APPENDIX 4E

SOUTH32 LIMITED

(ABN 84 093 732 597)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

This page and the accompanying 39 pages comprise the year end financial information given to the Australian Securities Exchange (ASX) under Listing Rule 4.3A. This statement includes the unaudited consolidated results of the South32 Group for the year ended 30 June 2018 (FY18) compared with the year ended 30 June 2017 (FY17) on a statutory basis.

US$M	FY18	FY17	%
Revenue	7,549	6,950	up 9%
Profit/(loss) after tax	1,332	1,231	up 8%
Underlying earnings	1,327	1,146	up 16%

Net tangible assets per share

Net tangible assets per ordinary share were US$2.05 as at 30 June 2018 (US$1.91 as at 30 June 2017).

Dividends

The Board has resolved to pay a final dividend of US 6.2 cents per share (fully franked) for the year ended 30 June 2018.

The record date for determining entitlements to dividends is 14 September 2018; payment date is 11 October 2018.

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Financial Results and Outlook
Year ended 30 June 2018

23 August 2018 **ASX, LSE, JSE Share Code: S32 ADR: SOUHY**

South32 produces strong financial results while reshaping its portfolio

“Stronger commodity prices and our efforts to mitigate inflationary pressure delivered a 16 per cent increase in Underlying earnings to US$1.3B, free cash flow from operations of US$1.4B and a closing net cash balance of US$2.0B.

“We achieved record production at Australia Manganese and Mozal Aluminium, delivered a 10 per cent increase in total manganese ore production and a 20 per cent increase in payable nickel production at Cerro Matoso. At the same time our fully integrated aluminium supply chain benefitted from tight markets by virtue of our predominantly index-linked 3.2 million tonne long alumina position.

“The decision to manage South Africa Energy Coal as a stand-alone business has also allowed us to collapse our regional model and simplify the Group, and is expected to deliver a US$50M annual cost saving from the 2020 financial year. We will also commence a process to broaden South Africa Energy Coal’s ownership in the September 2018 quarter.

This new way of working is not only lean but also scalable, allowing us to expand our global footprint and invest in opportunities where we can create value. During the year, we entered into a conditional agreement to acquire a 50 per cent interest in the Eagle Downs project, exercised the second year of our Trilogy Metals option and have increased our commitment to exploration with 18 partnerships for greenfield base metal projects now established. Subsequent to year end, we also completed the acquisition of Arizona Mining, adding the high grade zinc-lead-silver Hermosa project and a prospective land package to our portfolio.

“Our strong financial position allowed us to return US$946M to shareholders in respect of the period. This included payment of a US$221M fully franked interim dividend and declaration of a US$317M fully franked final dividend in accordance with our dividend policy. A further US$408M was returned to shareholders as part of our ongoing US$1B capital management program with the remaining US$380M balance expected to be returned to shareholders in the 2019 financial year.

“Looking ahead, we are well positioned. Group production is expected to rise by 5 per cent in the 2019 financial year, further productivity gains and functional cost savings are expected to mitigate industry wide inflationary pressure and we have added high quality development options to our portfolio.”

Graham Kerr, South32 CEO

Financial highlights			
US$M	**FY18**	**FY17**	**% Change**
Revenue[1]	7,549	6,950	9%
Profit/(loss)	1,719	1,795	(4%)
Profit/(loss) after tax	1,332	1,231	8%
Basic earnings per share (US cents)[2]	25.8	23.2	11%
Ordinary dividends per share (US cents)[3]	10.5	10.0	5%
Special dividends per share (US cents)[4]	3.0	-	N/A
Other financial measures			
Underlying EBITDA[5]	2,516	2,411	4%
Underlying EBITDA margin[6]	37.3%	38.9%	(1.6%)
Underlying EBIT[5]	1,774	1,648	8%
Underlying EBIT margin[7]	26.2%	26.6%	(0.4%)
Underlying earnings[5]	1,327	1,146	16%
Basic Underlying earnings per share (US cents)[2]	25.7	21.6	19%
ROIC[8]	13.5%	11.4%	2.1%

2018 Financial Year Summary

Safety

The most important thing we can all do is to make sure that everyone goes home safe and well at the end of every shift. It is with deep regret that one of our colleagues was fatally injured whilst working at our Metalloys Manganese Smelter in South Africa on 12 April 2018. A detailed investigation led by a member of our Lead Team was undertaken as we seek to understand and learn from this incident. The results were reviewed by the CEO, management team and Board.

We are committed to improving safety at our operations to avoid, mitigate and manage risk. We are doing this by creating an inclusive workplace where all work is well-designed and we continuously improve and learn. Our Total Recordable Injury Frequency (TRIF)[(9)(10)] was 5.1 per million hours worked, an improvement of 16% on last year's TRIF of 6.1[(11)] per million hours worked.

Performance summary

The Group's statutory profit after tax increased by 8% to US$1.3B in FY18, while Underlying earnings increased by 16% (or US$181M) to US$1.3B. This significant increase in profitability was driven by stronger commodity prices, which were only partially offset by a 7%[(12)] decrease in sales volumes and broader inflationary pressure, most notably in our aluminium supply chain. Free cash flow from operations, including net distributions from equity accounted investments, of US$1.4B and an increase in our net cash balance to US$2.0B allowed us to acquire Arizona Mining and announce the acquisition of a 50% interest in the Eagle Downs metallurgical coal project with fully-funded cash offers amounting to US$1.4B.

