



ASX CEO CONNECT

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22 MARCH 2018



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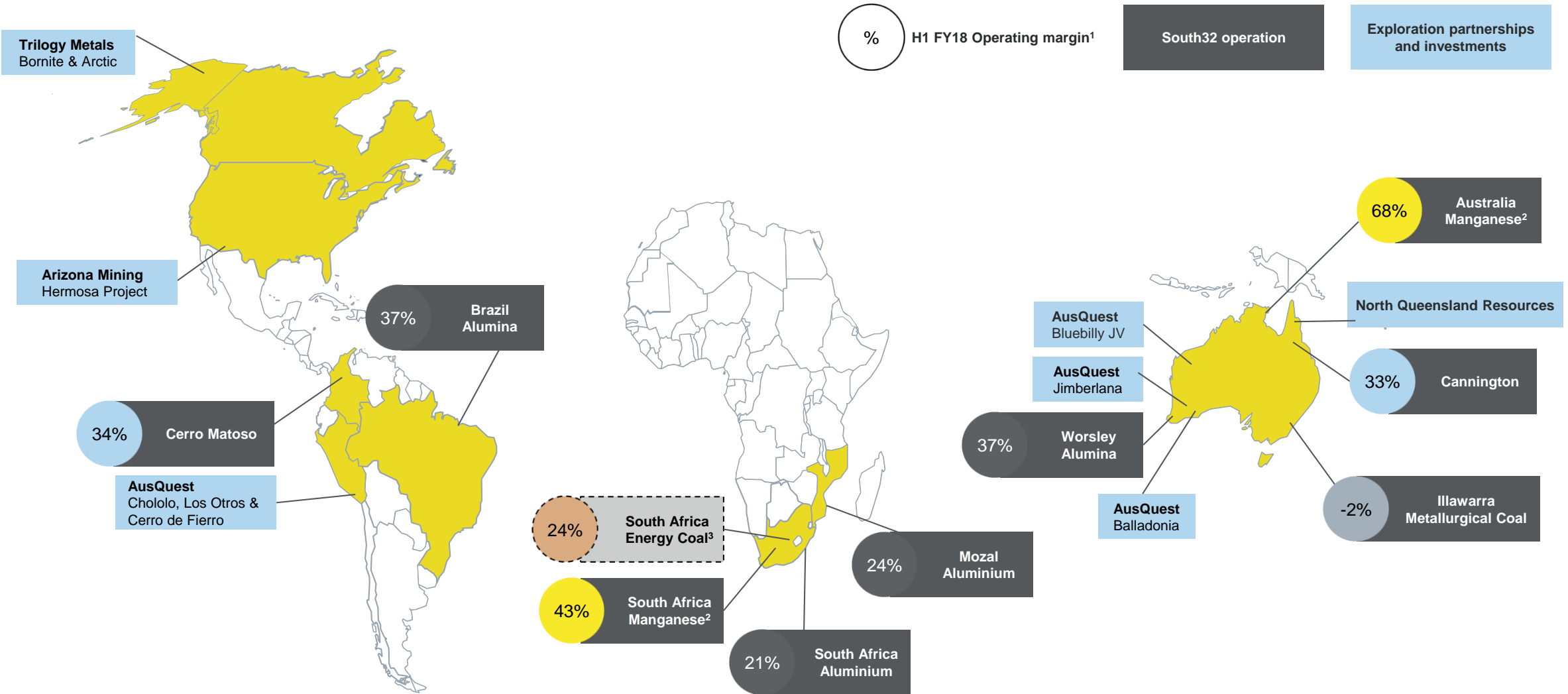
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MINERAL RESOURCES AND ORE RESERVES

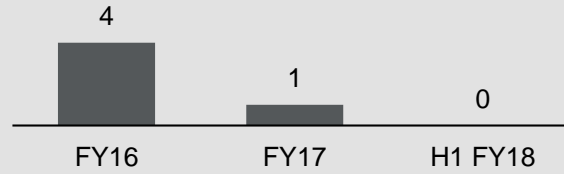
The information in this announcement that relates to the Ore Reserve estimates of Cannington was declared as part of South32's Annual Resource and Reserve declaration in the FY17 Annual Report (www.south32.net) issued on 14 September 2017. The information in this announcement that relates to Mineral 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.

OUR PORTFOLIO

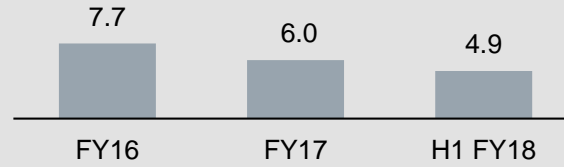


SUSTAINABILITY PERFORMANCE

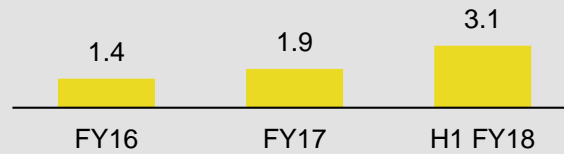
Fatalities^(a)



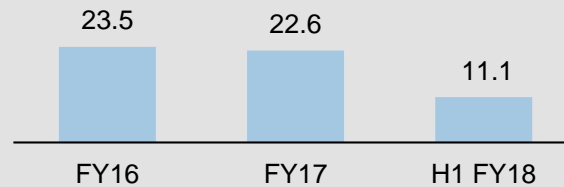
TRIF^(a)



EOI^(a)



GHG emissions^{(a)(b)} (Mt CO₂-e)



Notes:

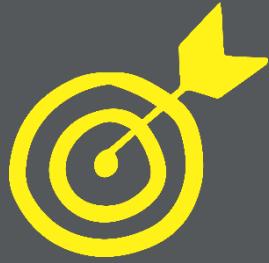
a. Fatalities, Total Recordable Injury Frequency (TRIF) per million hours worked and Employee Occupational Illness (EOI) per million hours worked, are all calculated in accordance with the United States Government Occupational Safety and Health Assessment (OSHA) guidelines for the recording and reporting 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 ⁴	
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 ⁵	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.



