

25 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

BMO CAPITAL MARKETS GLOBAL METALS & MINING CONFERENCE PRESENTATION 2019

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

The presentation is attached and an accompanying webcast will be available on the South32 website (<https://www.south32.net/investors-media/reports-and-presentations>).

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



BMO Capital Markets Global Metals and Mining Conference

25 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.

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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

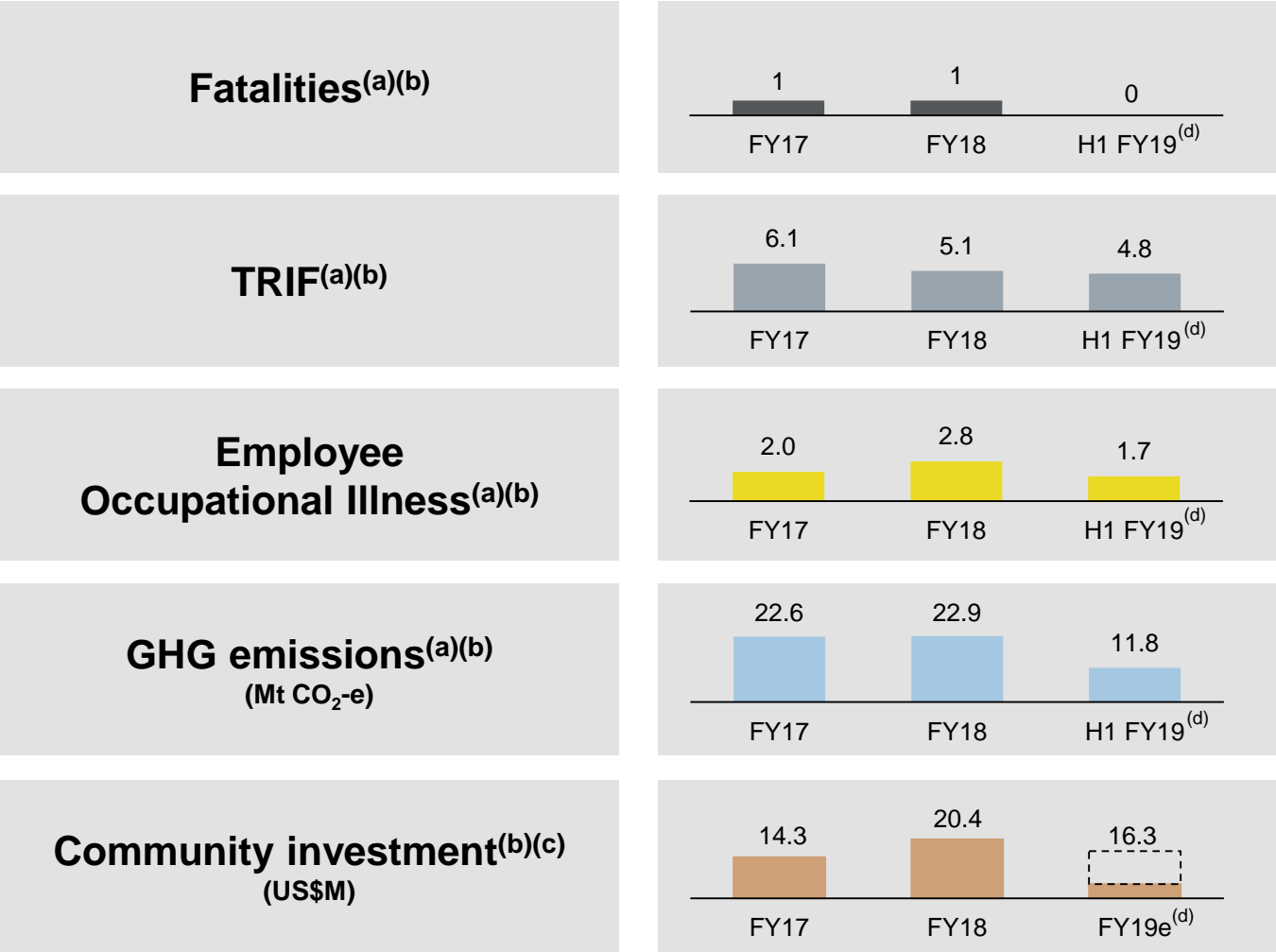
Eagle Downs Metallurgical Coal

South Africa Energy Coal

Notes:

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

Sustainability performance



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).

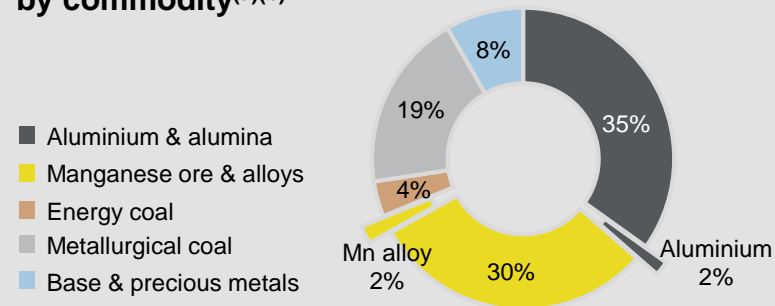
b. Metrics describing sustainability performance apply to "operated assets" that have been wholly owned and operated by South32, or that have been operated by South32 in a joint venture operation.

