Subject to demand	Lower opportunistic fines production



Production guidance

Year on year variance by operation from FY18
(South32's share)

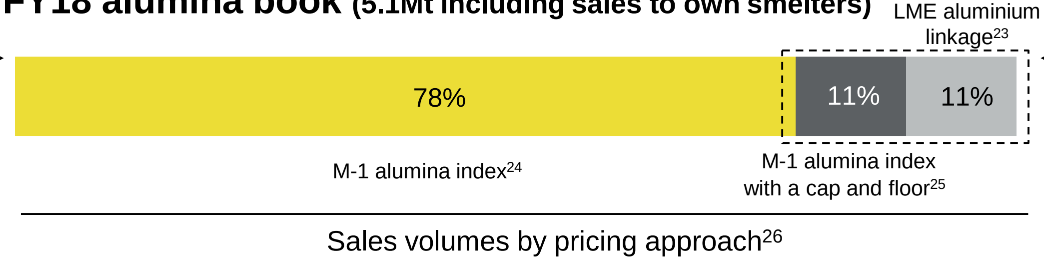


Operation	Unit	Production FY18	Production FY19e	Production FY20e	Guidance Assumption
Illawarra Metallurgical Coal					
Metallurgical coal	kt	3,165	4,900	5,800	Single longwall configuration at the Appin colliery in FY19 ahead of an anticipated return to a two longwall configuration in H2 FY20
Energy coal	kt	1,079	1,200	1,200	
South Africa Energy Coal					
Domestic coal	kt	15,154	↑*17,500*	16,900	New long term contract to sell lower quality domestic stockpiles
Export coal	kt	12,117	↓*11,500*	13,400	Export production guidance is subject to review and is based upon revised guidance for Klipspruit
Cerro Matoso					
Nickel	kt	43.8	↑*40.5*	35.6	Improvement in plant utilisation and throughput more than offset by lower ore grades and an extended furnace outage in FY20 that will expand its operating window
Ore to kiln	kt	2,722	2,750	2,500	
Cannington					
Zinc equivalent production[22]	kt	187.2	188.1	187.1	Zinc equivalent production to remain unchanged
Ore processed	kdmt	2,355	2,400	2,500	

Alumina market update

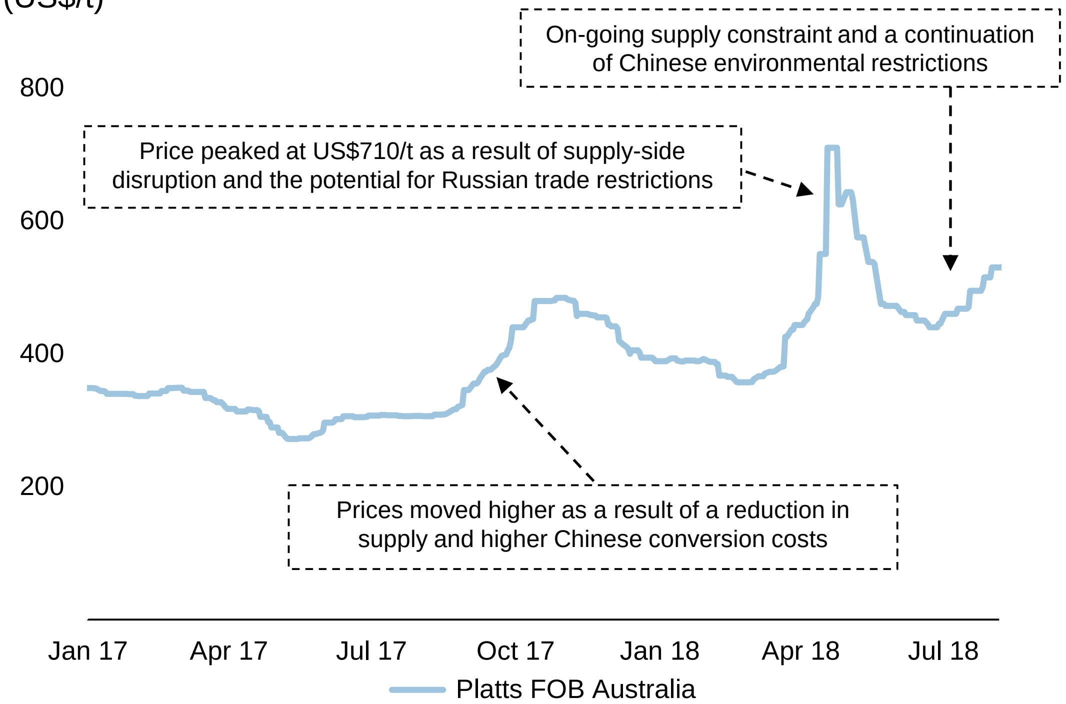
FY18 alumina book (5.1Mt including sales to own smelters)

Vast majority of our 3.2Mt long alumina position achieves index linked pricing



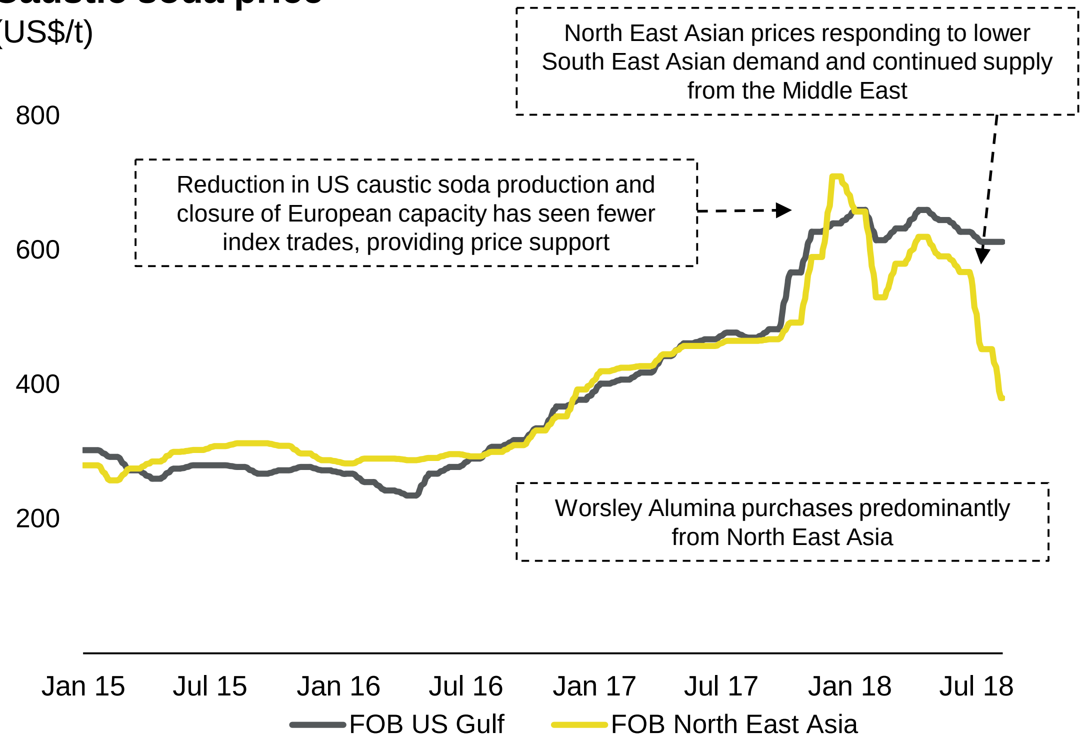
LME price linkage and cap/floor structure relates to legacy contracts with our Mozal Aluminium smelter

Alumina price – Platts FOB Australia
(US$/t)



Source: Platts, South32 analysis

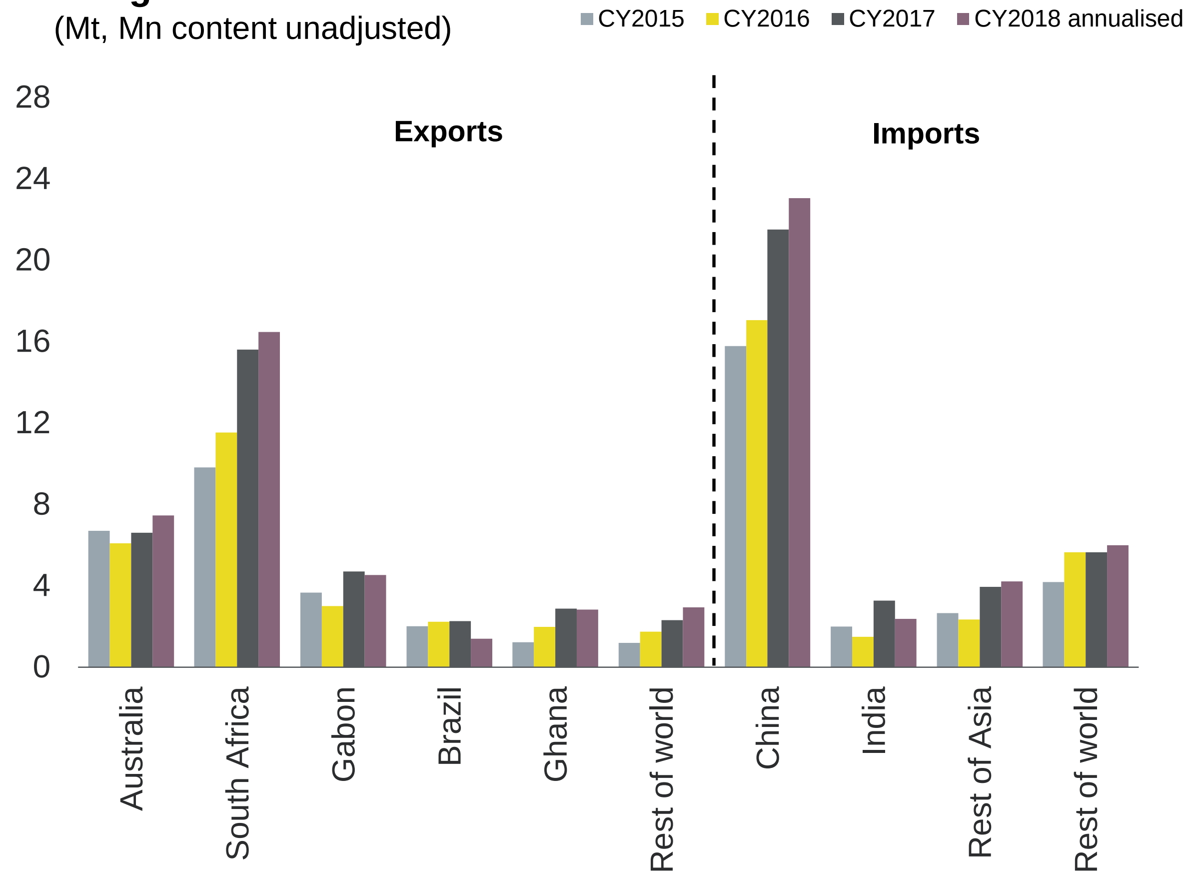
Caustic soda price
(US$/t)