**Optimise the performance of
our existing operations**

Safety
People
Operating excellence
ROIC



Unlock their potential

Convert high value
resource to reserve



Identify new opportunities

Increase competition for capital

Optimise portfolio with
increasing exposure to
base metals

**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

**Net Cash
US\$1.4B**

**H1 FY18 total dividends
US\$378M**

**Expanded capital
management program
+US\$250M to US\$1B**

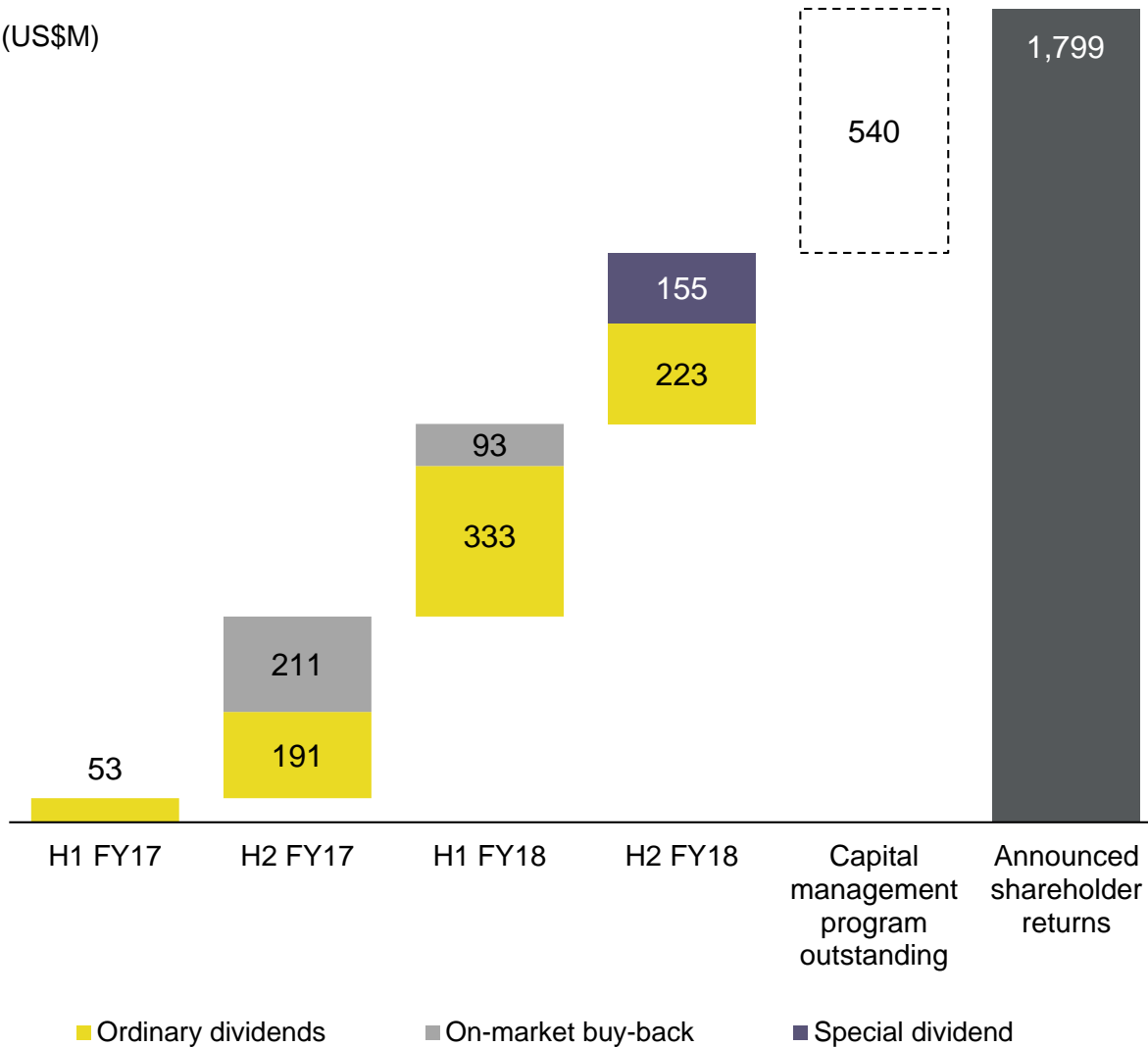
**Embedding
high quality options**

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

SHAREHOLDER RETURNS



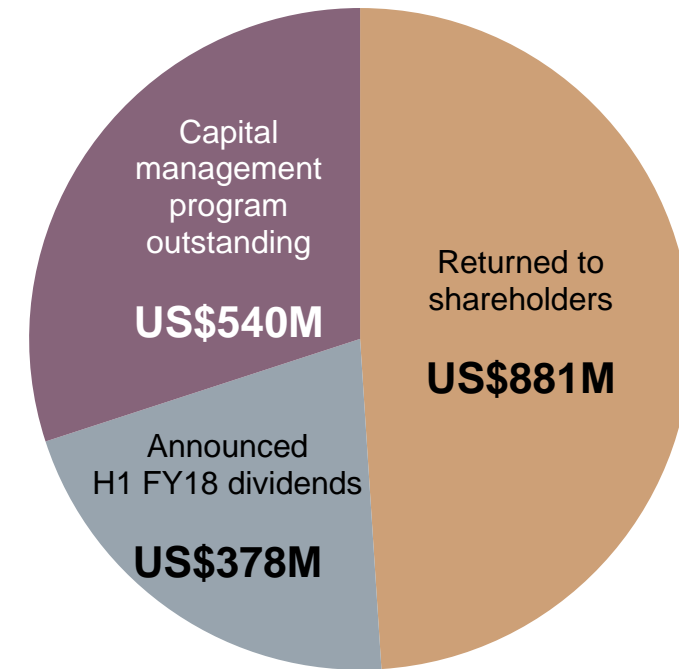
(US\$M)