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

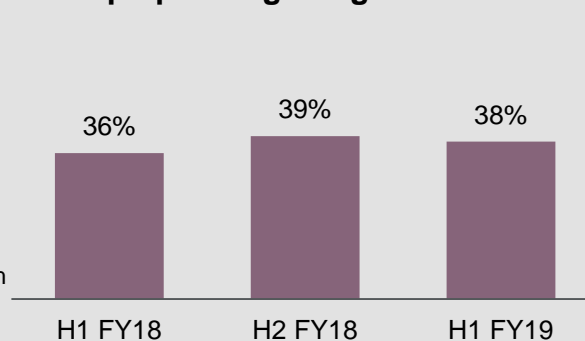
d. All as at 31 December 2018. H1 FY19 information is unaudited.

Operating margin analysis

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



Group operating margin^(c)



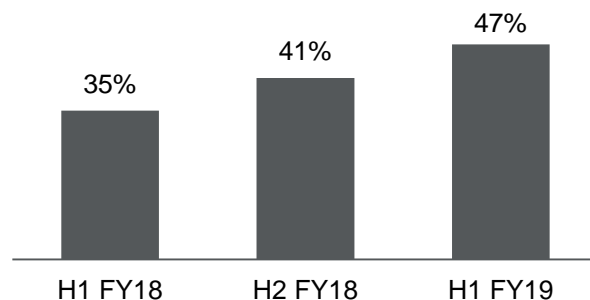
Production guidance increased at Illawarra Metallurgical Coal

Record ore production at Australia Manganese

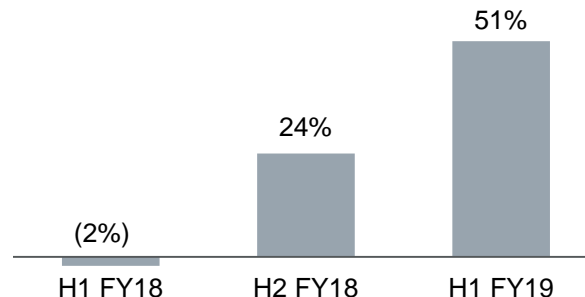
Cost guidance lowered or maintained at all operations

Margins in aluminium value chain transferred upstream

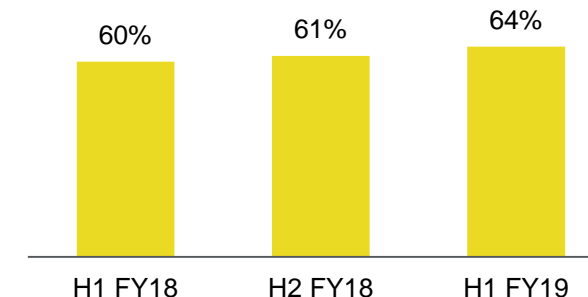
Alumina operating margin^(b)



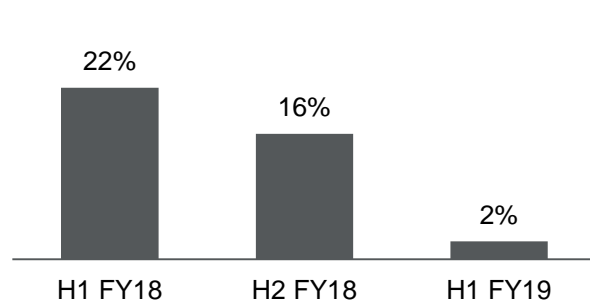
Metallurgical coal operating margin^(b)



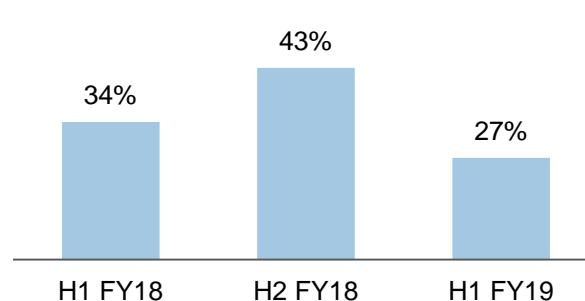
Manganese ore operating margin



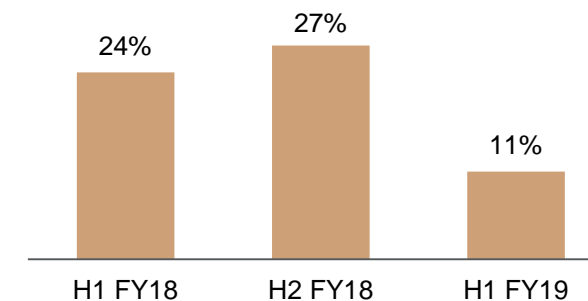
Aluminium operating margin^(b)