The key factors that impacted financial performance included:

- A US$349M increase in the contribution of our alumina refineries to Underlying EBITDA and a 10% increase in their combined Operating margin to 40% as we benefited from our long alumina position and our exposure to market prices for the vast majority of production;
- A 10% increase in total manganese ore production, including record production at Australia Manganese, as we continued to respond to strong demand and pricing;
- Record production at Mozal Aluminium, as the smelter continued to test its technical capacity;
- A 20% increase in payable nickel production at Cerro Matoso as ore grades improved temporarily following the ramp up of La Esmeralda;
- A 40% decrease in Illawarra Metallurgical Coal production as the Appin colliery was suspended for much of H1 FY18 as we sought to re-establish minimum performance criteria; and
- Strong cost control as the majority of our upstream operations achieved Operating unit cost guidance, despite broader inflationary pressure.

Our strong financial position allowed us to return US$946M to shareholders in respect of the period. This included payment of a US$221M fully franked interim dividend and declaration of a US$317M fully franked final dividend in accordance with our dividend policy, which seeks to return a minimum 40% of Underlying earnings in each six month period. A further US$408M was returned to shareholders as part of our ongoing capital management program, with US$254M allocated to our on-market share buy-back program and US$154M returned in the form of a special dividend. Our capital management program was increased by US$250M to US$1B during FY18 with the remaining US$380M balance expected to be returned to shareholders in FY19.

Reshaping our portfolio

In November 2017 we announced our intention to manage South Africa Energy Coal as a stand-alone business in order to improve the operation's competitiveness and ensure its ongoing sustainability. We are well advanced in our implementation of this important strategic initiative having appointed a separate leadership team with its own governance framework. We also approved a 4.3B[(13)] South African rand investment to extend the life of the Klipspruit colliery by at least 20 years and will commence a process to broaden South Africa Energy Coal's ownership in the September 2018 quarter, consistent with our commitment to further transform our South African operations.

The decision to establish South Africa Energy Coal as a stand-alone business has also allowed us to simplify the Group by collapsing our regional operating model, consolidating our support structures and changing the way we work. This fundamental redesign of South Africa Energy Coal and the Group's functions is expected to deliver an annual saving of US$50M from FY20, further mitigating industry wide inflationary pressure.

This new way of working is not only lean but also scalable, allowing us to expand our global footprint and invest in opportunities where we can create value. In FY18 we:

- Entered into a conditional agreement to acquire a 50% interest in the Eagle Downs metallurgical coal project in Queensland;
- Exercised the second year of our Trilogy Metals (TSX:TMQ) option, to fully test the high grade copper extension at the Bornite deposit in Alaska; and
- Increased our commitment to exploration with 18 partnerships for greenfield base metal projects now established in Australia, the Americas and Sweden.

Subsequent to year end, we also completed the acquisition of Arizona Mining, adding the Hermosa project's high grade zinc-lead-silver resource[14] and a prospective land package to our portfolio.

Earnings

The Group's statutory profit after tax increased by US$101M (or 8%) to US$1.3B in FY18. Consistent with our accounting policies, various items are excluded from the Group's statutory profit to derive Underlying earnings including: redundancy and restructuring charges associated with the simplification of the Group's functional structures and the voluntary redundancy program undertaken at Illawarra Metallurgical Coal (US$58M pre-tax); exchange rate gains associated with the restatement of monetary items (US$15M pre-tax); losses on fair value movements of non-trading derivative instruments (US$73M pre-tax); exchange rate gains associated with the Group's non US dollar denominated net debt (US$23M pre-tax); the tax expense for all pre-tax earnings adjustments and exchange rate variations on tax balances (-US$37M); earnings adjustments included in the profit of our equity accounted investments (-US$30M) and significant items (-US$31M pre-tax). Further information on these earnings adjustments is included on page 36.

On this basis, the Group generated Underlying EBITDA of US$2.5B for an operating margin of 37% as higher realised prices for the majority of our commodities gave rise to a US$599M increase in sales revenue. The Group's cost base was primarily impacted by external inflationary pressure, including stronger producer currencies and raw material input costs, that more than offset broader equipment productivity and energy procurement initiatives that were embedded across our portfolio. Inflationary pressure was most evident in our aluminium supply chain as caustic soda, energy, coke, pitch and alumina prices moved sharply higher with commodity markets. Underlying EBIT increased by 8% to US$1.8B as depreciation and amortisation decreased with the reduction in production volumes, while Underlying earnings increased by 16% to US$1.3B.

Profit/(loss) to Underlying EBITDA reconciliation

US$M	FY18	FY17
Profit/(loss)	1,719	1,795
Earnings adjustments to derive Underlying EBIT	55	(147)
Underlying EBIT	**1,774**	**1,648**
Depreciation and amortisation	742	763
Underlying EBITDA	**2,516**	**2,411**