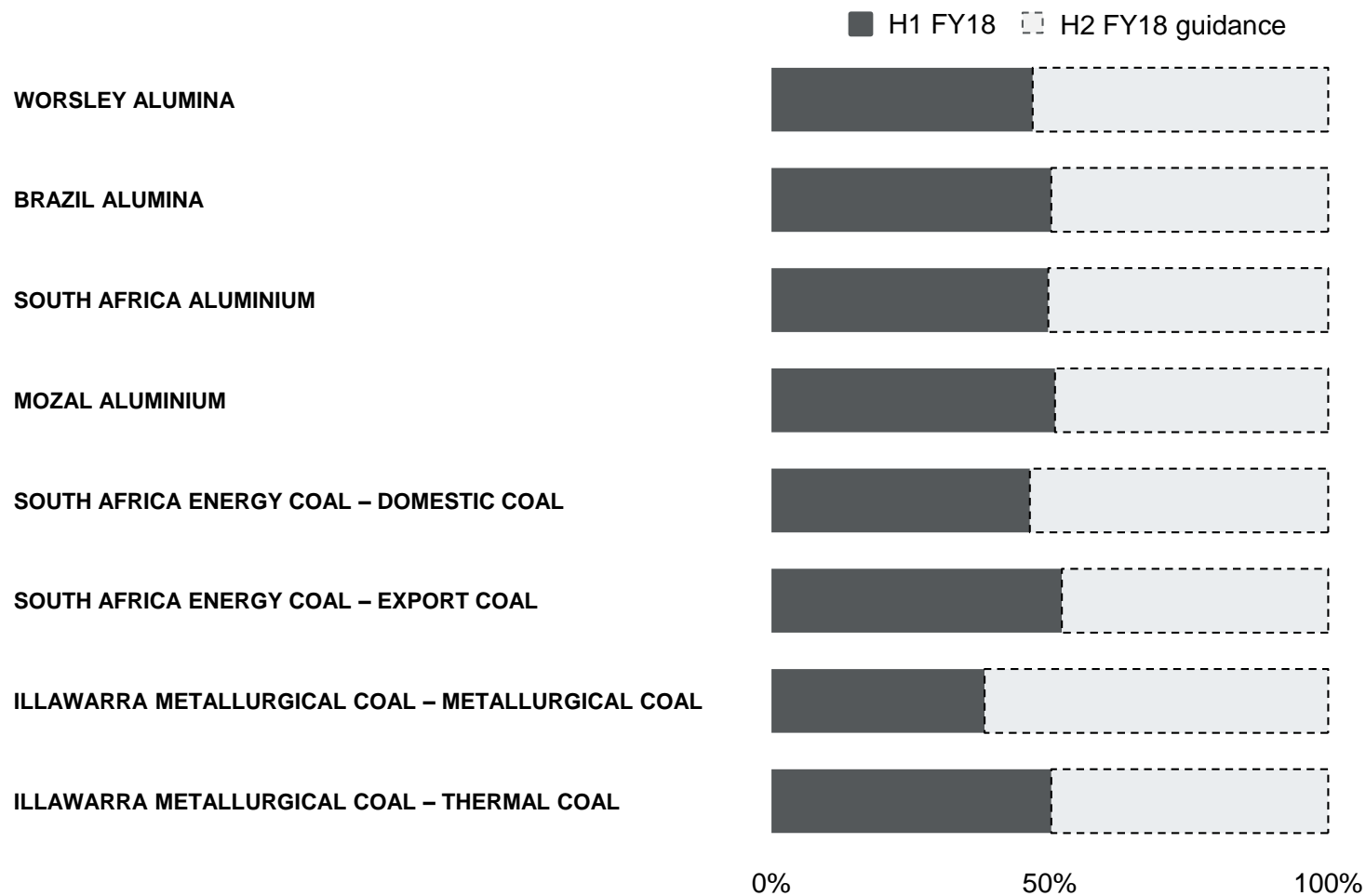
Since FY16, announced total of **US\$1.8B** shareholder returns

- 98% of Underlying earnings
- 63% of Free cash flow, including distributions from equity accounted investments
- 11% of market capitalisation⁶