Base & precious metals operating margin



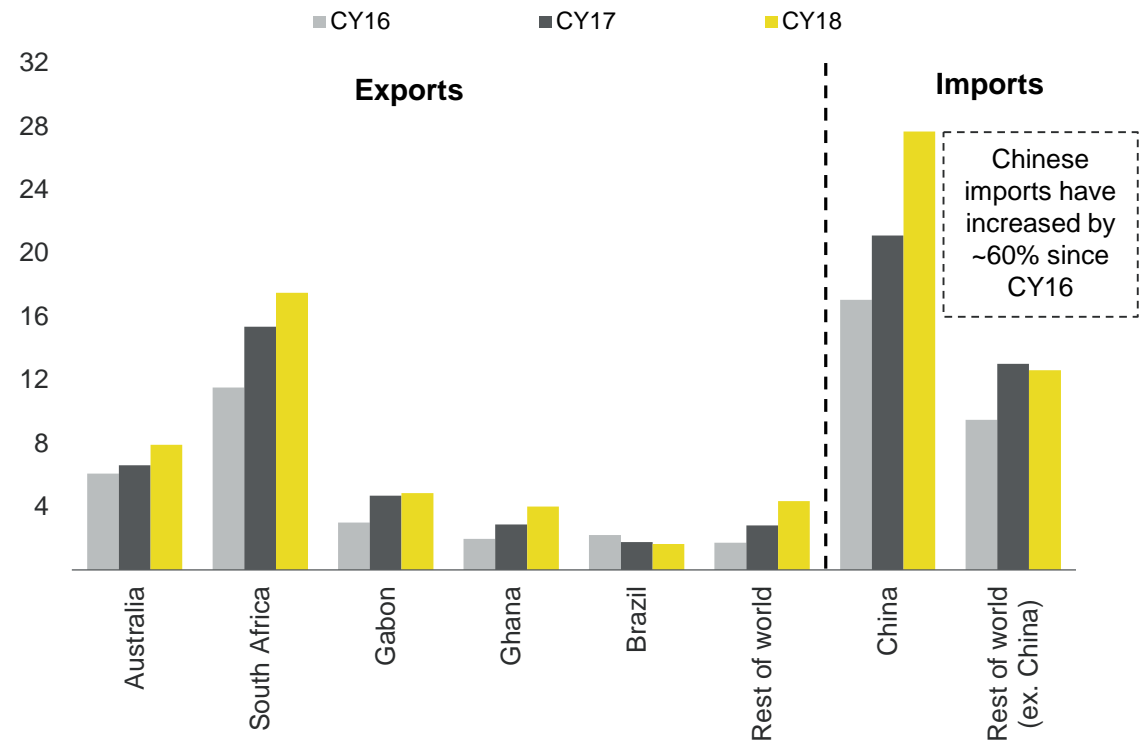
Energy coal operating margin^(b)



Notes:

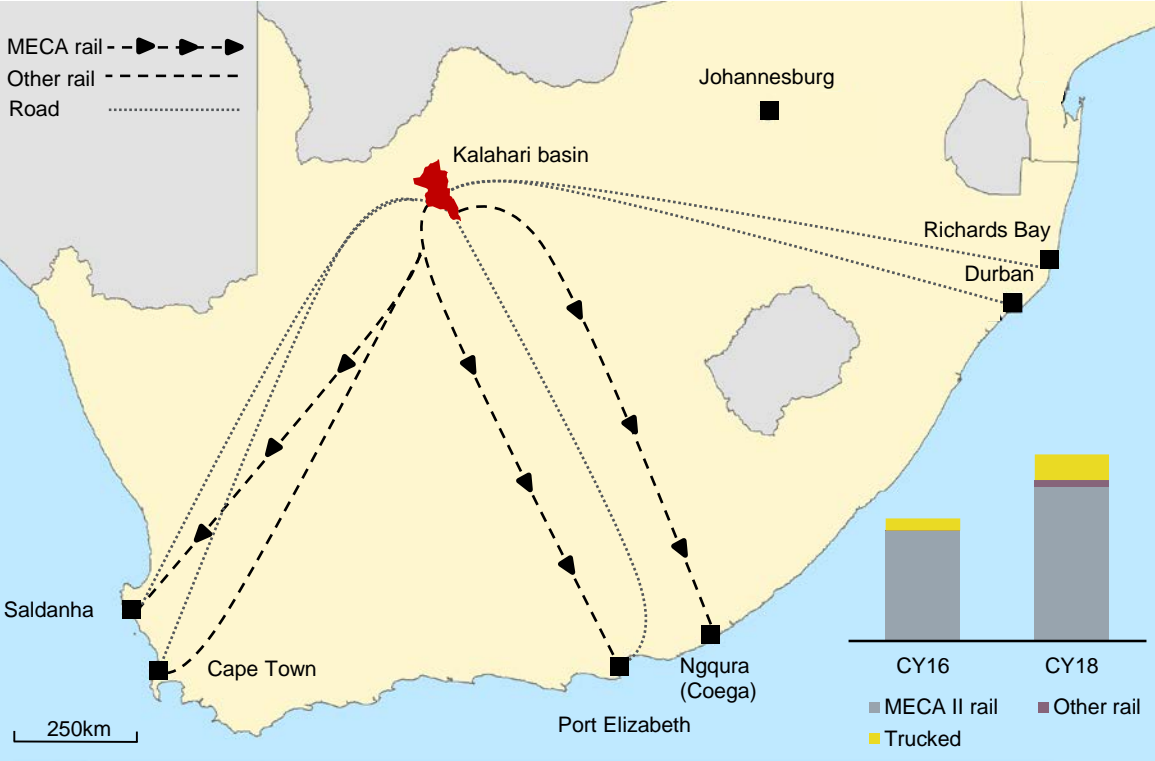
- Presented on a proportionally consolidated basis and excludes Group and unallocated costs.
- Energy coal comprises South Africa Energy Coal. Metallurgical coal comprises Illawarra Metallurgical Coal, including energy coal production. The Brazil Alumina aluminium smelter is included in alumina.
- Operating Margin comprises Underlying EBITDA excluding third party product EBITDA, divided by revenue excluding third party product revenue.

