



14 February 2019

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

2019 HALF 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 2019 half year financial results presentation materials, the details of which are as follows:

Conference ID: 663341

Australia: 1 800 558 698

United States: (855) 881 1339

South Africa: 0800 999 976

United Kingdom: 0800 051 8245

International: +612 9007 3187

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 “2019 half year results analysis” section of the attached materials by South32 Chief Financial Officer, Brendan Harris and Deputy Chief Financial Officer, Katie Tovich, is now available on the South32 website (<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

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

JSE Sponsor: UBS South Africa (Pty) Ltd
14 February 2019



2019 Half Year Financial Results

14 February 2019



Important notices



This presentation should be read in conjunction with the “Financial results and outlook – half year ended 31 December 2018” announcement released on 14 February 2019, 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.

RELIANCE ON THIRD PARTY INFORMATION

Any information contained in this presentation that has been derived from publicly available sources (or views based on such information) has not been independently verified. The South32 Group does not make any representation or warranty about the accuracy, completeness or reliability of the information. This presentation should not be relied upon as a recommendation or forecast by South32.

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 refers to estimates of Mineral Resources for Bornite was published by Trilogy Metals Inc in NI43-101 Technical Report on the Bornite Project (20 July 2018), in accordance with NI43-101 and CIM definition standard (www.sedar.com).

The information in this presentation that refers to estimates of Mineral Resources for Arctic was published by Trilogy Metals Inc in Arctic Project NI43-101 Technical Report on pre-feasibility study (6 April 2018), in accordance with NI43-101 and CIM definition standard (www.sedar.com).

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 FY18 Annual Report (www.south32.net) issued on 7 September 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 Person’s findings are presented have not been materially modified from the original market announcement.

Resource life is calculated from the FY18 Classified Mineral or Coal Resources (as applicable), and as provided in the FY18 annual Resource and Reserve statement, converted to a run-of-mine basis using historical Mineral or Coal Resources (as applicable) to Ore Coal Reserves conversion factors, divided by the nominated run-of-mine production rate on a 100 per cent basis. Resource life calculations are indicative only and do not necessarily reflect future uncertainties related to the “modifying factors”. Historical Mineral or Coal Resources to Ore or Coal Reserves conversion factors may not be indicative of future conversion factors. Resource Life is based on the company’s current expectations of future results and should not be solely relied upon by investors when making investment decisions. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources.

Weighted average individual operations Mineral or Coal Resources (as applicable) to Ore or Coal Reserves conversion factors and run-of-mine tonnages are as follows: Worsley Alumina: 0.85, 17.4Mt; Illawarra Metallurgical Coal: Bulli 0.38, 6.9Mt, Wongawilli 0.34, 4.8Mt; Cannington: 0.41, 1.9Mt; Australia Manganese: 0.70, 8.8Mt; South Africa Manganese: Mamatwan: 0.84, 3.2Mt, Wessels: 0.58, 1.35Mt; Cerro Matoso: 0.39, 3.3Mt and Brazil Alumina: 0.99, 16.2Mt. Competent Persons for Worsley Alumina (G. Burnham, AusIMM), MRN (M A H Monteiro, AusIMM), Illawarra Metallurgical Coal (M. Rose, AusIMM), Cannington (T. Curytko, AusIMM), South Africa Manganese (E.P Ferreira, SACNASP), Australia Manganese (U. Sandilands, AusIMM) and Cerro Matoso (Nelson Monterroza, AusIMM) have reviewed and revised the historical conversion rates and production rates for the operations and revised the information in-line with this new information and consent to their publication.

Underlying EBITDA
US\$1.3B

Operating margin 38%

Underlying earnings
↑18% to US\$642M

Underlying earnings per share
↑20% to US 12.6 cents per share

Free cash flow^(a) US\$718M

Net cash balance US\$678M

Ordinary dividend
US 5.1 cents per share

Special dividend
US 1.7 cents per share

Total dividends US\$344M

US\$127M of US\$1B
capital management program
remaining

Reshaping our portfolio

Hermosa

Eagle Downs Metallurgical Coal

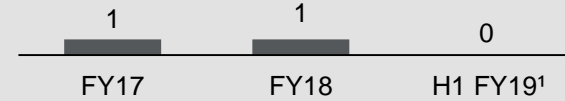
South Africa Energy Coal

Notes:

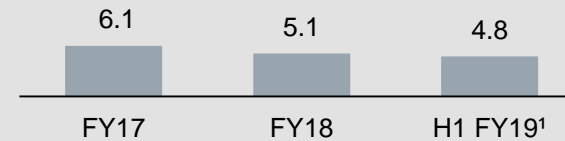
a. Free cash flow from operations including net distributions from our manganese equity accounted investments (EAI).

Sustainability performance

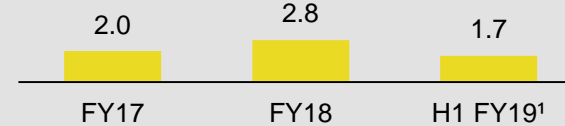
Fatalities^{(a)(b)}



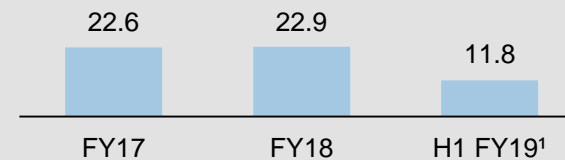
TRIF^{(a)(b)}



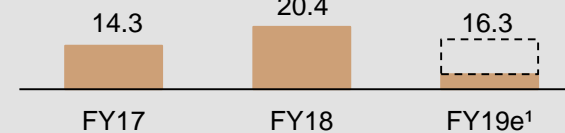
Employee Occupational Illness^{(a)(b)}



GHG emissions^{(a)(b)} (Mt CO₂-e)



Community investment^{(b)(c)} (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.
- c. Actual spend in H1 FY19 with FY19e target (US\$16.3M). FY19e excludes in-kind support and administrative costs.

As an industry we need to build trust, increase transparency and establish a common reporting framework

FY15

May 2015 (listing)

- Publicly released our information memorandum with independent expert reports for all operations, including tailings dams
- Continued regular independent audits for all dams in Australia per Australian National Committee on Large Dams (ANCOLD) requirements

December 2015

- International Council of Mining and Metals (ICMM) tailings working group participant

FY16

FY17 Independent audit completed for all dams in Africa

FY17 ICMM position statement on tailings released

FY17

FY17 - FY19

- Internal detailed assessment of highest potential consequence tailings dams undertaken (sampling, analysis and installation of enhanced instrumentation)
 - Confirmed Worsley Alumina tailings properties not susceptible to liquefaction
 - Confirmed GEMCO (Australia Manganese) construction quality
 - Installed buttress at Cannington in advance of an increase to dam capacity to maintain safety factor

FY18

FY18

- Groupwide South32 Dam Management Standard established
- Appointed internal tailings specialist to provide group wide internal assurance and technical advice
- Commenced participation (as a shareholder) on MRN's^(a) tailings sub-committee

FY19

H1 FY19

- Internal tailings specialist completed assessment of all managed dams
- Commenced participation (as a shareholder) on Alumar's^(a) (Brazil Alumina) tailings sub-committee

Our Dam Management Standard^(b)

- Clear accountabilities and required competencies
- Tailings dam management plans for life of operation
- Design and construction standards with ANCOLD as minimum requirement
- Clear operation, maintenance, monitoring and change management requirements
- Risk management approach to define and verify critical controls
- Emergency response plans, including dam break studies, community consultation and testing regimes
- Independent technical review at least every two years and whole tailings system review every five years

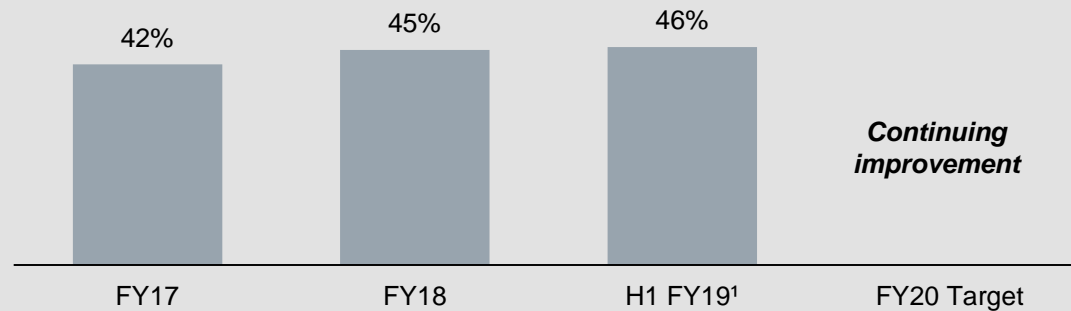
Our tailings dam inventory (excludes non-operated facilities)

33 tailings dams	16 tailings dams with upstream construction at 7 operations ^(c)	All dams independently inspected within last two years
18 operating tailings dams	8 operating upstream construction dams at 5 operations ^(d)	FY18 tailings dam capital expenditure US\$37M
15 inactive tailings dams	8 inactive upstream construction dams	FY19e tailings dam capital expenditure US\$57M

Notes:

- South32's ownership of non-operated facilities: Alumar 36%, Mineração Rio do Norte S.A (MRN) 14.8%.
- South32 Dam Management Standard for operated facilities only.
- Worsley Alumina, Cannington, Wessels (South Africa Manganese), Illawarra Metallurgical Coal, Cerro Matoso, South Africa Energy Coal and Hermosa project.
- Worsley Alumina, Cannington, Wessels (South Africa Manganese), Illawarra Metallurgical Coal and Hermosa project.

Black People^(a) in our South African management team

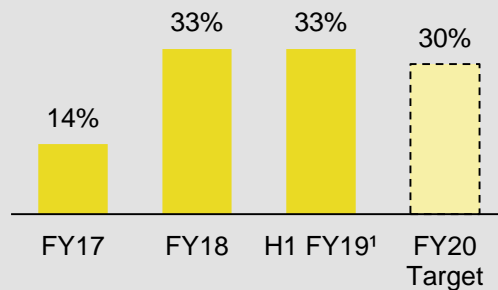


Women in our workforce

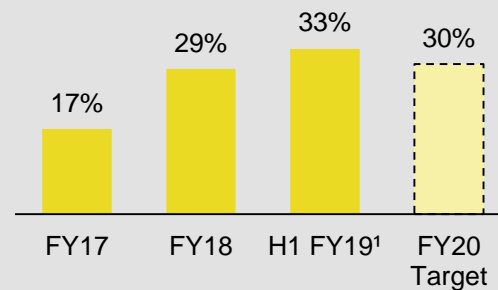


Women in leadership

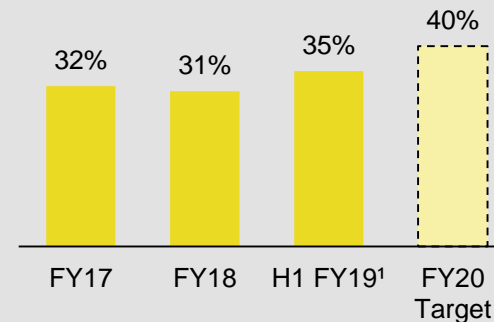
Board



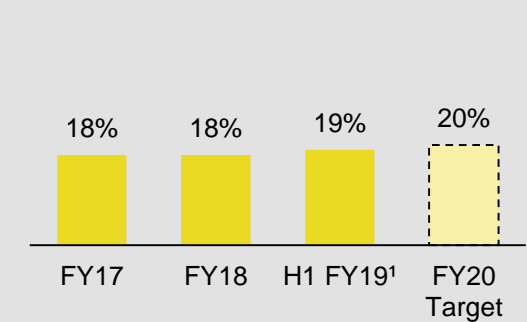
South32 Lead Team



Senior Leadership^(b)



Operational Leadership^(c)



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.
 c. All General Managers and Managers reporting to Vice President Operations and all Managers reporting to General Managers at an Operation, excluding Functional Managers.