Source: IHS Markit

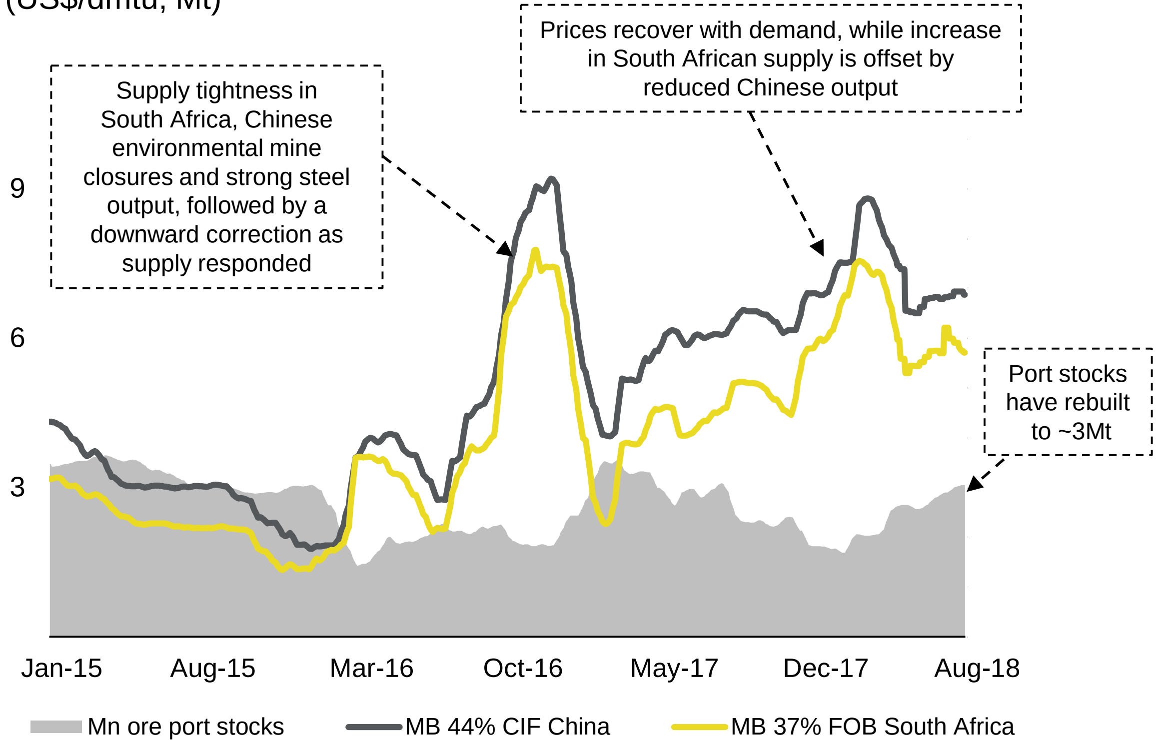
Manganese market update

Manganese ore trade flows
(Mt, Mn content unadjusted)



Source: GTIS, South32 analysis

Manganese ore price
(US$/dmtu; Mt)



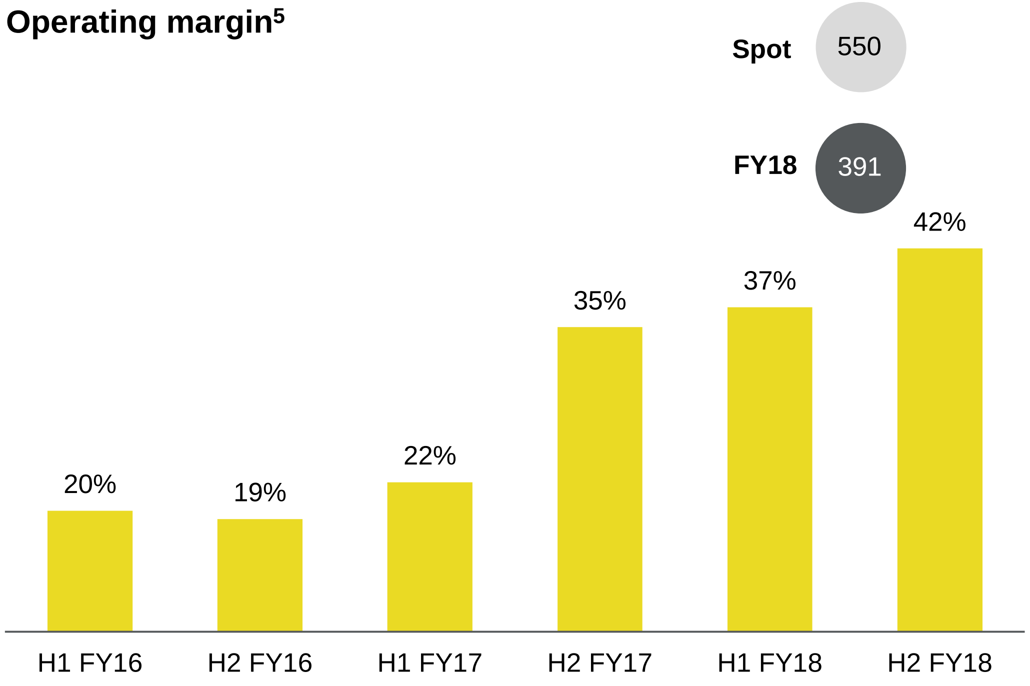
Source: Metal Bulletin, SteelOrbis, South32 analysis

Chinese domestic production has declined as a result of environmental restrictions and grade decline

China's import dependency has subsequently increased

The South African supply response has been largely absorbed but is expected to ultimately weigh on prices

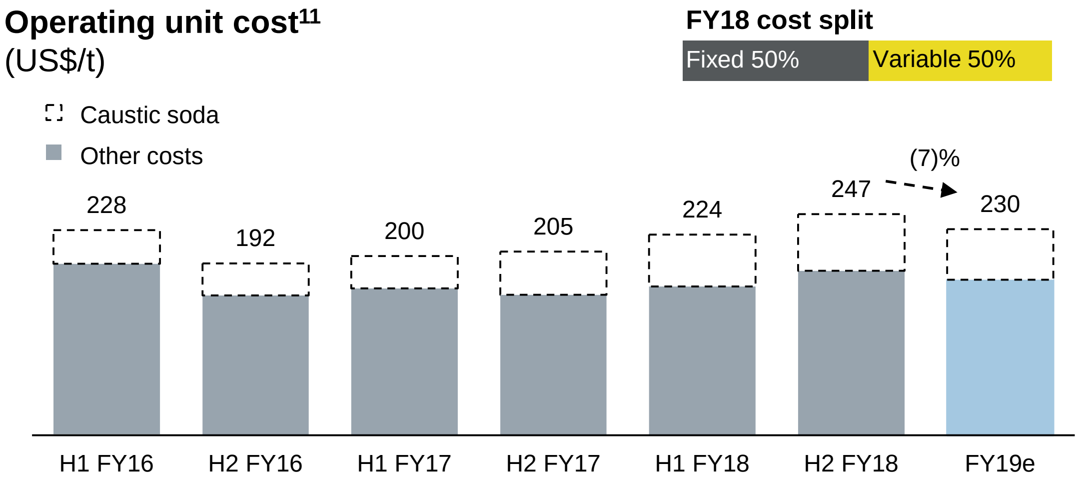
Worsley Alumina



Production expected to approach 4Mt in FY19 and FY20

Realised sales price (US$/t)

Spot price August 2018 (US$/t)[27]



FY18 cost split

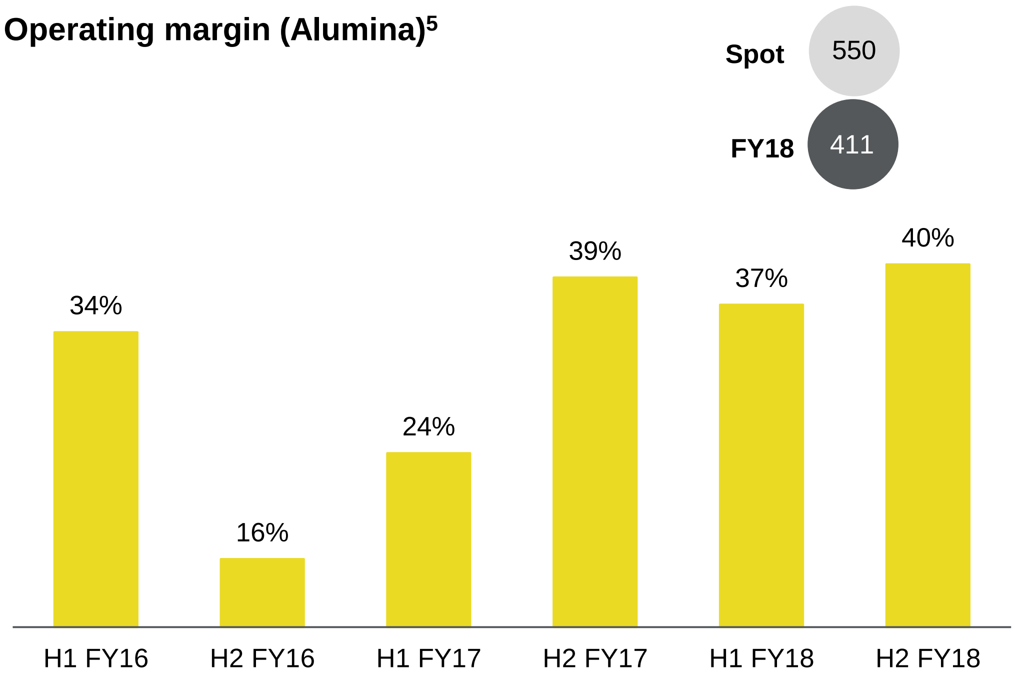
Fixed 50%	Variable 50%

FY18	• Higher prices underpinned a significant increase in margins, despite broad-based cost pressure
FY19e	• Operating unit costs expected to decrease: – Lower Asian caustic soda prices – Reduced caustic consumption rates (-10% to 93kg/t) as bauxite feed from West Marradong[(a)] ramps-up
Maximising margin	• Targeting further cost reduction with the renegotiation of legacy gas contracts (gas was 9% of FY18 cost base)

Notes:
a. Refer to Slide 2 important notices for additional disclosure.