Manganese ore trade flows (Mt, Mn content unadjusted)



Source: GTIS, South32 analysis

Kalahari basin routes to market



Source: South32 analysis

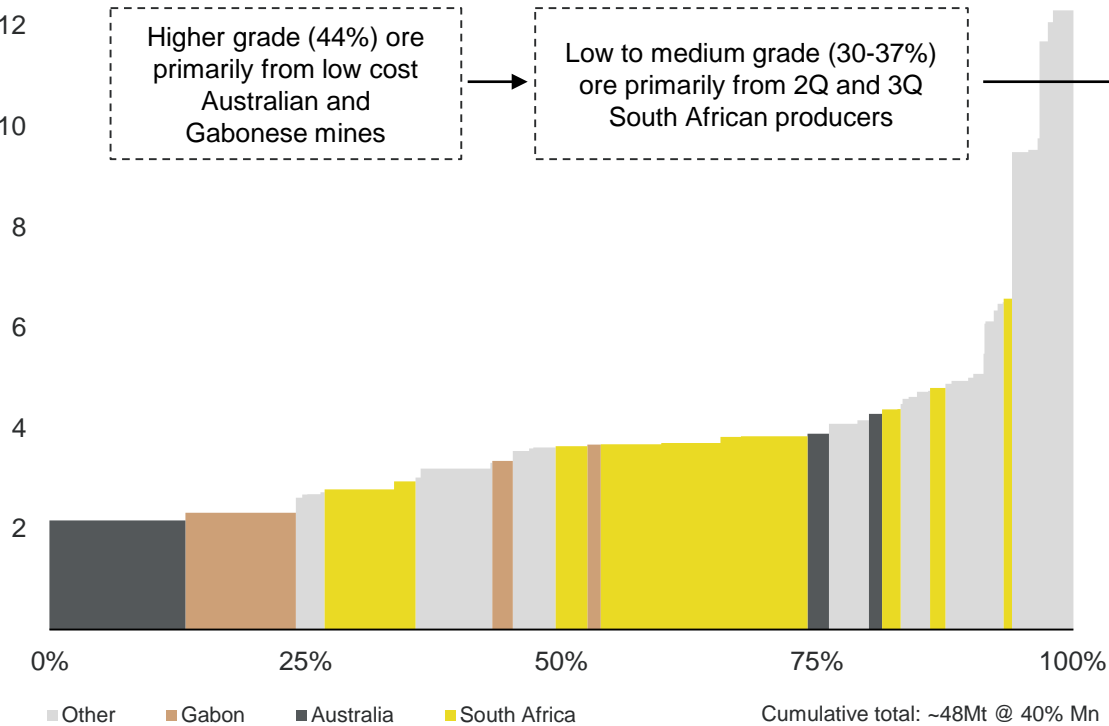
Chinese domestic production has declined as a result of environmental restrictions and grade decline

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

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

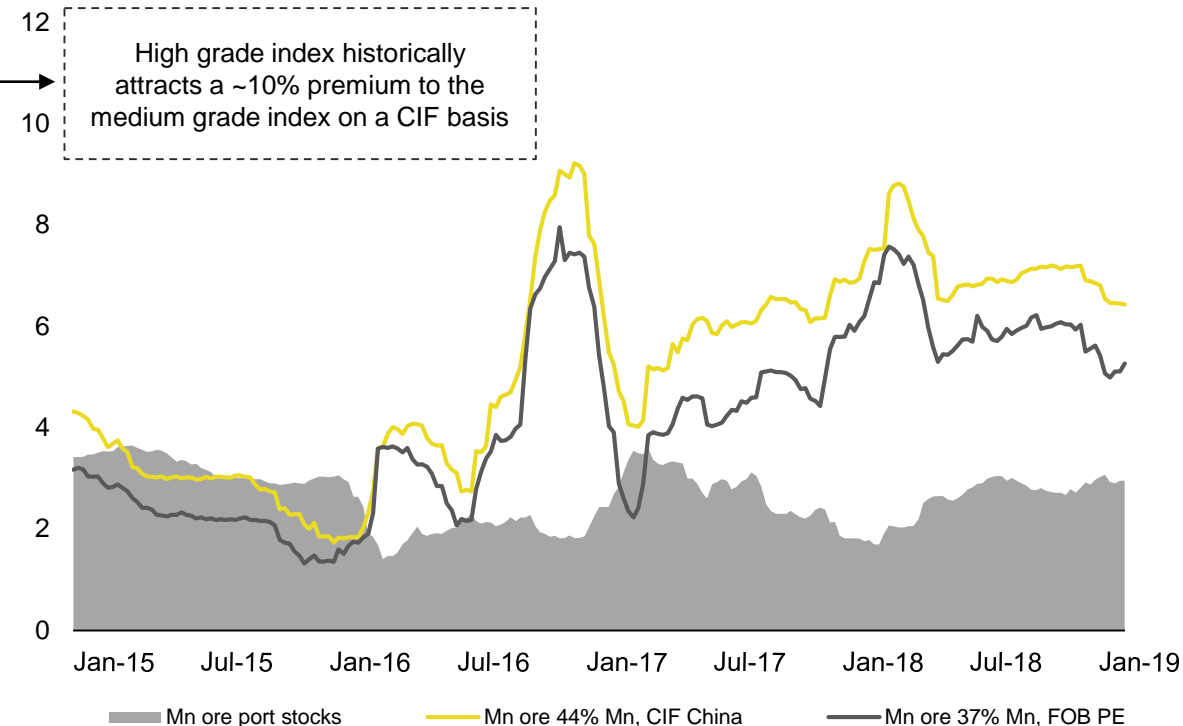
Marginal South African supply response from higher cost channels (road and non-MECA II rail)