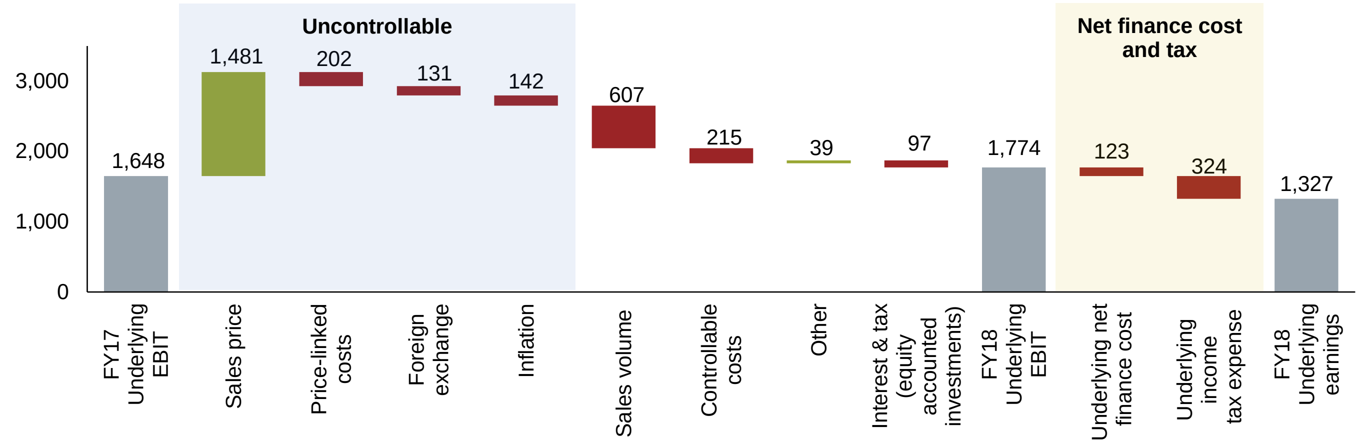
Profit/(loss) after tax to Underlying earnings reconciliation

US$M	FY18	FY17
Profit/(loss) after tax	1,332	1,231
Earnings adjustments to derive Underlying EBIT	55	(147)
Earnings adjustments to derive Underlying net finance cost	(23)	35
Earnings adjustments to derive Underlying income tax expense	(37)	27
Underlying earnings	**1,327**	**1,146**

Earnings analysis

The following key factors influenced Underlying EBIT in FY18, relative to FY17.

Reconciliation of movements in Underlying EBIT (US$M)[15][16][17]



Earnings analysis	US$M	Commentary
FY17 Underlying EBIT	**1,648**	
Change in sales price	1,481	Higher average realised prices for our commodities, including: Aluminium and alumina (+US$715M) Manganese ore and alloy (+US$309M) Energy coal (+US$237M) Nickel (+US$114M)
Net impact of price-linked costs	(202)	Higher smelter raw material costs (-US$86M), including pitch and coke Higher caustic soda prices (-US$84M) Higher LME-linked electricity costs at South Africa Aluminium (-US$31M) Higher freight rates (-US$26M) Higher bauxite costs at Brazil Alumina (-US$22M) Higher price-linked royalties more than offset by the impact of lower volumes (+US$23M) Lower negotiated treatment and refining charges for Cannington concentrates (+US$38M)
Change in exchange rates	(131)	Stronger South African rand (-US$82M) and Australian dollar (-US$47M)
Change in inflation	(142)	Broader inflationary pressure in Southern Africa (-US$85M), Australia (-US$36M) and other jurisdictions (-US$21M)
Change in sales volume	(607)	Illawarra Metallurgical Coal (-US$525M) Cannington (-US$221M) Australia Manganese (+US$58M) Cerro Matoso (+US$68M)
Controllable costs	(215)	Higher contractor, labour, freight, maintenance and greenfield exploration costs across our operations, including: South Africa Energy Coal (-US$106M) Australia Manganese (-US$25M) Brazil Alumina (-US$25M)
Other	39	Lower depreciation and amortisation (+US$17M) Opportunistic sale of logistics capacity to third parties (+US$15M) EBIT on third party product (+US$13M) Recognition of provision for transmission charges at Brazil Alumina (-US$16M)
Interest & tax (equity accounted investments)	(97)	Stronger profitability in our jointly controlled manganese operations
FY18 Underlying EBIT	**1,774**	

Net finance cost

The Group's Underlying net finance cost, excluding equity accounted investments, was US$123M in FY18 and largely reflects the unwinding of the discount applied to our closure and rehabilitation provisions (US$105M) and finance lease interest (US$52M), primarily at Worsley Alumina.

Underlying net finance cost reconciliation		
US$M	**FY18**	**FY17**
Unwind of discount applied to closure and rehabilitation provisions	(105)	(98)
Finance lease interest	(52)	(52)
Other	34	14
Underlying net finance cost	**(123)**	**(136)**
Add back earnings adjustment for exchange rate variations on net debt	23	(35)
Net finance cost	**(100)**	**(171)**

Tax expense

The Group's Underlying income tax expense, which excludes tax associated with equity accounted investments, was US$324M for an Underlying effective tax rate[18] (ETR) of 27.9%. The Group's Underlying ETR reflects the geographic distribution of the Group's profit. The corporate tax rates applicable to the Group include: Australia 30%, South Africa 28%, Colombia 37%[19], Mozambique 0%[19] and Brazil 34%.

The Underlying income tax expense for manganese equity accounted investments was US$318M, including royalty related taxation of US$87M at GEMCO (Australia Manganese), for an Underlying ETR of 38.6%.

