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.

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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
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.

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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 operation” 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\(^{(a)(b)}\)

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17</th>
<th>FY18(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fatalities</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

## TRIF\(^{(a)(b)}\)

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17(^2)</th>
<th>FY18(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRIF</td>
<td>7.7</td>
<td>6.1</td>
<td>5.1</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>FY16(^3)</th>
<th>FY17(^3)</th>
<th>FY18(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOI</td>
<td>1.7</td>
<td>2.0</td>
<td>2.8</td>
</tr>
</tbody>
</table>

## GHG emissions\(^{(a)(b)}\)

<table>
<thead>
<tr>
<th></th>
<th>FY16(^4)</th>
<th>FY17</th>
<th>FY18(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG</td>
<td>23.4</td>
<td>22.6</td>
<td>22.9</td>
</tr>
</tbody>
</table>

## Community investment\(^{(b)}\)

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17</th>
<th>FY18(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$M</td>
<td>16.5</td>
<td>14.3</td>
<td>20.4</td>
</tr>
</tbody>
</table>

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.
Workforce diversity

Black People in our South African management team

<table>
<thead>
<tr>
<th>Year</th>
<th>FY17</th>
<th>FY18¹</th>
<th>FY20 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women in leadership</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Women in our workforce

<table>
<thead>
<tr>
<th>Year</th>
<th>FY17</th>
<th>FY18¹</th>
<th>FY20 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black People in our South African management team(a)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Women in leadership

<table>
<thead>
<tr>
<th>Group</th>
<th>FY17</th>
<th>FY18¹</th>
<th>FY20 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board</td>
<td>14%</td>
<td>33%</td>
<td>30%</td>
</tr>
<tr>
<td>South32 Lead Team</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Leadership(b)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational Leadership</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Mitigating inflationary pressure and enhancing margins

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

Notes:

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

Operating margin

<table>
<thead>
<tr>
<th>Source</th>
<th>FY17</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia Manganese ore</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Africa Manganese ore</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Worsley Alumina</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cannington</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazil Alumina</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cerro Matoso</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAEC(a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mozaal Aluminium</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAA(b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IMC(c)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10%  20%  30%  40%  50%  60%  70%
Earnings analysis

Sales volumes & controllable costs by operation

<table>
<thead>
<tr>
<th></th>
<th>IMC</th>
<th>Cannington</th>
<th>SAEC</th>
<th>Other operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales volumes</td>
<td>(525)</td>
<td>(221)</td>
<td>14</td>
<td>125</td>
</tr>
<tr>
<td>Controllable costs</td>
<td>4</td>
<td>(1)</td>
<td>(106)</td>
<td>(112)</td>
</tr>
<tr>
<td>Net Underlying EBIT impact</td>
<td>(521)</td>
<td>(222)</td>
<td>(92)</td>
<td>13</td>
</tr>
</tbody>
</table>

Uncontrollable (US$1B)

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>Sales price</th>
<th>Royalties and price-linked costs</th>
<th>Foreign exchange</th>
<th>Inflation</th>
<th>Sales volume</th>
<th>Controllable costs</th>
<th>Other⁶</th>
<th>Interest &amp; tax (equity accounted investments)</th>
<th>FY18</th>
<th>Underlying EBIT</th>
<th>Underlying net finance cost</th>
<th>Underlying income tax expense</th>
<th>FY18</th>
<th>Underlying earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17 EBIT</td>
<td>1,648</td>
<td>1,481</td>
<td>202</td>
<td>131</td>
<td>142</td>
<td>607</td>
<td>215</td>
<td>39</td>
<td>97</td>
<td>1,774</td>
<td>123</td>
<td>324</td>
<td>1,327</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Net finance cost and income tax expense

SLIDE 9
Costs analysis

(US$M)

Price-linked costs
- Caustic soda
- LME linked electricity
- Smelter raw materials
- Other power and diesel
- Other

YoY impact on costs
- Contribution

Royalties (YoY impact on costs)

Uncontrollable (US$496M)