2019 Half Year Financial Results

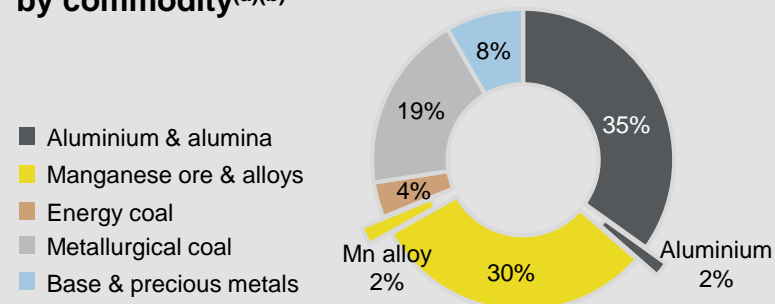
Brendan Harris
CFO

Katie Tovich
Deputy CFO

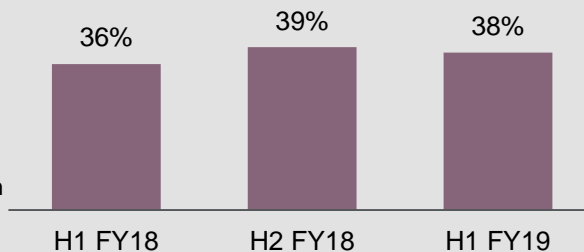


Operating margin analysis

H1 FY19 Underlying EBITDA contribution by commodity^{(a)(b)}



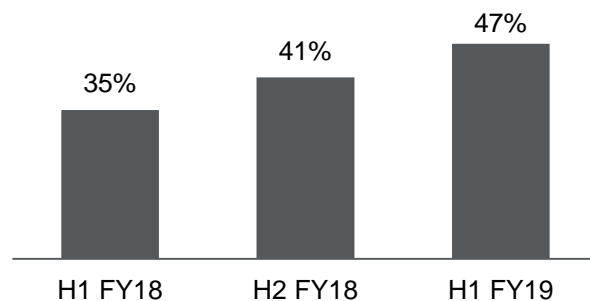
Group operating margin²



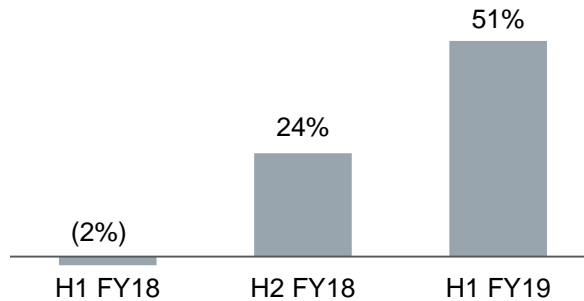
Mitigating inflationary pressure & enhancing margins

Estimated impact on margin	
Volume and equipment efficiencies (Australia Manganese ore and Illawarra Metallurgical Coal)	~US\$60M
Energy and materials (Cannington, Worsley Alumina and aluminium smelters)	~US\$20M
Sales and distribution (Cannington and South Africa Energy Coal)	~US\$10M
Labour and contractors	~US\$5M

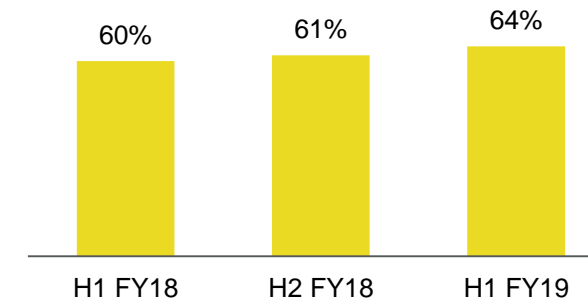
Alumina operating margin^(b)



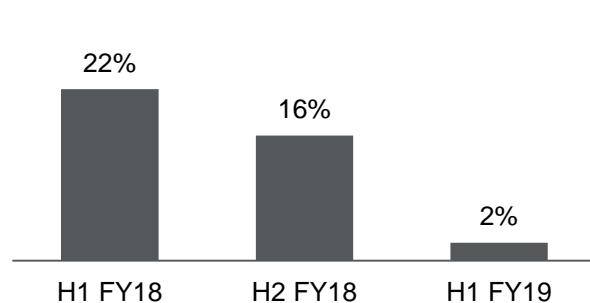
Metallurgical coal operating margin^(b)



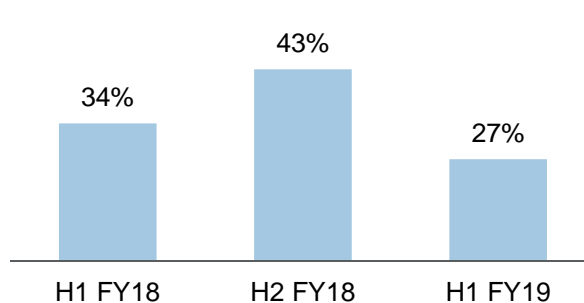
Manganese ore operating margin



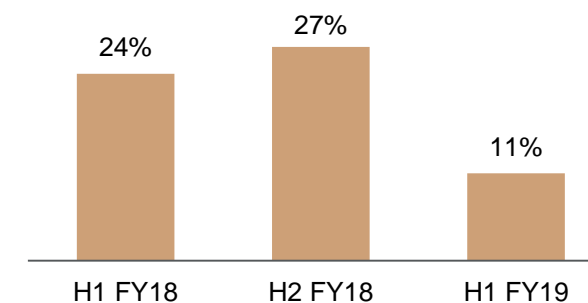
Aluminium operating margin^(b)



Base & precious metals operating margin



Energy coal operating margin^(b)

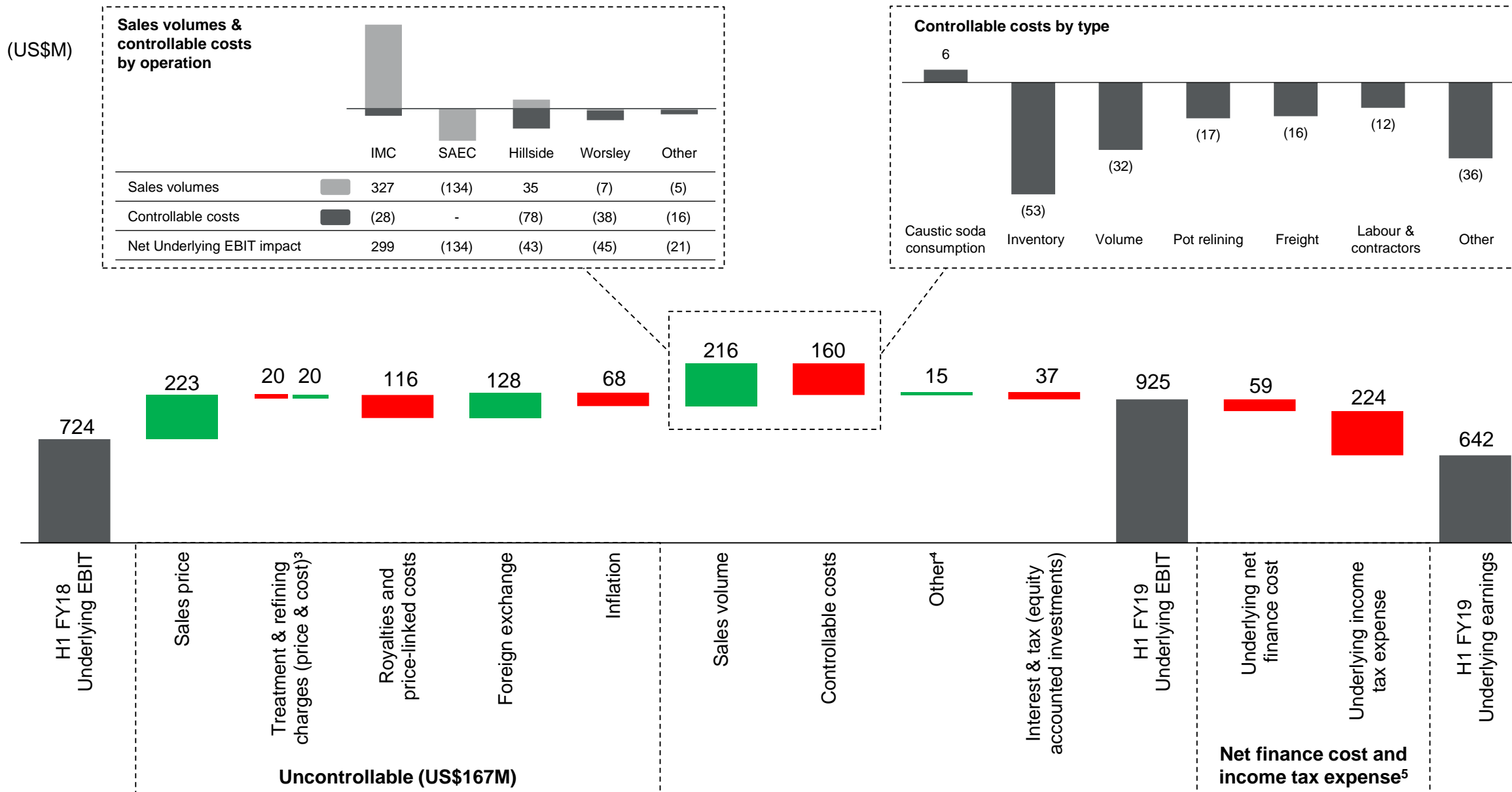


Notes:

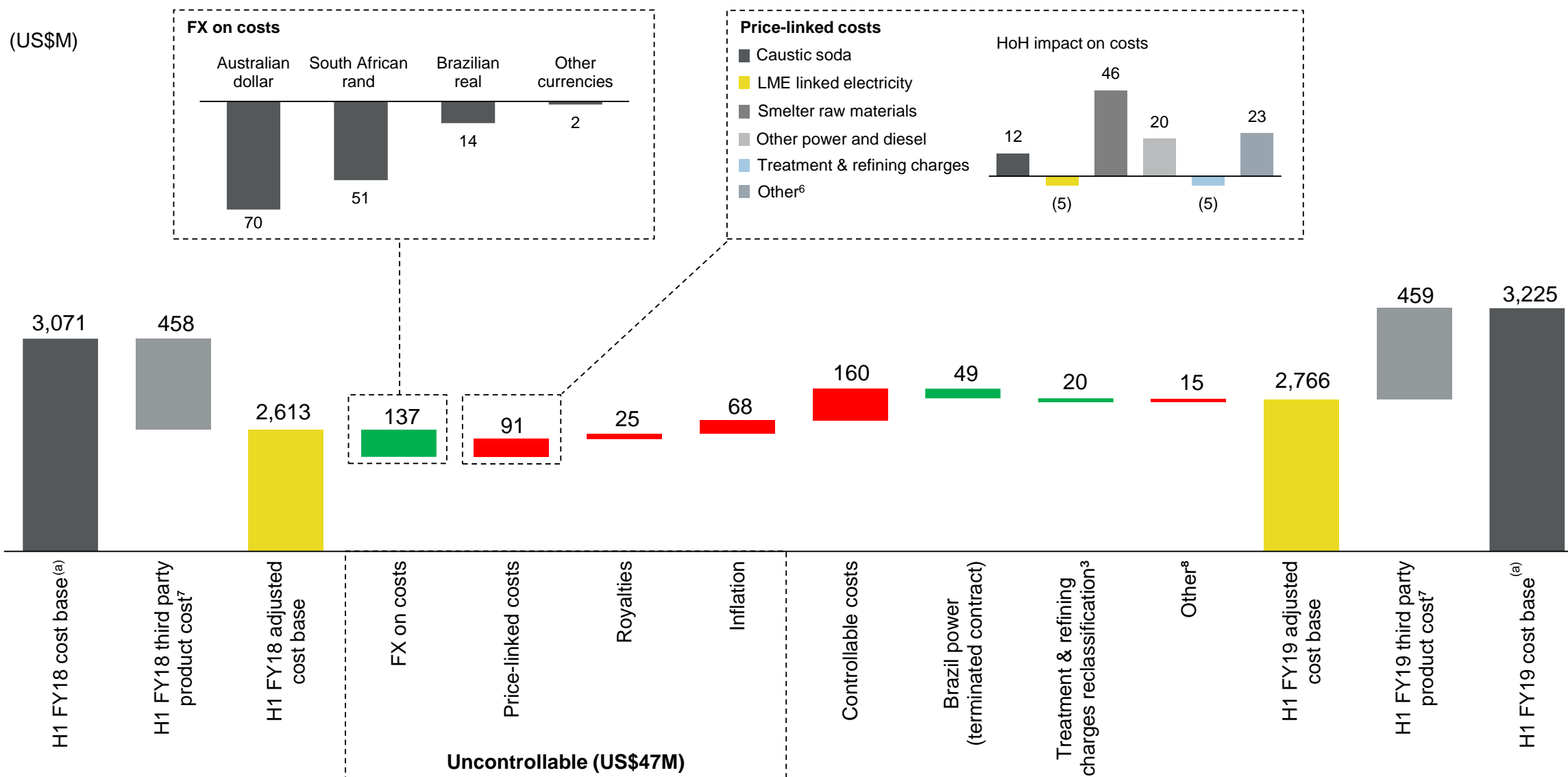
a. Presented on a proportionally consolidated basis and excludes Group and unallocated costs.

b. Energy coal comprises South Africa Energy Coal. Metallurgical coal comprises Illawarra Metallurgical Coal, including energy coal production. The Brazil Alumina aluminium smelter is included in alumina.

