



26 February 2018

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

BMO CAPITAL MARKETS 27th GLOBAL METALS & MINING CONFERENCE PRESENTATION 2018

South32 Limited Chief Executive Officer, Graham Kerr will present at the BMO Capital Markets 27th Global Metals & Mining Conference in Hollywood, Florida today.

The presentation is attached and will also be available on South32 Limited's website at: <https://www.south32.net/investors-media/reports-and-presentations>.

About South32

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

FURTHER INFORMATION

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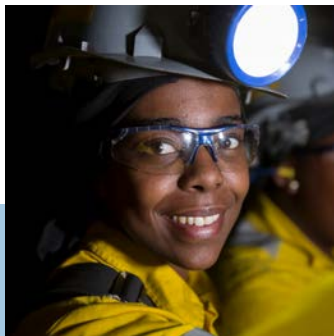
Further information on South32 can be found at www.south32.net.

JSE Sponsor: UBS South Africa (Pty) Ltd
26 February 2018



BMO CAPITAL MARKETS GLOBAL METALS & MINING CONFERENCE 2018

GRAHAM KERR, CEO
26 FEBRUARY 2018



THIS PRESENTATION SHOULD BE READ IN CONJUNCTION WITH THE “FINANCIAL RESULTS AND OUTLOOK – HALF YEAR ENDED 31 DECEMBER 2017” ANNOUNCEMENT RELEASED ON 15 FEBRUARY 2018, WHICH IS AVAILABLE ON SOUTH32’S WEBSITE (WWW.SOUTH32.NET).

FORWARD-LOOKING STATEMENTS

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

NON-IFRS FINANCIAL INFORMATION

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

NO OFFER OF SECURITIES

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

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NO FINANCIAL OR INVESTMENT ADVICE – SOUTH AFRICA

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

MINERAL RESOURCES AND ORE RESERVES

The information in this announcement that relates to the Ore Reserve estimates of Cannington 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. The information in this announcement that relates to Mineral Resource of Worsley Alumina was declared as part of a market announcement (www.south32.net) issued on 6 December 2017. 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.

**Underlying EBITDA
US\$1.1B**

**Operating Margin
36%**

**South Africa Energy Coal
to be managed as a
stand-alone business**

Simplifying the way we work

**Ordinary dividend
US 4.3 cents per share**

**Special dividend
US 3.0 cents per share**

**Total dividends
US\$378M**

Net Cash

US\$1.4B

**Expanded capital
management program**

+US\$250M to US\$1B

**Focus on operational
performance and disciplined
capital management**

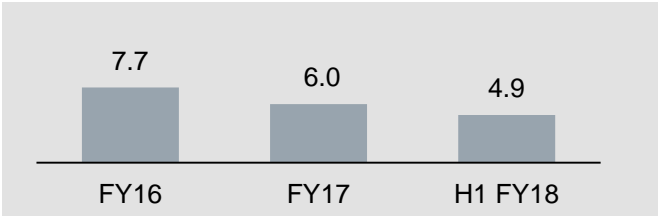
SUSTAINABILITY PERFORMANCE



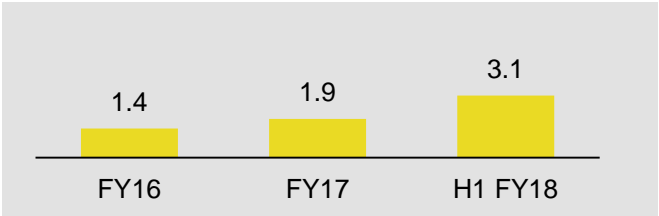
Fatalities^(a)



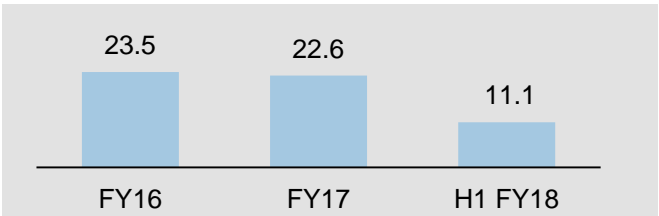
TRIF^(a)



EOI^(a)



GHG emissions^{(a)(b)} (Mt CO₂-e)



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). H1 FY18 information is unaudited.

b. H1 FY18 GHG emissions reflect reduced Group volumes due to the extended outage at Illawarra Metallurgical Coal's Appin colliery.



Measurable objectives	Level	Actual		FY20 Target
		FY17	H1 FY18 ¹	
Women in workforce	Corporate and Marketing	47%	49%	Continuing improvement
	Total	16%	17%	
Women in leadership	Board	14%	33%	30%
	South32 Lead Team	17%	29%	30%
	Leadership ²	18 – 33%	14 – 36%	30 – 40%
Black People^(a) in South African workforce	Management	42%	44%	70%
	Total	79%	80%	85%
Gender pay equity	US\$1M allocated to address gender and ethnicity pay equity in FY18			

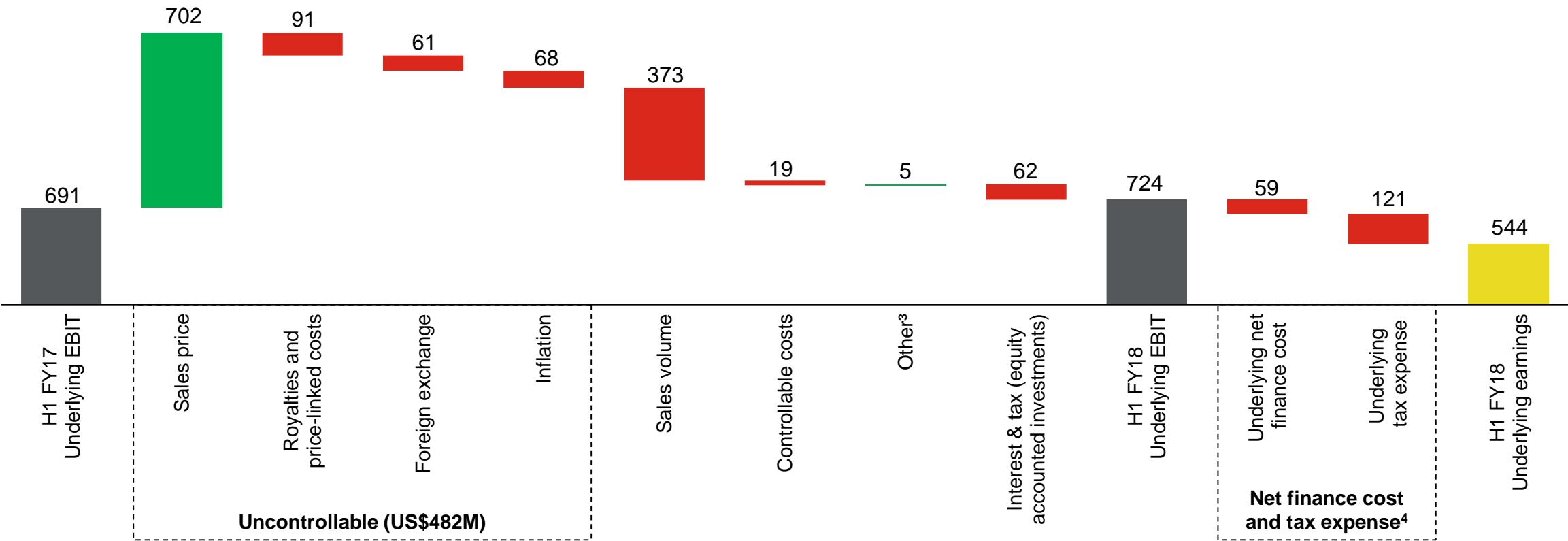
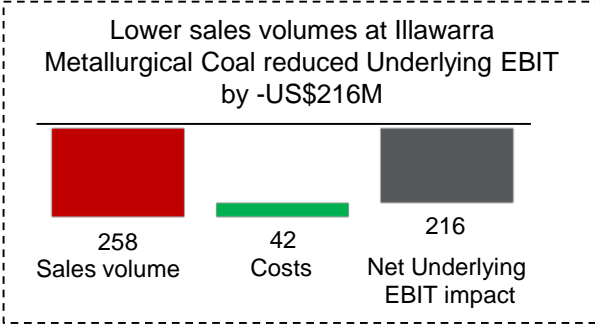
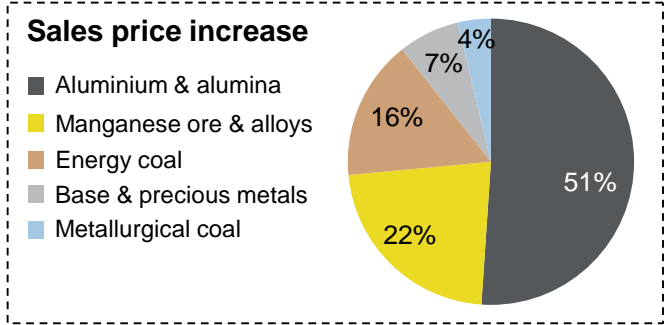
Notes:

a. The term Black People is as defined in the Broad-Based Black Economic Empowerment Act, 2003.