Notes:
- FY17 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  

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

<table>
<thead>
<tr>
<th>Foreign exchange</th>
<th>Price-linked costs (including royalties)</th>
<th>Controllable costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>○ FY18 actual vs. FY18 guidance % movement</td>
<td>□ &lt;5% of guidance</td>
<td>○ &gt;5% of guidance</td>
</tr>
</tbody>
</table>
## Operating unit costs guidance

### Operating unit costs\(^{11}\)

<table>
<thead>
<tr>
<th>Operation</th>
<th>H2 FY18</th>
<th>FY18</th>
<th>FY19 guidance(^{14})</th>
<th>FY19 guidance vs. FY18 Operating unit costs movement (40%)</th>
<th>FY19 guidance assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(0%)</td>
<td>(20%)</td>
</tr>
<tr>
<td>Worsley Alumina (US$/t)</td>
<td>247</td>
<td>235</td>
<td>230</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Africa Energy Coal (US$/t)</td>
<td>37</td>
<td>36</td>
<td>41</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Illawarra Metallurgical Coal (US$/t)</td>
<td>136</td>
<td>142</td>
<td>105</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia Manganese (FOB, US$/dmtu)</td>
<td>1.72</td>
<td>1.63</td>
<td>1.63</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Africa Manganese (FOB, US$/dmtu)</td>
<td>2.74</td>
<td>2.53</td>
<td>2.56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cerro Matoso (US$/lb)</td>
<td>3.92</td>
<td>3.67</td>
<td>4.21</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cannington(^{12}) (US$/t)</td>
<td>130</td>
<td>150</td>
<td>147</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Africa Aluminium (US$/t)</td>
<td>1,962</td>
<td>1,826</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mozal Aluminium (US$/t)</td>
<td>1,945</td>
<td>1,810</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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\(^{11}\) Foreign exchange, Price-linked costs (including royalties)\(^{13}\), Controllable costs

\(^{12}\) Cannington, Mozal are• Non-allied operations• Foreign exchange movements and currency risk impacts• Operational matters• Price-linked costs (including royalties)

\(^{13}\) Price-linked costs (including royalties)\(^{13}\)• Foreign exchange movements and currency risk impacts• Operational matters• Price-linked costs (including royalties)

\(^{14}\) FY18 actual vs. FY19 guidance % movement

- -

- <5% of actual
- >5% of actual

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

#### Sustaining capital expenditure, including equity accounted investments\(^\text{15}\)

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19e</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group</strong></td>
<td>422</td>
<td>331</td>
<td>431</td>
<td>575</td>
</tr>
<tr>
<td><strong>EAI</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>IMC development</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**US$60M increase in underground development at Illawarra Metallurgical Coal to facilitate the progressive ramp-up in production**

#### Major capital expenditure

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19e</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Klipspruit Life Extension (KPSX) project</strong></td>
<td>32</td>
<td>16</td>
<td>62</td>
<td>265</td>
</tr>
<tr>
<td><strong>Hermosa project</strong></td>
<td></td>
<td></td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

**Ramp-up in KPSX activity (currently ~20% complete) and early stage work and study costs at Hermosa, including twin exploration decline**

#### US$M (South32’s share)

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>FY19e</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Worsley Alumina</strong></td>
<td>52</td>
<td>56</td>
</tr>
<tr>
<td><strong>South Africa Aluminium</strong></td>
<td>28</td>
<td>24</td>
</tr>
<tr>
<td><strong>Mozal Aluminium</strong></td>
<td>10</td>
<td>18</td>
</tr>
<tr>
<td><strong>Brazil Alumina</strong></td>
<td>12</td>
<td>40</td>
</tr>
<tr>
<td><strong>South Africa Energy Coal</strong></td>
<td>102</td>
<td>66</td>
</tr>
<tr>
<td><strong>Illawarra Metallurgical Coal (IMC)</strong></td>
<td>89</td>
<td>170</td>
</tr>
<tr>
<td><strong>Australia Manganese</strong></td>
<td>48</td>
<td>75</td>
</tr>
<tr>
<td><strong>South Africa Manganese</strong></td>
<td>17</td>
<td>35</td>
</tr>
<tr>
<td><strong>Cerro Matoso</strong></td>
<td>22</td>
<td>41</td>
</tr>
<tr>
<td><strong>Cannington</strong></td>
<td>51</td>
<td>50</td>
</tr>
</tbody>
</table>