Earnings analysis



Costs analysis



Notes:

a. Cost base includes equity accounted investments and excludes other income. H1 FY19 includes US\$630M of statutory adjustments and an US\$89M adjustment for other income to reconcile to Revenue minus Underlying EBITDA (H1 FY18 includes US\$548M of statutory adjustments and a US\$116M adjustment for other income to reconcile to Revenue minus Underlying EBITDA).

Operating unit costs

Operating unit costs ⁹	H1 FY18 actual	H2 FY18 actual	H1 FY19 actual	H1 FY19 adjusted ¹²	FY19 prior guidance ¹³	H1 FY19 actual vs. FY19 prior guidance				Commentary H1 FY19 performance to guidance
						(20%)	(10%)	0%	10%	
Worsley Alumina (US\$/t)	224	247	233	237	230					Lower volumes, high cost caustic soda inventory and additional maintenance
Brazil Alumina (non-operated) (US\$/t)	234	269	291		Guidance not provided					Lower volumes, higher maintenance and bauxite costs, and high cost caustic soda inventory
South Africa Energy Coal (US\$/t)	36	37	38	40	41					Export production weighted to H2 FY19
Illawarra Metallurgical Coal (US\$/t)	149	136	87	90	105					Significant improvement in longwall performance, noting two longwall moves in Q3 FY19
Australia Manganese (FOB, US\$/dmu)	1.55	1.72	1.51	1.54	1.63					Record production with PCO2 circuit operating at ~120% of design capacity
South Africa Manganese (FOB, US\$/dmu)	2.31	2.74	2.63	2.65	2.56					Greater utilisation of high cost trucking and an increase in price-linked royalties
Cerro Matoso (US\$/lb)	3.41	3.92	4.05	4.15	4.21					Higher volumes with production skewed to H1 FY19
Cannington¹⁰ (US\$/t)	170	130	120	128	131					Higher mill throughput with production skewed to H1 FY19

Cost breakdown

	H1 FY18 actual	H2 FY18 actual	H1 FY19 actual	H2 FY18		H1 FY19		Commentary		
				Raw material inputs	Other	Raw material inputs	Other			
Hillside Aluminium (US\$/t)	1,680	1,962	2,161	57%	13%	30%	60%	11%	29%	Costs heavily influenced by LME price-linked power and raw material inputs (primarily internally sourced alumina)
Mozal Aluminium (US\$/t)	1,694	1,945	1,938	49%	51%	53%	47%			Mozal costs benefitted from legacy Worsley Alumina contract (~50% of alumina priced as % LME aluminium)

■ Foreign exchange
 ■ Price-linked costs (including royalties)¹¹
■ Controllable costs
 ■ Raw material inputs
 ■ LME price-linked power
 Other

○ H1 FY19 actual vs. FY19 prior guidance % movement

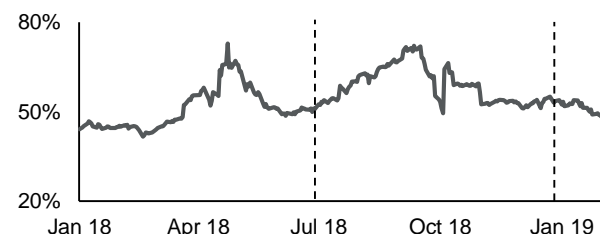
Operating unit costs guidance



Operating unit costs ⁹	H1 FY19 actual	FY19 prior guidance ¹³	FY19 adjusted guidance ¹²	FY19 new guidance ¹⁴	FY19 new guidance vs. FY19 prior guidance			Commentary
					(10%)	0%	10%	
Worsley Alumina (US\$/t)	233	230	216	227				Additional expenditure to improve calciner performance and sustainably achieve nameplate capacity
Brazil Alumina (non-operated) (US\$/t)	291			Guidance not provided				Lower bauxite and caustic soda costs expected in H2 FY19
South Africa Energy Coal (US\$/t)	38	41	39	38				Production to recover with recommissioning of the Klipspruit dragline
Illawarra Metallurgical Coal (US\$/t)	87	105	102	97				Increased production guidance, notwithstanding two longwall moves in Q3 FY19
Australia Manganese (FOB, US\$/dmtu)	1.51	1.63	1.59	1.57				Continued improvement in equipment productivity with H2 FY19 to be impacted by the wet season
South Africa Manganese (FOB, US\$/dmtu)	2.63	2.56	2.55	2.56				Higher price-linked royalties
Cerro Matoso (US\$/lb)	4.05	4.21	4.02	4.12				Costs arising from the Constitutional Court of Colombia ruling ¹⁵
Cannington¹⁰ (US\$/t)	120	131	127	129				Additional mining and rehabilitation activity

Smelter raw material basket cost inflation

(% of LME Aluminium)¹⁶



Hillside Aluminium (US\$/t)	2,161
Mozal Aluminium (US\$/t)	1,938

Raw material input costs expected to subside in H2 FY19
We continue to test the technical capacity of our smelters, with production remaining subject to the impact of load-shedding

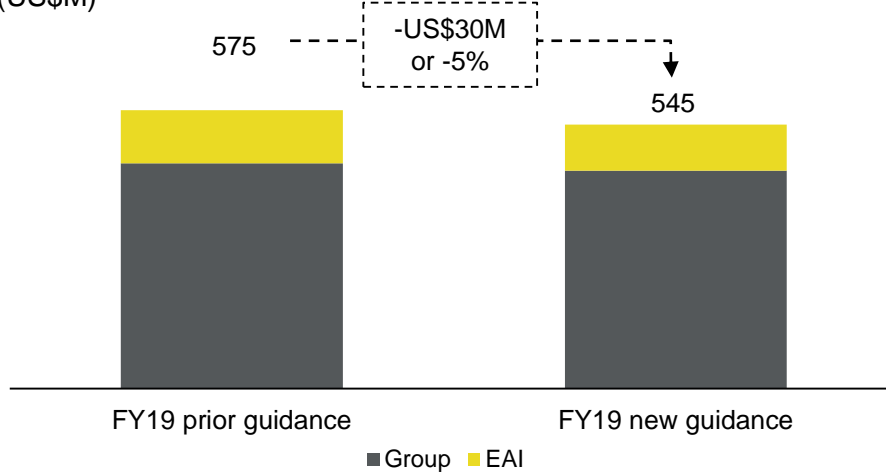
■ Foreign exchange ■ Price-linked costs (including royalties)¹¹ ■ Controllable costs

○ FY19 new guidance vs. FY19 prior guidance % movement

Capital expenditure analysis

Sustaining capital expenditure

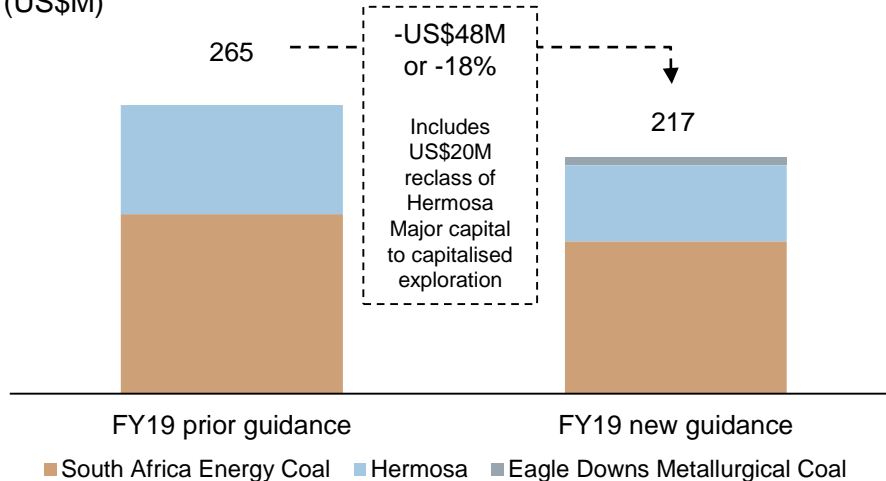
(US\$M)



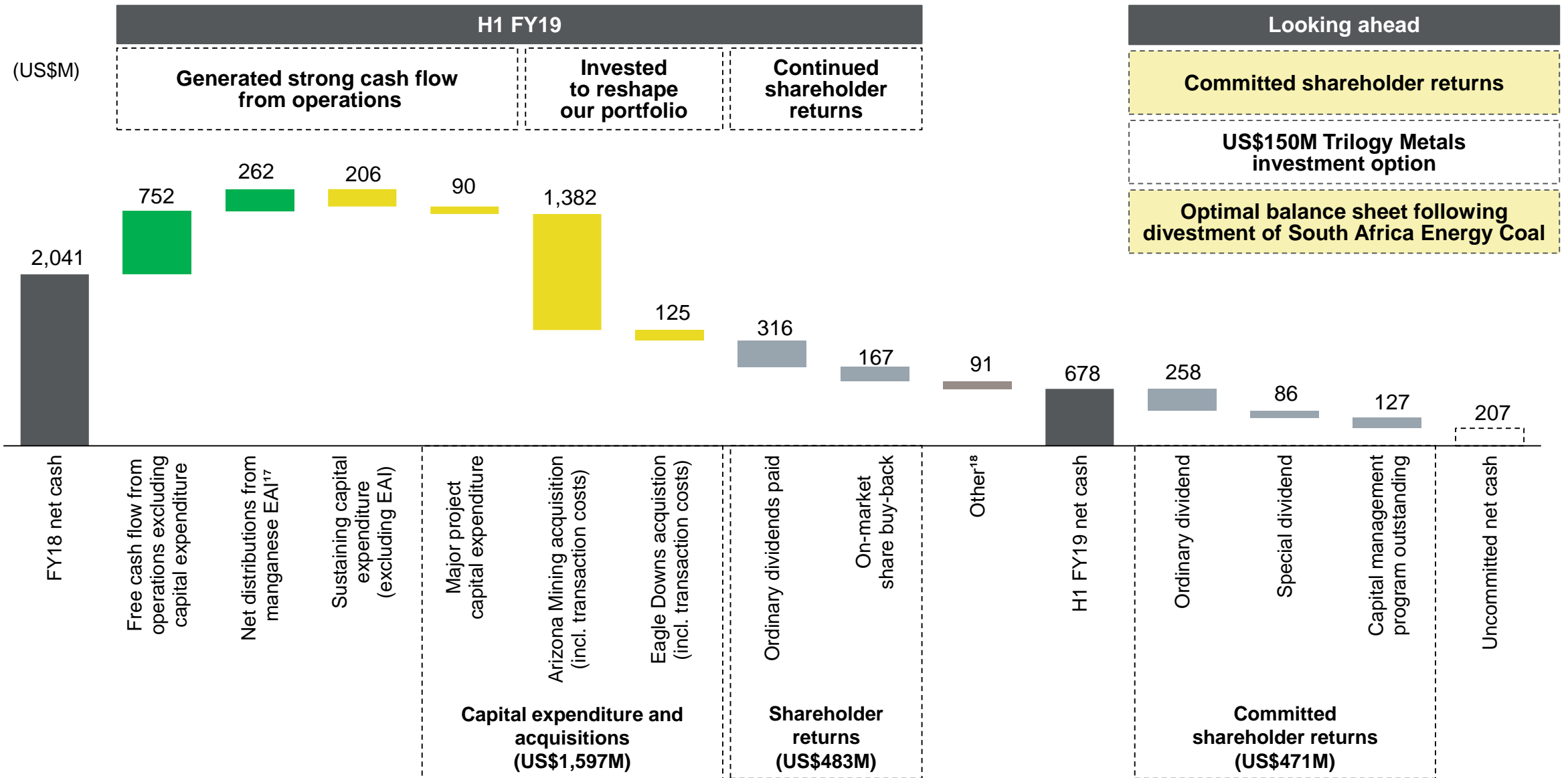
FY19 capital guidance US\$M (South32's share)	Prior	New	Commentary
Worsley Alumina	56	60	Initiatives to support increase in production to nameplate
Brazil Alumina (non-operated)	40	32	
Hillside Aluminium	24	18	
Mozal Aluminium	18	20	
South Africa Energy Coal	66	100	Recovery from Klipspruit dragline incident
Illawarra Metallurgical Coal	170	128	Lower rate of underground development in H1 FY19
Australia Manganese	75	65	
South Africa Manganese	35	30	
Cerro Matoso	41	37	
Cannington	50	55	Additional investment in underground development
Sustaining capital expenditure (including EAI)	575	545	
South Africa Energy Coal	165	140	Timing of activity at Klipspruit Life Extension project
Hermosa	100	70	Reclassification of expenditure exploration
Eagle Downs Metallurgical Coal	-	7	Initial guidance
Major capital expenditure	265	217	
Capital expenditure	840	762	