EARNINGS ANALYSIS

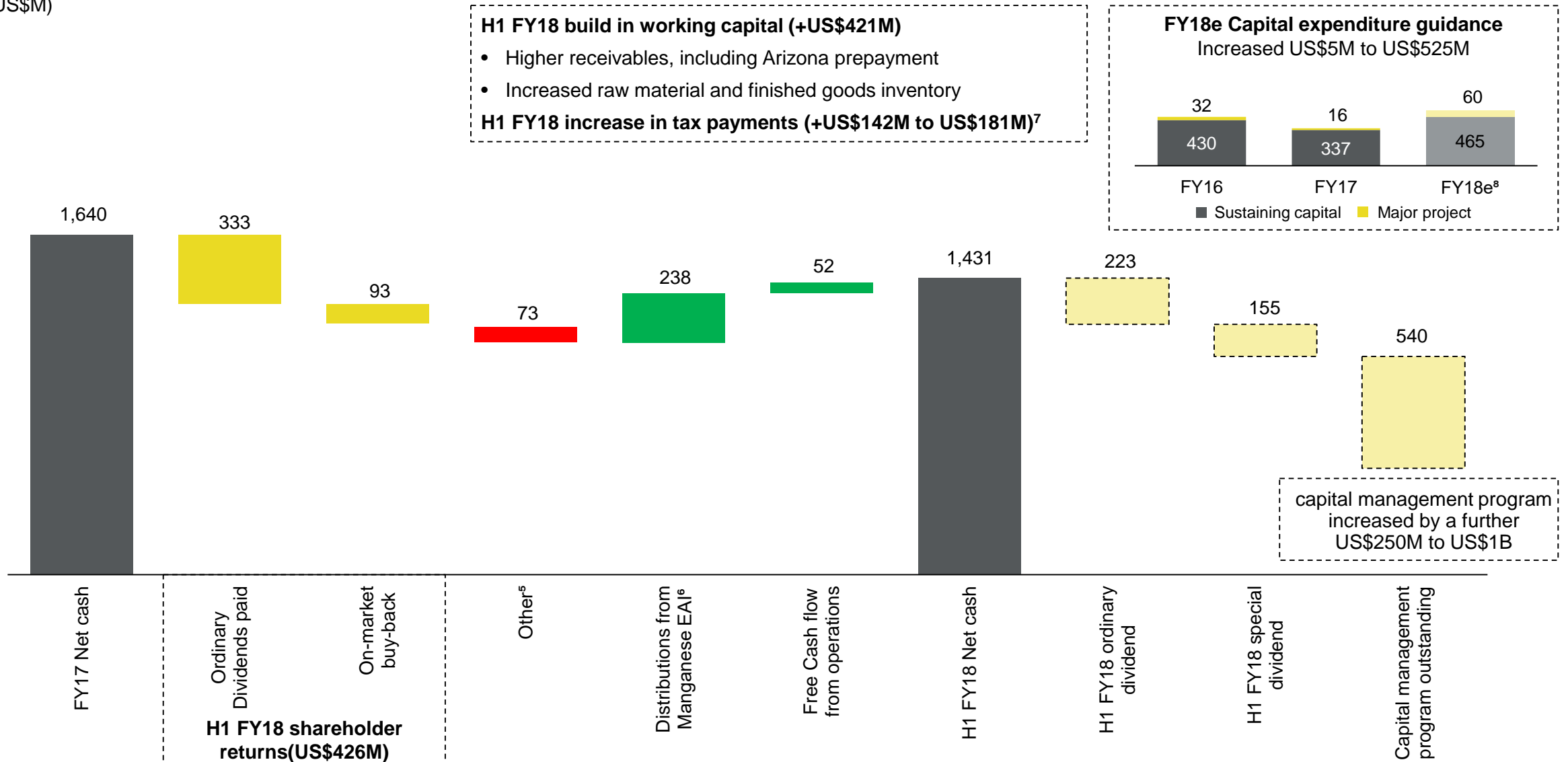


(US\$M)

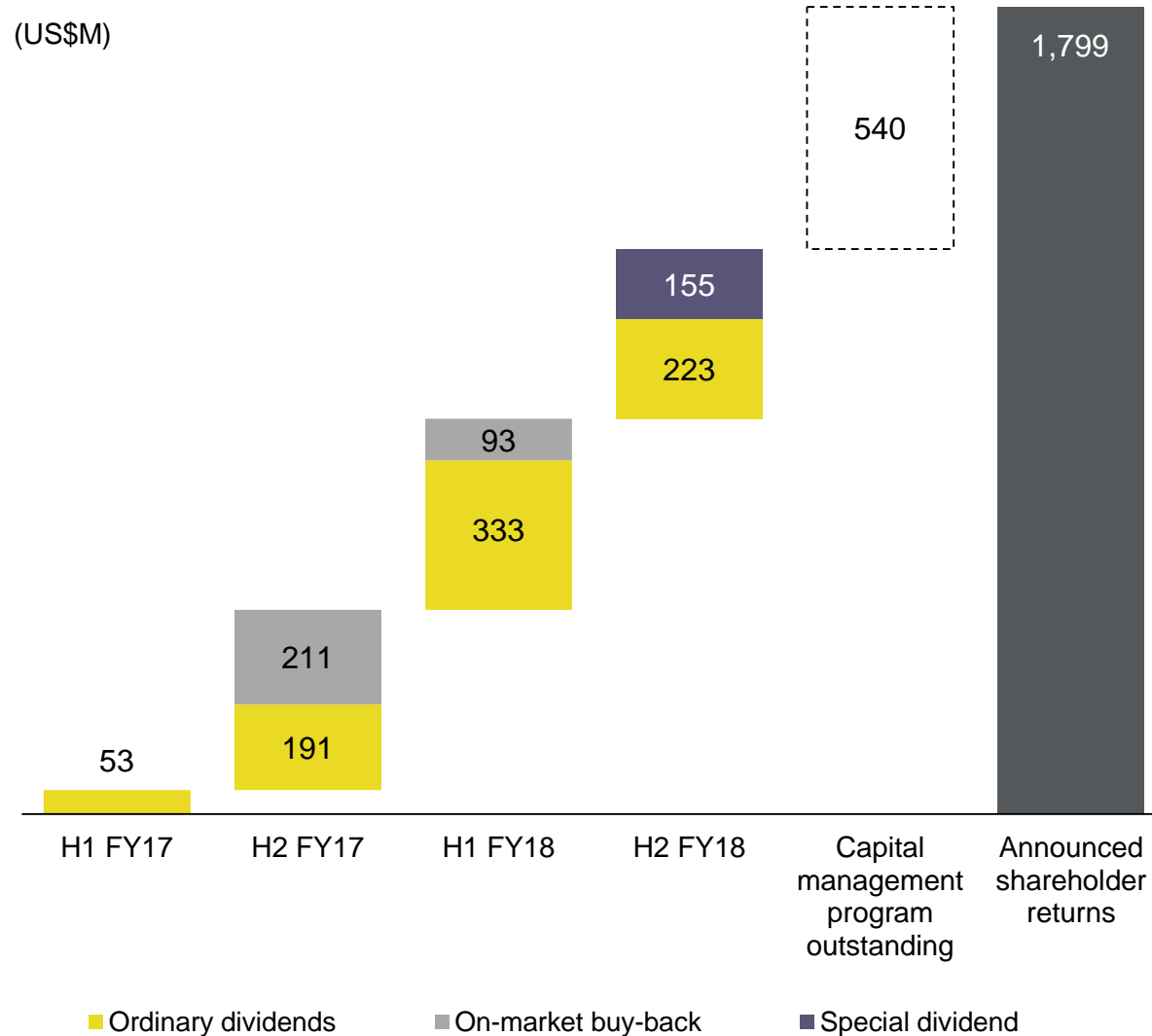


CASHFLOW ANALYSIS

(US\$M)



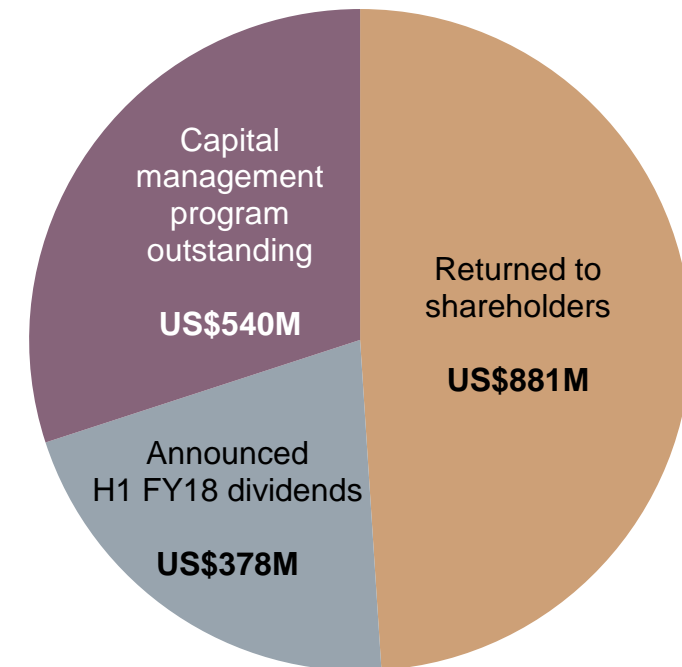
SHAREHOLDER RETURNS

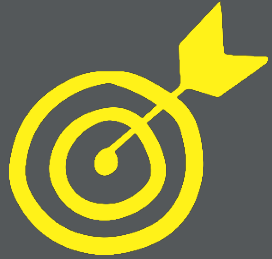


Since the commencement of FY16 we have announced shareholder returns totalling US\$1.8B