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

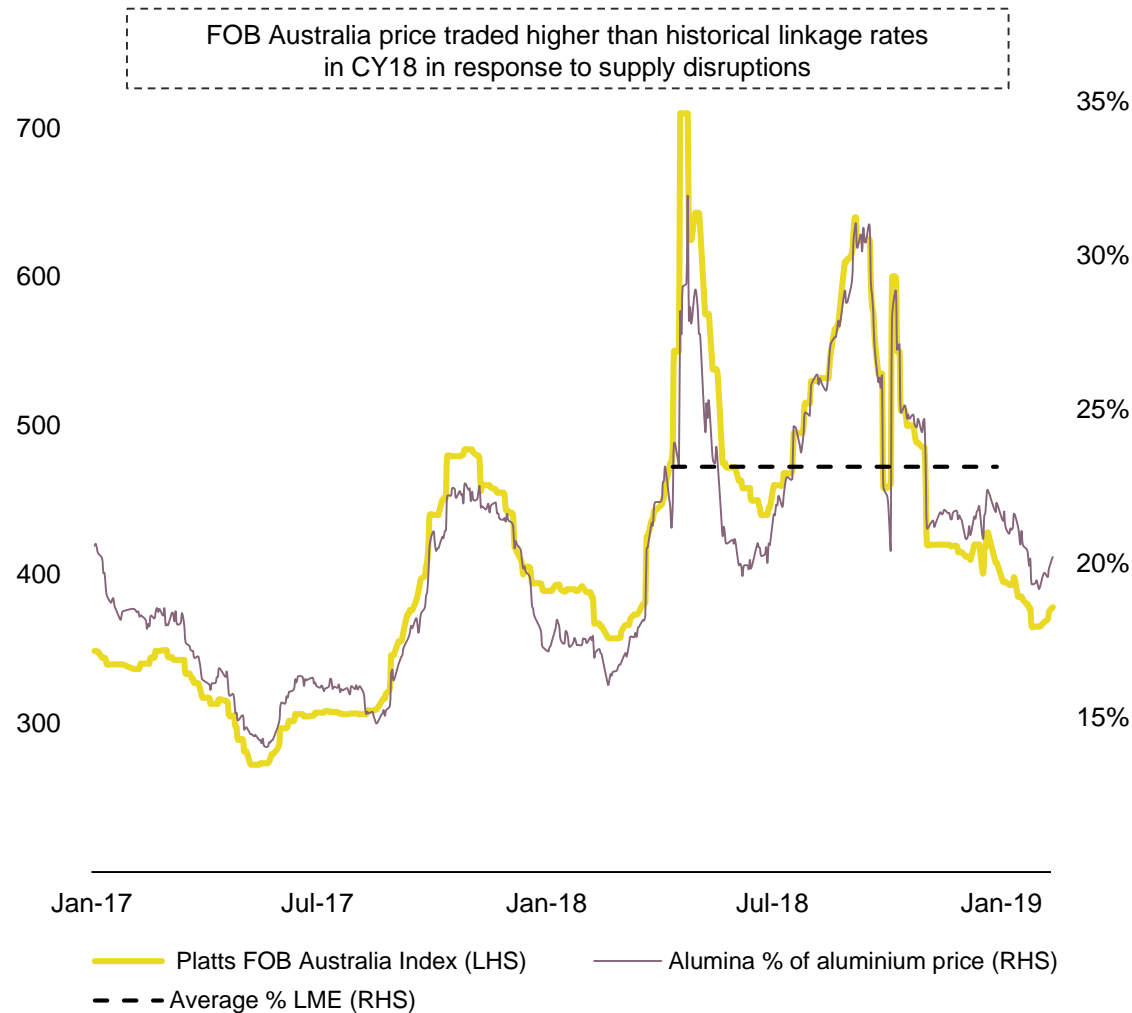
Not recyclable or vulnerable to scrap substitution

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

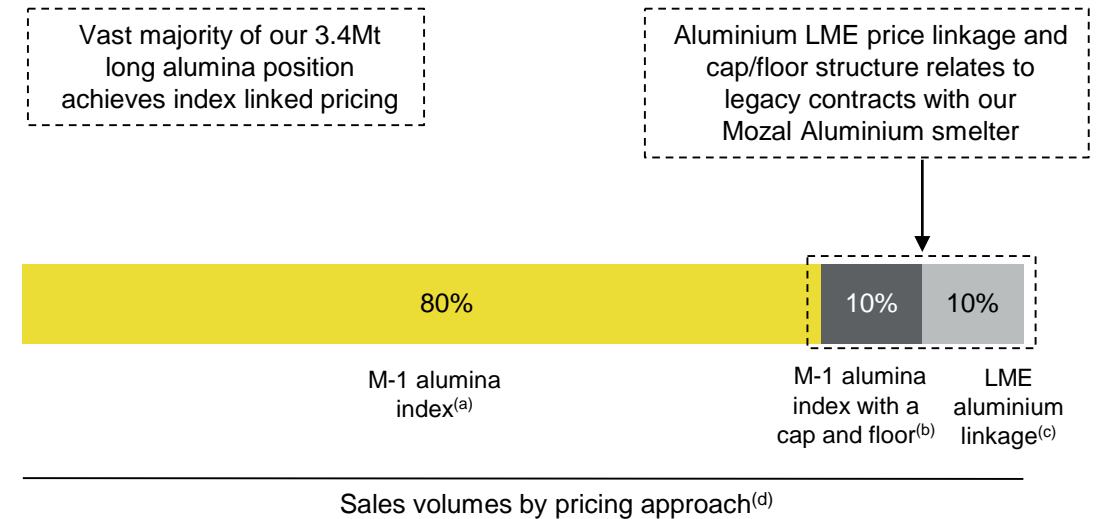
(US\$/t; %)



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

Notes:

- M-1 alumina includes negotiated sales on the spot market.
- Mozal Aluminium 2 supply contract priced to the alumina index on an M-1 basis with a cap and floor.
- Mozal Aluminium 1 supply contract priced as a percentage linked to the LME aluminium index.
- Data shown on an M basis, the majority of Worsley Alumina sales are on an M-1 basis.