Brazil Alumina

Operating margin (Alumina)[5]

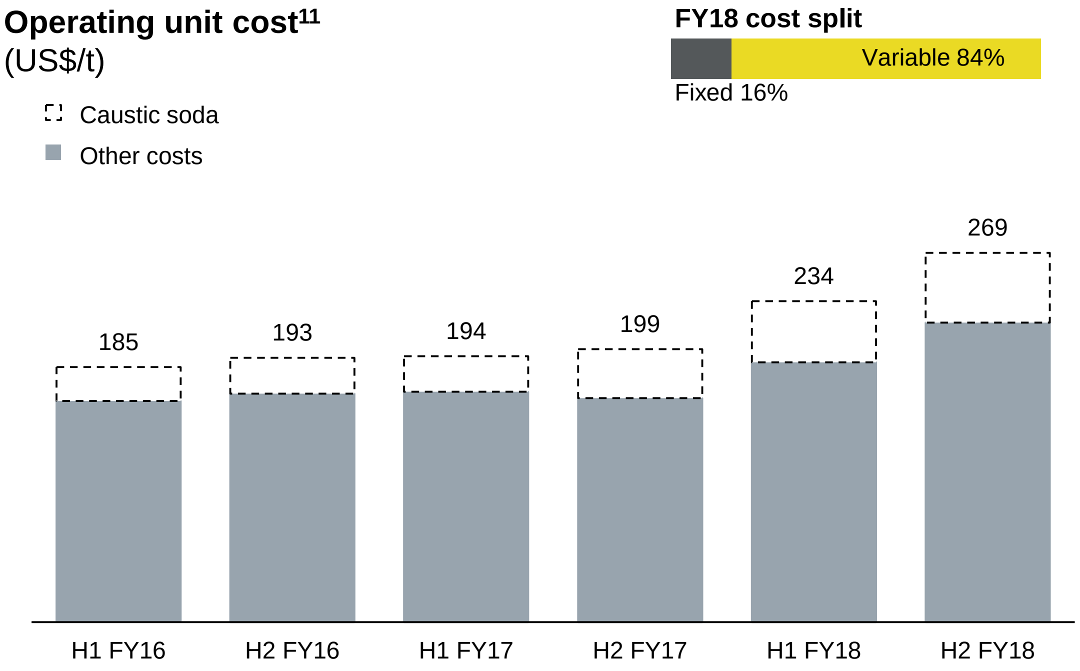


Alumina production expected to increase to 1.37Mt in FY20 following completion of De-bottlenecking Phase One project

Realised sales price (US$/t)

Spot price August 2018 (US$/t)[27]

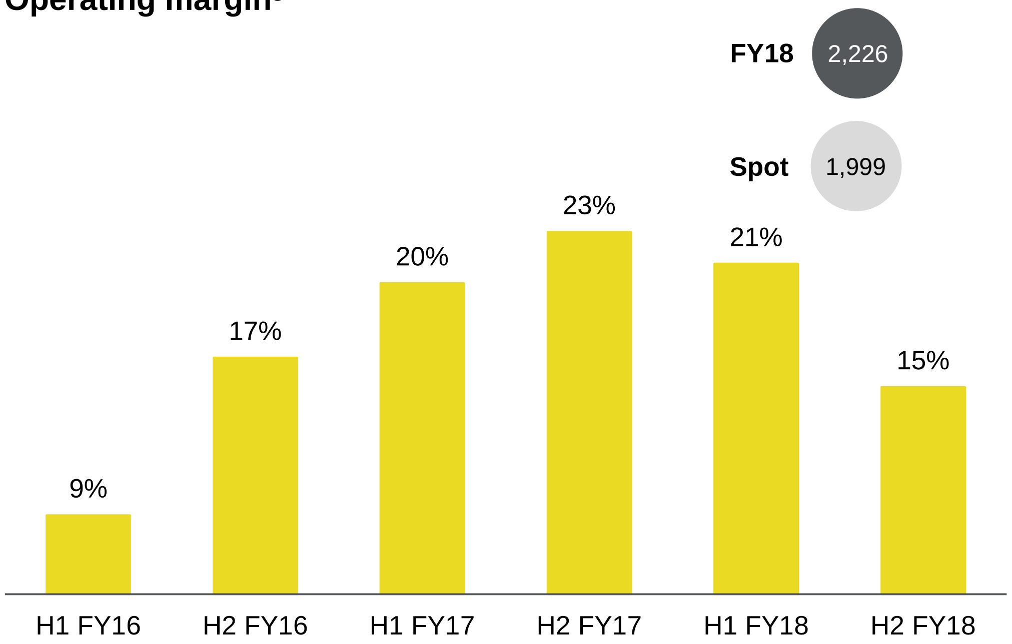
Operating unit cost[11] (US$/t)



FY18	• Refinery margin increased despite higher caustic soda prices, consumption rates and an increase in the cost of bauxite
FY19e	• Caustic soda consumption rates are expected to decrease with less reliance on third party bauxite feed
Maximising margin	• De-bottlenecking Phase One project delivered • Phase Two De-bottlenecking project expected to further increase share of alumina production to 1.43Mt by FY21

South Africa Aluminium

Operating margin[5]



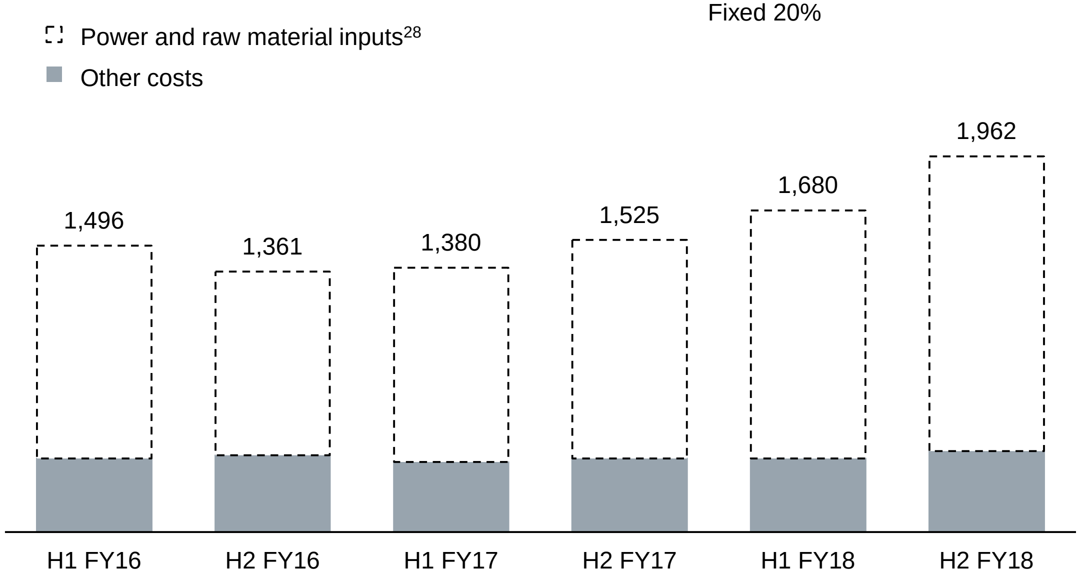
Production expected to increase as the smelter tests its technical capacity

Realised sales price (US$/t)

Spot price August 2018 (US$/t)[27]

Operating unit cost[11]
(US$/t)

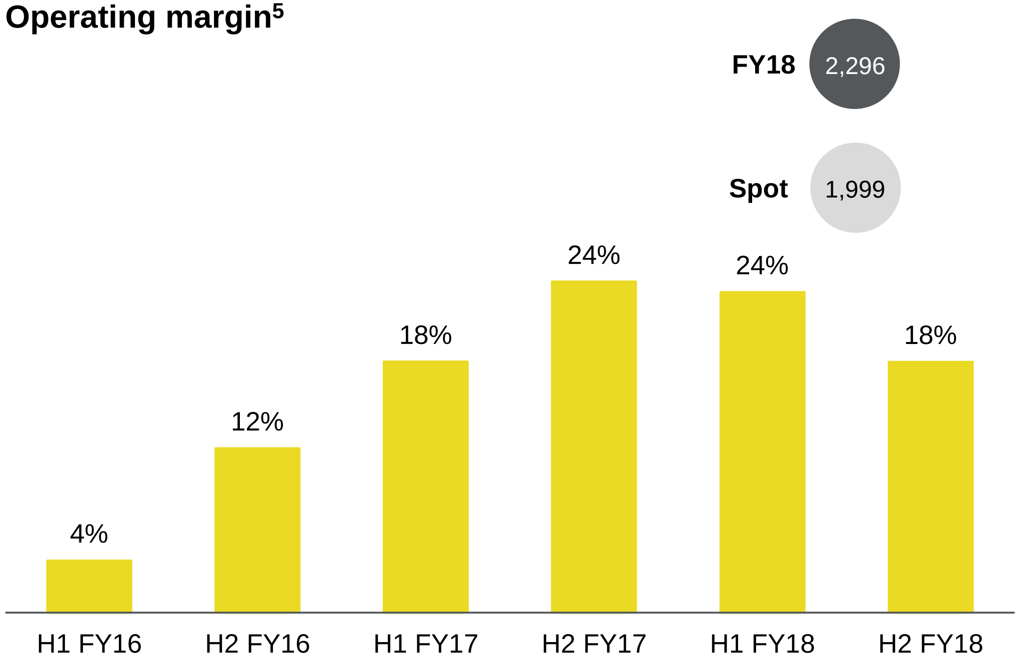
FY18 cost split



FY18	• Margin impacted by raw materials (primarily internally sourced alumina)
FY19e	• Raw material input costs, including LME linked power (70% of cost base in FY18) are expected to remain elevated
Maximising margin	• Manufacturing own anodes at ~US$100/t less than market rates • Average pot life extended 20% (to 2,090 days) since FY17, reducing relining expenditure

Mozal Aluminium

Operating margin[5]