- 98% of Underlying earnings
- 63% of Free cash flow, including distributions from equity accounted investments
- 11% of market capitalisation⁹

While retaining Balance Sheet flexibility





Optimise the performance of our existing operations

- Increased manganese production and guidance
- Production record at Mozal Aluminium
- Cerro Matoso nickel production increased by 23%
- South Africa Energy Coal to be managed as a stand-alone business



Unlock their potential

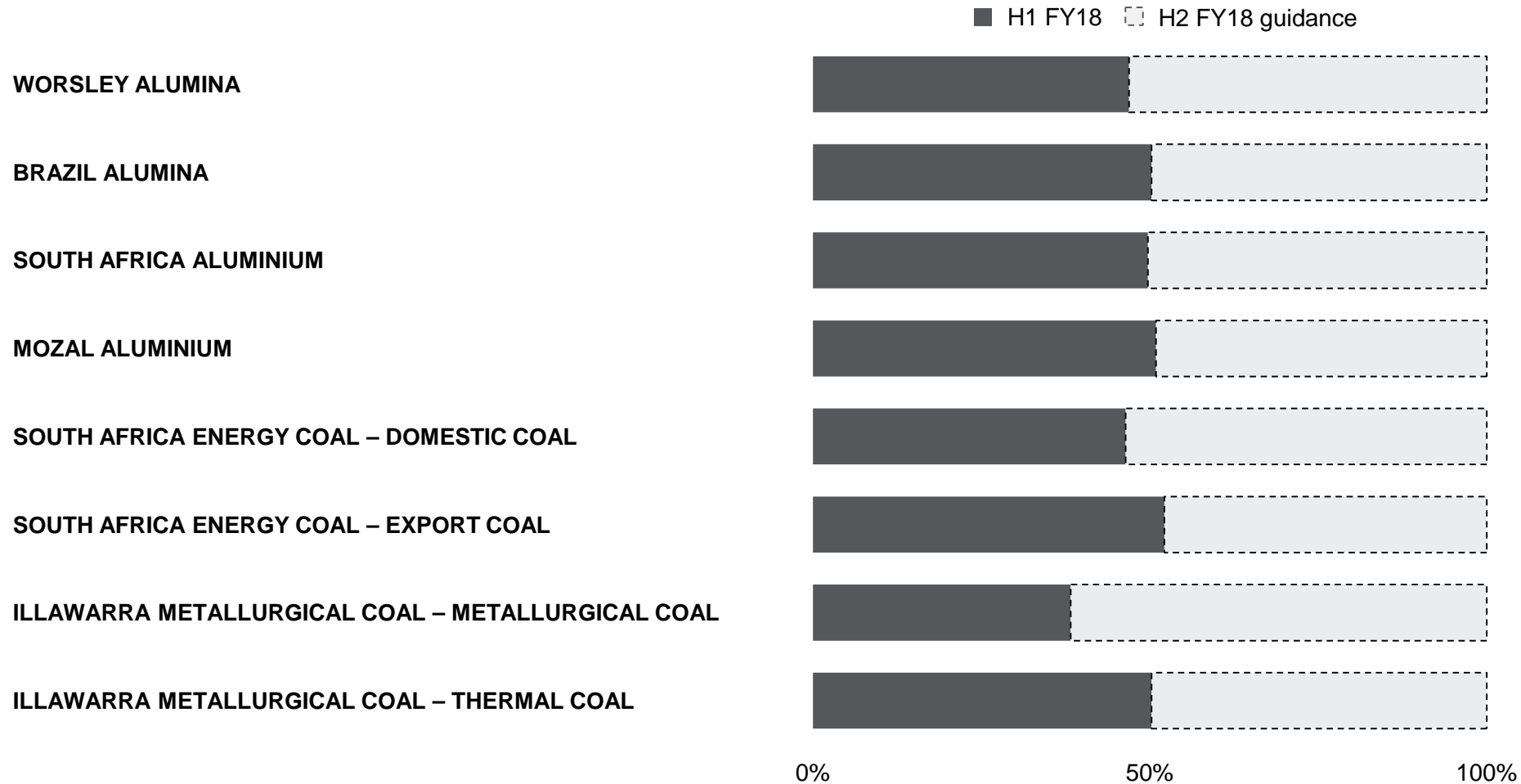
- Approved 4.3B South African rand investment in Klipspruit life extension project
- Pursuing efficiency projects across aluminium value chain:
 - AP3XLE energy efficiency (Mozal Aluminium)
 - De-bottlenecking phase one (Brazil Alumina)
 - West Marradong bauxite feed (Worsley Alumina)



Identify new opportunities to compete for capital

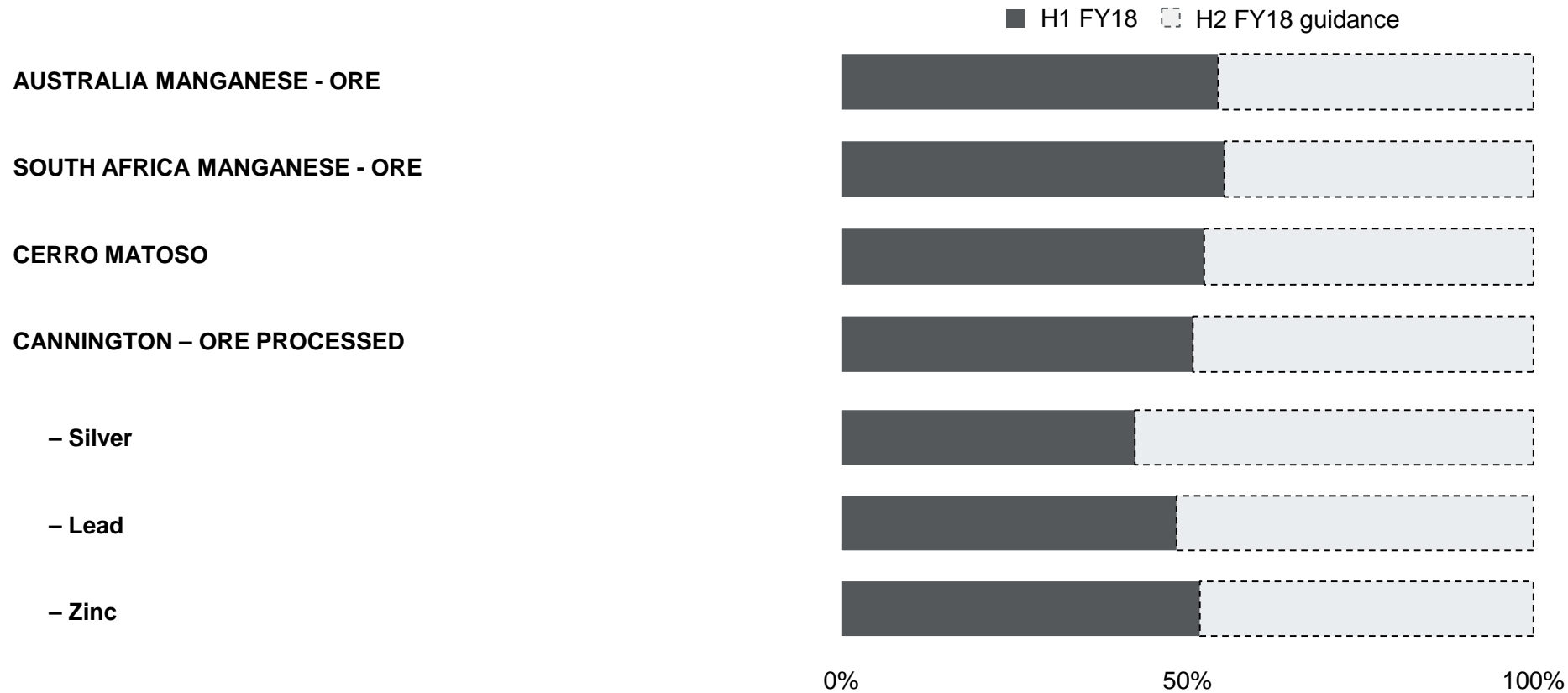
- Second year of Trilogy Metals option, targeting higher grade copper extension at Bornite, Alaska
- Advanced three projects from AusQuest strategic alliance to drilling stage
- Entered strategic alliance with unlisted North Queensland Resources
- Increasing our exposure to Arizona Mining
- Cycling options to improve portfolio over time