Major capital expenditure

(US\$M)



Cash flow and balance sheet



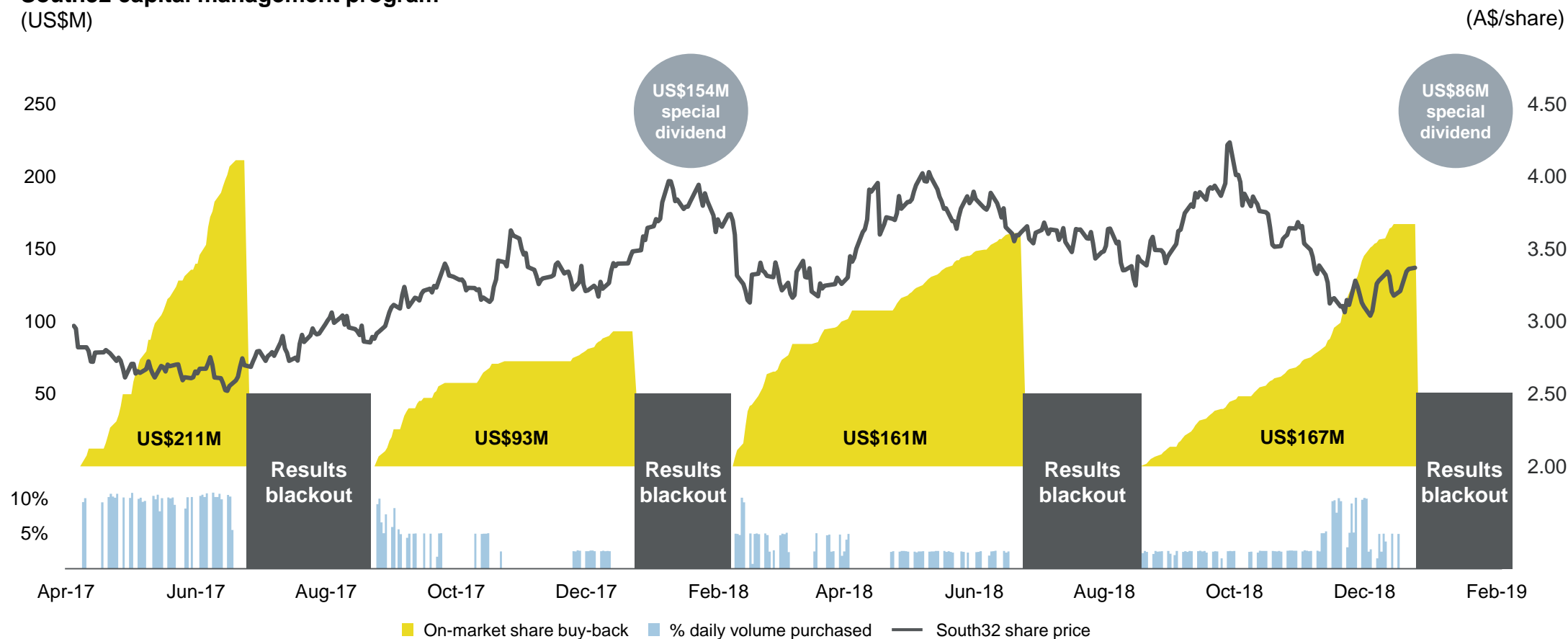
Capital management program

Flexible program to return excess capital efficiently and in a timely manner

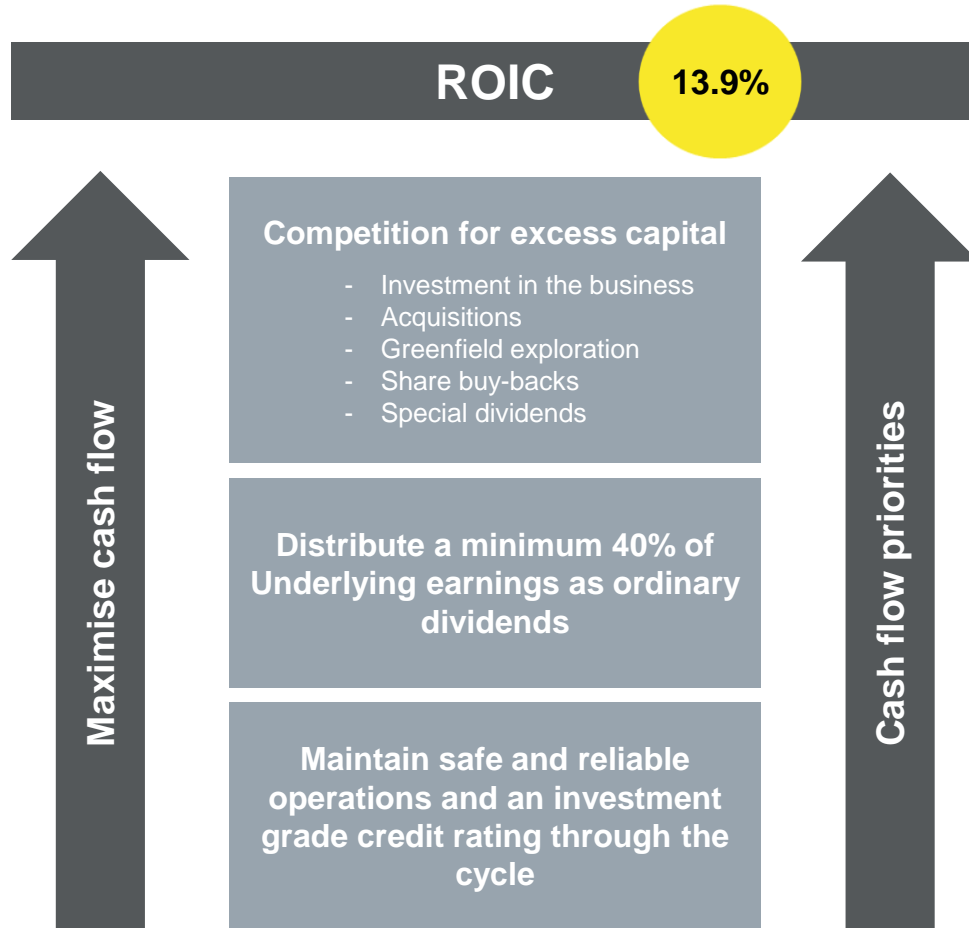
Average buy-back price
A\$3.09 per share
~20% discount to consensus NPV
A\$3.98 per share¹⁹

Shares on issue reduced by 5% since commencement
US\$240M in special dividends

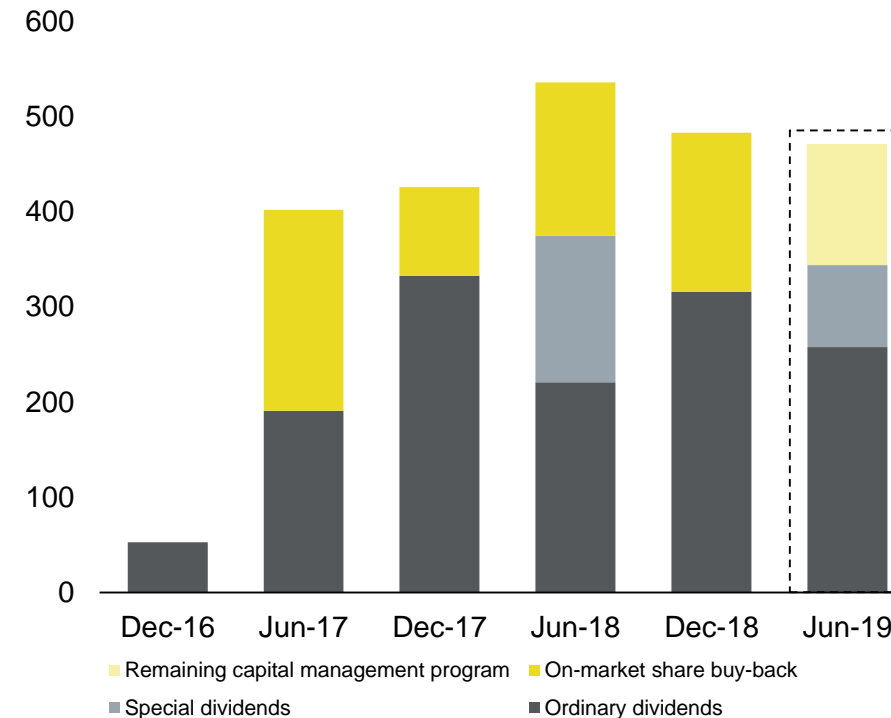
South32 capital management program (US\$M)



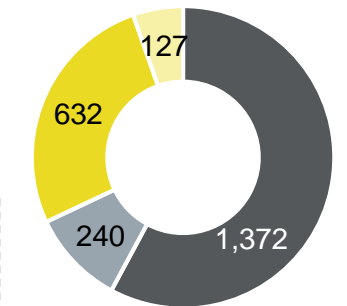
Our capital management framework has allowed us to return US\$2.4B to shareholders in respect of the last three years, equivalent to 20% of our market capitalisation²⁰



Shareholder returns (paid and committed) (US\$M)



US\$2.4B shareholder returns by type (US\$M)

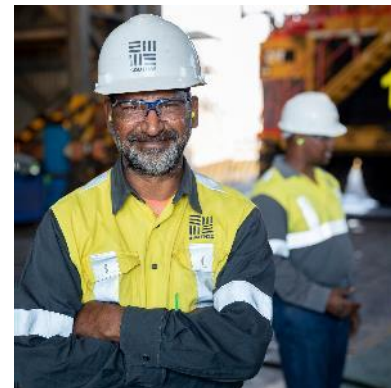


Dividends announced today and remaining capital management program



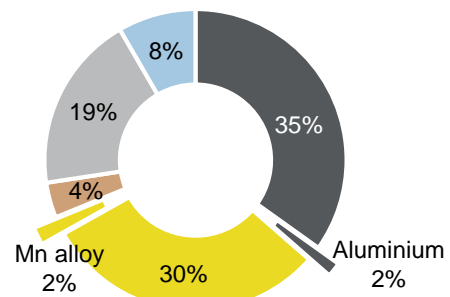
Outlook

Graham Kerr
CEO



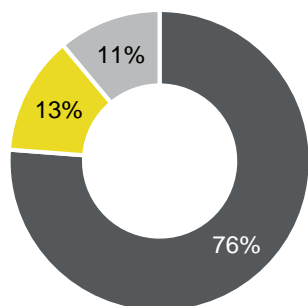
H1 FY19 Underlying EBITDA contribution by commodity^{(a)(b)}