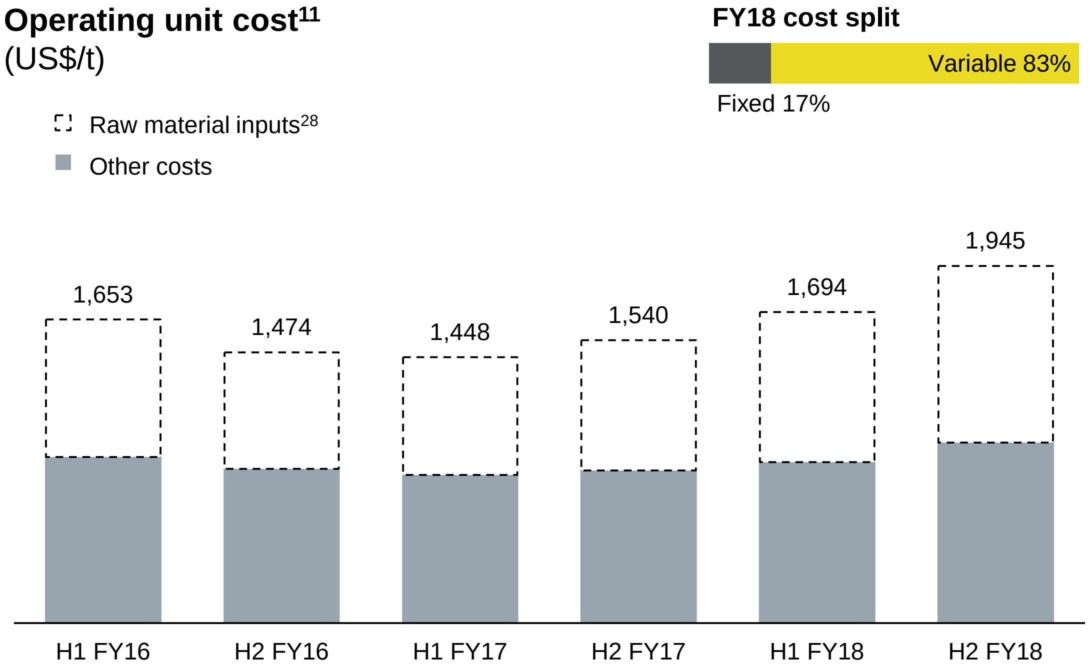


Production expected to decline by 2kt in FY19 as the smelter reaches a peak in its pot relining cycle

Realised sales price (US$/t)

Spot price August 2018 (US$/t)[27]

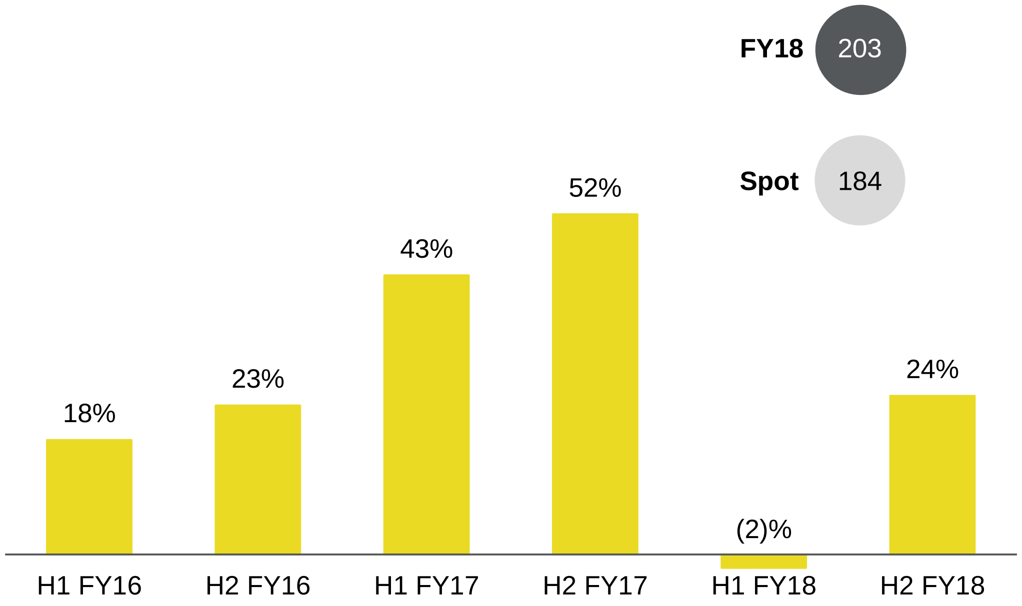
Operating unit cost[11] (US$/t)



FY18	• Legacy contract structure provided some insulation from rising alumina input costs
FY19e	• Raw material input costs (49% of cost base in FY18) are expected to remain elevated
Maximising margin	• AP3XLE energy efficiency project to deliver incremental production from FY20 • Average pot life extended by 9% (to 1,973 days) since FY16

Illawarra Metallurgical Coal

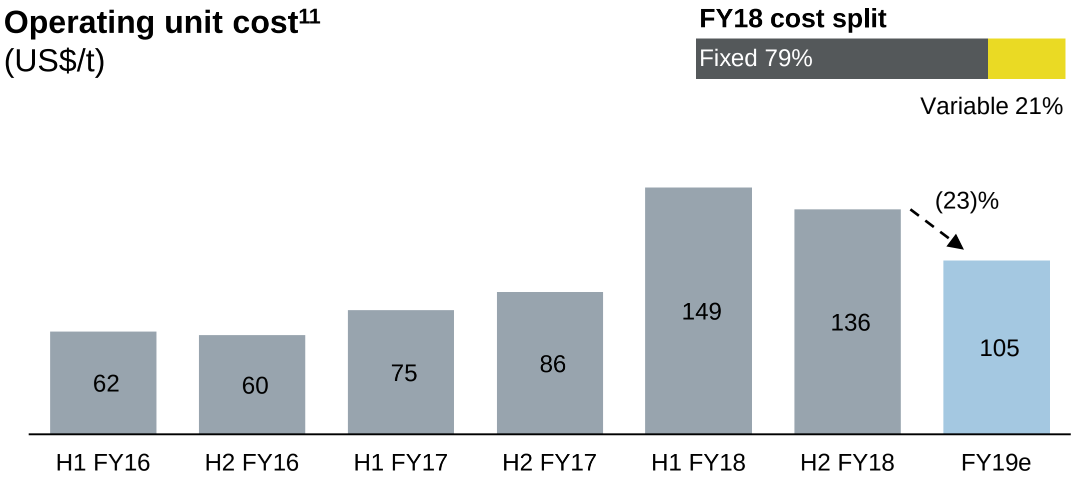
Operating margin[5]



Production expected to increase to 6.1Mt in FY19 and 7Mt in FY20

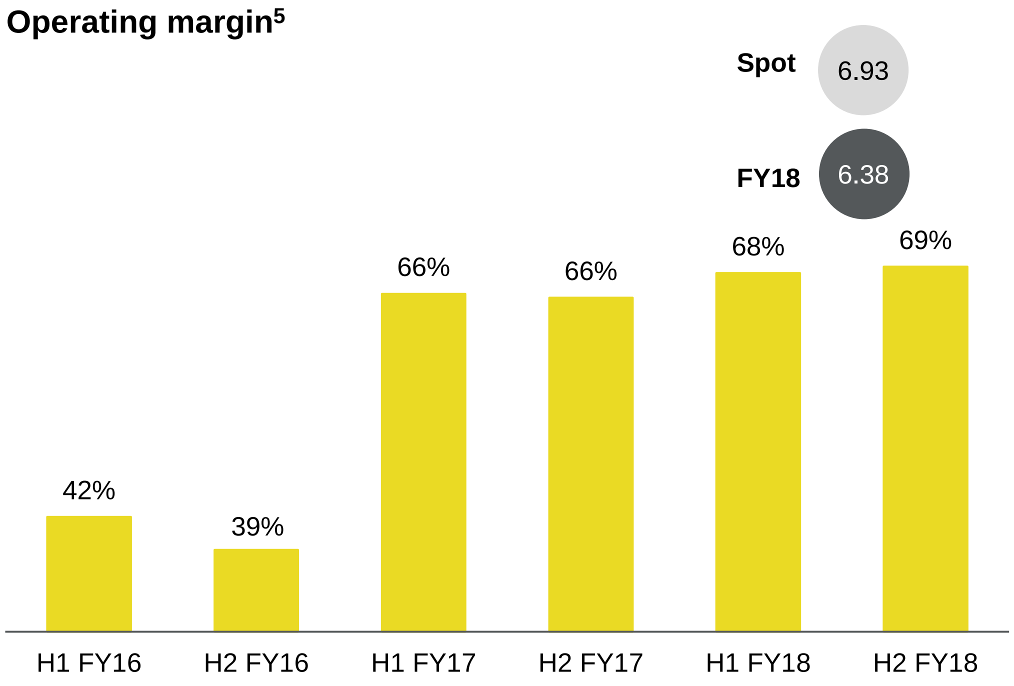
Metallurgical coal realised sales price (US$/t) Spot price August 2018 (US$/t)[27]

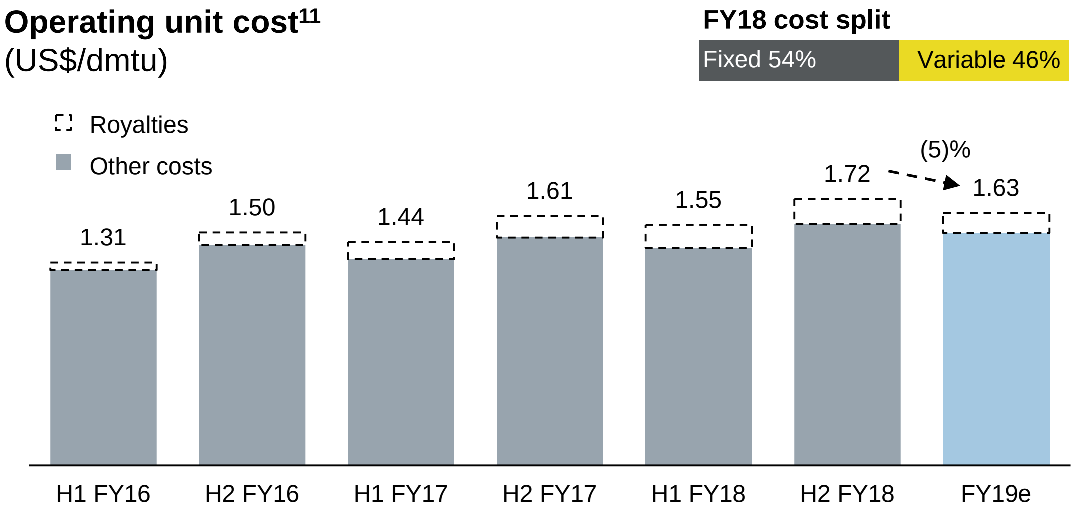
Operating unit cost[11]
(US$/t)