While retaining Balance Sheet flexibility

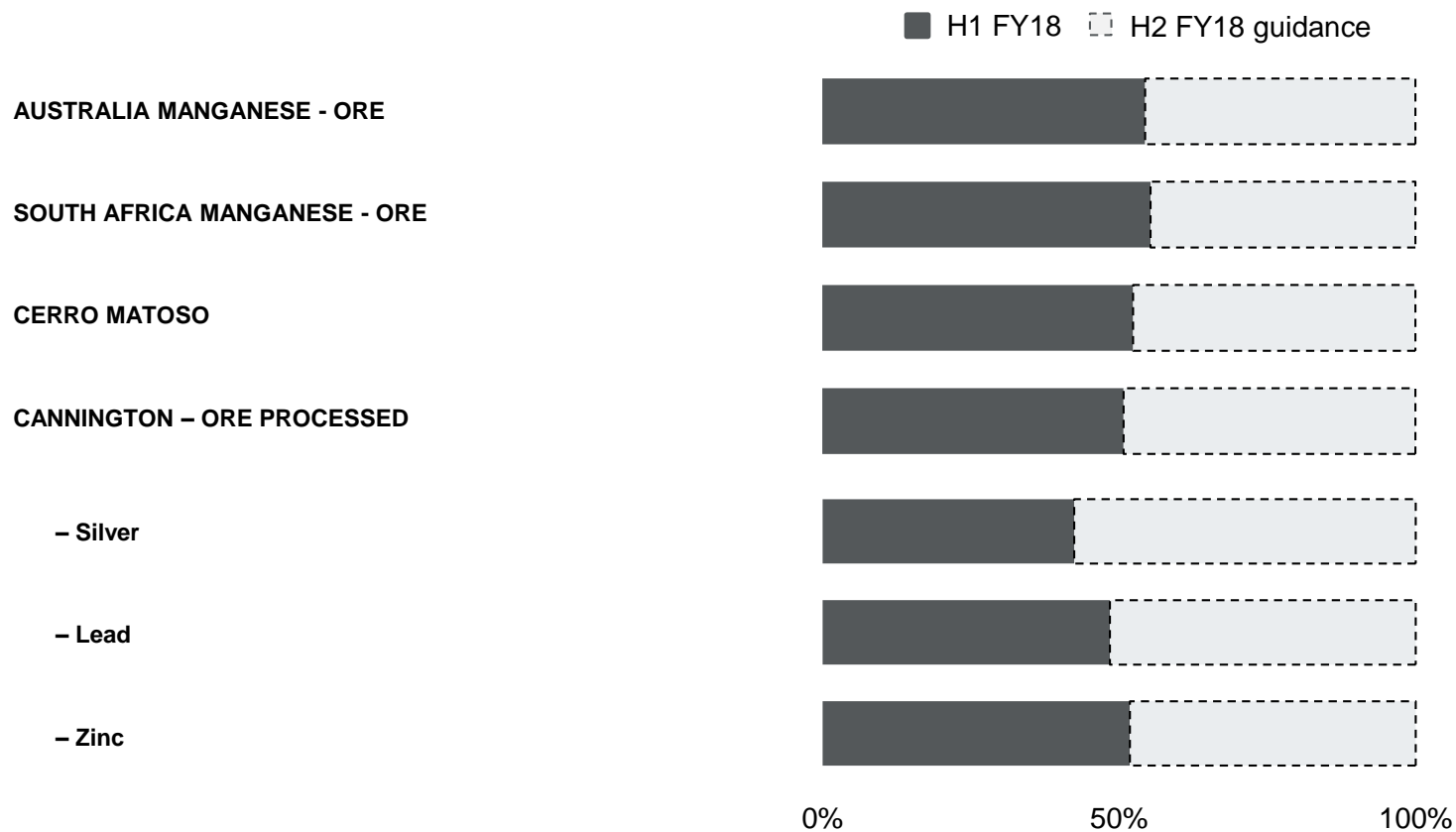


FY18 PRODUCTION GUIDANCE



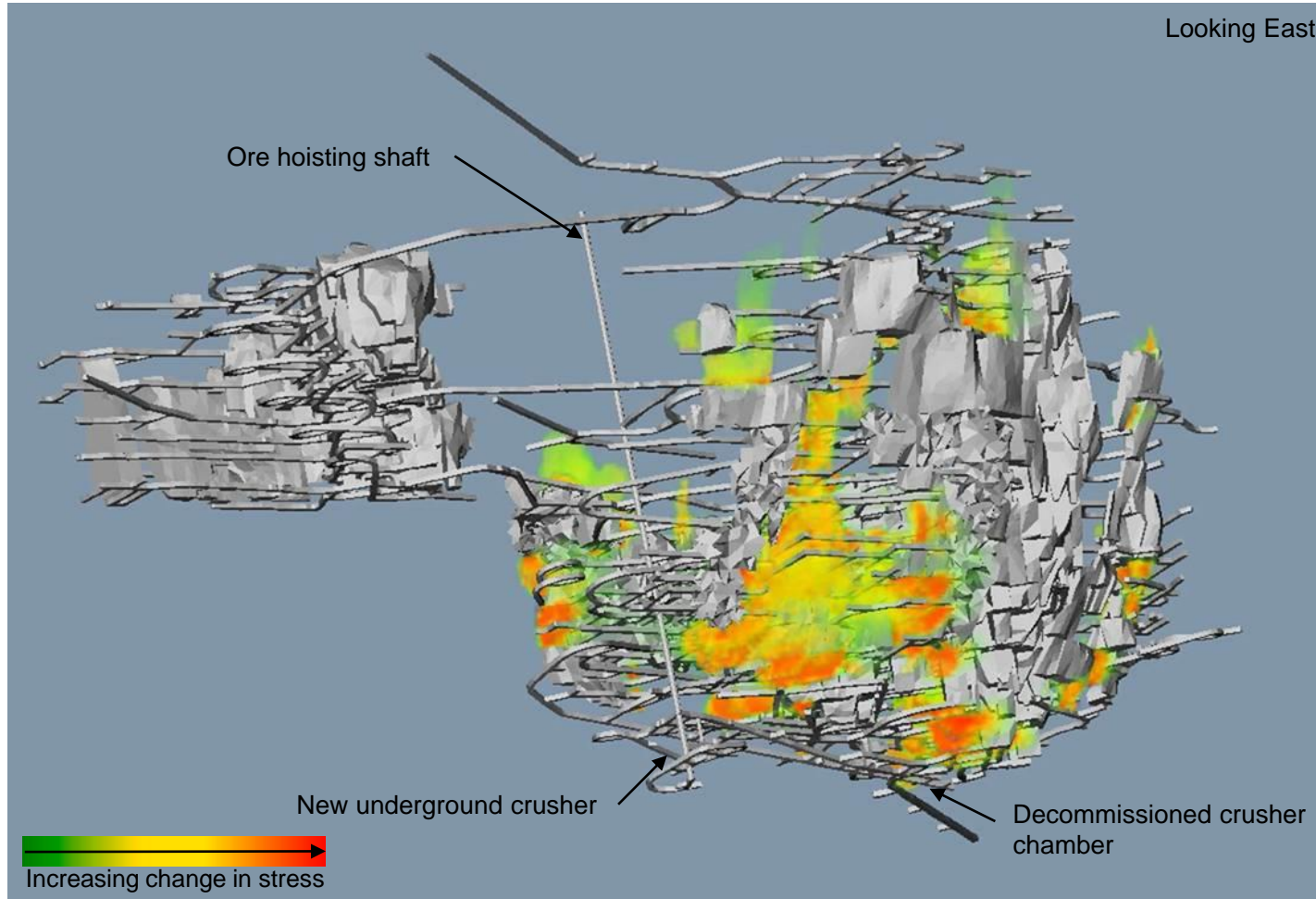
FY17 Actual	FY18 Guidance	Commentary
3,892kt	3,975kt	Input circuit operating at a rate of 4.5Mtpa (100% basis)
1,329kt	1,345kt	On-track to achieve record production in FY18
714kt	720kt	On-track for increase in FY18
271kt	269kt	Record production in H1 FY18 following FY17 production record
16,717kt	16,000kt	Development of new mining areas progressing to plan
12,196kt	11,500kt	
5,697kt	3,350kt	Single longwall configuration at Appin for remainder of FY18
1,376kt	1,150kt	