- Aluminium & alumina
- Manganese ore & alloys
- Energy coal
- Metallurgical coal
- Base & precious metals

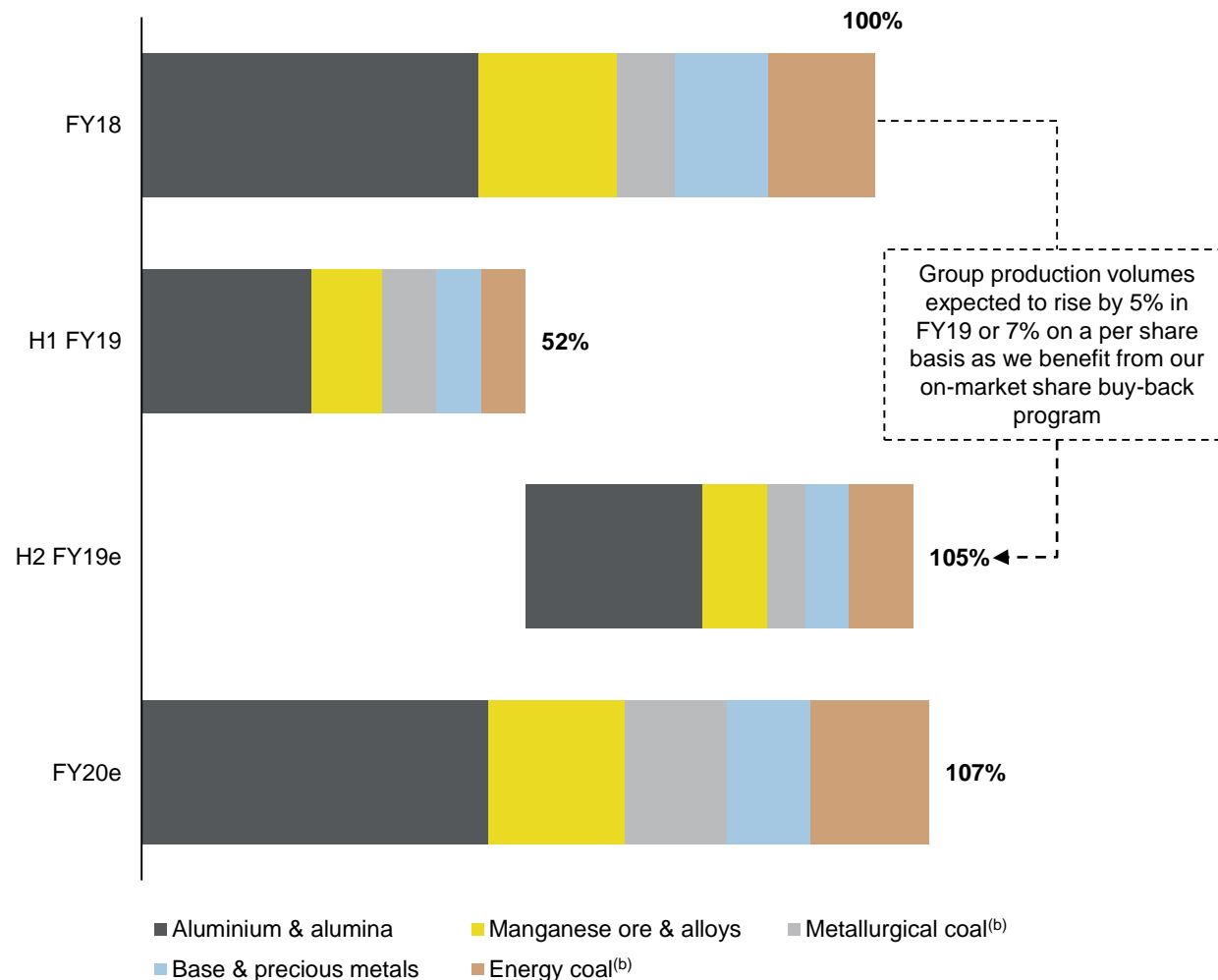


H1 FY19 Underlying EBITDA contribution by geography^(a)

- Australia
- Africa
- Americas



Forecast revenue equivalent production²¹ (FY18 baseline)








Notes:
 a. Presented on a proportionally consolidated basis and excludes Group and unallocated costs.
 b. Energy coal comprises South Africa Energy Coal. Metallurgical coal comprises Illawarra Metallurgical Coal, including energy coal production. The Brazil Alumina aluminium smelter is included in alumina.

Production guidance

FY19e production









(South32's share)

Operation	Unit	Guidance		Key assumptions
		FY19e	FY20e	
Worsley Alumina 	kt	3,965	3,965	Improvement in calciner availability, notwithstanding maintenance scheduled for Q3 FY19
Brazil Alumina (non-operated) 	kt	1,355	1,370	Introduction of package boilers in H2 FY19 to support the ramp-up of the De-bottlenecking Phase One project
Hillside Aluminium 	kt	720	720	Subject to load-shedding events, with pot relining cycle to reach its peak in FY19 Smelter to test technical capacity
Mozal Aluminium 	kt	269	273	Subject to load-shedding events, with pot relining cycle to reach its peak in FY19 AP3XLE energy efficiency project to add production from FY20
Australia Manganese – Ore 	kwmt	3,350	Subject to demand	Wet season expected to impact production across H2 FY19
South Africa Manganese – Ore 	kwmt	2,050	Subject to demand	Dependent on the economics of higher cost trucking

■ H1 production ▨ H2 guidance

FY19e production

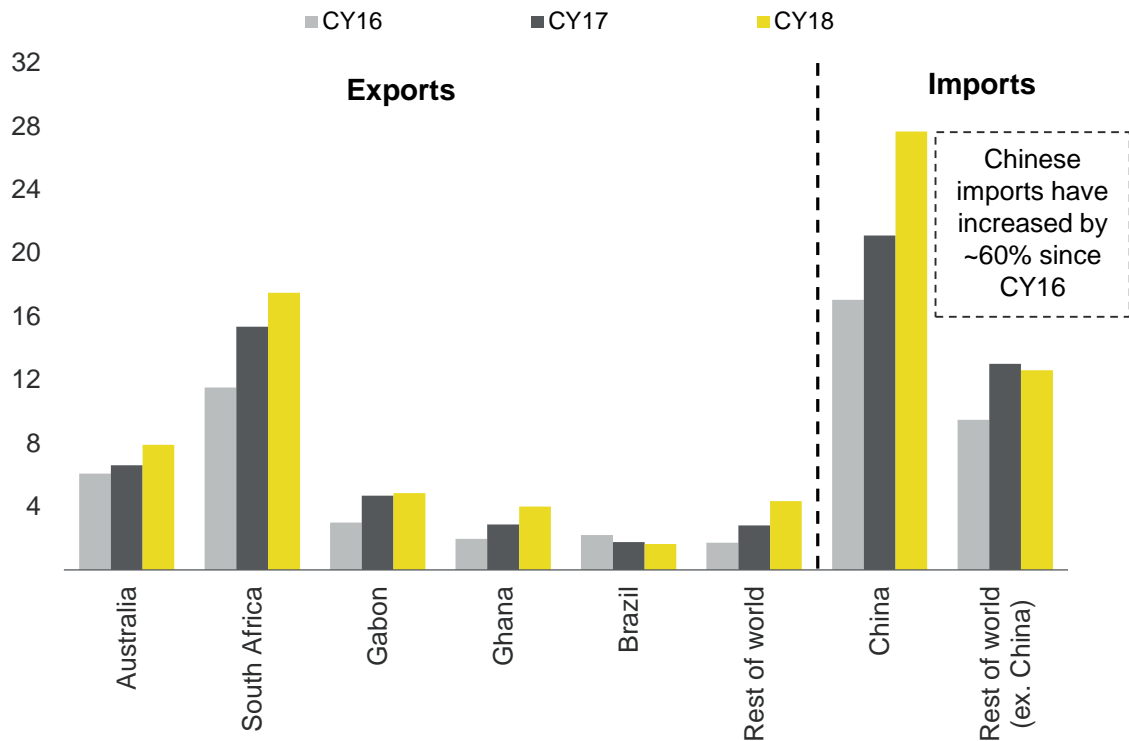
(South32's share)

Operation		Unit	Guidance		Key assumptions
			FY19e	FY20e	
Illawarra Metallurgical Coal					
Metallurgical coal		kt	↑5,200	5,800	Two longwall moves scheduled for Q3 FY19 A substantial uplift in development rates at Appin is required to sustain the operation of two longwalls in parallel from H2 FY20
Energy coal		kt	↑1,300	1,200	
South Africa Energy Coal					
Domestic coal		kt	17,500	16,900	Domestic volumes to benefit from the sale of lower quality stockpiled material and a new shift pattern at Khutala Export volumes to increase following the recommissioning of the Klipspruit dragline in January 2019
Export coal		kt	11,500	13,400	
Cerro Matoso					
Payable nickel		kt	40.5	35.6	Continued use of lower grade stockpiled ore Planned furnace outage in H2 FY20
Ore to kiln		kdmt	2,750	2,500	
Cannington²²					
Zinc equivalent		kt	188.1	187.1	Guidance is unchanged, but remains subject to review pending our assessment of the impact to logistics infrastructure resulting from the floods in North Queensland
Ore processed		kdmt	2,400	2,500	

■ H1 production □ H2 guidance

Manganese ore trade flows

(Mt, Mn content unadjusted)

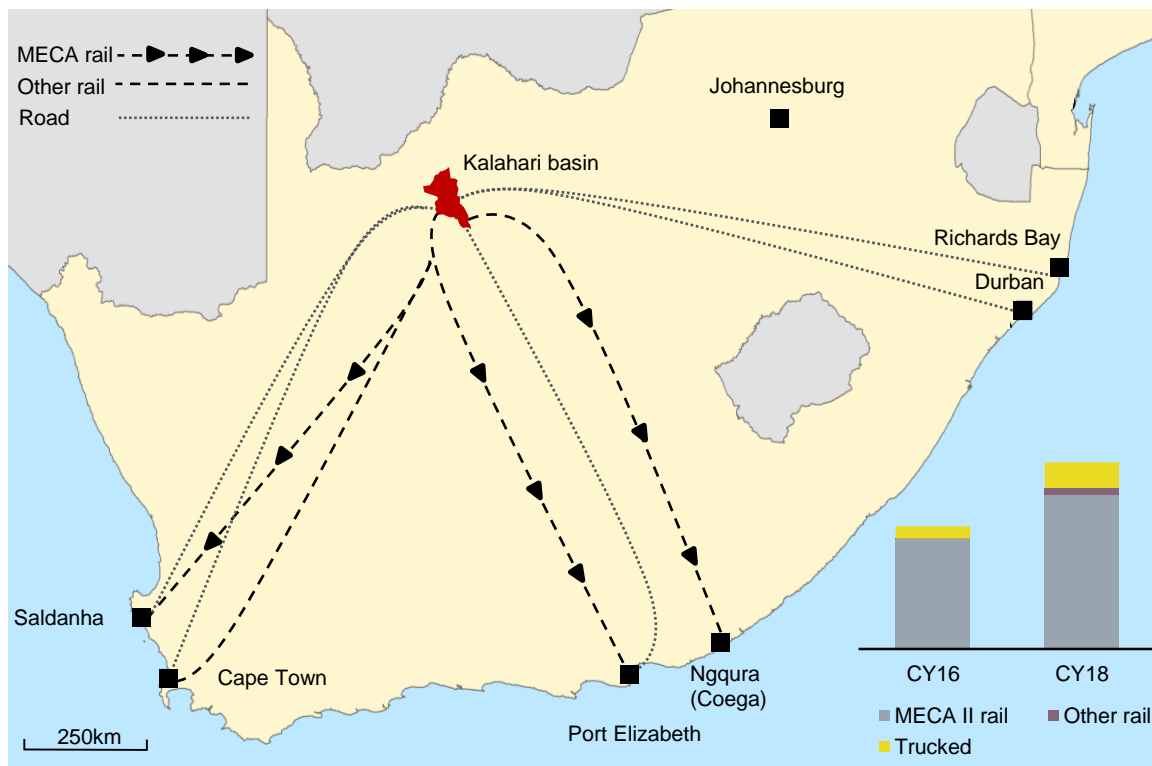


Source: GTIS, South32 analysis

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

Strong manganese demand driven by growing steel production and higher alloy intensity