FY18	• Margin impacted by the extended outage at the Appin colliery • ~ US$20M of one-off costs associated with the restart plan
FY19e	• Largely fixed cost operation expected to benefit from a significant increase in production
Maximising margin	• Appin colliery recovery plan to deliver more productive longwall performance and an increase in broader utilisation rates

Australia Manganese ore





FY18	• An increase in strip ratio from 3.1 to 4.0:1 was offset by an increase in equipment productivity and ramp-up of the PC02 circuit • PC02 circuit operated at 107% of nameplate capacity
FY19e	• Costs expected to decrease despite a further increase in strip ratio to 4.2:1 • PC02 circuit expected to operate at 115% of nameplate capacity
Maximising margin	• Increase in strip ratio to be offset by additional productivity initiatives, including the further optimisation of the concentrator maintenance schedule and mobile equipment usage • Will continue to adjust low cost PC02 output in response to market demand

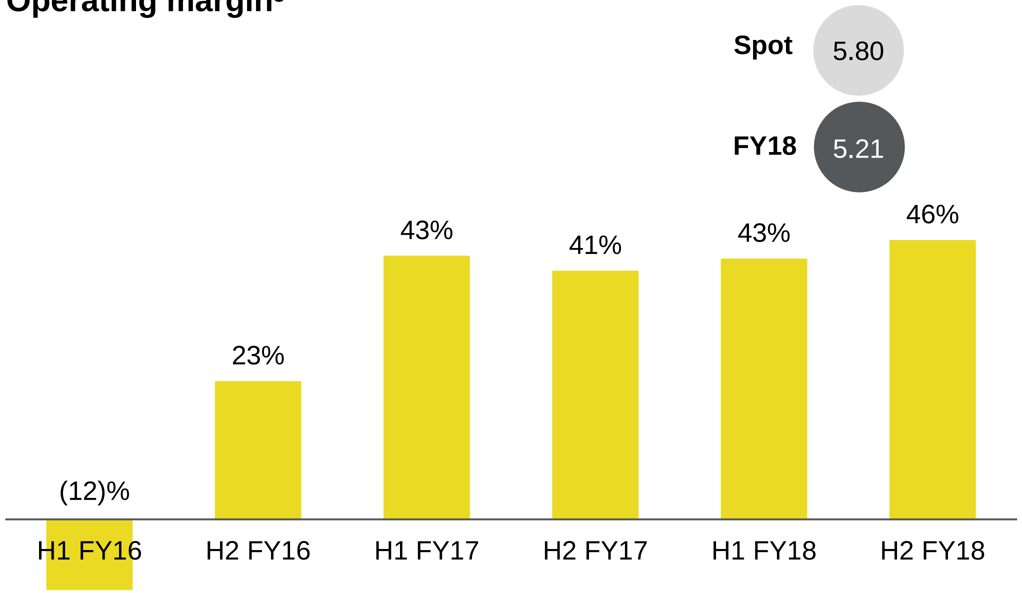
Expect to operate low cost PC02 circuit above nameplate capacity in FY19

● Realised manganese ore sales price (US$/dmtu, FOB)

● Spot price August 2018 (US$/dmtu, CIF)[27]

South Africa Manganese ore

Operating margin[5]



Increasing premium product volumes in FY19

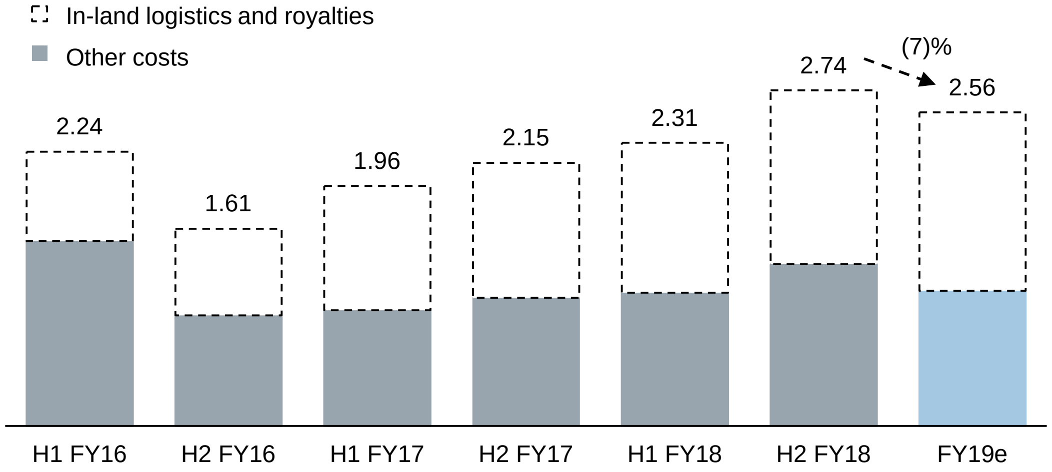
Realised manganese ore sales price (US$/dmtu, FOB)

Spot price August 2018 (US$/dmtu, FOB)[27]

Operating unit cost[11] (US$/dmtu)

FY18 cost split

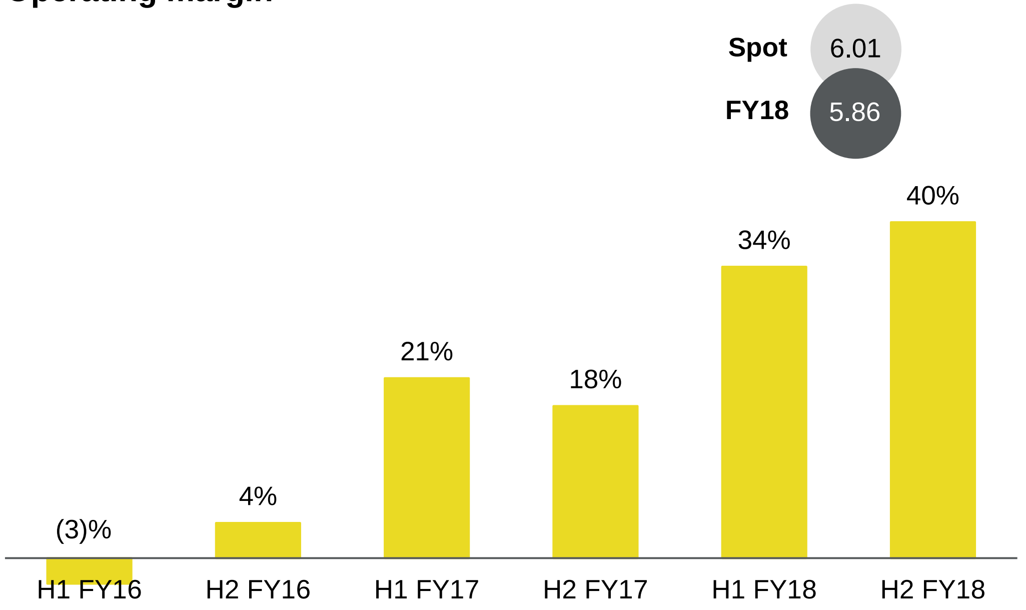
Fixed 39% | Variable 61%



FY18	• Opportunistic trucking and the sale of lower quality fine grained material captured additional margin
FY19e	• South African rand and in-land logistics will continue to have the biggest influence on the industry cost-curve • Lower costs expected, despite a reduction of lower quality, fine grained material sales
Maximising margin	• Achieved prices are expected to benefit from an increase in production of Wessels premium product with the completion of the central block project • Targeting an improvement in equipment utilisation at Mamatwan

Cerro Matoso

Operating margin[5]



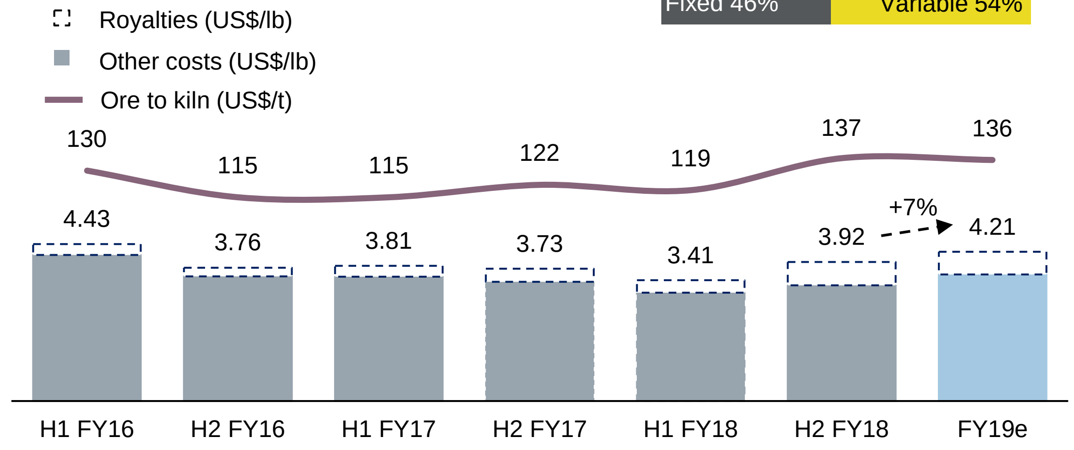
Major refurbishment in FY20 to expand the furnace's operating window

Realised sales price (US$/lb)   Spot price August 2018 (US$/lb)[27]

Operating unit cost[11]

FY18 cost split

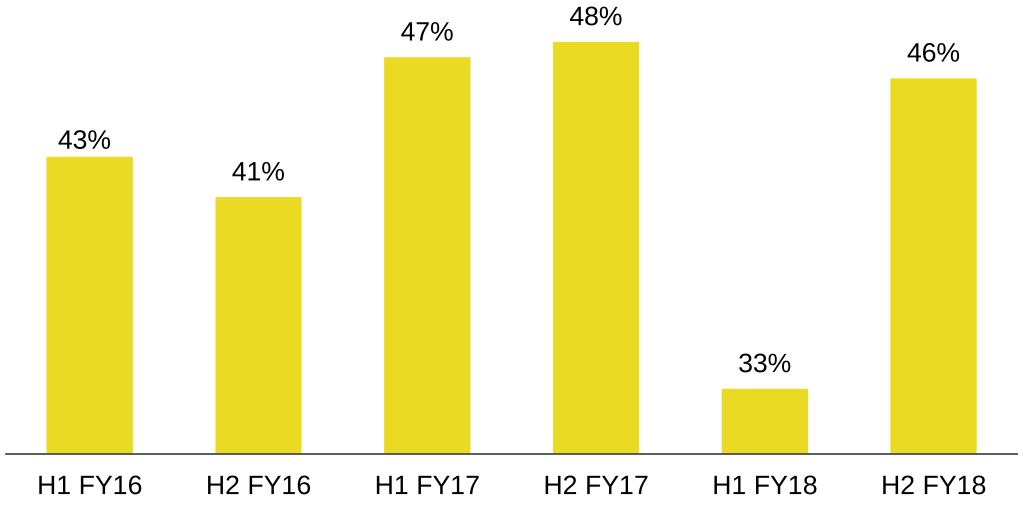
Fixed 46% | Variable 54%



FY18	• Temporary increase in ore grade from La Esmeralda and an improvement in plant utilisation and throughput
FY19e	• Lower production as a further improvement in plant utilisation only partially offsets a decline in ore grade • Supportive market conditions are expected to result in higher price-linked royalties
Maximising margin	• Optimisation of energy procurement and usage to partially mitigate inflationary cost pressure • Continued focus on regional exploration opportunities