Underlying income tax expense reconciliation and Underlying ETR		
US$M	**FY18**	**FY17**
Underlying EBIT	1,774	1,648
Include: Underlying net finance cost	(123)	(136)
Remove: Share of profit/(loss) of equity accounted investments	(491)	(320)
Underlying profit/(loss) before tax	**1,160**	**1,192**
Income tax expense	**287**	**393**
Tax effect of earnings adjustments to Underlying EBIT	34	(42)
Tax effect of earnings adjustments to net finance cost	(7)	9
Exchange rate variations on tax balances	11	6
Tax effect of significant items	(1)	-
Underlying income tax expense	**324**	**366**
Underlying effective tax rate	**27.9%**	**30.7%**

Cash flow

The Group's free cash flow from operations, excluding equity accounted investments, was US$873M in FY18. Stronger prices for our commodities and higher raw material input costs contributed to a US$392M build in working capital. Increasing profitability during FY17 and FY18 also gave rise to a significant increase in income tax payments during the period (+US$179M to US$306M, excluding tax paid within equity accounted investments).

Within working capital, Trade and other receivables increased by US$153M as average days debtor reverted to 21 days during H2 FY18 (H1 FY18: 25, FY17: 18 days). With no change in customer payment terms, we expect average days debtors to remain around this level, depending on timing differences at period end. The US$99M increase in the value of inventory primarily reflects higher raw material input costs in our aluminium supply chain, while provisions and other liabilities decreased by US$118M as we continued to invest in progressive rehabilitation at South Africa Energy Coal.

Working capital movement reconciliation	
US$M	**Movement**
Trade and other receivables	(153)
Inventories	(99)
Trade and other payables	(22)
Provisions and other liabilities	(118)
Working capital movement	**(392)**

The ramp up of activity at the Klipspruit Life Extension (KPSX) project and prior weather related deferral of activity at South Africa Energy Coal contributed to a US$117M increase in Total capital expenditure[20], excluding equity accounted investments, to US$436M. This included:

- Sustaining capital expenditure, comprising Stay-in-business, Minor discretionary and Deferred stripping (including underground development) of US$368M; and
- Major project capital expenditure of US$62M relating to the KPSX project.

The purchase of intangibles and the capitalisation of exploration expenditure accounted for a further US$6M.

Total capital expenditure associated with equity accounted investments increased by US$28M to US$65M during FY18 as we invested in additional tailings storage capacity at Australia Manganese.

Total capital expenditure, including equity accounted investments, was US$501M in FY18.

Free cash flow from operations, excluding equity accounted investments		
US$M	**FY18**	**FY17**
Profit/(loss)	1,719	1,795
Non-cash items	815	585
(Profit)/loss from equity accounted investments	(521)	(312)
Change in working capital	(392)	(105)
Cash generated	**1,621**	**1,963**
Total capital expenditure, excluding equity accounted investments, including intangibles and capitalised exploration	(436)	(319)
Operating cash flows before financing activities and tax, and after capital expenditure	**1,185**	**1,644**
Interest (paid)/received	(6)	(32)
Income tax (paid)/received	(306)	(127)
Free cash flow from operations	**873**	**1,485**

We also received (net) distributions totalling US$561M from our manganese equity accounted investments in FY18, primarily comprising US$394M in dividends and US$168M from the repayment of a shareholder loan. A further US$14M in dividends was received from other investments, including Mineração Rio do Norte S.A (MRN).

Balance sheet, dividends and capital management

The Group's net cash balance increased by US$401M to finish the period at US$2.0B, after US$1.0B was returned to shareholders by way of ordinary dividends (US$554M) and our broader capital management program. As at 30 June 2018 we had completed US$620M of our approved US$1B capital management program having paid a US$154M special dividend in April 2018 and bought back a further 98M shares across FY18 for a cash consideration of US$254M.

Net cash/(debt)		
US$M	**FY18**	**FY17**
Cash and cash equivalents	2,970	2,675
Finance leases	(570)	(613)
Other interest bearing liabilities	(359)	(422)
Net cash/(debt)	**2,041**	**1,640**

Our strong net cash position ensures we are well placed to invest in our existing portfolio, fund the initial US$106M[21] payment for a 50% interest in the Eagle Downs metallurgical coal project and complete the remaining US$380M of our approved capital management program during FY19. The US$1.3B acquisition of Arizona Mining was completed in August 2018.

Our capital management framework remains unchanged and we continue to believe that a combination of high operating leverage and undue financial leverage delivers a sub-optimal outcome for shareholders. Consistent with our commitment to maintain an investment grade credit rating, Standard and Poor's and Moody's reaffirmed their respective BBB+ and Baa1 credit ratings for the Group following the announcement of the Arizona Mining transaction in June 2018.

Further demonstrating the strength of the Group's financial position, the Board resolved to pay a fully franked final dividend of US 6.2 cents per share in respect of FY18 (US$317M), representing 40% of Underlying earnings in the H2 FY18.

Dividends announced				
Period	**Dividend per share (US cents)**	**US$M**	**Franking**	**Pay-out ratio**
H1 FY17	3.6	192	0%	40%
H2 FY17	6.4	334	100%	50%
H1 FY18	4.3	223	100%	41%
February 2018 special dividend	3.0	155	81%	n/a
H2 FY18	6.2	317	100%	40%

South32 Limited shareholders registered on the South African branch register will not be able to dematerialise or rematerialise their shareholdings between 12 and 14 September 2018 (both dates inclusive), nor will transfers to/from the South African branch register be permitted between 7 and 14 September 2018 (both dates inclusive).

Details of the currency exchange rates applicable for the dividend will be announced to the relevant stock exchanges. Further dividend information is available on our website (www.south32.net).