Kalahari basin routes to market



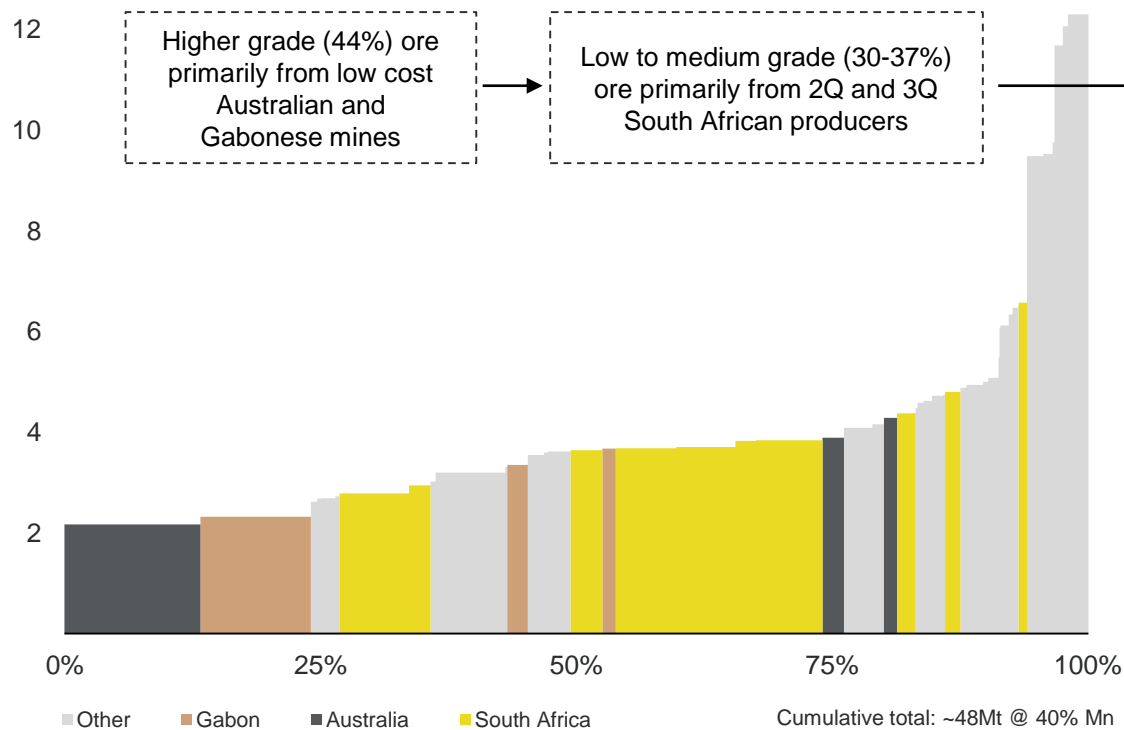
Source: South32 analysis

Chinese imports are now 70% of a much larger seaborne market

Marginal South African supply response from higher cost channels (road and non-MECA II rail)

Manganese cost curve CY19

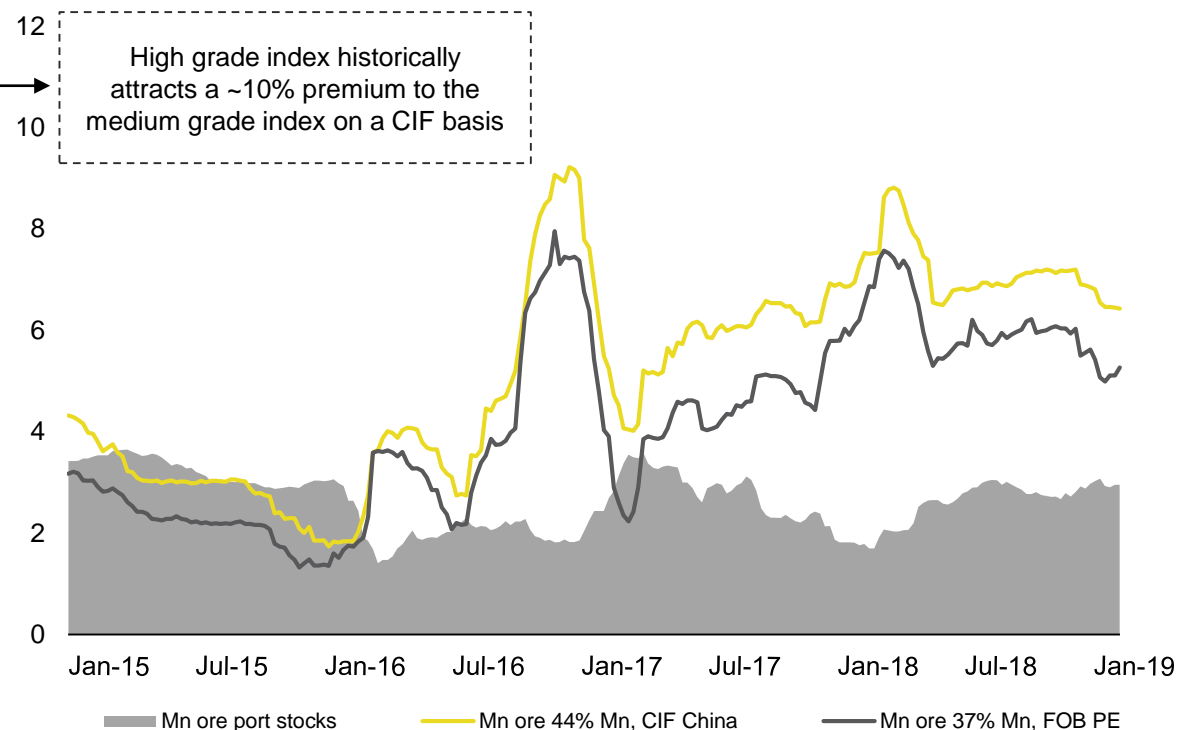
(US\$/dmtu, 44% Mn ore normalised, CIF China)



Source: CRU Mn ore cost (December 2018)

Manganese ore price and China port stocks

(US\$/dmtu; Mt)



Source: Metal Bulletin, SteelOrbis

Supply response from high cost South African producers (lower grade, trucking versus rail)

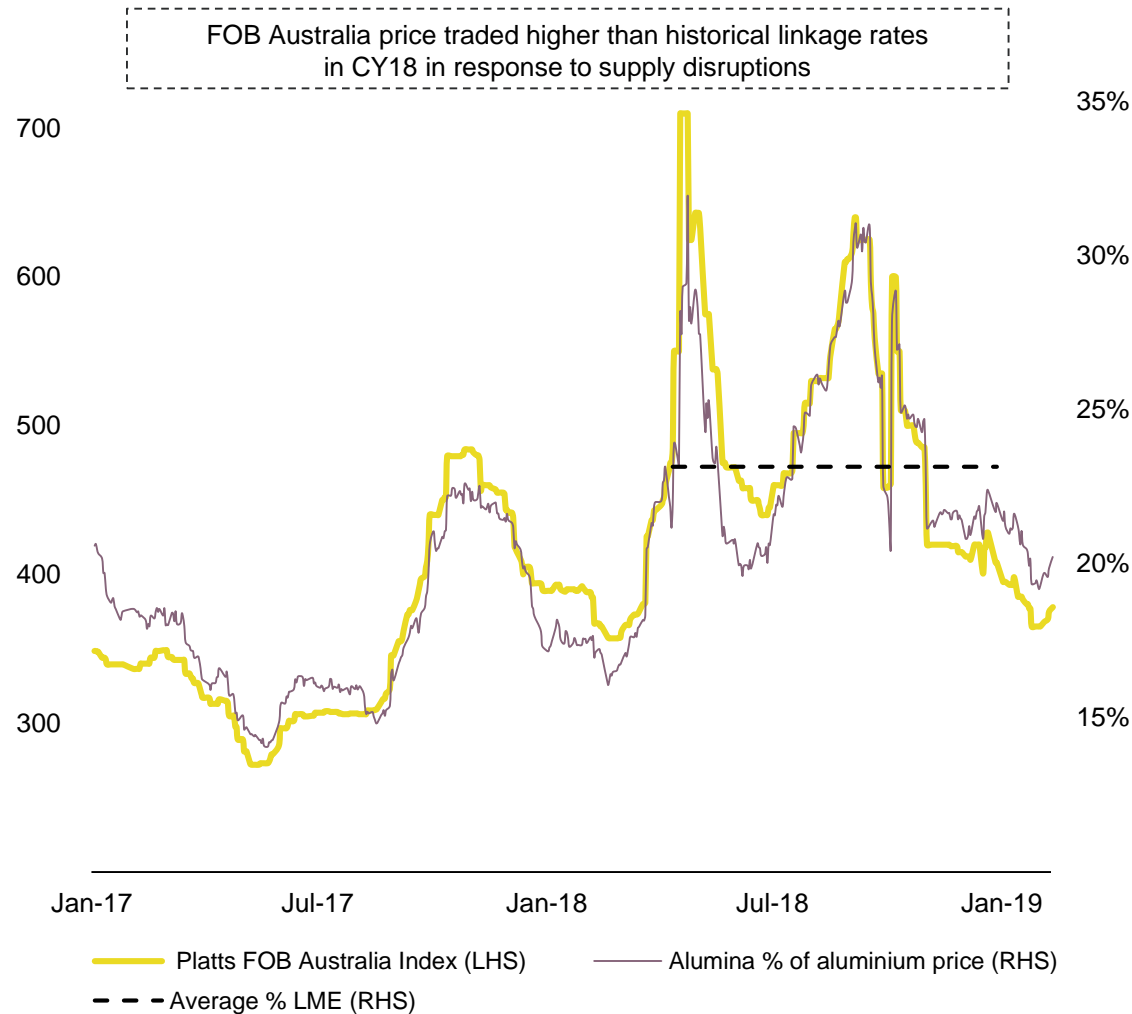
Market is tight with limited economically viable, idled capacity

Not recyclable or vulnerable to scrap substitution

South African supply to transition to underground mines over time

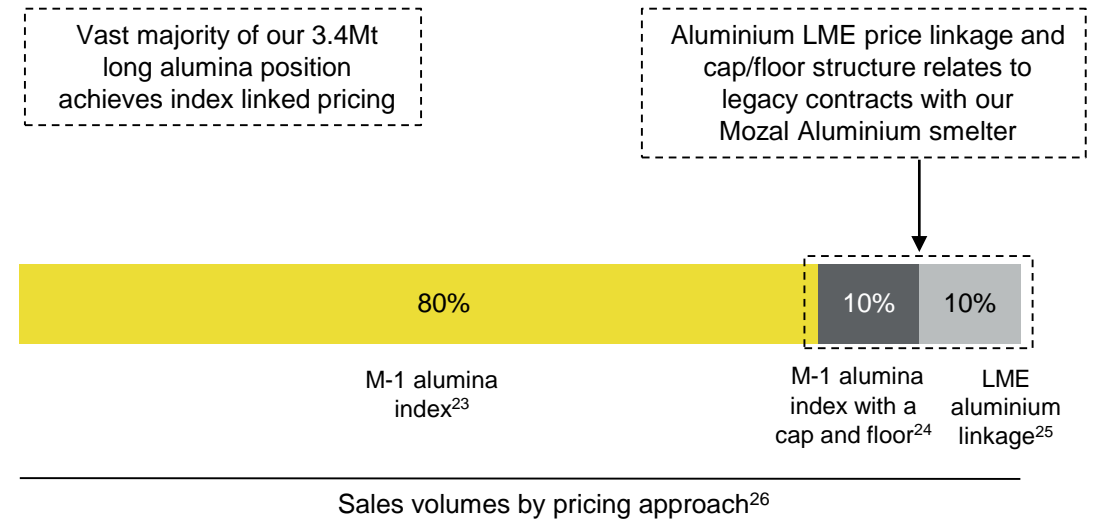
Structural factors have lifted and steepened the manganese ore industry cost curve