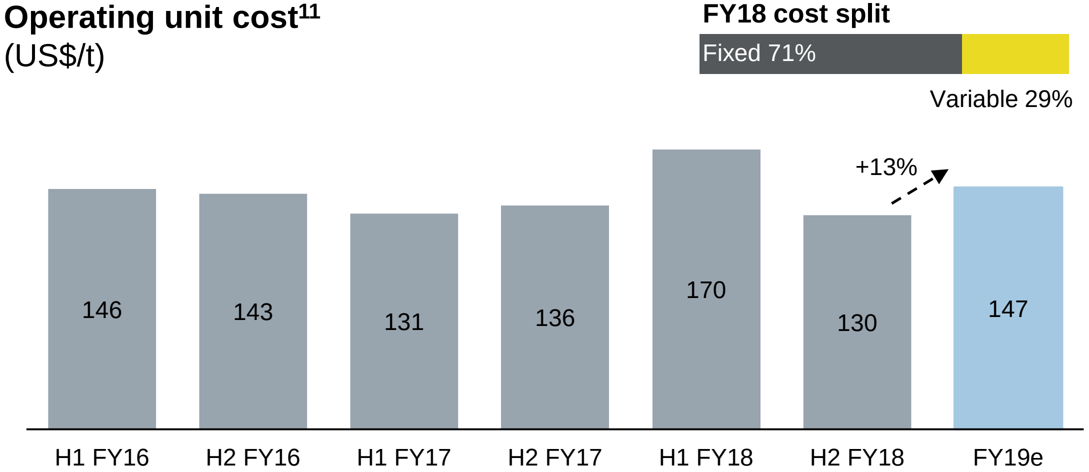
Cannington

Operating margin[5]



Zinc equivalent payable metal production expected to remain largely unchanged in FY19 and FY20

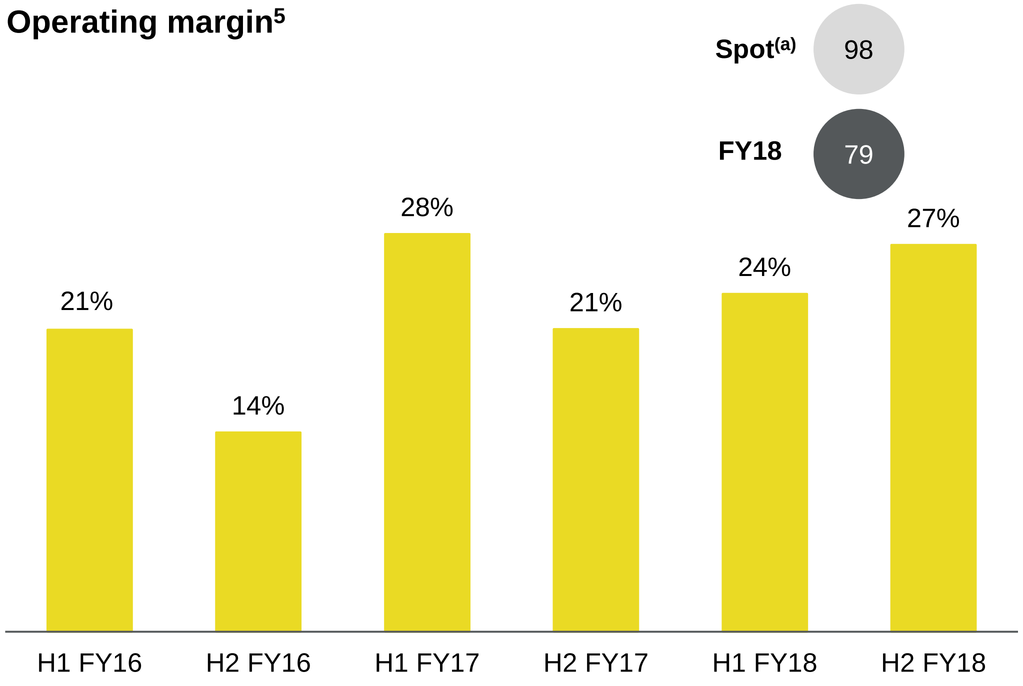
Operating unit cost[11]
(US$/t)



FY18	• Strong increase in margin in H2 FY18 as ore grades recovered
FY19e	• Lower negotiated TCRC's, the sale of excess logistics capacity and a reduction in power costs following the renegotiation of a supply contract expected to mitigate inflationary pressure • A greater proportion of hoisting versus trucking (from 35% to 80%) following completion of the replacement underground crusher
Maximising margin	• Renegotiation of freight and concentrate road haulage contract • Commissioning of 3 megawatt solar farm in FY19 to further reduce power costs

South Africa Energy Coal

Operating margin[5]

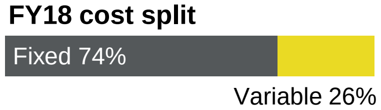


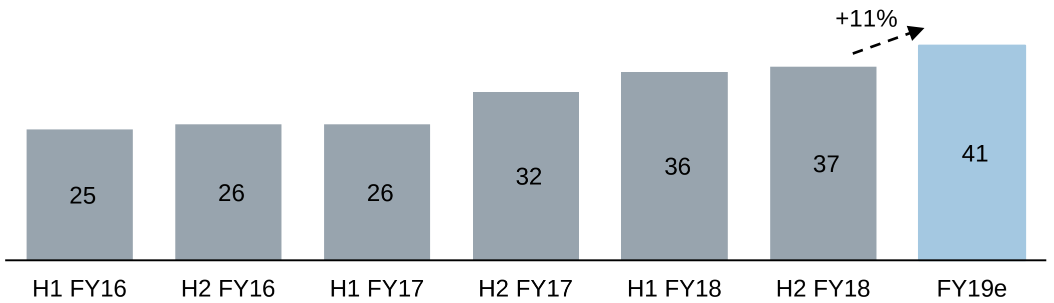
Extended outage of the dragline at Klipspruit to impact export production in FY19

Realised export sales price (US$/t)

Spot price August 2018 (US$/t)[27]

Operating unit cost[11] (US$/t)





FY18	• Additional washing and logistics costs as we redirected tonnes to the export market to maximise margins
FY19e	• Extended dragline outage at Klipspruit and an increase in material movement at the WMC expected to impact costs
Maximising margin	• Sale of lower quality stockpiled product under a new contract to a domestic customer • Management of South Africa Energy Coal as a standalone business to deliver functional and operational cost savings from FY20

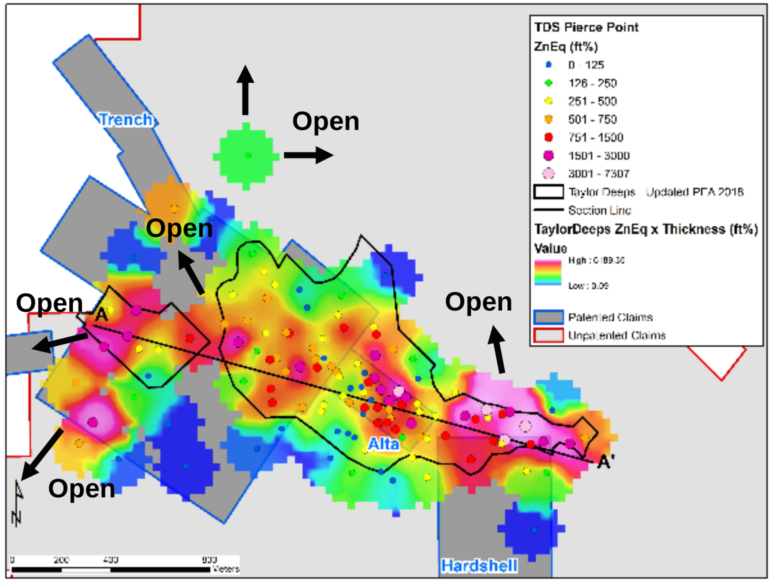
Notes:
a. API4 index. South Africa Energy Coal realises a discount to API4 on export sales (13% in FY18)[29]

Hermosa project

- High grade development option and prospective land package in an attractive mining jurisdiction
- Measured and Indicated Mineral Resource 101M tons @ 10.4% zinc equivalent[(a)]
- Expect to invest ~US$100M in FY19 to advance the project:
  - Includes the development of a twin exploration decline and underground diamond drilling to increase our understanding of the resource and test for extensions
- To provide a further update on progress during H2 FY19

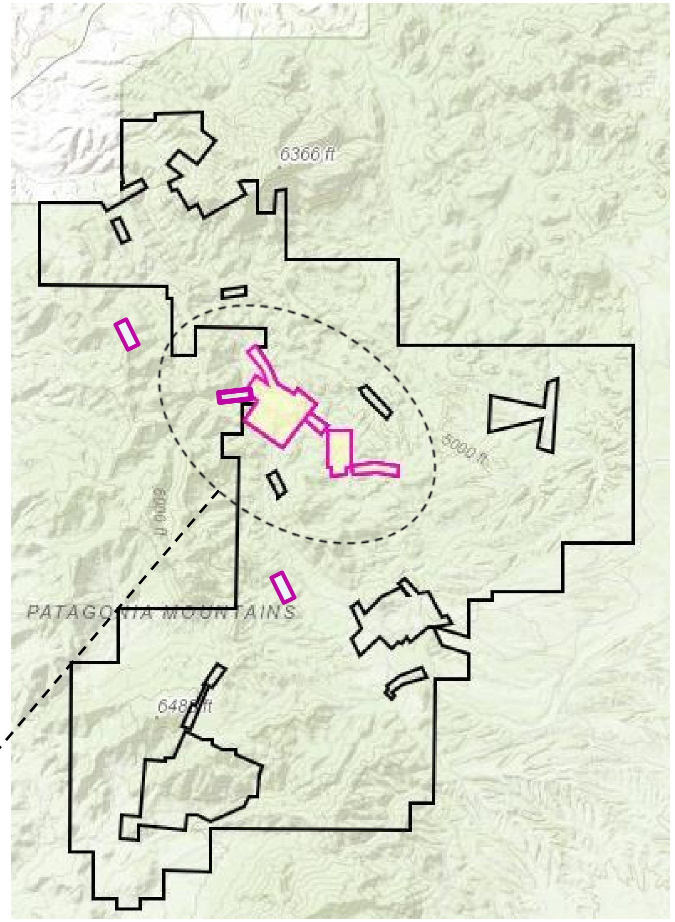
Exploration decline works have commenced

Taylor deposit outline[30]



Source: Arizona Mining News Release 22 May 2018

Large regional land package



Patented area – 224 ha (South32 owns surface and mineral rights)

Unpatented area – 8,296 ha (South32 owns mineral rights only, surface rights held by Federal government)

Notes:
a. Refer to Slide 2 important notices for additional disclosure.