Our portfolio and exploration footprint

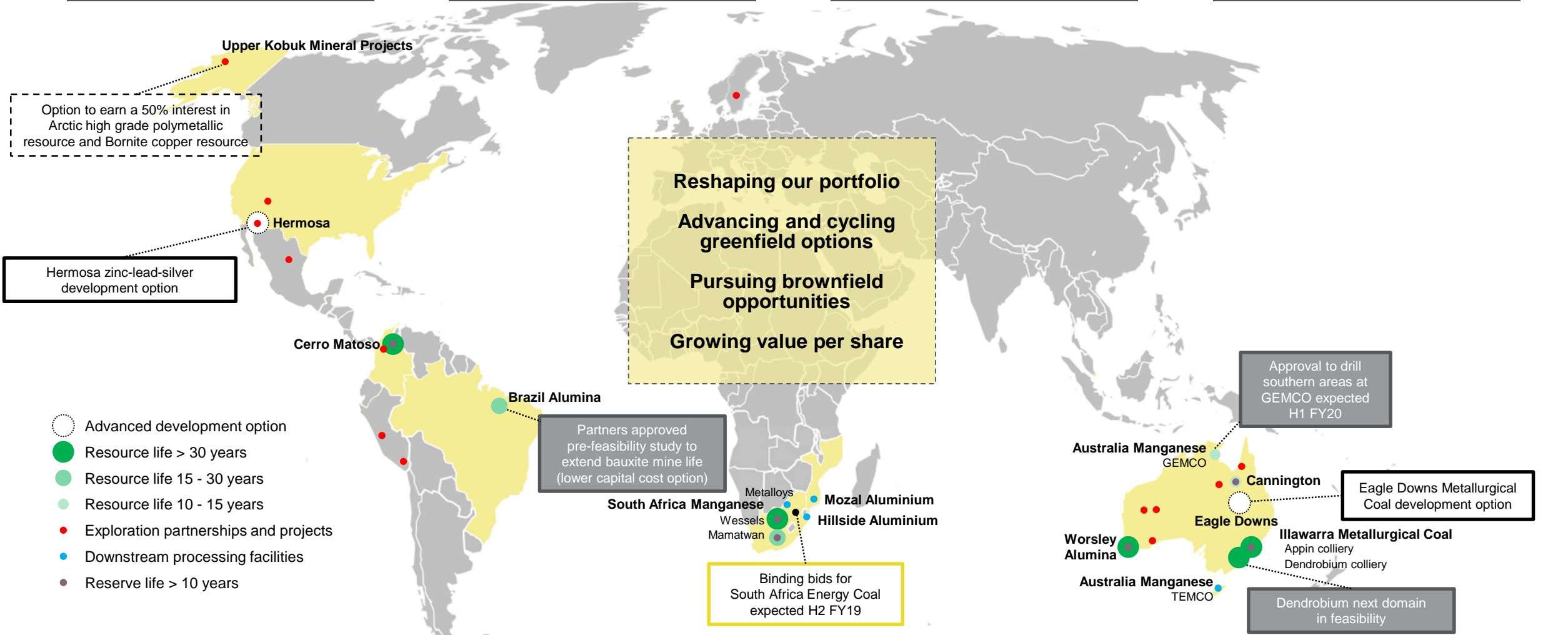


Acquisitions of Hermosa and Eagle Downs completed

Life extension options advanced

Pipeline of exploration partnerships established

South Africa Energy Coal divestment on-track



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

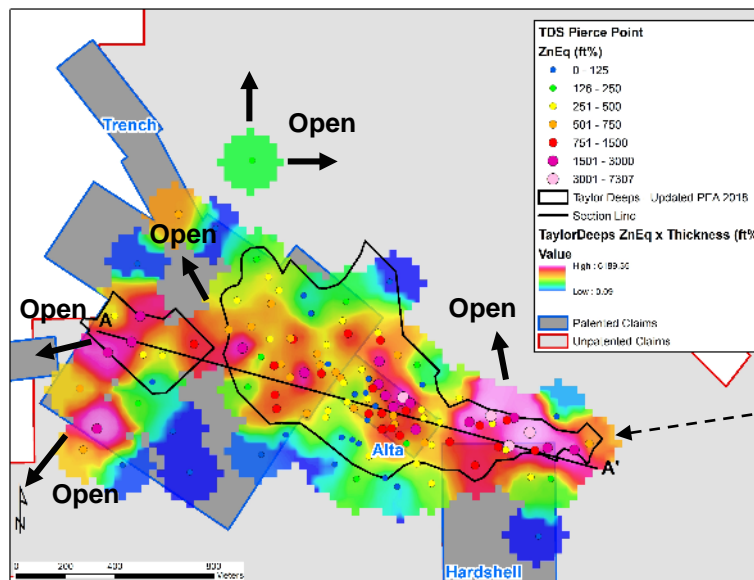
High grade
zinc-lead-silver
resource^(a)