**Increase in underground development**

**Ramp-up in KPSX activity (currently ~20% complete) and early stage work and study costs at Hermosa, including twin exploration decline**

**Mobile fleet replacement and boundary pillar extraction at Mamatwan**

**Advance purchases for major furnace maintenance in FY20**

**On schedule and budget**

**Provisional estimate**

#### Total capital expenditure\(^\text{15}\)

- **Sustaining capital expenditure (including EAI)**: 431 - 575
- **Major capital expenditure**: 62 - 265
- **Total capital expenditure**\(^\text{15}\): 493 - 840
Cash flow and balance sheet

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) with an increase in profitability

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

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- Increase in tax payments (+US$179M to US$306M) 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, US$M)

Net cash generated from operations

Cash generated from operations less interest and tax

Net distributions from Manganese EAI

Net, to the balance sheet

Capital management program

Arizona Mining and Eagle Downs

Major capital expenditure

Ordinary dividends

Sustaining capital expenditure excluding EAI

Cash invested or returned to shareholders

Cash flow priorities

Maximise cash flow

ROIC 13.5%

Competition for excess capital
- Investment in the business
- Acquisitions
- Greenfield exploration
- Share buy-backs
- Special dividends

Distribute a minimum 40% of Underlying earnings as ordinary dividends in each six month period

Maintain safe and reliable operations and an investment grade credit rating through the cycle

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Cash generated from operations less interest and tax

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Ordinary dividends

Sustaining capital expenditure excluding EAI

Cash invested or returned to shareholders

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SLIDE 15
Outlook

Graham Kerr
CEO
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.

**FY18 Underlying EBITDA contribution by commodity (a)**
- Aluminium & alumina: 40%
- Manganese ore & alloys: 31%
- Energy coal: 12%
- Metallurgical coal: 3%
- Base & precious metals: 14%

**FY18 Underlying EBITDA contribution by geography (a)**
- Australia: 54%
- Africa: 33%
- Americas: 13%

**FY18 Employee and contractor split by operation (100% basis)**
- Aluminium & alumina: 15%
- Base & precious metals: 6%
- Metallurgical coal: 11%
- Manganese ore & alloys: 15%
- Energy Coal: 37%
- Corporate: 4%

Notes:
- (a) Presented on a proportionally consolidated basis and excludes G&U costs.
## Year on year variance by operation from FY18

(South32’s share)

<table>
<thead>
<tr>
<th>Operation</th>
<th>Unit</th>
<th>FY18</th>
<th>FY19e</th>
<th>FY20e</th>
<th>Guidance Assumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worsley Alumina</td>
<td>kt</td>
<td>3,764</td>
<td>3,965</td>
<td>3,965</td>
<td>Improvement in calciner availability and a drawdown of excess hydrate</td>
</tr>
<tr>
<td>Brazil Alumina</td>
<td>kt</td>
<td>1,304</td>
<td>1,355</td>
<td>1,370</td>
<td>Production creep from De-bottlenecking Phase One project</td>
</tr>
<tr>
<td>South Africa Aluminium</td>
<td>kt</td>
<td>712</td>
<td>720</td>
<td>720</td>
<td>Smelter to test technical capacity</td>
</tr>
<tr>
<td>Mozal Aluminium</td>
<td>kt</td>
<td>271</td>
<td>269</td>
<td>273</td>
<td>Smelter scheduled to reach peak in pot relining cycle in FY19 AP3XLE energy efficiency project to add production from FY20</td>
</tr>
<tr>
<td>Australia Manganese – Ore²¹</td>
<td>kwmt</td>
<td>3,396</td>
<td>3,350</td>
<td>Subject to demand</td>
<td>PC02 circuit to operate above nameplate capacity</td>
</tr>
<tr>
<td>South Africa Manganese – Ore²¹</td>
<td>kwmt</td>
<td>2,145</td>
<td>2,050</td>
<td>Subject to demand</td>
<td>Lower opportunistic fines production</td>
</tr>
</tbody>
</table>
### Production guidance