Eagle Downs metallurgical coal project

- Conditional agreement to acquire 50% interest and assume operatorship[31]
- Expected to close in the September 2018 quarter
- Planning to commence feasibility study to optimise mine design

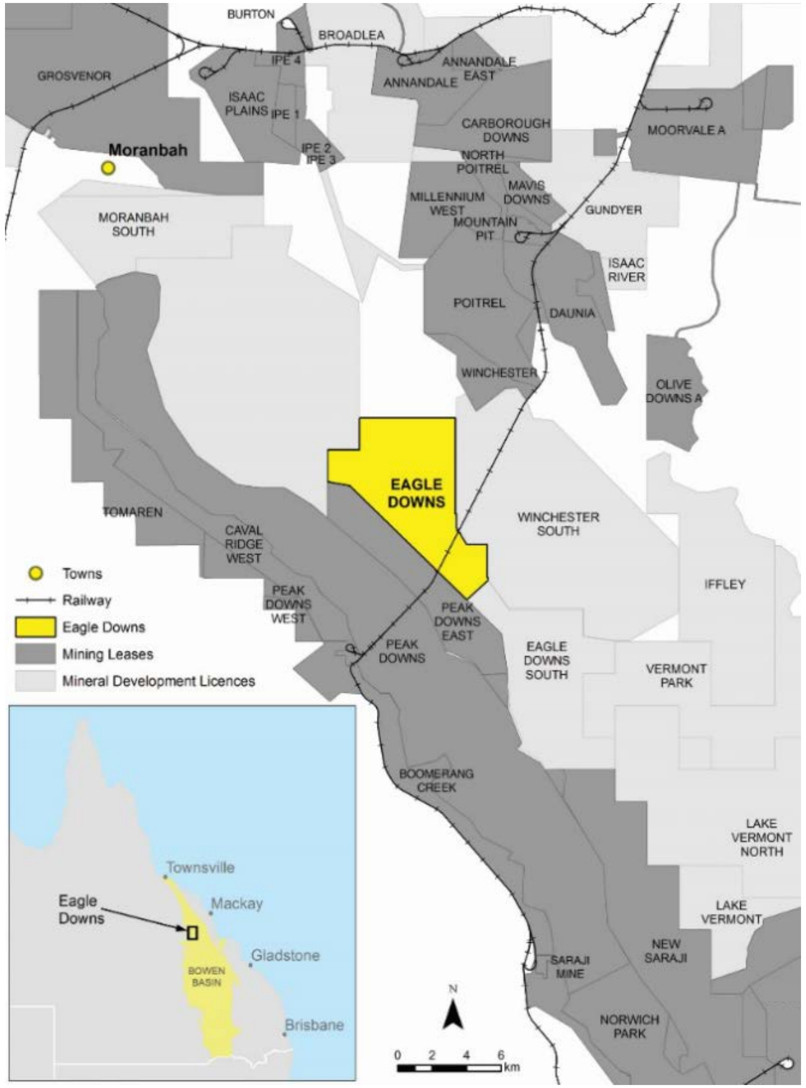
Upfront acquisition cost represented a minor premium to historical infrastructure spend

Initial payment of US$106M[32]

Large, high quality coal resource of 1.1Bt[(a)]

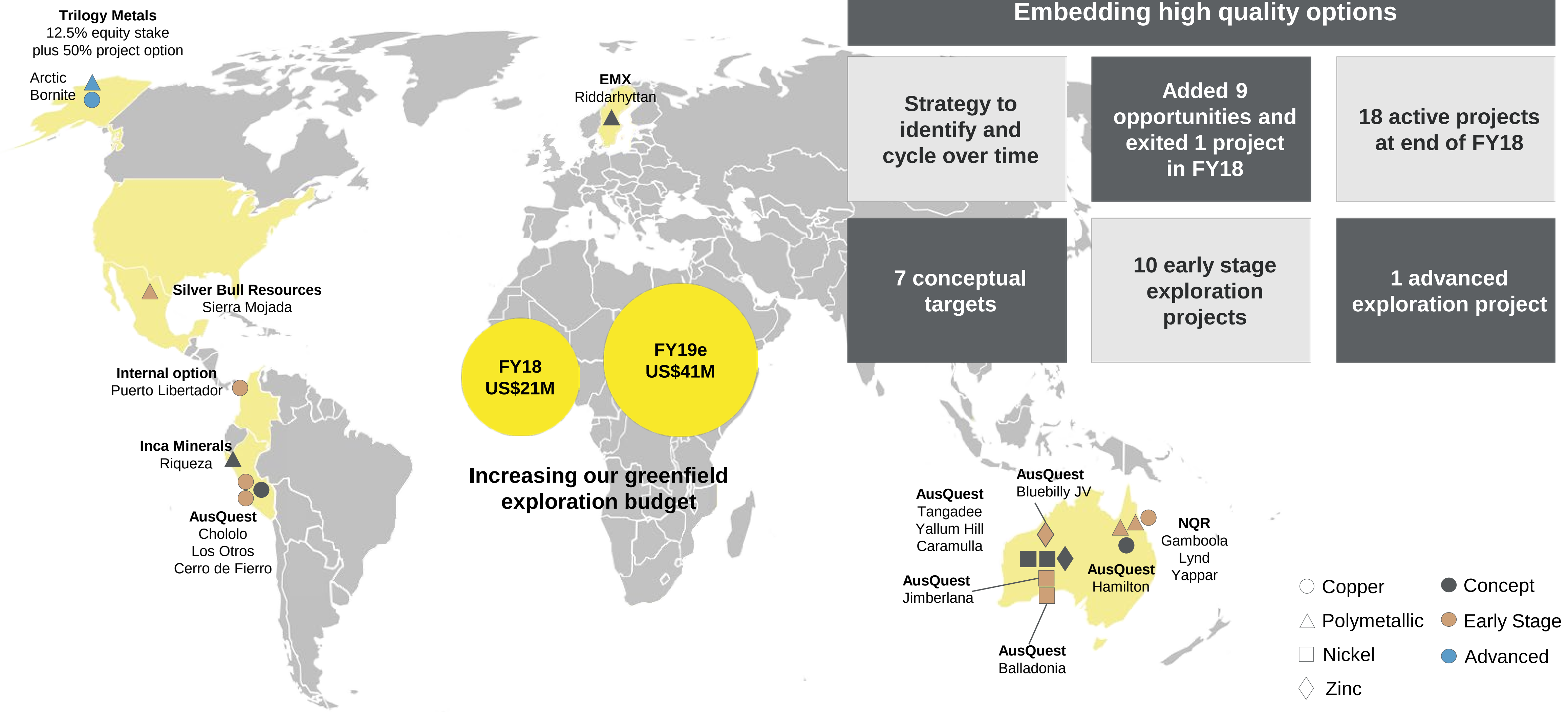
Fully permitted, partially developed mine

Eagle Downs location map



Notes:
a. Refer to Slide 2 important notices for additional disclosure.

Our exploration footprint



Embedding high quality options

Strategy to identify and cycle over time	Added 9 opportunities and exited 1 project in FY18	18 active projects at end of FY18
7 conceptual targets	10 early stage exploration projects	1 advanced exploration project

FY18 Summary

Underlying earnings US$1.3B

↑16%

Underlying EBITDA US$2.5B

Operating margin 37%

Free cash flow[a] US$1.4B

Net Cash balance US$2B

Final ordinary dividend 6.2 US cents per share

US$946M returned to shareholders in respect of FY18

US$380M of US$1B capital management program to be completed in FY19

Reshaping our portfolio

Arizona Mining

Eagle Downs

South Africa Energy Coal

Notes:

a. Free cash flow from operations including net distributions from EAI.

Supplementary information



Earnings adjustments

Earnings adjustments[33]	FY18 US$M	FY17 US$M
Adjustments to Underlying EBIT		
Significant items	(31)	-
Exchange rate (gains)/losses on restatement of monetary items	(15)	37
Fair value (gains)/losses non-trading derivative instruments	73	(194)
Major corporate restructures	58	2
Earnings adjustments included in profit/(loss) of equity accounted investments	(30)	8
Total adjustments to Underlying EBIT	**55**	**(147)**
Adjustments to net finance cost		
Exchange rate variations on net debt	(23)	35
Total adjustments to net finance cost	**(23)**	**35**
Adjustments to income tax expense		
Tax effect of significant items	1	-
Tax effect of other earnings adjustments to Underlying EBIT	(34)	42
Tax effect of earnings adjustments to net finance cost	7	(9)
Exchange rate variations on tax balances	(11)	(6)
Total adjustments to income tax expense	**(37)**	**27**
Total earnings adjustments	**(5)**	**(85)**