FY18 PRODUCTION GUIDANCE



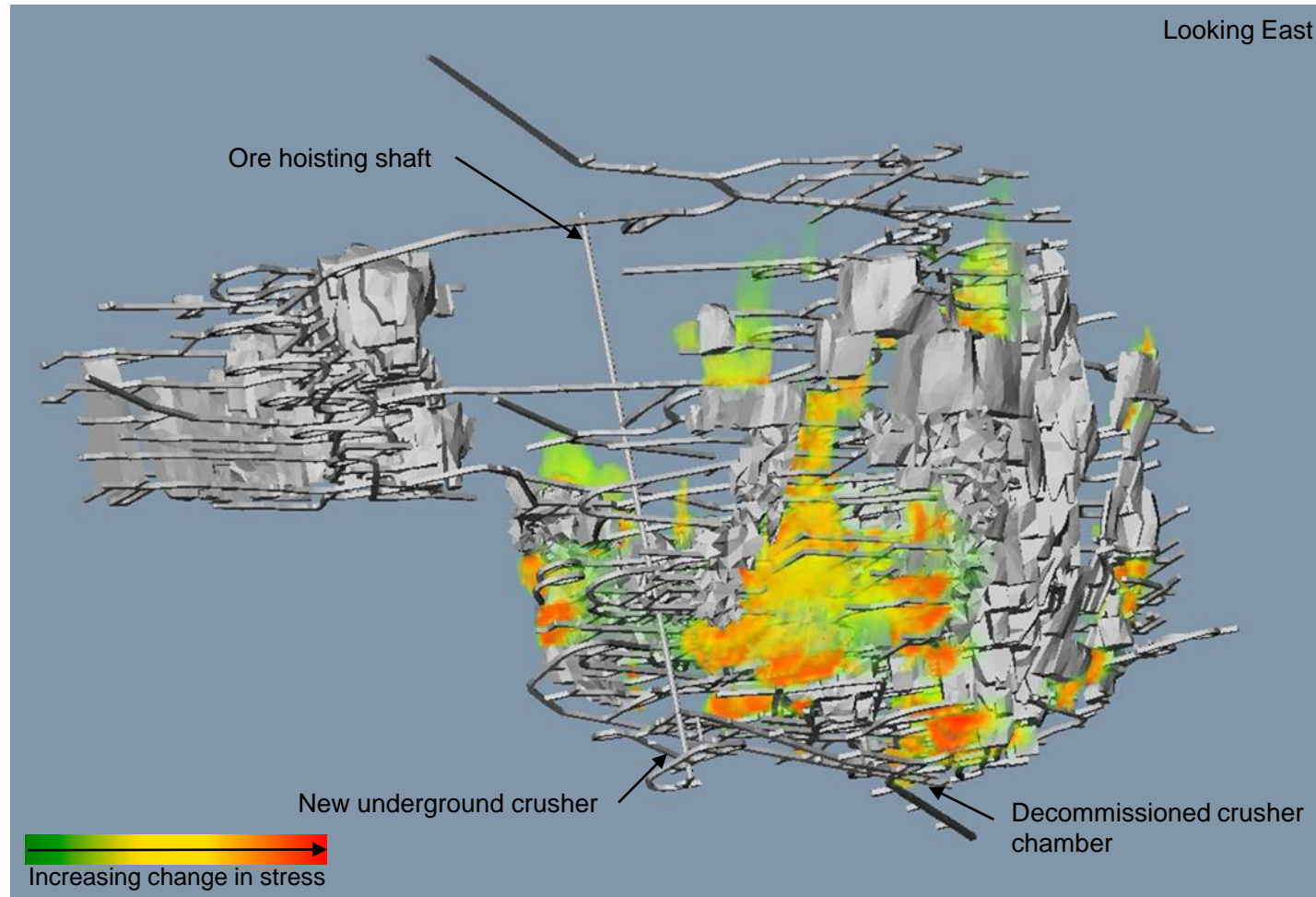
FY18 Guidance	FY19 Guidance
3,975kt	3,965kt
1,345kt	1,355kt
720kt	720kt
269kt	269kt
16,000kt	15,850kt
11,500kt	13,500kt
3,350kt	Not provided
1,150kt	Not provided

FY18 PRODUCTION GUIDANCE



FY18 Guidance	FY19 Guidance
3,125kwmt	Subject to demand
↑ 2,040kwmt	Subject to demand
41.6kt	38.8kt
↓ 2,300kdmmt	↓ 2,400kdmmt
↓ 12,200koz	↓ 11,750koz
↓ 102kt	↓ 98kt
↓ 39kt	↓ 51kt

Change in stress regime at Cannington (FY16 to FY18)



Increased rates of deformation in the underground mine

With orebody depletion, stress regime is evolving and we are shifting into more challenging parts of the mine plan

Additional rehabilitation requirements in support of infrastructure

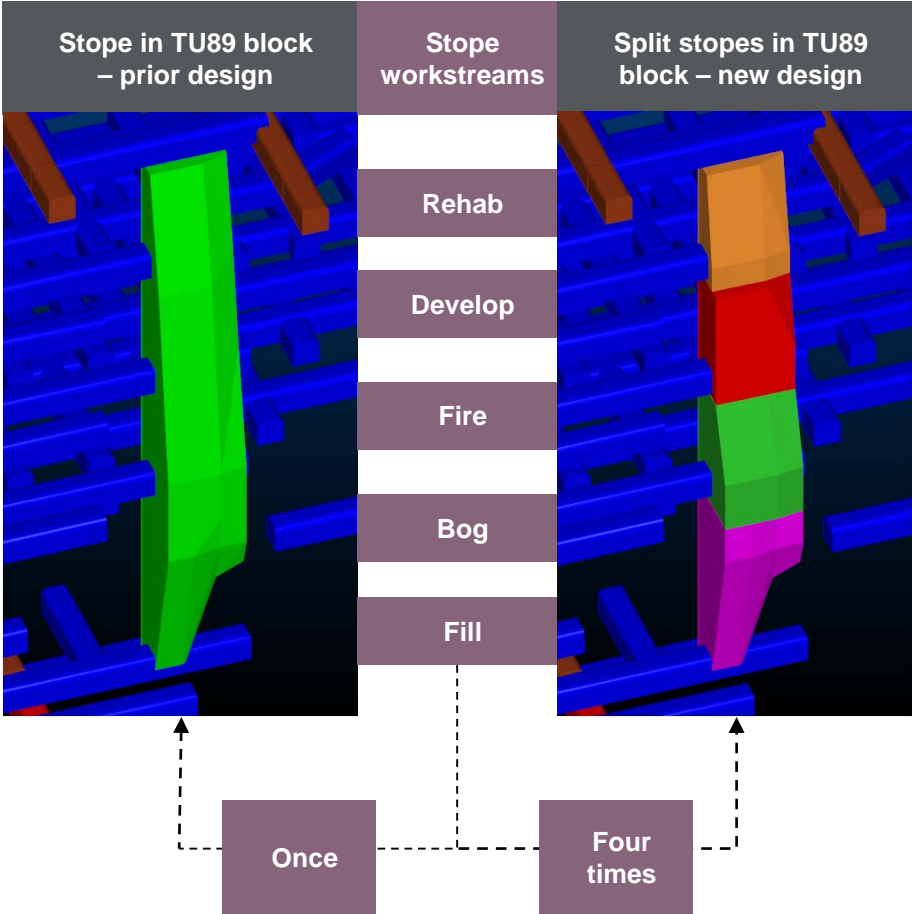
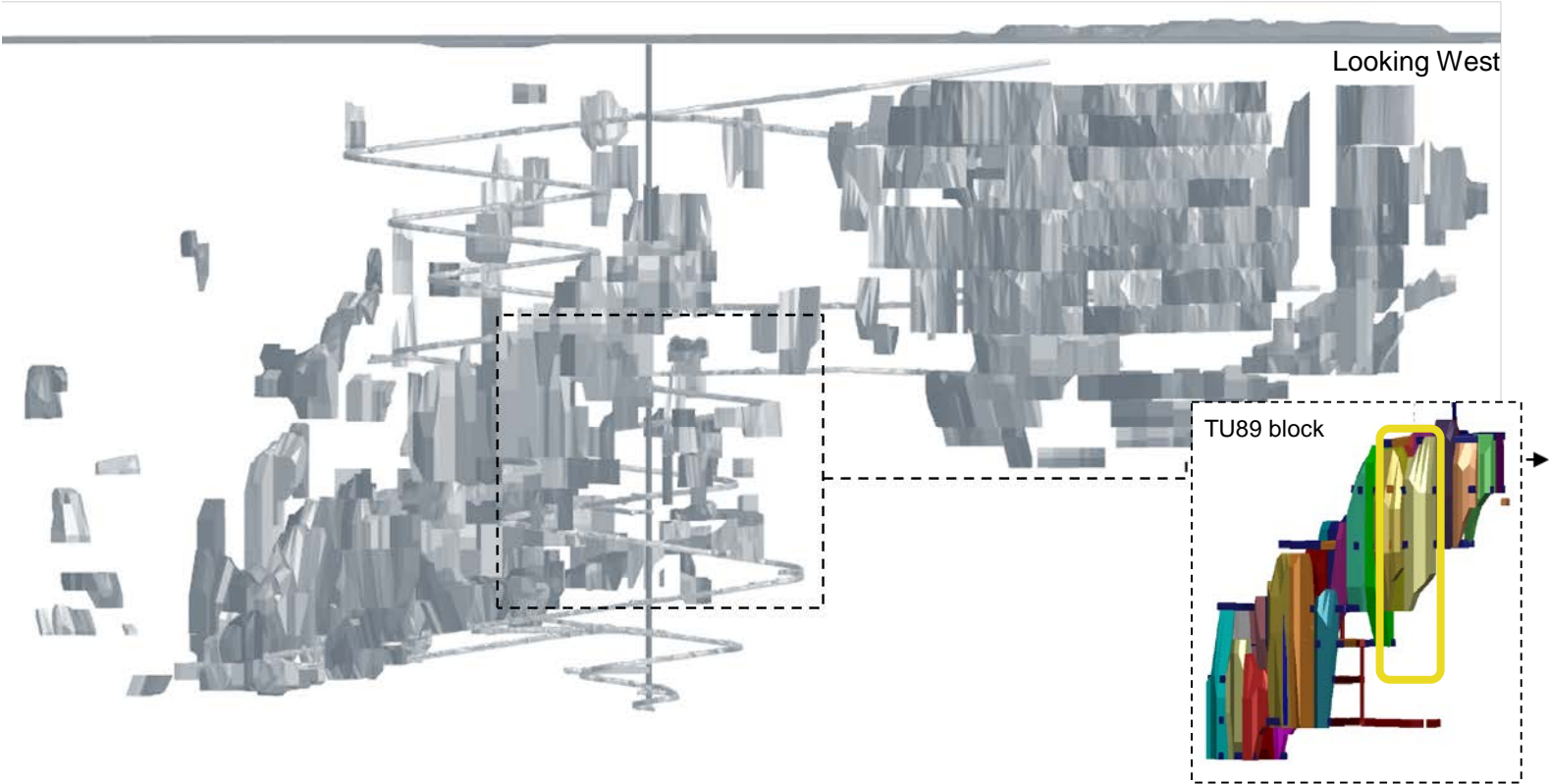
More challenging draw points