FY18 PRODUCTION GUIDANCE



FY17 Actual	FY18 Guidance	Commentary
2,994kwmt	3,125kwmt	Record production in H1 FY18 On-track for increase in FY18
2,038kwmt	2,040kwmt	On-track for increase in FY18
36.5kt	41.6kt	On-track for increase in FY18
3,036kdmmt	2,300kdmmt	FY18 mining rates reduced Average silver and lead grades to remain around reserve grade levels
15,063koz	12,200koz	
132kt	102kt	
70kt	39kt	

Change in stress regime at Cannington (FY16 to FY18)



Increased rates of deformation in the underground mine

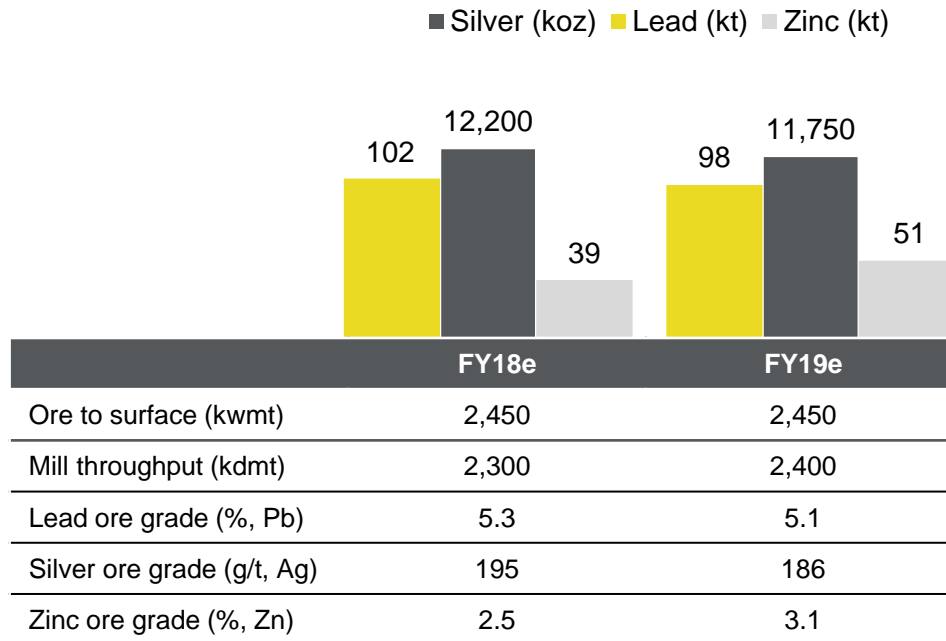
With orebody depletion, stress regime is evolving and we are shifting into more challenging parts of the mine plan

Additional rehabilitation requirements in support of infrastructure

More challenging draw points

Less consistent stope extraction and productivity

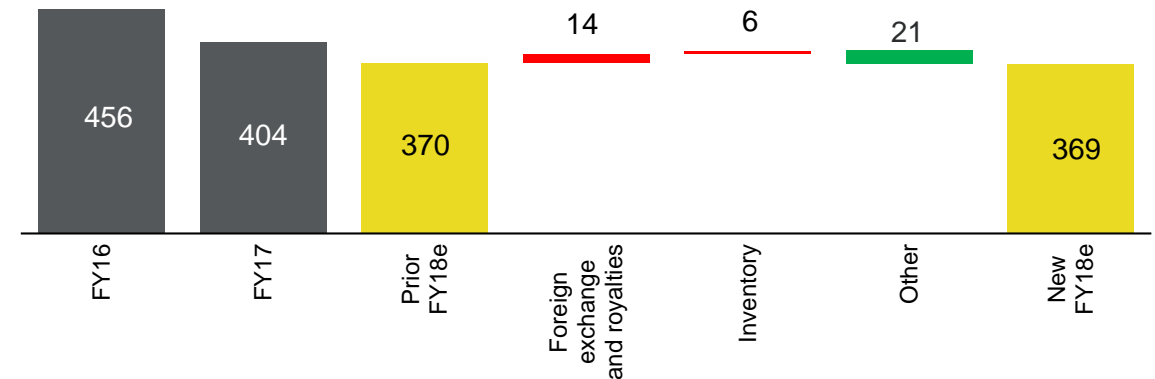
Payable metal production and guidance



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 completed 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