Underlying income tax expense

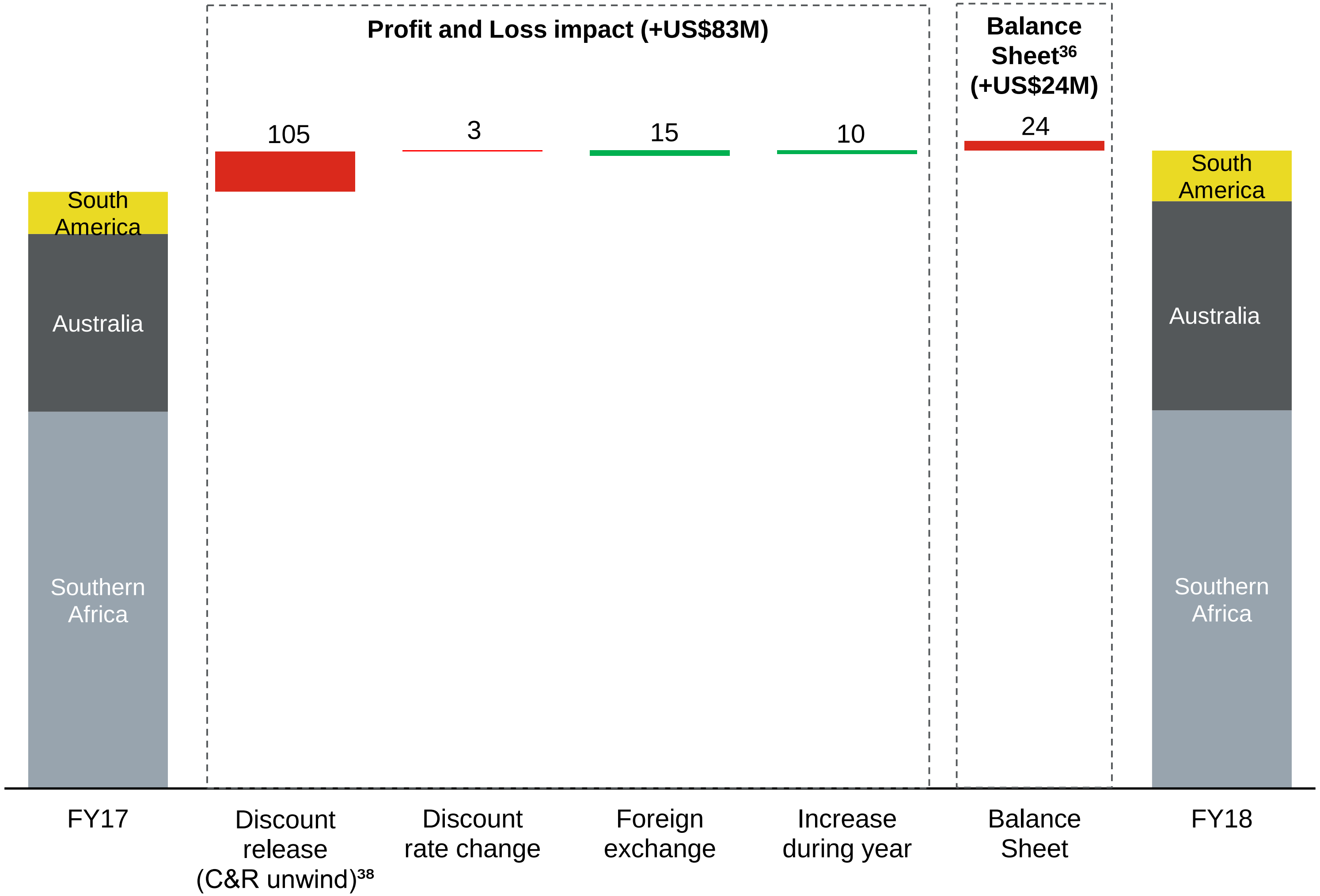
Underlying income tax expense reconciliation and Underlying effective tax rate[34]	FY18 US$M	FY17 US$M
Underlying EBIT	1,774	1,648
Include: Underlying net finance cost	(123)	(136)
Remove: Share of profit/(loss) of equity accounted investments	(491)	(320)
Underlying Profit/(loss) before tax	**1,160**	**1,192**
Income tax expense	**287**	**393**
Tax effect of earnings adjustments to Underlying EBIT	34	(42)
Tax effect of earnings adjustments to net finance cost	(7)	9
Exchange rate variations on tax balances	11	6
Tax on significant items	(1)	-
Underlying income tax expense	**324**	**366**
Underlying effective tax rate	**27.9%**	**30.7%**

Underlying net finance cost

Underlying net finance cost reconciliation[35]	FY18 US$M	FY17 US$M
Unwind of discount applied to closure and rehabilitation provisions	(105)	(98)
Finance lease interest	(52)	(52)
Other	34	14
Underlying net finance cost	**(123)**	**(136)**
Add back earnings adjustment for exchange rate variations on net debt	23	(35)
Net finance cost	**(100)**	**(171)**

Closure provisions

Closure and rehabilitation provisions by operation (South32 share)	FY18 US$M	FY17 US$M
South Africa Energy Coal	739	746
South Africa Aluminium	191	195
Worsley Alumina	295	292
Cerro Matoso	104	89
Cannington	154	86
Mozal Aluminium	61	46
Illawarra Metallurgical Coal	99	88
Brazil Aluminium	29	22
Other[37]	-	1
Total	**1,672**	**1,565**



Earning sensitivities

Estimated impact on FY19 Underlying EBIT of a 10% change in commodity or currency[(a)]	EBIT impact +/- 10% US$M
Alumina	196
Aluminium[(b)]	191
Manganese ore[(c)]	136
Energy coal	106
Metallurgical coal	60
Nickel	49
Manganese alloy[(c)]	29
Lead	24
Silver	20
Zinc	13
Australian Dollar	153
South African Rand	124
Colombian Peso	23
Brazilian Real	13

Notes:
a. The sensitivities reflect the estimated impact on FY19 earnings using volume and a 10% movement in FY19 realised price assumptions and FY19 exchange rate assumptions.
b. Aluminium sensitivity shown without any associated increase in alumina pricing.
c. 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.

Footnotes

1. All as at 30 June 2018. FY18 information is unaudited.
2. Figure has been restated since it was previously reported due to the reclassification of a recordable illness to a recordable injury.
3. Figure has been restated since it was previously reported due to reclassifications of noise induced hearing loss cases.
4. Figure has been restated since it was previously reported due to an adjustment in factors for GHG emissions data.
5. Operating Margin comprises Underlying EBITDA excluding third party product EBITDA, divided by revenue excluding third party product revenue.
6. Other includes depreciation and amortisation, adjustments to provisions, ceased and sold operations, third party product EBIT and other income.
7. Underlying net finance cost and Underlying tax expense are actual FY18 results, not year-on-year variances.
8. Other includes net treatment and refining charges for Cannington concentrates, freight, bauxite, explosives and gas.
9. FY18 Third party product cost is US$195M for aluminium, US$47M for alumina, US$278M for coal, US$3M for manganese, US$199M for freight services and US$123M for aluminium raw materials. FY17 Third party product cost is 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.
10. Includes accounting related adjustments.
11. Operating unit costs is Revenue less Underlying EBITDA and excluding third party sales divided by sale volume.
12. US dollar per tonne of ore processed. Periodic movements in finished product inventory may impact operating unit cost as related marketing costs and treatments and refining charges may change.
13. Price-linked costs reflects commodity price-linked costs, market traded consumables and refining charges for Cannington concentrates.
14. FY19e Operating unit cost guidance includes royalties (where appropriate) and the influence of exchange rates, and includes various assumptions for FY19, including: an alumina price of US$411/t; an average blended coal price of US$149/t for Illawarra Metallurgical Coal; a manganese ore price of US$6.20/dmtu for 44% manganese product; a nickel price of US$6.92/lb; a thermal coal price of US$93/t (API4) for South Africa Energy Coal; a silver price of US$17.58/troy oz; a lead price of US$2,406/t; a zinc price of US$3,066/t; an AUD:USD exchange rate of 0.76; a USD:ZAR exchange rate of 13.43 and a USD:COP exchange rate of 2,927; all of which reflected forward markets as at 15 June 2018 or our internal expectations.
15. Capital expenditure excludes Group and unallocated and intangibles.
16. Excludes EAI.
17. Includes dividends and the net repayment of shareholder loans from Manganese equity accounted investments (EAI).
18. Other includes: Investments in / proceeds from financial investments, the purchase of shares by South32 Limited Employee Incentive Plans Trusts (ESOP Trusts), foreign exchange and other movements on finance leases, net loan drawdowns from other EAI and dividends from financial investments.
19. Upfront payment, excluding transaction costs.
20. Committed payments include Arizona Mining acquisition paid in August (US$1,341M), H2 FY18 ordinary dividend to be paid in October 2018 (US$317M), Eagle Downs acquisition expected to close in H1 FY19 (US$106M) and capital management program outstanding (US$380M).
21. Manganese ore production guidance for FY20 remains subject to market demand.
22. Payable Zinc Equivalent (kt) was calculated by aggregating revenues from payable silver, lead and zinc and dividing the total revenue by the price of zinc. FY18 realised prices for zinc (US$3,185/t), lead (US$2,463/t) and silver (US$16.6/oz) were used for FY18, FY19e and FY20e. Zinc equivalent is used to compare Cannington with recently acquired Hermosa project which is currently reported in zinc equivalent terms.
23. Mozal 1 supply contract priced as a percentage linked to the LME aluminium index.
24. M-1 alumina includes negotiated sales on the spot market.
25. Mozal 2 supply contract priced to the alumina index on an M-1 basis with a cap and floor.
26. Reflects actual realised percentage allocation of sales.
27. Represents spot prices as at 17 August 2018. Source: Platts, LME Aluminium, Metal Bulletin and Argus/McCloskey.
28. Raw material inputs include cost of alumina, coke, pitch and ATF.

Footnotes

29. The quarterly sales volume weighted average of the Argus/McCloskey API4 index (Richards Bay Coal Terminal FOB) on the basis of a one month lag to published pricing (Month minus one or “M-1”) was US$91/t in FY18.
30. For ZnEq (%) and ZnEq x Thickness (ft%) calculations, refer to Arizona Mining’s Updated Preliminary Economic Assessment released 6 January 2018 (www.sedar.com).
31. The agreement is conditional on the completion of China BaoWu Steel Group’s acquisition of the 50% interest in Eagle Downs that it does not currently own, which is subject to a separate conditions and approvals process.
32. Total consideration payable by South32 comprises an upfront payment of approximately US$106M upon completion of the acquisition (excluding transaction costs), a deferred payment of US$27M due three years after completion and a coal price-linked production royalty which is capped at US$80M.
33. Refer to disclosure of Earnings adjustments in 30 June 2018 Financial Results announcement.
34. Refer to disclosure of Underlying tax expense in 30 June 2018 Financial Results announcement.
35. Refer to disclosure of Underlying net finance cost in 30 June 2018 Financial Results announcement.
36. Balance Sheet movement of +US$24M reflects net impact of a US$164M increase in provisions as a result of other changes (including a review of underlying cash flow assumptions), a US$55M decrease in provisions associated with the capitalisation of foreign exchange impacts on restatement of closure provisions, a US$82M decrease as a result of closure activities and a US$3M decrease in transfers and other movements.
37. Other includes Corporate and Marketing.
38. Unwind of discount applied to closure and rehabilitation provisions.

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