Progressing studies,
resource drilling and
infrastructure build

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

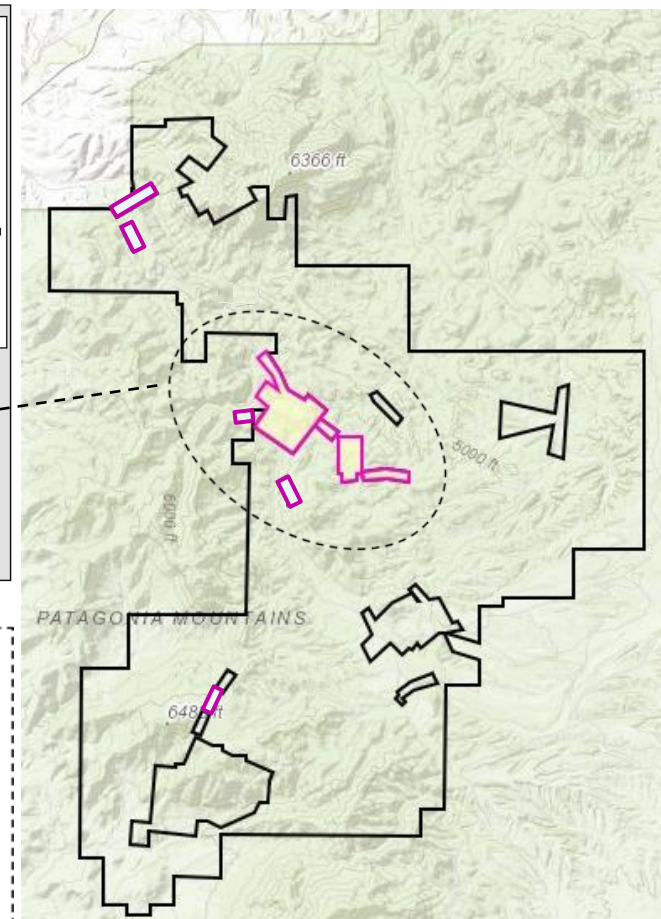
Regional exploration
targets identified

Taylor deposit outline^(c)



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:

- Refer to important notices (slide 2) for additional disclosure.
- Mineral Resources in accordance with the JORC Code.
- For ZnEq (%) and ZnEq x Thickness (ft%) calculations, refer to Arizona Mining's Updated Preliminary Economic Assessment released 16 January 2018 (www.sedar.com).

Eagle Downs Metallurgical Coal project



50% interest and operating control

Fully permitted, partially developed mine

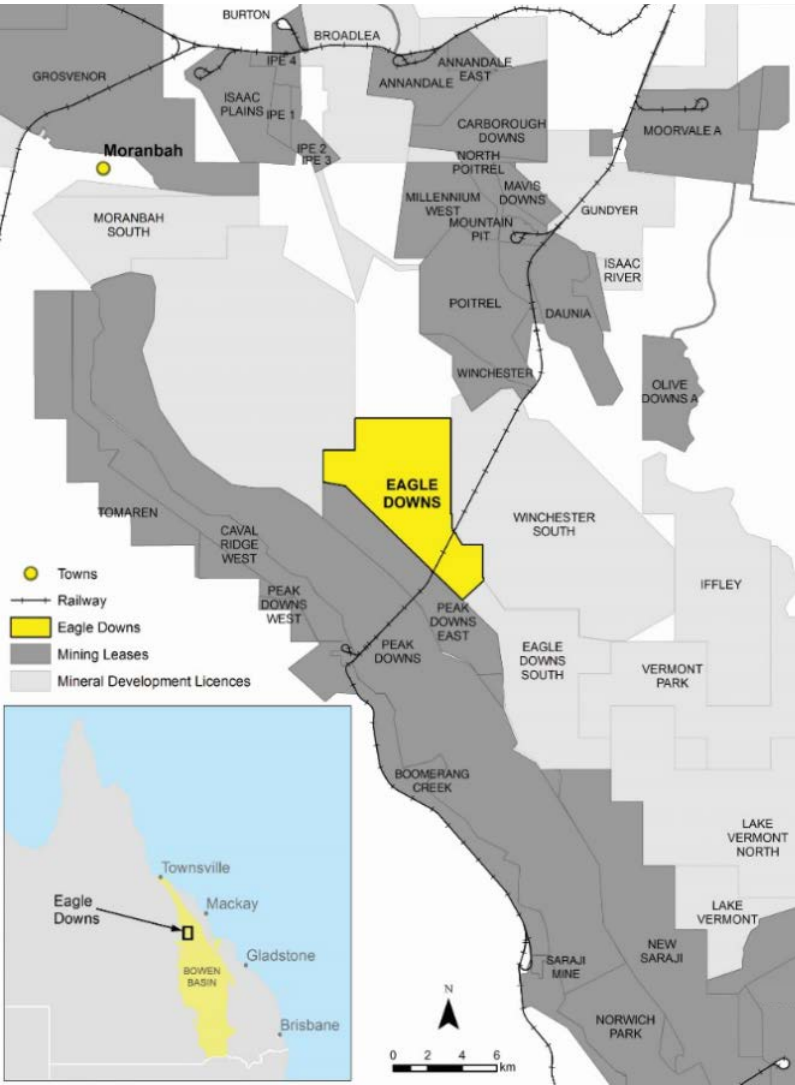
Initial capital expenditure guidance of US\$7M (South32 share) in FY19 to advance project studies