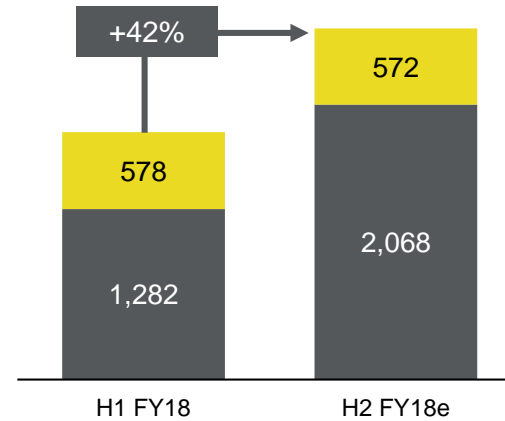
Transform culture and performance

Phase III

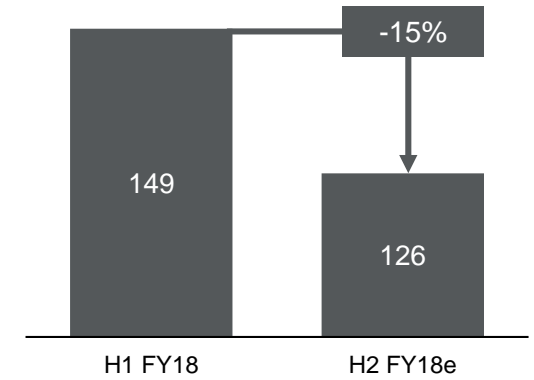
Ability to safely return operation to historical levels of production

FY18 half-on-half production (kt)

■ Metallurgical Coal ■ Energy Coal



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



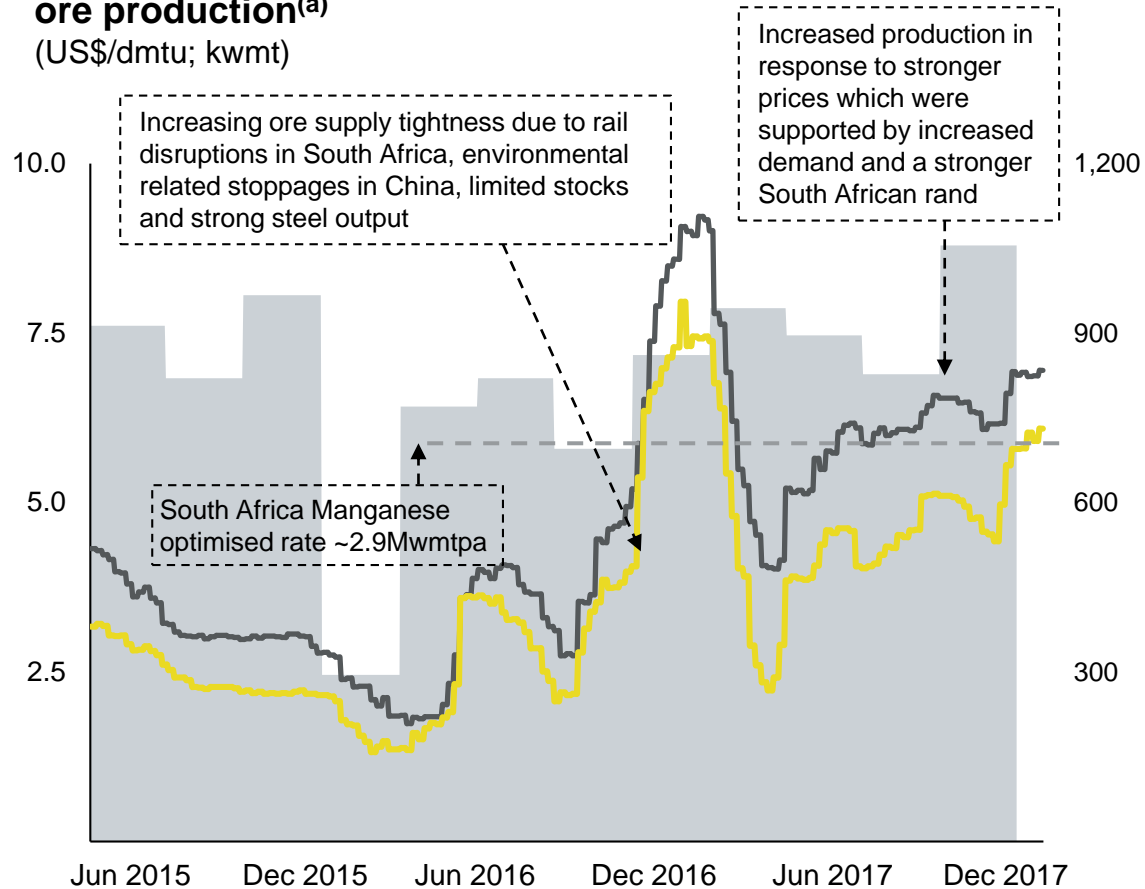
FY18 production guidance and our forward plan for Illawarra Metallurgical Coal remain unchanged

- 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\$/dmtu; kwmt)



South Africa Manganese ore production (100% basis)
 MB 44% CIF China
 MB 37% FOB South Africa