Alumina: price and % of LME aluminium price (US\$/t; %)



Source: Platts, South32 analysis

FY19e alumina book (5.3Mt including sales to own smelters)



Demand outlook for aluminium robust

Chinese regulations have led to closures and a delay in new refinery builds

Deteriorating Chinese bauxite supply and cost of imports have steepened the cost curve

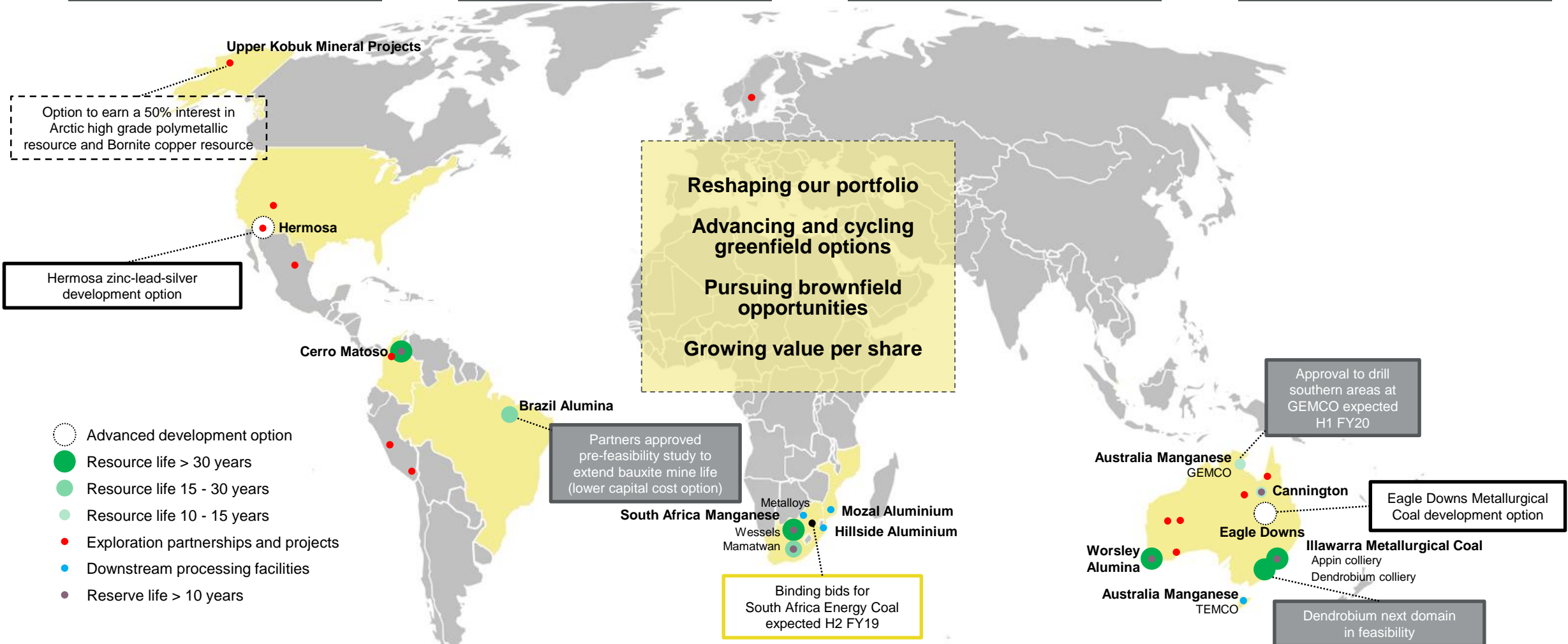
Our portfolio and exploration footprint

Acquisitions of Hermosa and Eagle Downs completed

Life extension options advanced

Pipeline of exploration partnerships established

South Africa Energy Coal divestment on-track



- Advanced development option
- Resource life > 30 years
- Resource life 15 - 30 years
- Resource life 10 - 15 years
- Exploration partnerships and projects
- Downstream processing facilities
- Reserve life > 10 years

Notes:
Refer to important notices (slide 2) for additional disclosure.

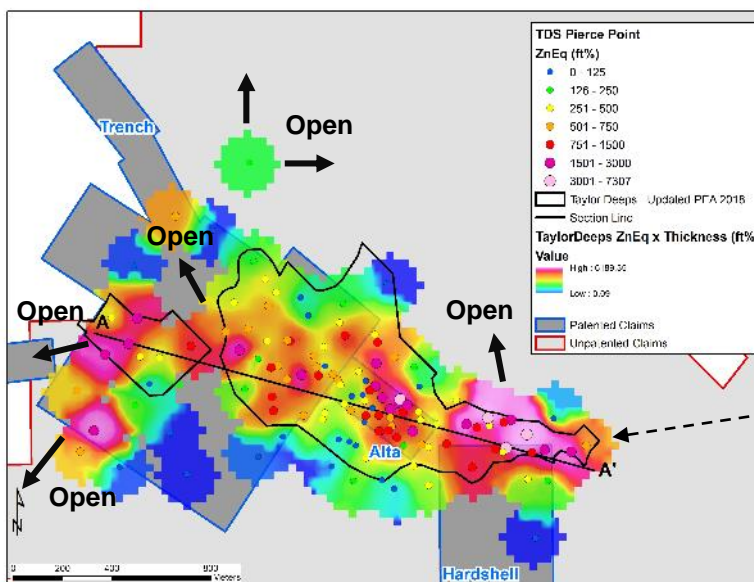
High grade zinc-lead-silver resource^(a)

Progressing studies, resource drilling and infrastructure build

On track to declare a maiden Mineral Resource by end of FY19^(b)

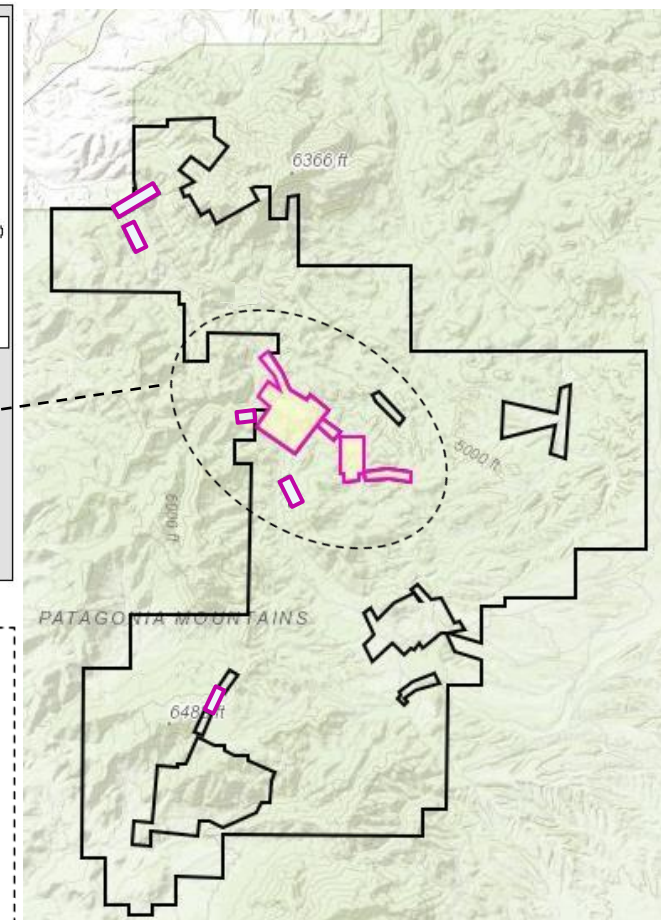
Regional exploration targets identified

Taylor deposit outline²⁷



Source: Arizona Mining News Release 22 May 2018

Large regional land package



FY19 work program

- Capital expenditure guidance lowered from preliminary estimate of US\$100M to US\$70M primarily reflecting the reclassification of US\$20M to capitalised exploration to increase our knowledge of the high grade resource
- The modest reduction in underlying activity in FY19 is expected to have no bearing on the development schedule, as the deferral of activity to progress the twin exploration declines does not impact the critical path

Patented area (South32 owns surface and mineral rights)

 Unpatented area (South32 owns mineral rights only, surface rights held by Federal government)

Notes:
 a. Refer to important notices (slide 2) for additional disclosure.
 b. Mineral Resources in accordance with the JORC Code.

Eagle Downs Metallurgical Coal project

50% interest and operating control

1.1Bt^(a) coal resource in the Bowen Basin, Queensland

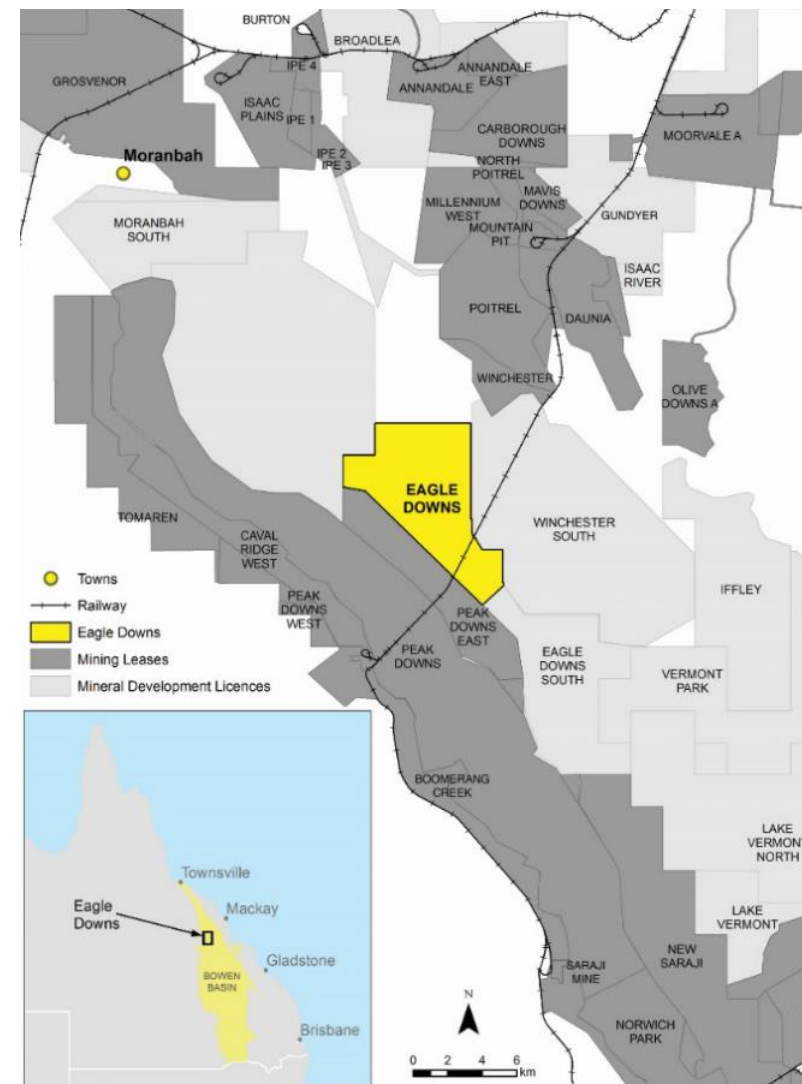
Fully permitted, partially developed mine

Review of existing development plan completed in H1 FY19

Initial capital expenditure guidance of US\$7M (South32 share) in FY19 to advance project studies

Final investment decision expected in H2 FY20

Eagle Downs location map



Notes:

a. Refer to important notices (slide 2) for additional disclosure.