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

<table>
<thead>
<tr>
<th>Operation</th>
<th>Unit</th>
<th>Production</th>
<th>Guidance Assumption</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Illawarra Metallurgical Coal</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metallurgical coal</td>
<td>kt</td>
<td>3,165</td>
<td>4,900 5,800</td>
</tr>
<tr>
<td>Energy coal</td>
<td>kt</td>
<td>1,079</td>
<td>1,200 1,200</td>
</tr>
</tbody>
</table>

- **Single longwall configuration at the Appin colliery in FY19 ahead of an anticipated return to a two longwall configuration in H2 FY20**

<table>
<thead>
<tr>
<th><strong>South Africa Energy Coal</strong></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic coal</td>
<td>kt</td>
<td>15,154</td>
<td>↓ 17,500 16,900</td>
</tr>
<tr>
<td>Export coal</td>
<td>kt</td>
<td>12,117</td>
<td>↓ 11,500 13,400</td>
</tr>
</tbody>
</table>

- **New long term contract to sell lower quality domestic stockpiles**
- **Export production guidance is subject to review and is based upon revised guidance for Klipspruit**

<table>
<thead>
<tr>
<th><strong>Cerro Matoso</strong></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Nickel</td>
<td>kt</td>
<td>43.8</td>
<td>↑ 40.5 35.6</td>
</tr>
<tr>
<td>Ore to kiln</td>
<td>kt</td>
<td>2,722</td>
<td>2,750 2,500</td>
</tr>
</tbody>
</table>

- **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**

<table>
<thead>
<tr>
<th><strong>Cannington</strong></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Zinc equivalent production</td>
<td>kt</td>
<td>187.2</td>
<td>188.1 187.1</td>
</tr>
<tr>
<td>Ore processed</td>
<td>kdmt</td>
<td>2,355</td>
<td>2,400 2,500</td>
</tr>
</tbody>
</table>

- **Zinc equivalent production to remain unchanged**
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.
- 78% linked to LME aluminium linkage.
- 11% linked to M-1 alumina index with a cap and floor.

**Sales volumes by pricing approach**

- 78% LME price linkage and cap/floor structure relates to legacy contracts with our Mozal Aluminium smelter.
- 11% M-1 alumina index.
- 11% M-1 alumina index.

**Alumina price – Platts FOB Australia**

- Prices moved higher as a result of a reduction in supply and higher Chinese conversion costs.
- Price peaked at US$710/t as a result of supply-side disruption and the potential for Russian trade restrictions.
- On-going supply constraint and a continuation of Chinese environmental restrictions.

**Caustic soda price**

- North East Asian prices responding to lower South East Asian demand and continued supply from the Middle East.
- Reduction in US caustic soda production and closure of European capacity has seen fewer index trades, providing price support.

**Worsley Alumina purchases predominantly from North East Asia.**

**Source:** Platts, South32 analysis

**Source:** IHS Markit

---

**Notes:**

- FOB US Gulf
- FOB North East Asia
Manganese market update

Manganese ore trade flows
(Mt, Mn content unadjusted)

Exports
Imports

Source: GTIS, 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

Manganese ore price
(US$/dmtu; Mt)

Prices recover with demand, while increase in South African supply is offset by reduced Chinese output

Port stocks have rebuilt to ~3Mt

Supply tightness in South Africa, Chinese environmental mine closures and strong steel output, followed by a downward correction as supply responded

Source: Metal Bulletin, SteelOrbis, South32 analysis
Worsley Alumina

Operating margin\(^5\)

<table>
<thead>
<tr>
<th></th>
<th>H1 FY16</th>
<th>H2 FY16</th>
<th>H1 FY17</th>
<th>H2 FY17</th>
<th>H1 FY18</th>
<th>H2 FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%</td>
<td>19%</td>
<td>22%</td>
<td>35%</td>
<td>37%</td>
<td>42%</td>
<td></td>
</tr>
</tbody>
</table>