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

Review of existing development plan completed in H1 FY19

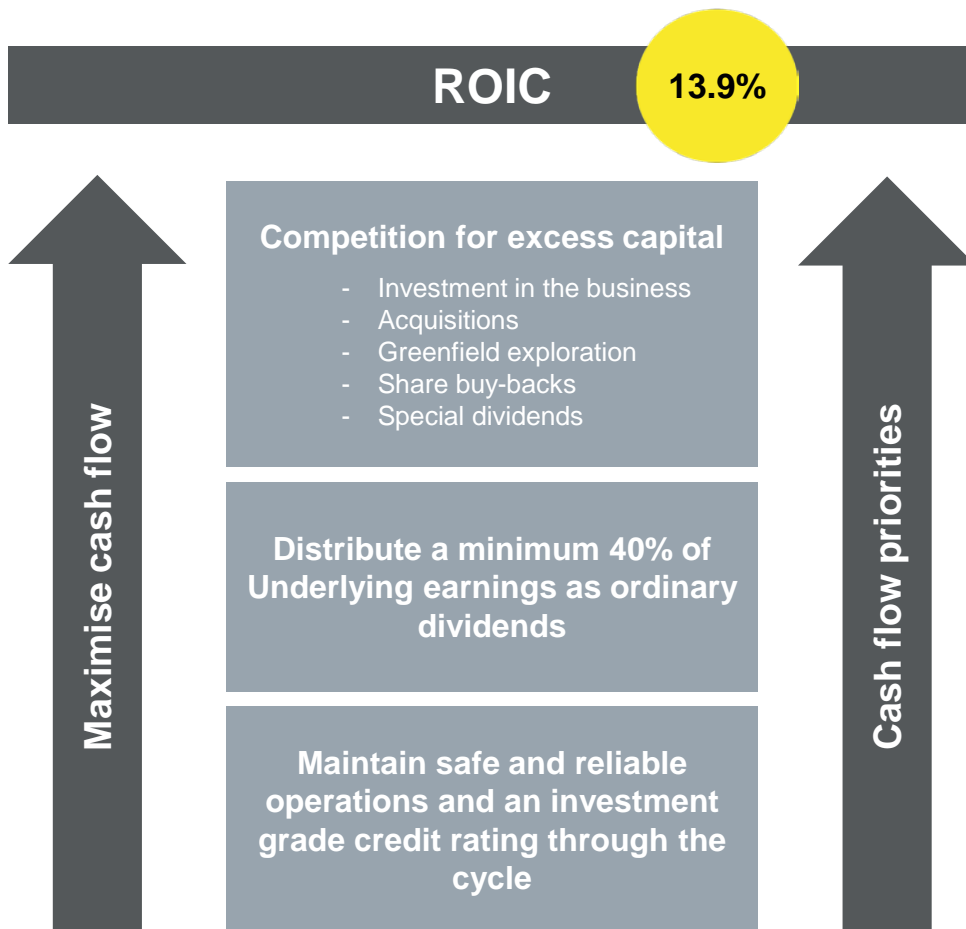
Final investment decision expected in H2 FY20

Eagle Downs location map

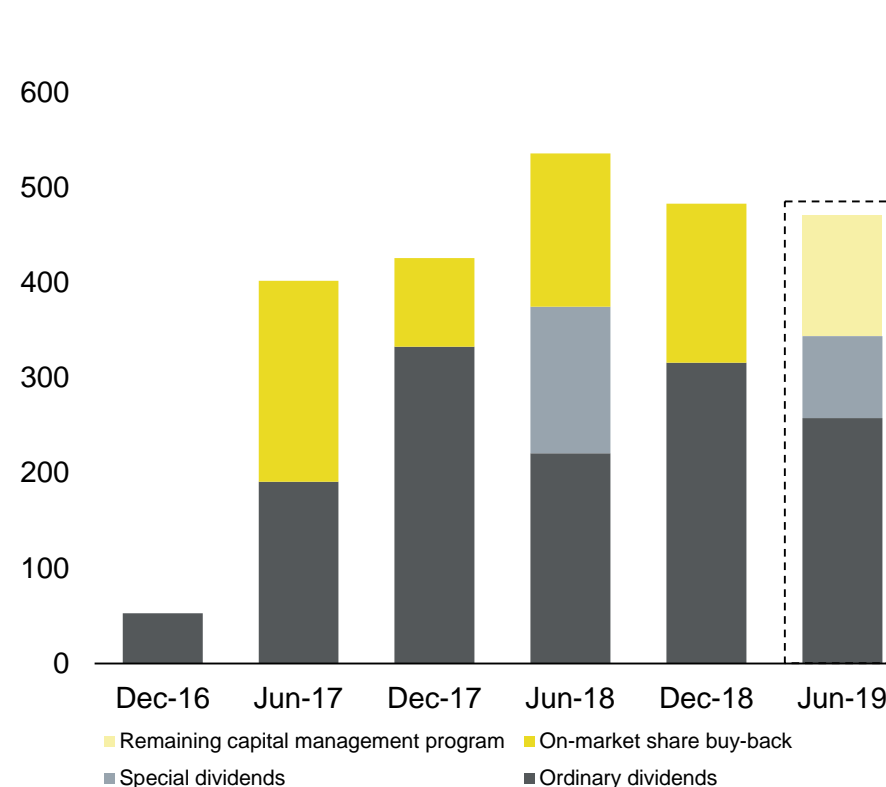


Notes:
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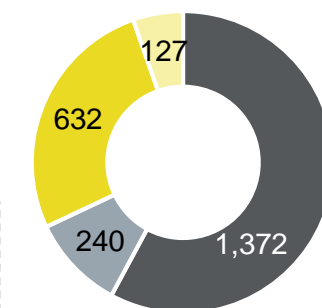
Our capital management framework has allowed us to return US\$2.4B to shareholders in respect of the last three years, equivalent to 20% of our market capitalisation^(a)



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



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



Dividends announced 14 February and remaining capital management program

Notes:

a. 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.

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Operating margin 38%

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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).