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



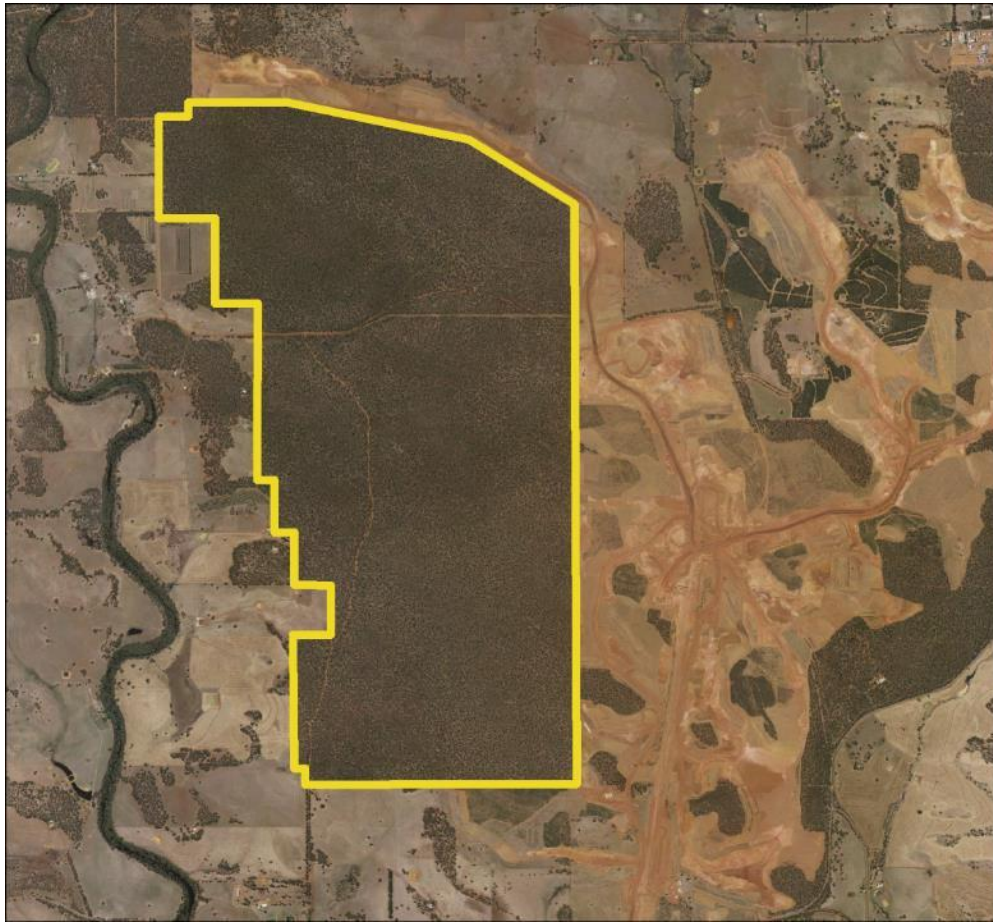
Platts FOB Australia

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

Notes:

a. Source: Metal Bulletin, South32 analysis (2 January 2015 to 31 January 2018).

b. Source: Platts, South32 analysis (1 September 2016 to 31 January 2018).



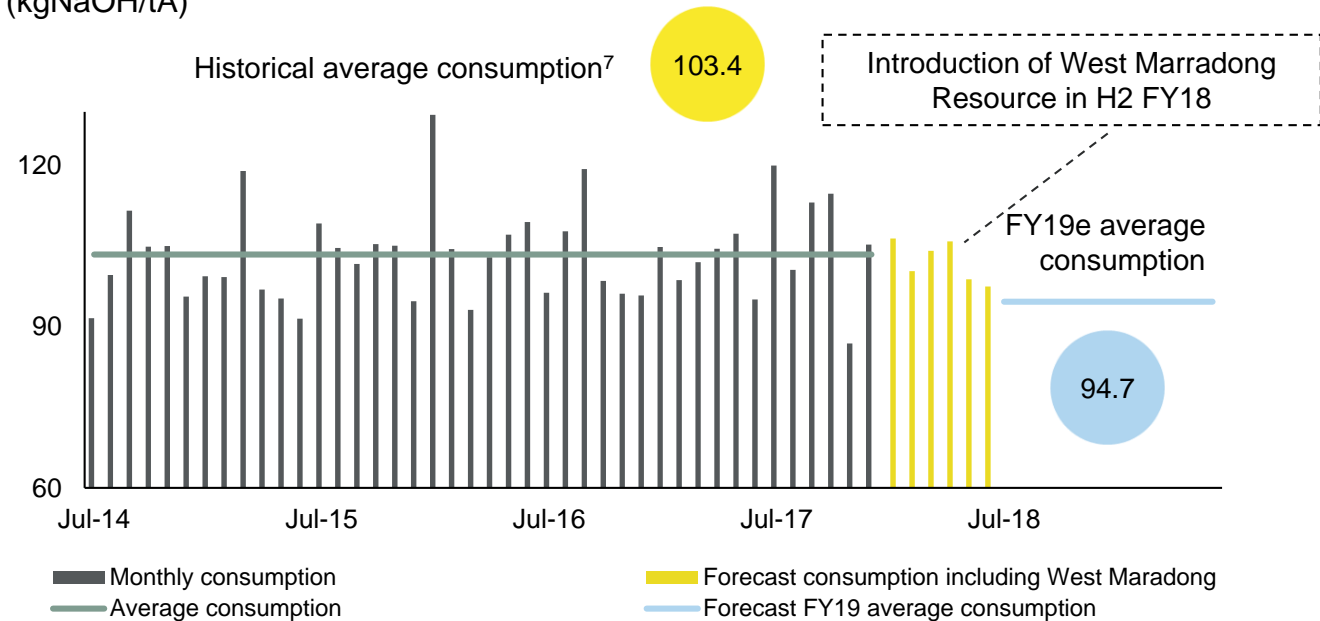
West Marradong adds 74Mt of higher quality bauxite to the Worsley Mineral Resource^(a)

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

Lower reactive silica	Adjacent to existing infrastructure	Defers capital spend
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Converting high quality West Marradong resource to reserve will unlock significant value