- **Spot** 550
- **FY18** 391

Realised sales price (US$/t)

Production expected to approach 4Mt in FY19 and FY20

Operating unit cost\(^{11}\)

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caustic soda</td>
<td>228</td>
<td>192</td>
<td>200</td>
<td>205</td>
</tr>
<tr>
<td>Other costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Fixed 50%
- Variable 50%

FY18 cost split

- Higher prices underpinned a significant increase in margins, despite broad-based cost pressure
- 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\(^{6}\) ramps-up
- 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 unit cost (US$/t)

- Caustic soda
- Other costs

FY18 cost split

Fixed 16%
Variable 84%

Operating margin (Alumina)\(^5\)

<table>
<thead>
<tr>
<th></th>
<th>H1 FY16</th>
<th>H2 FY16</th>
<th>H1 FY17</th>
<th>H2 FY17</th>
<th>H1 FY18</th>
<th>H2 FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spot</td>
<td>185</td>
<td>193</td>
<td>194</td>
<td>199</td>
<td>234</td>
<td>269</td>
</tr>
<tr>
<td>FY18</td>
<td>34%</td>
<td>16%</td>
<td>24%</td>
<td>39%</td>
<td>37%</td>
<td>40%</td>
</tr>
</tbody>
</table>

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)\(^27\)

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
Operating margin

<table>
<thead>
<tr>
<th></th>
<th>H1 FY16</th>
<th>H2 FY16</th>
<th>H1 FY17</th>
<th>H2 FY17</th>
<th>H1 FY18</th>
<th>H2 FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18 Spot</td>
<td>9%</td>
<td>17%</td>
<td>20%</td>
<td>23%</td>
<td>21%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Operating unit cost (US$/t)

- Realised sales price (US$/t): 1,496
- Spot price August 2018 (US$/t): 1,999
- Power and raw material inputs: 1,496
- Other costs: 1,962

FY18 cost split
- Variable: 80%
- Fixed: 20%

Production expected to increase as the smelter tests its technical capacity

- Realised sales price (US$/t)
- Spot price August 2018 (US$/t)

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
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)

Operating margin

<table>
<thead>
<tr>
<th>H1 FY16</th>
<th>H2 FY16</th>
<th>H1 FY17</th>
<th>H2 FY17</th>
<th>H1 FY18</th>
<th>H2 FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>4%</td>
<td>12%</td>
<td>18%</td>
<td>24%</td>
<td>24%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Operating unit cost (US$/t)

<table>
<thead>
<tr>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19e</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,296</td>
<td>1,999</td>
<td>1,653</td>
<td>1,474</td>
</tr>
</tbody>
</table>

FY18 cost split

- Raw material inputs (49% of cost base in FY18) are expected to remain elevated
- 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

- FY18: 203
- Spot: 184

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

Operating unit cost (US$/t)

- FY17: 86
- FY18: 149
- FY19e: 105

FY18 cost split

- Fixed: 79%
- Variable: 21%

Metallurgical coal realised sales price (US$/t)

Spot price August 2018 (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

Operating margin\(^5\)

<table>
<thead>
<tr>
<th></th>
<th>H1 FY16</th>
<th>H2 FY16</th>
<th>H1 FY17</th>
<th>H2 FY17</th>
<th>H1 FY18</th>
<th>H2 FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spot</td>
<td>66%</td>
<td>66%</td>
<td>68%</td>
<td>69%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY18</td>
<td>42%</td>
<td>39%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Operating unit cost\(^{11}\)

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>FY19e</th>
</tr>
</thead>
<tbody>
<tr>
<td>(US$/dmtu)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spot</td>
<td>1.31</td>
<td>1.72</td>
</tr>
<tr>
<td>Royalties</td>
<td>1.50</td>
<td>(5)(^{%})</td>
</tr>
<tr>
<td>Other costs</td>
<td>1.44</td>
<td>1.63</td>
</tr>
</tbody>
</table>