South32 American Depositary Receipts (ADRs) each represent five fully paid ordinary shares in South32 and ADR holders will receive dividends accordingly, subject to the terms of the Depositary Agreement.

Dividend timetable	Date
Announce currency conversion into Rand	10 September 2018
Last day to trade cum dividend on the Johannesburg Stock Exchange (JSE)	11 September 2018
Ex-dividend date on the JSE	12 September 2018
Ex-dividend date on the ASX and London Stock Exchange (LSE)	13 September 2018
Record date (including currency election date for ASX)	14 September 2018
Payment date	**11 October 2018**

Outlook

Production

The Group's production volumes are expected to rise by 5%[12] in FY19. Illawarra Metallurgical Coal continues to recover from the extended outage at the Appin colliery in H1 FY18, with improved longwall and development performance expected to underpin 6.1Mt of production in FY19 and an anticipated return to historical rates of more than 8Mt per annum from H2 FY20. Within our aluminium supply chain, we expect another incremental improvement in production as we continue to test the maximum technical capacity of our smelters, benefit from the completion of the De-bottlenecking Phase One project at Brazil Alumina and achieve a modest increase in calciner availability at Worsley Alumina. At Cannington, zinc equivalent production[22] is expected to remain unchanged across FY18 to FY20 as an increase in payable zinc production offsets lower silver and lead ore grades. Our manganese operations will continue to manage production according to market demand. Payable nickel production guidance has been increased by 1.7kt to 40.5kt at Cerro Matoso given an expectation for higher throughput and utilisation rates, while production guidance has been lowered at South Africa Energy Coal as a result of an extended outage of the dragline at Klipspruit.

Production guidance (South32's share)[17]				
	FY18	FY19e	FY20e	Key guidance assumptions
Worsley Alumina				**FY19 guidance unchanged**
Alumina production (kt)	3,764	3,965	3,965	An improvement in calciner availability and a drawdown of excess hydrate
South Africa Aluminium				**FY19 guidance unchanged**
Aluminium production (kt)	712	720	720	Smelter to test its technical capacity having returned all pots to service following an electric arc incident in the December 2017 quarter
Mozal Aluminium				**FY19 guidance unchanged**
Aluminium production (kt)	271	269	273	AP3XLE energy efficiency project to add incremental production from FY20
Brazil Alumina				**FY19 guidance unchanged**
Alumina production (kt)	1,304	1,355	1,370	Production creep from De-bottlenecking Phase One project
South Africa Energy Coal[23]				**FY19 guidance decreased by 1%**
Total coal production (kt)	27,271	↓ *29,000*	30,300	Domestic volumes to benefit from a new long term contract to sell lower quality stockpiles to a local customer
Domestic coal production (kt)	15,154	↑ *17,500*	16,900	Export production guidance is subject to review and is based upon the revised guidance for Klipspruit
Export coal production (kt)	12,117	↓ *11,500*	13,400	
Illawarra Metallurgical Coal				**FY19 guidance provided for the first time**
Total coal production (kt)	4,244	6,100	7,000	Appin colliery to operate with a single longwall configuration for FY19 before returning to a two longwall configuration in H2 FY20
Metallurgical coal production (kt)	3,165	4,900	5,800	
Energy coal production (kt)	1,079	1,200	1,200	
Australia Manganese				**FY19 guidance provided for first time (subject to market demand)**
Manganese ore production (kwmt)	3,396	3,350	Subject to demand	Premium Concentrate Ore (PC02) circuit to operate above nameplate capacity
South Africa Manganese				**FY19 guidance provided for first time (subject to market demand)**
Manganese ore production (kwmt)	2,145	2,050	Subject to demand	Opportunistic fines sales expected to decline in FY19
Cerro Matoso				**FY19 guidance increased by 4%**
Ore to kiln (kt)	2,722	2,750	2,500	An improvement in plant utilisation and throughput rates more than offset by lower ore grades and an extended outage of the furnace in FY20
Payable nickel production (kt)	43.8	↑ *40.5*	35.6	
Cannington				**FY19 guidance unchanged**
Ore processed (kdmt)	2,355	2,400	2,500	Zinc equivalent production to remain unchanged, reflecting an increase in mill throughput and grade variability according to the mine plan
Payable zinc equivalent production (kt)[22]	187.2	188.1	187.1	
Payable silver production (koz)	12,491	11,750	10,850	
Payable lead production (kt)	104.4	98.0	94.7	
Payable zinc production (kt)	41.3	51.0	57.3	

The denotation (e) refers to an estimate or forecast year.

Costs and capital expenditure

An improvement in energy and equipment productivity enabled us to achieve FY18 Operating unit cost guidance at the majority of our operations, despite broader inflationary pressure, most notably in our aluminium supply chain. Stronger production and additional productivity gains are expected to further mitigate continued inflationary pressure, while a stronger US dollar and lower caustic soda prices are forecast to provide some relief.