Less consistent stope extraction and productivity

CANNINGTON STOPE DESIGN



Visualisation of the Cannington mine plan, critical underground infrastructure and stope design¹⁰



Smaller stope sizes increase intensity of work

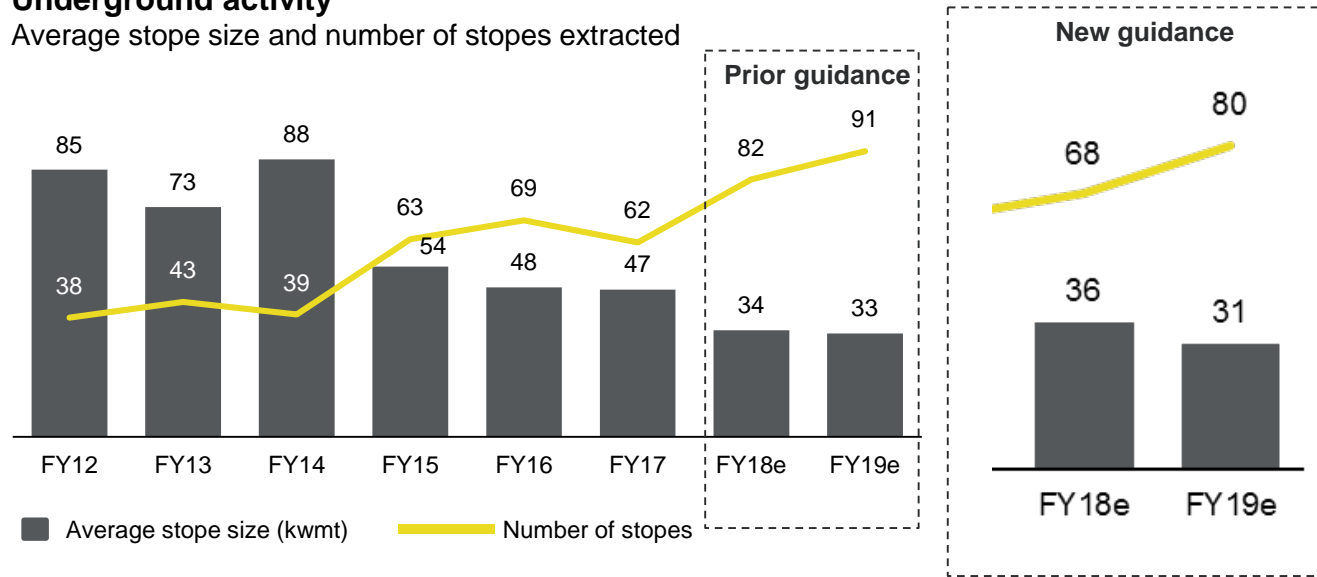
- More work and interactions per tonne of ROM ore
- Higher proportion of ore mined using tele-remote (rates approximately half those of conventional)
- Increased paste fill delivery requirements and sequencing

Affects mining rates and stope sequencing

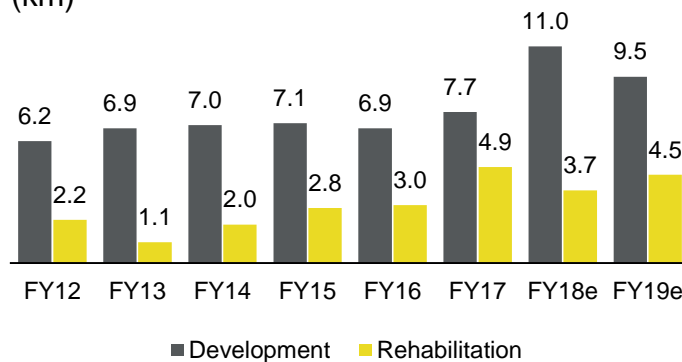
REVISED CANNINGTON GUIDANCE

Underground activity

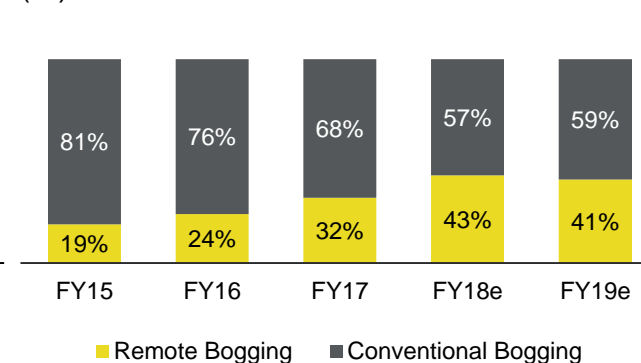
Average stope size and number of stopes extracted



Development and rehabilitation (km)



Tele-remote vs. conventional stope tonnes (%)



We have responded to changing stress regime and challenging ground conditions

Granular planning to manage geotechnical risk

Decreasing stope sizes and more intensive extraction methods

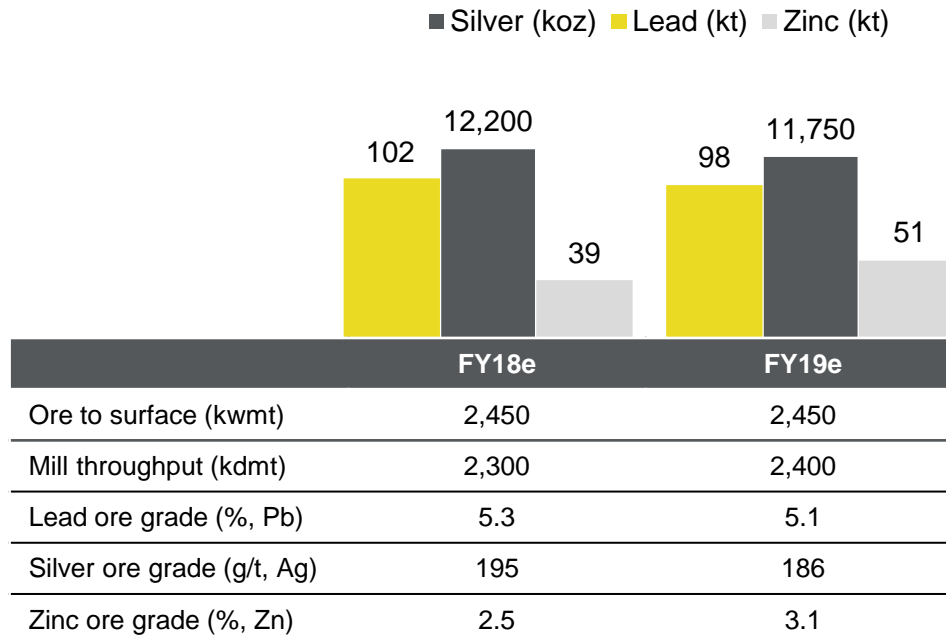
Lower guidance for mining rates and mill throughput:

- FY18e – ↓11% to 2.5Mwmt and ↓12% to 2.3Mdmt
- FY19e – ↓17% to 2.5Mwmt and ↓19% to 2.4Mdmt

Ongoing focus to mitigate impact of future deformation

- Higher development rates to open four new mining fronts in FY18/FY19
- Increases operating flexibility
- Additional underground rehabilitation in support of infrastructure