FY18 cost split

- Fixed 54%
- Variable 46%

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

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

Spot price August 2018 (US$/dmtu, CIF)\(^{27}\)
Operating margin\(^5\)

<table>
<thead>
<tr>
<th></th>
<th>H1 FY16</th>
<th>H2 FY16</th>
<th>H1 FY17</th>
<th>H2 FY17</th>
<th>H1 FY18</th>
<th>H2 FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spot</td>
<td>23%</td>
<td>43%</td>
<td>41%</td>
<td>43%</td>
<td>46%</td>
<td></td>
</tr>
<tr>
<td>FY18</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5.21</td>
<td></td>
</tr>
</tbody>
</table>

(12)%

Realised manganese ore sales price (US$/dmtu, FOB)\(^27\)

Increasing premium product volumes in FY19

SPOT August 2018

Operating unit cost\(^11\)

<table>
<thead>
<tr>
<th></th>
<th>H1 FY16</th>
<th>H2 FY16</th>
<th>H1 FY17</th>
<th>H2 FY17</th>
<th>H1 FY18</th>
<th>H2 FY18</th>
<th>FY19e</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.24</td>
<td>1.61</td>
<td>1.96</td>
<td>2.15</td>
<td>2.31</td>
<td>2.74</td>
<td>2.56</td>
</tr>
</tbody>
</table>

\(\text{US$/dmtu}\)

FY18 cost split

\(\text{Fixed 39%} \quad \text{Variable 61%}\)

- In-land logistics and royalties
- Other costs

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

<table>
<thead>
<tr>
<th></th>
<th>H1 FY16</th>
<th>H2 FY16</th>
<th>H1 FY17</th>
<th>H2 FY17</th>
<th>H1 FY18</th>
<th>H2 FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>(3)%</td>
<td>4%</td>
<td>21%</td>
<td>18%</td>
<td>34%</td>
<td>40%</td>
<td></td>
</tr>
</tbody>
</table>

Spot FY18: 6.01

Operating unit cost

<table>
<thead>
<tr>
<th>FY18 cost split</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed 46%</td>
</tr>
</tbody>
</table>

- Realised sales price (US$/lb)
- Spot price August 2018 (US$/lb)

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

- Temporary increase in ore grade from La Esmeralda and an improvement in plant utilisation and throughput
- 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
- Optimisation of energy procurement and usage to partially mitigate inflationary cost pressure
- Continued focus on regional exploration opportunities

Realised sales price (US$/lb) Spot price August 2018 (US$/lb)
Cannington

Operating margin

<table>
<thead>
<tr>
<th>H1 FY16</th>
<th>H2 FY16</th>
<th>H1 FY17</th>
<th>H2 FY17</th>
<th>H1 FY18</th>
<th>H2 FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>43%</td>
<td>41%</td>
<td>47%</td>
<td>48%</td>
<td>33%</td>
<td>46%</td>
</tr>
</tbody>
</table>

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

Operating unit cost

(US$/t)

<table>
<thead>
<tr>
<th>FY18</th>
<th>FY19e</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 FY16</td>
<td>H2 FY16</td>
</tr>
<tr>
<td>146</td>
<td>143</td>
</tr>
</tbody>
</table>

FY18 cost split

| Fixed 71% | Variable 29% |

• Strong increase in margin in H2 FY18 as ore grades recovered

• 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

<table>
<thead>
<tr>
<th></th>
<th>H1 FY16</th>
<th>H2 FY16</th>
<th>H1 FY17</th>
<th>H2 FY17</th>
<th>H1 FY18</th>
<th>H2 FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>21%</td>
<td>14%</td>
<td>28%</td>
<td>21%</td>
<td>24%</td>
<td>27%</td>
</tr>
</tbody>
</table>

### Spot(a) FY18

- 98

### Operating unit cost (US$/t)

- FY18 cost split:
  - Fixed: 74%
  - Variable: 26%

### FY18 cost split

- H1 FY16: 25
- H2 FY16: 26
- H1 FY17: 26
- H2 FY17: 32
- H1 FY18: 36
- H2 FY18: 37
- FY19e: 41

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

- 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)
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