Operating unit cost guidance

Operating unit costs by upstream operation[17],[24]					
	H1 FY18	**H2 FY18**	**FY18**	**FY19e[a]**	**FY19 key guidance assumptions**
Worsley Alumina					
(US$/t)	224	247	235	230	Lower caustic soda consumption rates (from 103kg/t to 93kg/t) and prices
South Africa Energy Coal[23]					
(US$/t)	36	37	36	41	An extended outage of the dragline at Klipspruit and an increase in material movement at the Wolvekrans-Middleburg Complex (WMC)
Illawarra Metallurgical Coal					
(US$/t)	149	136	142	105	Stronger volumes at the Appin colliery and an associated increase in productivity
Australia Manganese ore (FOB)					
(US$/dmtu)	1.55	1.72	1.63	1.63	Equipment productivity gains and low cost PC02 circuit to offset a further increase in strip ratio
South Africa Manganese ore (FOB)					
(US$/dmtu)	2.31	2.74	2.53	2.56	An increase in premium product volumes to largely offset a reduction in low cost, low grade fine grained material
Cerro Matoso					
(US$/lb)	3.41	3.92	3.67	4.21	Lower ore grades and payable nickel production and an increase in price-linked royalties
Cannington					
(US$/t)[b]	170	130	150	147	An increase in mill throughput and the successful renegotiation of our power supply contract to more than offset increasing geological complexity

(a) 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/dmtu for 44% manganese product; a nickel price of US$6.92/lb; a thermal coal price of US$93/t (API4) for South Africa Energy Coal; a silver price of US$17.58/troy oz; a lead price of US$2,406/t; a zinc price of US$3,066/t; an AUD:USD exchange rate of 0.76; a USD:ZAR exchange rate of 13.43 and a USD:COP exchange rate of 2,927; all of which reflected forward markets as at 15 June 2018 or our internal expectations.

(b) US dollar per tonne of ore processed. Periodic movements in finished product inventory may impact operating unit costs as related marketing costs and treatment and refining charges may change.

Other expenditure guidance

Following the simplification of the Group's functional structures in the June 2018 quarter, Group and unallocated costs of US$80M are expected in FY19, excluding greenfield exploration. Greenfield exploration expenditure is expected to rise by US$20M to US$41M as we progress 18 early stage greenfield projects.

Depreciation and amortisation, and tax expense

Depreciation and amortisation (excluding equity accounted investments) is expected to remain largely unchanged at approximately US$750M. Depreciation and amortisation of US$85M is expected for our equity accounted investments. The Group's Underlying ETR[18], which excludes tax associated with equity accounted investments, reflects the geographic distribution of the Group's profit. The corporate tax rates applicable to the Group include: Australia 30%, South Africa 28%, Colombia 37%[19], Mozambique 0%[19] and Brazil 34%. It should also be recognised that permanent differences have a disproportionate effect on the Group's Underlying ETR when commodity prices and profit margins are compressed.

Capital expenditure guidance

Sustaining capital expenditure, excluding equity accounted investments, is expected to increase by US$97M to US$465M in FY19 as we increase underground development at Illawarra Metallurgical Coal by US$60M to facilitate the progressive ramp-up in production to historic rates of more than 8Mt per annum. In addition, we are developing additional bauxite residue disposal areas at Worsley Alumina and Brazil Alumina, water catchment capacity at Worsley Alumina, tailings storage capacity at Cannington, purchasing materials in advance of the major furnace refurbishment project at Cerro Matoso in FY20 and advancing the AP3XLE energy efficiency project at Mozal Aluminium. Capital expenditure associated with equity accounted investments is expected to increase by US$45M to US$110M and includes the construction of additional tailings storage capacity at Australia Manganese.

Sustaining capital expenditure (South32's share)[17]		
US$M	**FY18**	**FY19e**
Worsley Alumina	52	56
South Africa Aluminium	28	24
Mozal Aluminium	10	18
Brazil Alumina	12	40
South Africa Energy Coal[23]	102	66
Illawarra Metallurgical Coal	89	170
Australia Manganese	48	75
South Africa Manganese	17	35
Cerro Matoso	22	41
Cannington	51	50
Group and unallocated	2	N/A
Sustaining capital expenditure (including equity accounted investments)	**433**	**575**
Equity accounted adjustment[(a)]	(65)	(110)
Sustaining capital expenditure (excluding equity accounted investments)	**368**	**465**

(a) The equity accounting adjustment reconciles the proportional consolidation of the South32 manganese operations to the treatment of the manganese operations on an equity accounted basis.

Major project capital expenditure is expected to increase to US$265M in FY19 as activity ramps up at the South Africa Energy Coal KPSX project and early stage works at the Hermosa project are undertaken. The 4.3B[13] South African rand KPSX project is approximately 20% complete and remains on schedule and budget. At Hermosa, we expect to invest approximately US$100M in FY19 which will include the development of the twin exploration decline that will allow us to increase our geological understanding of this high grade resource[14] and test for extensions. Capital expenditure guidance is not provided for Eagle Downs as the transaction has not been completed.

Major capital expenditure (South32's share)[17]		
US$M	**FY18**	**FY19e**
South Africa Energy Coal[23]	62	165
Hermosa project	-	100
Major capital expenditure (including equity accounted investments)	**62**	**265**
Equity accounted adjustment[(a)]	-	-
Major capital expenditure (excluding equity accounted investments)	**62**	**265**

(a) The equity accounting adjustment reconciles the proportional consolidation of the South32 manganese operations to the treatment of the manganese operations on an equity accounted basis.

Guidance for capital expenditure does not include any assessment of the cost of repairing the dragline at Klipspruit.