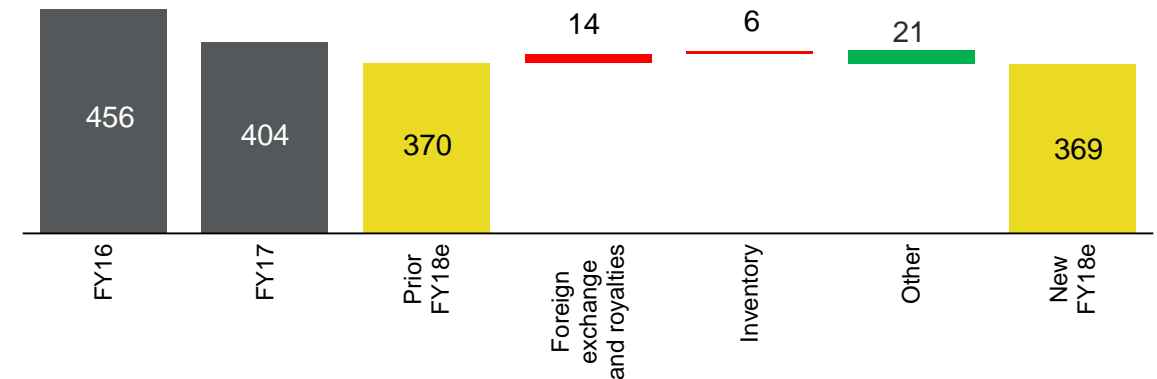
Payable metal production and guidance



Average silver and lead grades in FY18 and FY19 remain around reserve grade levels

Quarter-on-quarter grade variability will persist, consistent with the mine plan

Cost base (US\$M)



- Cannington remains a high grade, high margin operation
- Sharp focus on cost base to offset stronger Australian dollar and lower mining and processing rates, with several initiatives delivering results:
 - new electricity supply contract and construction of solar farm to reduce power costs from FY19
 - renegotiating road haulage contract
 - third-party usage of excess logistics capacity
 - lower negotiated treatment and refining charges
- Replacement underground crusher on-track for completion in February 2018, ahead of schedule
- Highest returning operation in the Group in FY17 (ROIC: 68%)

Appin colliery restart plan on track

Phase II (~12 months)

Safe commencement of staged ramp-up

Focus on gas drainage and ventilation

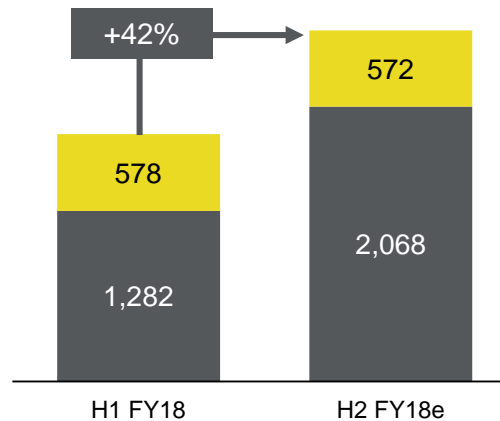
Transform culture and performance

Phase III

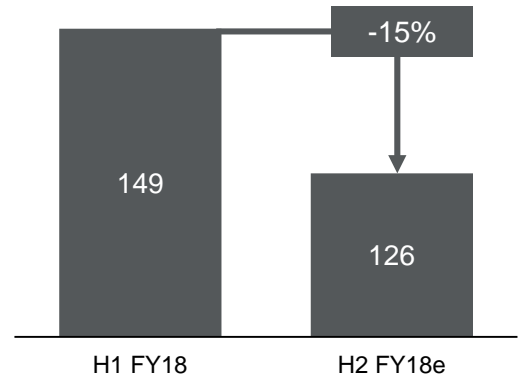
Ability to safely return operation to historical levels of production

FY18 half-on-half production (kt)

■ Metallurgical Coal ■ Energy Coal



FY18 half-on-half unit costs (US\$/t)



FY18 production guidance and our forward plan for Illawarra Metallurgical Coal remain unchanged

- Improving safety performance and culture
 - Good progress made building on the skill and experience of the leadership team
 - Right sizing our workforce to the current operating configuration
 - Gas plant improvement projects completed in the December 2017 quarter – stable platform enabling pursuit of further system advancements
 - Refurbishment of SW1 coal clearance on track for completion in March 2018 quarter
- Operating a single longwall at Appin for the remainder of FY18
- Returning to a twin longwall configuration at Appin in the December 2018 quarter

MANGANESE AND ALUMINA PRICES

Manganese ore price and South Africa Manganese quarterly ore production^(a)
(US\$/dmu; kwmt)



Alumina price^(b)
(US\$/t)

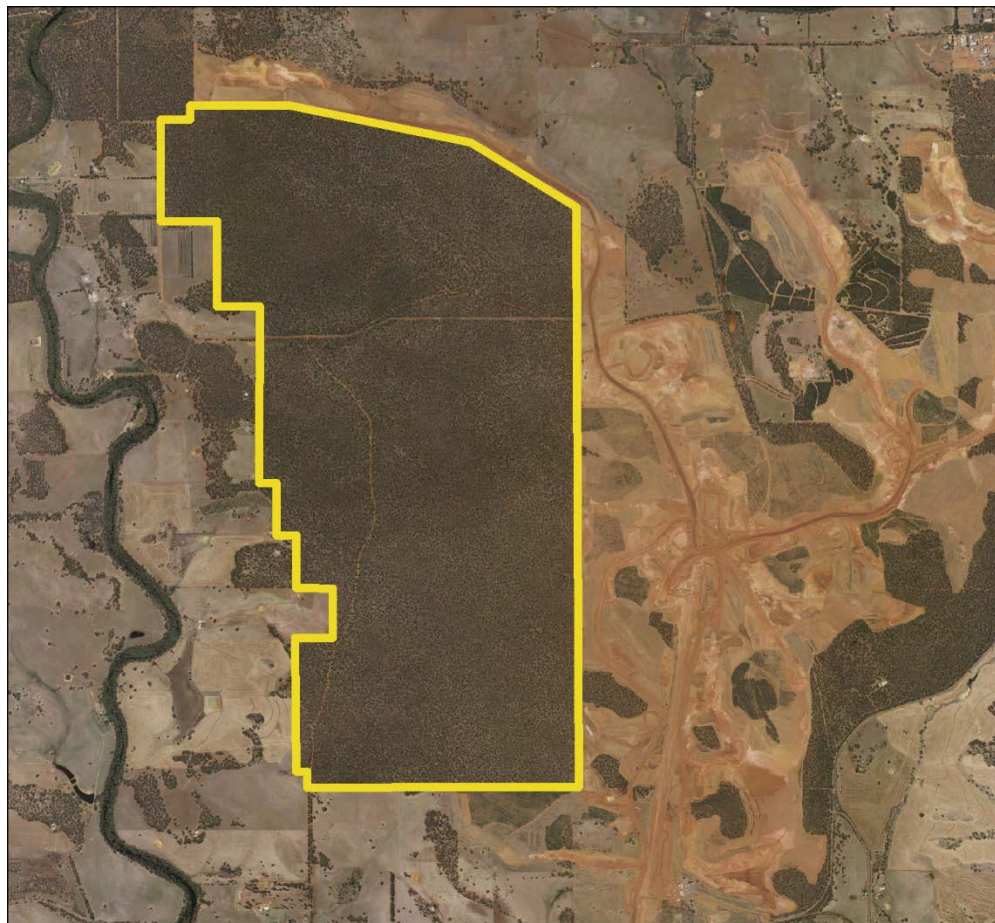


Manganese ore and alumina prices supported by a steepening of industry cost curves

Notes:

a. Source: Metal Bulletin, South32 analysis.

b. Source: Platts, South32 analysis.



West Marradong adds 74Mt of higher quality bauxite to the Worsley Mineral Resource^(a)

Notes:

a. West Marradong Mineral Resources consist of 27Mt measured, 40Mt indicated and 7Mt inferred Mineral Resources.

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West Marradong will be accessed under an existing sublease agreement with Alcoa