Underlying EBITDA
US\$1.3B

Operating margin 38%

Underlying earnings
↑18% to US\$642M

Underlying earnings per share
↑20% to US 12.6 cents per share

Free cash flow^(a) US\$718M

Net cash balance US\$678M

Ordinary dividend
US 5.1 cents per share

Special dividend
US 1.7 cents per share

Total dividends US\$344M

US\$127M of US\$1B
capital management program
remaining

Reshaping our portfolio

Hermosa

Eagle Downs Metallurgical Coal

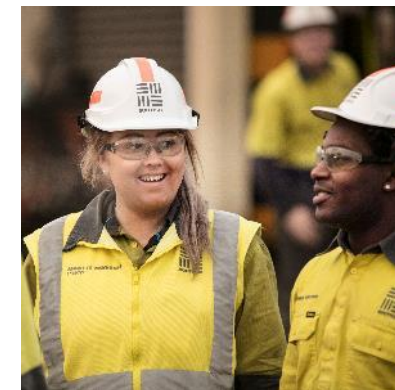
South Africa Energy Coal

Notes:

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

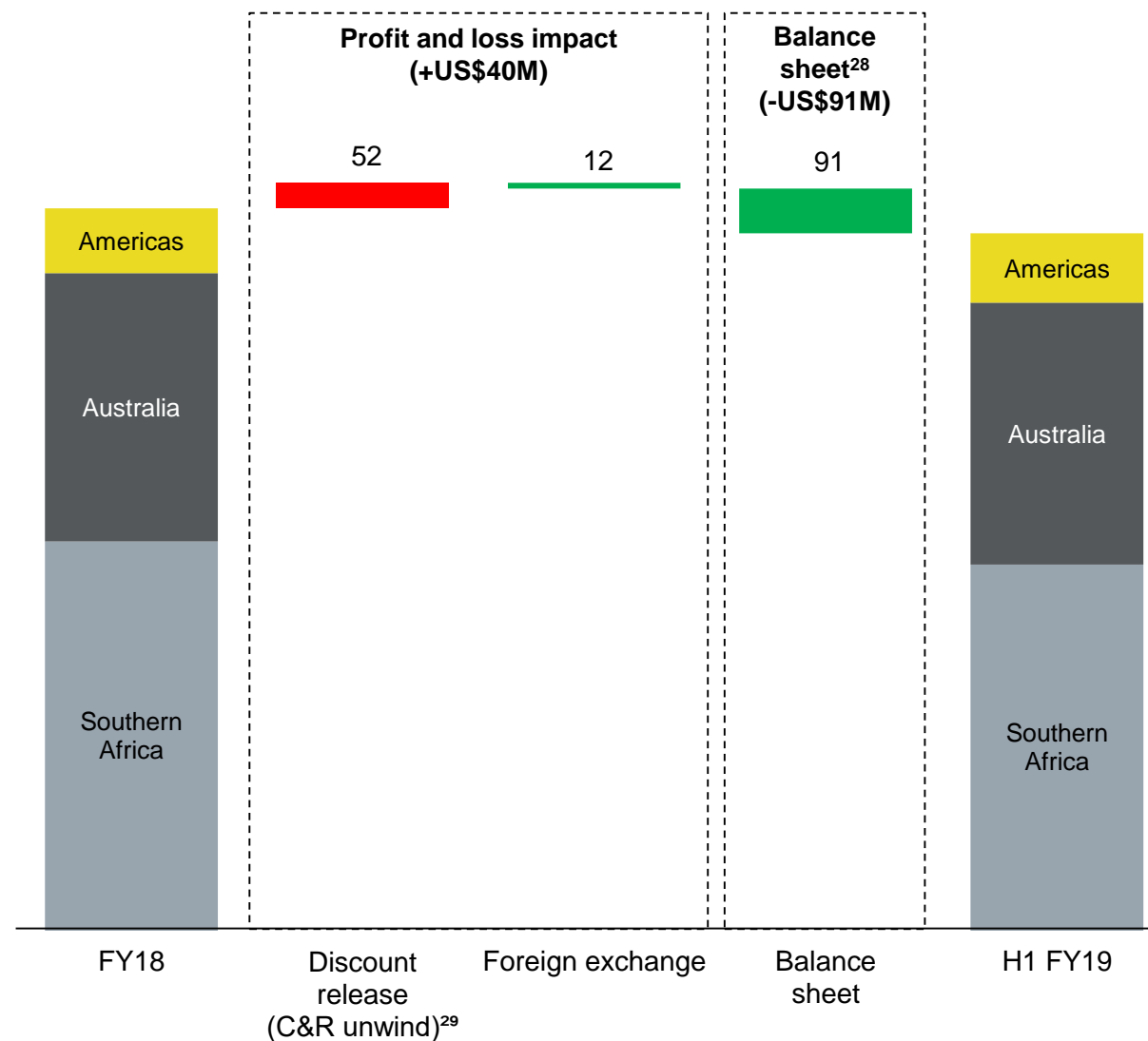


Supplementary information



Closure provisions

Closure and rehabilitation provisions by operation (South32 share)	H1 FY19 US\$M	FY18 US\$M
South Africa Energy Coal	692	739
Hillside Aluminium	190	191
Worsley Alumina	278	295
Cerro Matoso	99	104
Cannington	154	154
Mozal Aluminium	63	61
Illawarra Metallurgical Coal	100	99
Brazil Alumina (non-operated)	30	29
Hermosa	14	-
Eagle Downs Metallurgical Coal	1	-
Total	1,621	1,672



Earning sensitivities

Estimated impact on FY19e Underlying EBIT of a 10% change in commodity prices or currency ^(a)	EBIT impact +/- 10% US\$M
Alumina ^(b)	247
Aluminium ^{(b)(c)}	185
Manganese ore ^(d)	127
Energy coal	118
Metallurgical coal	101
Nickel	40
Manganese alloy ^(d)	30
Silver	16
Lead	15
Zinc	10
Australian dollar	170
South African rand	101
Colombian peso	25
Brazilian real	15

Notes:

- a. The sensitivities reflect the estimated impact on FY19e Underlying EBIT of a 10% movement in H1 FY19 actual realised prices and H1 FY19 actual average exchange rates (weakening currency) applied to FY19e volumes.
- b. Aluminium sensitivity includes LME price-linked electricity cost impacts for Hillside Aluminium but ignores the Group consolidation impact of inter-company alumina sold on index.
- c. Aluminium sensitivity shown without any associated increase in alumina pricing.
- d. 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.

1. All as at 31 December 2018. H1 FY19 information is unaudited.
2. Operating Margin comprises Underlying EBITDA excluding third party product EBITDA, divided by revenue excluding third party product revenue.
3. The H1 FY19 results reflect the Group's adoption of AASB 15 *Revenue from Contracts with Customers*, with revenue recognised net of treatment and refining charges (previously recognised on a gross basis with treatment and refining charges included as a separate expense). These changes result in lower realised prices and Operating unit costs, with no net impact to earnings. Prior periods have not been restated to reflect these changes.
4. Other includes depreciation and amortisation, adjustments to provisions, ceased and sold operations, third party product EBIT and other income.
5. Underlying net finance cost and Underlying income tax expense are actual H1 FY19 results, not half-on-half variances.
6. Other includes net treatment and refining charges for Cannington concentrates, freight, bauxite, explosives and coal.
7. H1 FY19 third party product cost is US\$33M for aluminium, US\$13M for alumina, US\$214M for coal, US\$7M for manganese, US\$132M for freight services and US\$60M for aluminium raw materials. H1 FY18 third party product cost is US\$142M for aluminium, US\$48M for alumina, US\$128M for coal, US\$86M for freight services and US\$54M for aluminium raw materials.
8. Includes accounting related adjustments.
9. Operating unit costs is Revenue less Underlying EBITDA and excluding third party sales divided by sales volume.
10. US dollar per tonne of ore processed. Periodic movements in finished product inventory may impact Operating unit cost as related marketing costs may change. FY19 Prior guidance has been adjusted from US\$147/t to US\$131/t to reflect the Group's adoption of AASB 15 *Revenue from Contracts with Customers*, with revenue recognised net of treatment and refining charges (previously recognised on a gross basis with treatment and refining charges included as a separate expense). These changes result in lower realised prices and Operating unit costs, with no net impact to earnings. Prior periods have not been restated to reflect these changes.
11. Price-linked costs reflects commodity price-linked costs and market traded consumables.
12. H1 FY19 adjusted is restated to reflect price and foreign exchange rate assumptions used for FY19 prior guidance.
13. FY19 prior Operating unit cost guidance included royalties (where appropriate) and the influence of exchange rate assumptions, and were predicated on 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; a USD:COP exchange rate of 2,927; and a reference price for caustic soda; all of which reflected forward markets as at June 2018 or our internal expectations.
14. FY19 new 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\$443/t; an average blended coal price of US\$173/t for Illawarra Metallurgical Coal; a manganese ore price of US\$6.58/dmtu for 44% manganese product; a nickel price of US\$5.47/lb; a thermal coal price of US\$92/t (API4) for South Africa Energy Coal; a silver price of US\$15.06/troy oz; a lead price of US\$2,023/t (gross of treatment and refining charges); a zinc price of US\$2,587/t (gross of treatment and refining charges); an AUD:USD exchange rate of 0.72; a USD:ZAR exchange rate of 14.02; a USD:COP exchange rate of 3,096; and a reference price for caustic soda; all of which reflected forward markets as at January 2019 or our internal expectations.
15. On 24 September 2018, we announced that the Constitutional Court of Colombia had issued its final ruling on our application to annul its decision regarding the alleged health and environmental impacts of our Cerro Matoso operation on the surrounding communities. The Court annulled those orders requiring Cerro Matoso to pay direct financial compensatory damages to community members and establish an ethnic development fund. The orders requiring Cerro Matoso to provide ongoing health care to community members alleging health impacts, and to submit to a new consultative environmental licensing process, were not annulled.
16. Sources: LME, Baiinfo, Aladinny, AZ China, CRU, Platts, Jacobs. Calculation assumes 1t of aluminium, 1.9t alumina, 0.35t coke, 0.075t pitch and 0.02t aluminium tri-fluoride.
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 and net loan drawdowns from other EAI.
19. Based on the average of 13 broker estimates as at 6 February 2019 (Barclays, BMO, Bank of America Merrill Lynch, Citi, Credit Suisse, Deutsche Bank, Evans & Partners, Goldman Sachs, JP Morgan, Macquarie, RBC Capital Markets, SBG Securities and UBS).
20. Based on shareholder returns across a three year period in the form of ordinary dividends, special dividends and our on-market share buy-back program. Market capitalisation as at 31 December 2018 is calculated as the number of shares on issue (5,051 million), the South32 closing share price A\$3.35, and an AUD:USD exchange rate of 0.71.
21. Based on revenue equivalent sales or production (where applicable) which assumes average realised prices remain unchanged from FY18. Figures are converted to per share basis by dividing FY18 and FY19e revenue equivalent sales or production (where applicable) by the weighted average number of shares for FY18 (5,159 million) and H1 FY19 (5,079 million) respectively. South32 production guidance assumes current market guidance where provided or flat year on year when not provided.
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) have been used for FY18, FY19e and FY20e. Zinc equivalent is used to compare Cannington with the recently acquired Hermosa project which is currently reported in zinc equivalent terms.
23. M-1 alumina includes negotiated sales on the spot market.
24. Mozal Aluminium 2 supply contract priced to the alumina index on an M-1 basis with a cap and floor.
25. Mozal Aluminium 1 supply contract priced as a percentage linked to the LME aluminium index.
26. Data shown on an M basis, the majority of Worsley Alumina sales are on an M-1 basis.
27. For ZnEq (%) and ZnEq x Thickness (ft%) calculations, refer to Arizona Mining's Updated Preliminary Economic Assessment released 16 January 2018 (www.sedar.com).
28. Balance sheet movement (-US\$91M) reflects net impact of a US\$67M decrease in provisions associated with the capitalisation of foreign exchange impacts on restatement of closure provisions, a US\$39M decrease as a result of closure activities and is slightly offset by a US\$15M increase attributable to the acquisition of Hermosa and Eagle Downs.
29. Unwind of discount applied to closure and rehabilitation provisions.