Operations analysis

A summary of the underlying performance of the Group's operations is presented below and more detailed analysis is presented on pages 14 to 23. Unless otherwise stated: all metrics reflect South32's share; Operating unit cost is Revenue less Underlying EBITDA excluding third party sales divided by sales volumes; and Operating cost is Revenue less Underlying EBITDA excluding third party sales.

Operations table (South32 share)[17]				
	Revenue		Underlying EBIT	
US$M	**FY18**	**FY17**	**FY18**	**FY17**
Worsley Alumina	1,473	1,106	422	159
South Africa Aluminium	1,583	1,324	213	219
Mozal Aluminium	629	521	99	76
Brazil Alumina	551	385	136	66
South Africa Energy Coal[23]	1,366	1,103	276	212
Illawarra Metallurgical Coal	686	1,133	(62)	358
Australia Manganese	1,111	851	651	467
South Africa Manganese	503	391	186	110
Cerro Matoso	559	377	120	(16)
Cannington	584	768	183	308
Third party products[25]	870	792	25	12
Inter-segment / Group and unallocated	(749)	(557)	(125)	(70)
Total	**9,166**	**8,194**	**2,124**	**1,901**
Equity accounting adjustment[(a)]	(1,617)	(1,244)	(350)	(253)
South32 Group	**7,549**	**6,950**	**1,774**	**1,648**

(a) The equity accounting adjustment reconciles the proportional consolidation of the South32 manganese operations to the treatment of the manganese operations on an equity accounted basis.

Worsley Alumina (86% share)

Volumes

Worsley Alumina saleable production decreased by 3% (or 128kt) in FY18 to 3.8Mt as additional calciner maintenance was undertaken during the year. Production is expected to approach 4.0Mt (4.6Mtpa 100% basis) in FY19 and FY20 as we drawdown excess hydrate stock and achieve an increase in calciner availability.

Operating costs

Operating unit costs increased by 16% in FY18 to US$235/t. A significant rise in the price of caustic soda (FY18: US$582/t, FY17: US$413/t) accounted for more than 50% of this increase, while additional costs were incurred as contractors were utilised to integrate the West Marradong mining area and its lower reactive silica bauxite feed[26] during H2 FY18.

We expect the refinery's Operating unit costs to decrease by a modest 2% in FY19 to US$230/t with both the caustic soda price and consumption rate (-10% to 93kg/t) forecast to decline, with the latter benefit linked to the ramp-up of West Marradong. Exchange rate and price assumptions for FY19 Operating unit cost guidance are detailed on page 11, footnote a.

Financial performance

Underlying EBIT increased by 165% (or US$263M) in FY18 to US$422M. A 36% rise in the average realised price of alumina (+US$388M) was partially offset by an increase in the caustic soda price (-US$66M), lower sales volumes (-US$21M), a stronger Australian dollar (-US$13M) and higher contractor costs (-US$12M).

Worsley Alumina's realised alumina price in FY18 was 95% of the Platts alumina index on a volume weighted M-1 basis. While the vast majority of sales are linked to the index or observable market rates, the discount primarily related to the structure of certain legacy Mozal Aluminium supply contracts that are linked to the LME aluminium price.

Capital expenditure

Sustaining capital expenditure increased by US$9M in FY18 to US$52M as we invested in additional bauxite residue disposal capacity and boiler maintenance. The level of expenditure will remain elevated in FY19 (US$56M) and FY20 as we continue to invest in additional bauxite residue disposal and water catchment capacity.

South32 share	FY18	FY17
Alumina production (kt)	3,764	3,892
Alumina sales (kt)	3,763	3,847
Realised alumina sales price (US$/t)[27]	391	287
Operating unit cost (US$/t)[28]	235	203

South32 share (US$M)	FY18	FY17
Revenue	1,473	1,106
Underlying EBITDA	588	326
Underlying EBIT	422	159
Net operating assets	3,028	3,043
Capital expenditure	52	43
All other capital expenditure	52	43
Exploration expenditure	1	1
Exploration expensed	1	1

South Africa Aluminium (100%)

Volumes

South Africa Aluminium saleable production decreased by 2kt in FY18 to 712kt as the smelter progressively returned all pots to service following an electric arc incident in the December 2017 quarter. Production is expected to increase to 720kt in both FY19 and FY20 as the smelter continues to test its technical capacity.

Operating costs

Operating unit costs increased by 26% in FY18 to US$1,826/t as a significant rise in raw material input costs created inflationary pressure across the aluminium value chain. Alumina, coke, pitch and aluminium price-linked electricity accounted for 70% of the smelter's cost base in FY18 (FY17: 65%). 122 pots were also relined across FY18 at a cost of US$220k per pot (FY17: 75 pots at US$234k per pot). 182 pots are scheduled to be relined in FY19, reflecting a peak in the relining cycle.

While Operating unit cost guidance is not provided, the cost profile of South Africa Aluminium will continue to be heavily influenced by the price of power and raw material inputs, given its highly variable cost base. The smelter sources alumina from our Worsley Alumina refinery with prices linked to the Platts alumina index on an M-1 basis, while its power is sourced from Eskom under long-term contracts. The price of electricity supplied to potlines 1 and 2 is linked to the LME aluminium price and the South African rand/US dollar exchange rate. The price of electricity supplied to potline 3 is South African rand based.

Financial performance

Underlying EBIT decreased by 3% (or US$6M) in FY18 to US$213M as a 20% increase in the average realised price of aluminium (+US$262M) was offset by higher alumina, pitch and coke input costs (-US$199M), a rise in aluminium price-linked electricity costs (-US$31M) and a stronger South African rand (-US$19M).