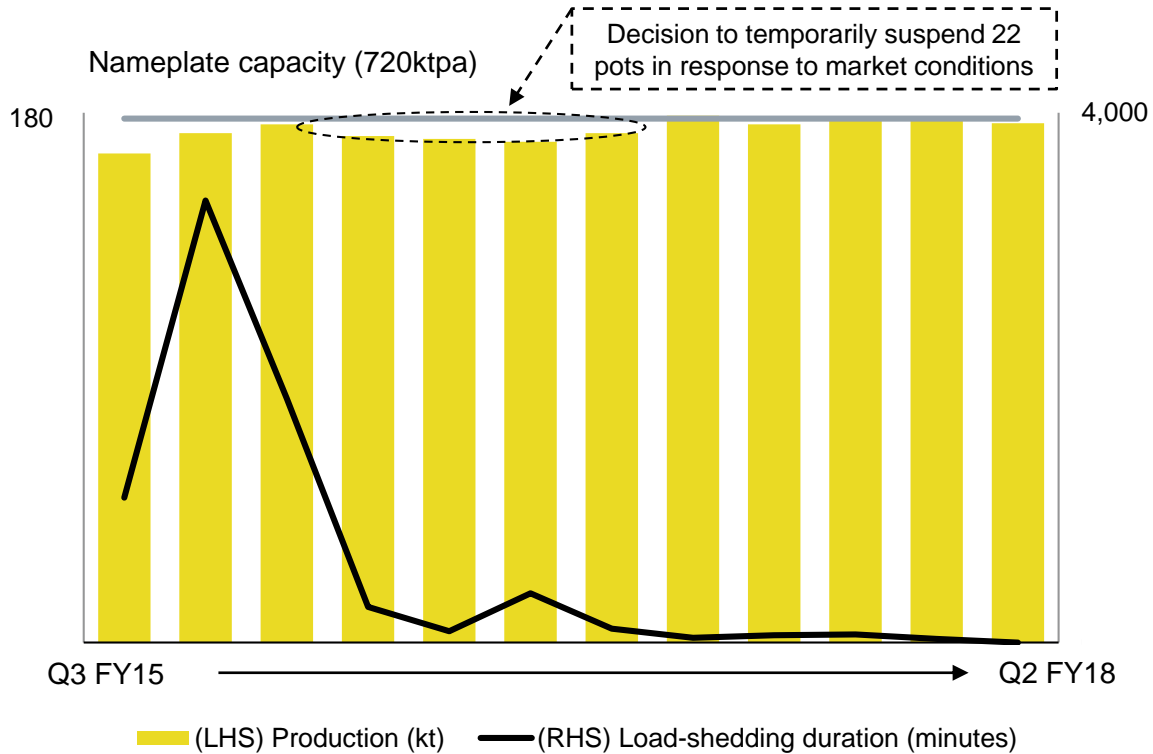
Caustic soda consumption to 31 December 2017 (kgNaOH/tA)



Notes:

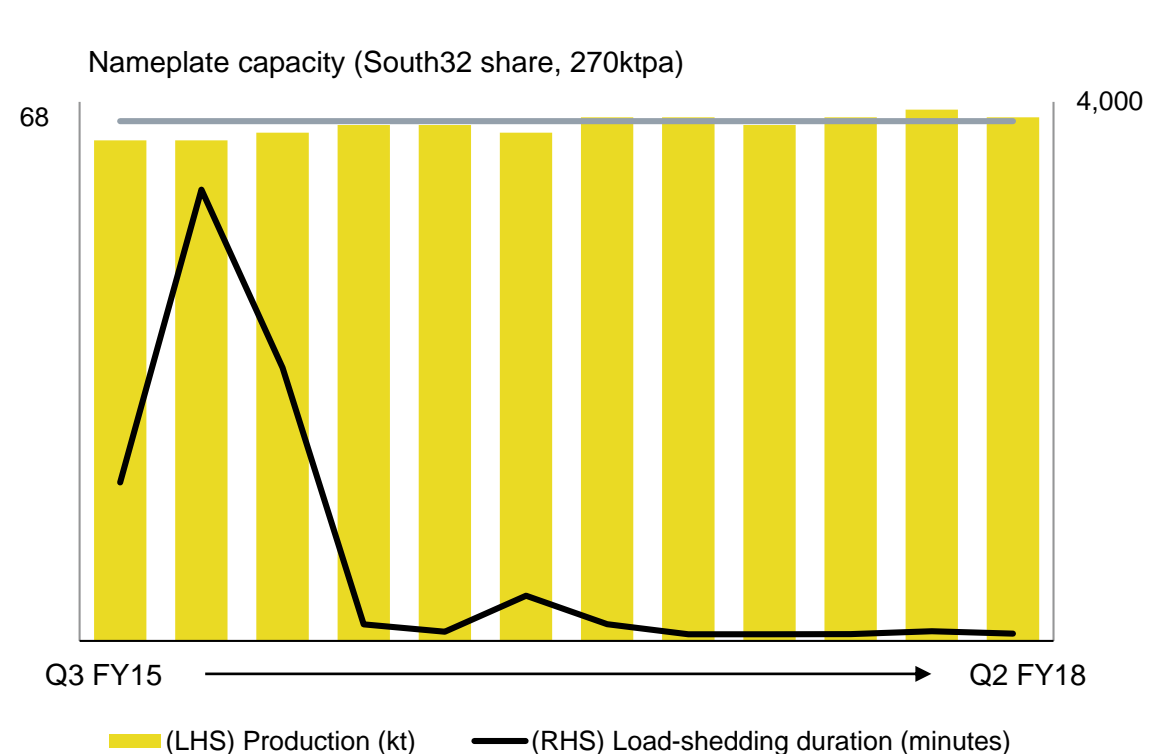
a. West Marradong Mineral Resources consist of 27Mt measured, 40Mt indicated and 7Mt inferred Mineral Resources.

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

**Consistent application
of our strategy**

**Sustainably improving
performance**

**Working opportunities across
our portfolio to unlock value**

**Further simplifying our
structure**

**Embedding
high quality options**

**Substantially increasing
returns to shareholders**

Notes:

1. Operating Margin shows Underlying EBITDA margin by commodity group for H1 FY18, excluding third party products.
2. Australia Manganese comprises GEMCO ore and TEMCO alloy operations. South Africa Manganese includes Hotazel ore and Metalloys operations. Operating margins for ore businesses only.
3. Refer to market announcement dated 27 November 2017 "South Africa Energy Coal to become a stand-alone business".
4. All as at 31 December 2017. H1 FY18 information is unaudited.
5. Leadership measure reflects the range of outcomes for our various Regional, Marketing and Corporate teams.
6. 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.
7. Average consumption between 1 July 2014 and 31 December 2017.