Notes:

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

Source: Arizona Mining News Release 22 May 2018
Eagle Downs metallurgical coal project

- Conditional agreement to acquire 50% interest and assume operatorship
- 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

- Large, high quality coal resource of 1.1Bt

- Fully permitted, partially developed mine

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

7 conceptual targets

10 early stage exploration projects

1 advanced exploration project

Increasing our greenfield exploration budget

FY18
US$21M

FY19e
US$41M

12.5% equity stake plus 50% project option

Inca Minerals
Riqueza

Trilogy Metals
Arctic Bornite

Silver Bull Resources
Sierra Mojada

Internal option
Puerto Libertador

AusQuest
Chololo
Los Otros
Cerro de Fierro

EMX
Riddarhyttan

AusQuest
Balladonia
AusQuest
Bluebilly JV
AusQuest
Jimmerlana
AusQuest
Baofadonia
AusQuest
Hamilton
NQR
Gamboola
Lynd
Yappar

Arctic
Bornite

Copper
Polymetallic
Early Stage
Nickel
Advanced
Zinc

Increasing our greenfield exploration budget

18 active projects at end of FY18

10 early stage exploration projects

Added 9 opportunities and exited 1 project in FY18

Strategy to identify and cycle over time

18 active projects

7 conceptual targets

1 advanced exploration project

FY18
US$21M

FY19e
US$41M

12.5% equity stake plus 50% project option

Inca Minerals
Riqueza

Trilogy Metals
Arctic Bornite

Silver Bull Resources
Sierra Mojada

Internal option
Puerto Libertador

AusQuest
Chololo
Los Otros
Cerro de Fierro

EMX
Riddarhyttan

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Jimmerlana
AusQuest
Baofadonia
AusQuest
Hamilton
NQR
Gamboola
Lynd
Yappar

Arctic
Bornite

Copper
Polymetallic
Early Stage
Nickel
Advanced
Zinc
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.
## Earnings adjustments

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

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Underlying EBIT</strong></td>
<td>1,774</td>
<td>1,648</td>
</tr>
<tr>
<td>Include: Underlying net finance cost</td>
<td>(123)</td>
<td>(136)</td>
</tr>
<tr>
<td>Remove: Share of profit/(loss) of equity accounted investments</td>
<td>(491)</td>
<td>(320)</td>
</tr>
<tr>
<td><strong>Underlying Profit/(loss) before tax</strong></td>
<td>1,160</td>
<td>1,192</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax effect of earnings adjustments to Underlying EBIT</td>
<td>287</td>
<td>393</td>
</tr>
<tr>
<td>Tax effect of earnings adjustments to net finance cost</td>
<td>34</td>
<td>(42)</td>
</tr>
<tr>
<td>Exchange rate variations on tax balances</td>
<td>(7)</td>
<td>9</td>
</tr>
<tr>
<td>Tax on significant items</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td><strong>Underlying income tax expense</strong></td>
<td>(1)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Underlying income tax expense</strong></td>
<td>324</td>
<td>366</td>
</tr>
<tr>
<td><strong>Underlying effective tax rate</strong></td>
<td>27.9%</td>
<td>30.7%</td>
</tr>
</tbody>
</table>
## Underlying net finance cost

<table>
<thead>
<tr>
<th>Underlying net finance cost reconciliation[^35]</th>
<th>FY18 US$M</th>
<th>FY17 US$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unwind of discount applied to closure and rehabilitation provisions</td>
<td>(105)</td>
<td>(98)</td>
</tr>
<tr>
<td>Finance lease interest</td>
<td>(52)</td>
<td>(52)</td>
</tr>
<tr>
<td>Other</td>
<td>34</td>
<td>14</td>
</tr>
<tr>
<td><strong>Underlying net finance cost</strong></td>
<td><strong>(123)</strong></td>
<td><strong>(136)</strong></td>
</tr>
<tr>
<td>Add back earnings adjustment for exchange rate variations on net debt</td>
<td>23</td>
<td>(35)</td>
</tr>
<tr>
<td><strong>Net finance cost</strong></td>
<td><strong>(100)</strong></td>
<td><strong>(171)</strong></td>
</tr>
</tbody>
</table>
Closure provisions