Lower reactive silica

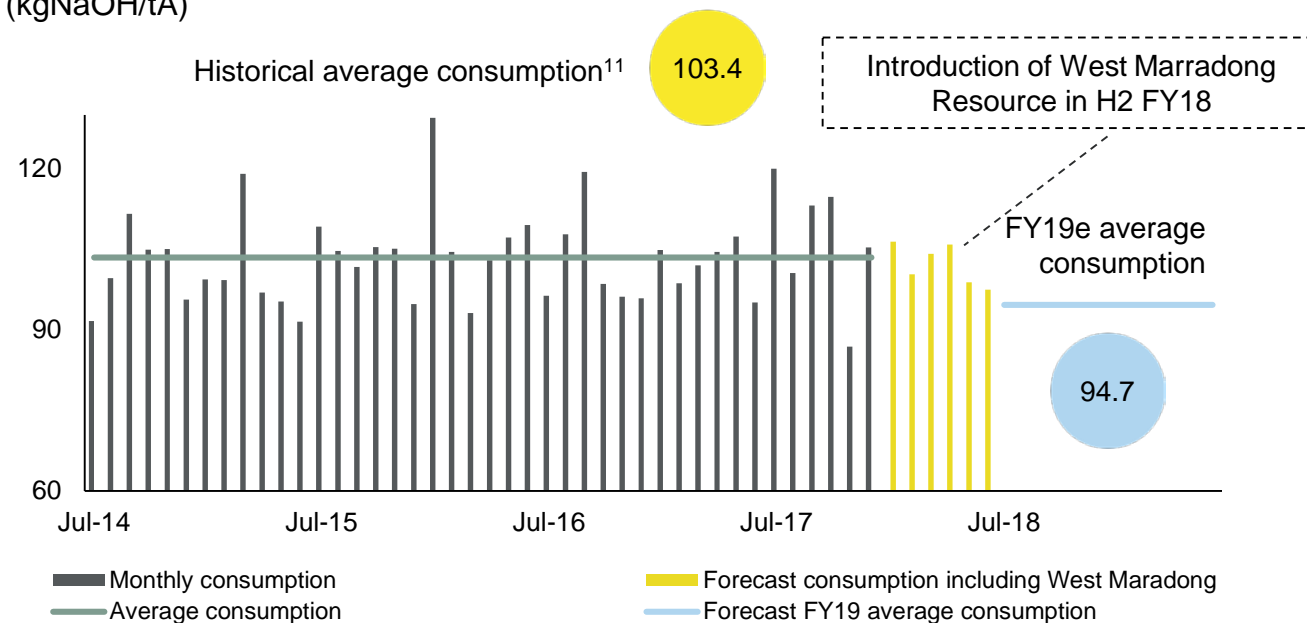
Adjacent to existing infrastructure

Defers capital spend

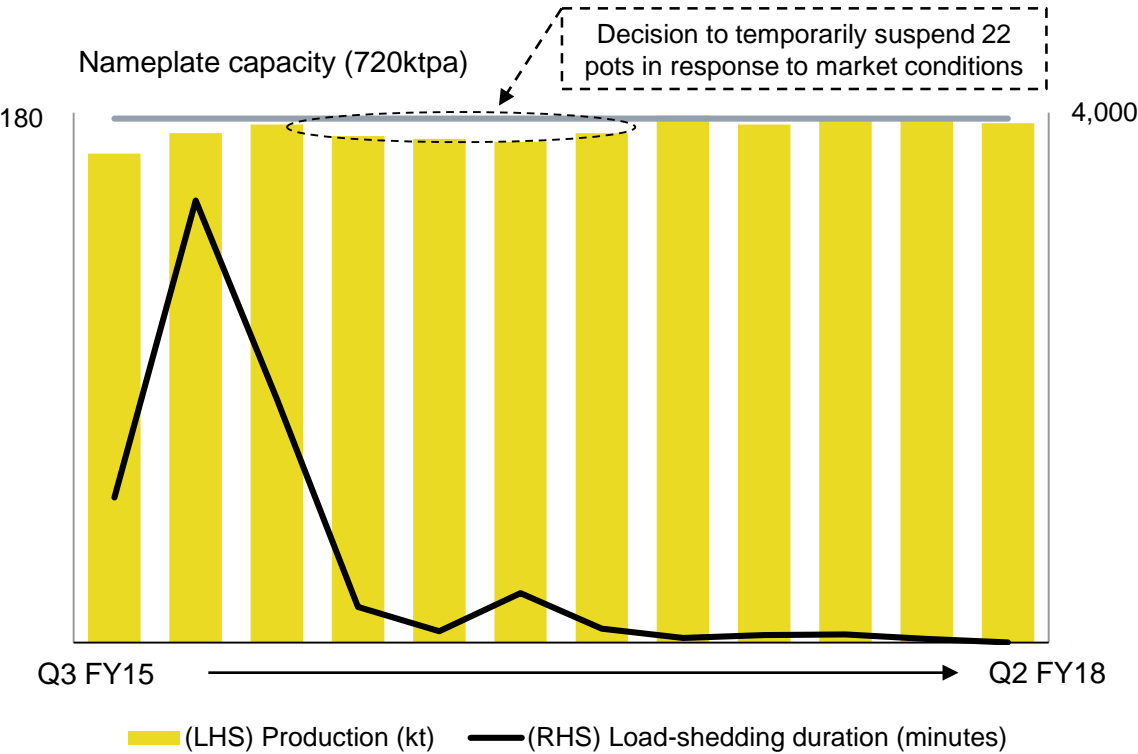
Converting high quality West Marradong resource to reserve will unlock significant value

Caustic soda consumption to 31 December 2017

(kgNaOH/tA)

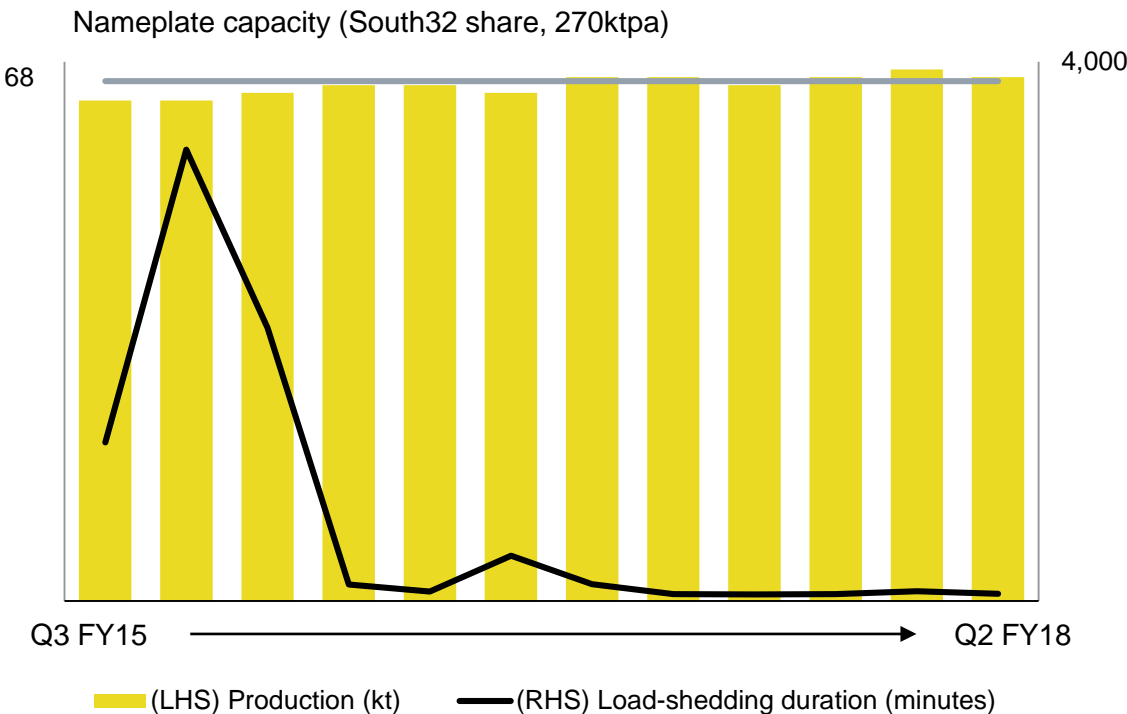


South Africa Aluminium quarterly production



Benefitting from improved reliability of power supply

Mozal Aluminium quarterly production



Another production record in H1 FY18

Initial capital expenditure in FY18 for AP3XLE energy efficiency project

**Manage as a
stand-alone business**

**Sustainably improve
performance**

Transform ownership

On track to manage as a stand-alone business in H2 FY18

- Appointed designate management team to implement stand-alone structure
- Completed the redesign of core systems and processes to better suit unique characteristics
- Commencing process to broaden ownership in H1 FY19

- Reallocation of Chief Operating Officer accountabilities enabling us to fully capture value across our supply chain
- Aggregation of supply and marketing under our Chief Marketing Officer to leverage commercial expertise and optimise working capital
- Proposal to consolidate our functions across the Group to streamline our processes, further reduce duplication and create more direct lines of communication
- Retention of a centralised marketing team and low cost service delivery centre