<table>
<thead>
<tr>
<th>Closure and rehabilitation provisions by operation (South32 share)</th>
<th>FY18 US$M</th>
<th>FY17 US$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa Energy Coal</td>
<td>739</td>
<td>746</td>
</tr>
<tr>
<td>South Africa Aluminium</td>
<td>191</td>
<td>195</td>
</tr>
<tr>
<td>Worsley Alumina</td>
<td>295</td>
<td>292</td>
</tr>
<tr>
<td>Cerro Matoso</td>
<td>104</td>
<td>89</td>
</tr>
<tr>
<td>Cannington</td>
<td>154</td>
<td>86</td>
</tr>
<tr>
<td>Mozal Aluminium</td>
<td>61</td>
<td>46</td>
</tr>
<tr>
<td>Illawarra Metallurgical Coal</td>
<td>99</td>
<td>88</td>
</tr>
<tr>
<td>Brazil Aluminium</td>
<td>29</td>
<td>22</td>
</tr>
<tr>
<td>Other(^{37})</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,672</strong></td>
<td><strong>1,565</strong></td>
</tr>
</tbody>
</table>

Profit and Loss impact (+US$83M)

<table>
<thead>
<tr>
<th>FY17</th>
<th>Discount release (C&amp;R unwind)(^{38})</th>
<th>Discount rate change</th>
<th>Foreign exchange</th>
<th>Increase during year</th>
<th>Balance Sheet (+US$24M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18</td>
<td></td>
<td>105</td>
<td>3</td>
<td>15</td>
<td>10</td>
</tr>
</tbody>
</table>

South America

Australia

Southern Africa

FY18

Balance Sheet

Profit and Loss impact (+US$83M)

Discount release (C&R unwind)\(^{38}\)

Discount rate change

Foreign exchange

Increase during year

Balance Sheet (+US$24M)
### Estimated impact on FY19 Underlying EBIT of a 10% change in commodity or currency \(^{(a)}\)

<table>
<thead>
<tr>
<th>Commodity</th>
<th>EBIT impact US$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alumina</td>
<td>196</td>
</tr>
<tr>
<td>Aluminium (^{(b)})</td>
<td>191</td>
</tr>
<tr>
<td>Manganese ore (^{(c)})</td>
<td>136</td>
</tr>
<tr>
<td>Energy coal</td>
<td>106</td>
</tr>
<tr>
<td>Metallurgical coal</td>
<td></td>
</tr>
<tr>
<td>Nickel</td>
<td>49</td>
</tr>
<tr>
<td>Manganese alloy (^{(c)})</td>
<td>29</td>
</tr>
<tr>
<td>Lead</td>
<td>24</td>
</tr>
<tr>
<td>Silver</td>
<td>20</td>
</tr>
<tr>
<td>Zinc</td>
<td>13</td>
</tr>
<tr>
<td>Australian Dollar</td>
<td>153</td>
</tr>
<tr>
<td>South African Rand</td>
<td>124</td>
</tr>
<tr>
<td>Colombian Peso</td>
<td>23</td>
</tr>
<tr>
<td>Brazilian Real</td>
<td>13</td>
</tr>
</tbody>
</table>

**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.
1. All as at 30 June 2018. FY18 information is unaudited.

2. Figures have been restated since it was previously reported due to the reclassification of a recordable illness to a recordable injury.

3. Figures have been restated since it was previously reported due to reclassifications of noise induced hearing loss cases.

4. Figures have 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.


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/dmt for 44% manganese product; a nickel price of US$6.92/lb; a thermal coal price of US$331/tpy; for South Africa Energy Coal; a silver price of US$17.58/troy oz; a lead price of US$2,496/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:CAD 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 aluminium 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.
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.