Proposed removal of our regional structures

Finalising plans and commencing consultation with employees and key stakeholders

A further update will be provided during H2 FY18

**Underlying EBITDA
US\$1.1B**

**Operating Margin
36%**

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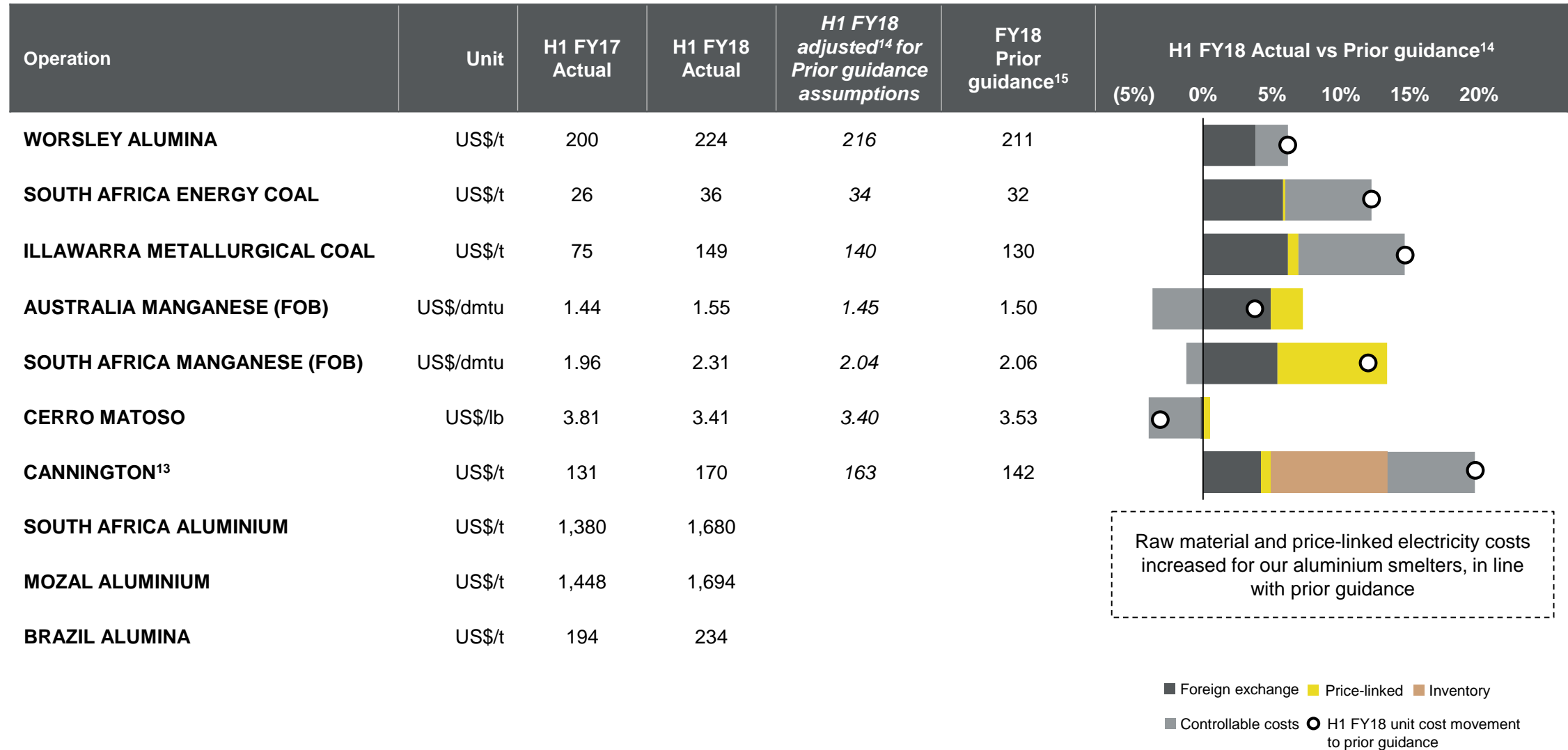
SUPPLEMENTARY INFORMATION



H1 FY18 UNIT COSTS



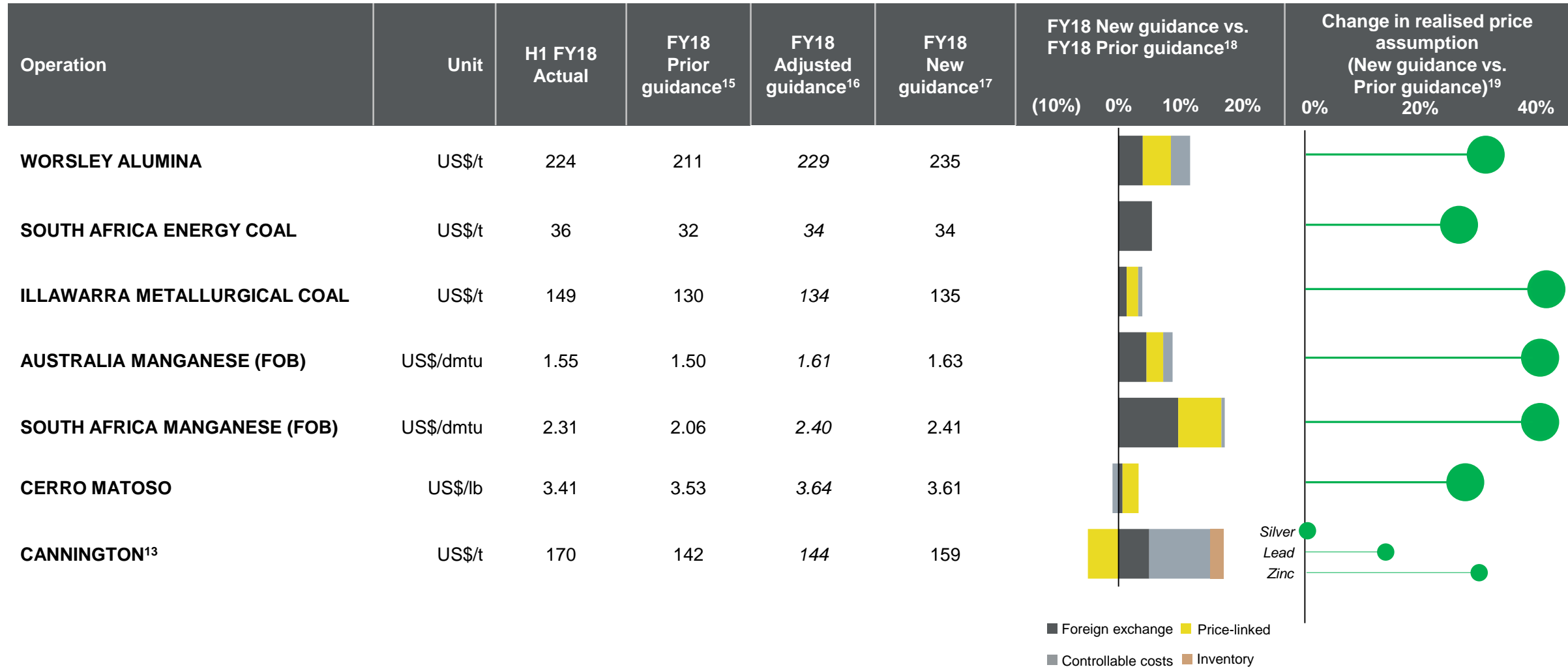
Operating unit costs¹²



FY18 UNIT COST GUIDANCE



Operating unit costs¹²



Notes:

1. All as at 31 December 2017. H1 FY18 information is unaudited.
2. Leadership measure reflects the range of outcomes for our various Regional, Marketing and Corporate teams.
3. Other includes depreciation and amortisation, adjustments to provisions, ceased and sold operations, third party product EBIT and other income.
4. Underlying net finance cost and Underlying tax expense are actual H1 FY18 results, not half-on-half variances.
5. Other includes: financial investments, the purchase of shares in our employee share ownership plans, foreign exchange movement and repayments on finance leases, net loan drawdowns from other EAI and dividends from financial investments.
6. Includes dividends and the net repayment of shareholder loans from Manganese equity accounted investments (EAI).
7. Excludes equity accounted investments.
8. H1 FY18 capital expenditure comprises Sustaining capital expenditure (US\$223M) and Major project capital expenditure (US\$5M). FY18e guidance comprises Sustaining capital expenditure (US\$465M) and Major project capital expenditure (US\$60M).
9. Market Capitalisation as at 31 January 2018. Calculated as the number of shares on issue (5,181 million) and the South32 closing share price A\$3.81.
10. Underground mine plan as per the current life of operation plan. Blocks represent individual stopes.
11. Average consumption between 1 July 2014 and 31 December 2017.
12. Operating unit costs is Revenue less Underlying EBITDA and excluding third party sales divided by sales volumes.
13. Shows US dollar per tonne of ore processed. Periodic movements in finished product inventory may impact operating unit cost as related marketing costs and treatment and refining charges may change.
14. Adjusted H1 FY18 Operating unit costs are restated to reflect price and foreign exchange rate assumptions used for Prior FY18 guidance (summarised in footnote 15 below). Chart shows the percentage movement in Operating unit costs associated with foreign exchange rates, controllable costs and price assumptions, and for Cannington inventory.
15. Prior FY18 Operating unit cost guidance included royalties (where appropriate) and the influence of exchange rate assumptions, and were predicated on various assumptions for FY18, including: an alumina price of US\$299/t; an average blended coal price of US\$119/t for Illawarra Metallurgical Coal; a manganese ore price of US\$4.50/dmtu for 44% manganese product; a nickel price of US\$4.27/lb; a thermal coal price of US\$72/t (API4) for South Africa Energy Coal; a silver price of US\$16.82/troy oz; a lead price of US\$2,135/t; a zinc price of US\$2,555/t; an AUD:USD exchange rate of 0.74; a USD:ZAR exchange rate of 14.17 and a USD:COP exchange rate of 2,961; and a reference price for caustic soda; all of which reflected forward markets as at May 2017 or our internal expectations.
16. Adjusted FY18 Operating unit cost guidance is Prior FY18 Operating unit cost guidance, restated to reflect price and foreign exchange rate assumptions used for New FY18 Operating unit cost guidance (refer to footnote 17).
17. New FY18 Operating unit cost guidance includes royalties (where appropriate) and the influence of exchange rates, and are predicated on various assumptions for H2 FY18, including: an alumina price of US\$388/t; an average blended coal price of US\$168/t for Illawarra Metallurgical Coal; a manganese ore price of US\$6.30/dmtu for 44% manganese product; a nickel price of US\$5.39/lb; a thermal coal price of US\$90/t (API4) for South Africa Energy Coal; a silver price of US\$16.96/troy oz; a lead price of US\$2,475/t; a zinc price of US\$3,246/t; an AUD:USD exchange rate of 0.78; a USD:ZAR exchange rate of 12.98; and a USD:COP exchange rate of 2,920; and a 17% increase in the reference price for caustic soda relative to prior guidance; all of which reflected forward markets as at January 2018 or our internal expectations.
18. Shows the percentage impact of movements in exchange rate, price, other operating assumptions, and for Cannington inventory from prior guidance.
19. FY18e prior and new price assumptions are summarised in footnote 15 and footnote 17 respectively.