Capital expenditure

Sustaining capital expenditure increased by US$13M in FY18 to US$28M. A modest decrease in Sustaining capital expenditure to US$24M is expected in FY19.

South32 share	FY18	FY17
Aluminium production (kt)	712	714
Aluminium sales (kt)[29]	711	713
Realised sales price (US$/t)[29]	2,226	1,857
Operating unit cost (US$/t)[28]	1,826	1,454

South32 share (US$M)	FY18	FY17
Revenue	1,583	1,324
Underlying EBITDA	285	287
Underlying EBIT	213	219
Net operating assets	1,202	1,205
Capital expenditure	28	15
All other capital expenditure	28	15

Mozal Aluminium (47.1% share)

Volumes

Mozal Aluminium saleable production increased to a record 271kt in FY18 as the smelter continued to test its maximum technical capacity. Production is expected to decline marginally to 269kt in FY19 as the smelter reaches a peak in its pot relining cycle, before increasing to 273kt in FY20 as incremental production is progressively delivered from the AP3XLE energy efficiency project.

Operating costs

Operating unit costs increased by 21% in FY18 to US$1,810/t as a significant rise in raw material input costs created inflationary pressure across the aluminium value chain. Alumina, coke and pitch accounted for 49% of the smelters cost base in FY18 (FY17: 45%). 60[(30)] pots were also relined across FY18 at a cost of US$211k per pot (FY17: 94[(30)] pots at US$204k per pot). 126[(30)] pots are scheduled to be relined in FY19, reflecting a peak in the relining cycle.

While Operating unit cost guidance is not provided, the cost profile of Mozal Aluminium will continue to be heavily influenced by the price of power and raw material inputs, given its highly variable cost base. The smelter sources alumina from our Worsley Alumina refinery with approximately 50% priced as a percentage of the LME aluminium index and the remainder linked to the Platts alumina index on an M-1 basis, with caps and floors embedded within specific contracts. Its electricity requirements are largely met by hydroelectric power that is generated by Hidroeléctrica de Cahora Bassa (HCB). HCB delivers power into Eskom's South African grid and Mozal Aluminium sources electricity via the Mozambique Transmission Company (Motraco) under a long term contract. The price of electricity is South African rand based with the rate of escalation linked to a South Africa domestic production price index plus margin.

Financial performance

Underlying EBIT increased 30% (or US$23M) in FY18 to US$99M as a 20% increase in the average realised price of aluminium (+US$106M) was partially offset by higher alumina, pitch and coke input costs (-US$47M), and a rise in South African rand-linked electricity costs (-US$8M).

Capital expenditure

Sustaining capital expenditure increased by US$4M in FY18 to US$10M and is expected to rise further to US$18M in FY19. The US$18M AP3XLE energy efficiency project remains on schedule with first incremental production anticipated in FY20 and the full benefit to be realised by FY24. The project is expected to deliver a circa 5% (or 10kt pa) increase in annual production with no associated increase in power consumption.

South32 share	FY18	FY17
Aluminium production (kt)	271	271
Aluminium sales (kt)[(29)]	274	273
Realised sales price (US$/t)[(29)]	2,296	1,908
Operating unit cost (US$/t)[(28)]	1,810	1,495

South32 share (US$M)	FY18	FY17
Revenue	629	521
Underlying EBITDA	133	113
Underlying EBIT	99	76
Net operating assets	553	534
Capital expenditure	10	6
All other capital expenditure	10	6

Brazil Alumina (Alumina 36% share, Aluminium 40% share)

Volumes

Brazil Alumina saleable production decreased by 2% (or 25kt) in FY18 to 1.30Mt as unplanned maintenance and power outages impacted performance. Production is expected to increase to 1.36Mt in FY19 and 1.37Mt in FY20 following completion of the De-bottlenecking Phase One project.

Operating costs

Operating unit costs increased by 28% in FY18 to US$252/t as the price of caustic soda increased by 41% and the cost of bauxite from MRN was reset in accordance with its linkage to aluminium and alumina. The caustic consumption rate also rose temporarily as lower quality bauxite feed was required following the impact of adverse weather in the Amazon Basin during the September 2017 quarter.

Financial performance

Alumina Underlying EBIT increased by 128% (or US$88M) in FY18 to US$157M as a 40% increase in the average realised price of alumina (+US$159M) was partially offset by higher caustic soda (-US$18M) and bauxite (-US$22M) costs.

Aluminium Underlying EBIT decreased by US$18M in FY18 to a loss of US$21M as our obligation to purchase electricity from Eletronorte was fulfilled during the period, following termination of the contract in December 2015. The sale of surplus electricity generated other income of US$36M in H1 FY18, although this was more than offset by the utilisation of the associated onerous contract provision and the recognition of a US$16M provision to reflect transmission charges that will no longer be offset by ongoing electricity purchases.

Capital expenditure

Sustaining capital expenditure decreased by US$8M in FY18 to US$12M as the De-bottlenecking Phase One project was completed in March 2018. Sustaining capital expenditure is expected to increase by US$28M in FY19 to US$40M as we invest in additional bauxite residue disposal capacity, boiler maintenance and commence the De-bottlenecking Phase Two project. This project is expected to increase our share of alumina production to 1.43Mt from FY21.

South32 share	FY18	FY17
Alumina production (kt)	1,304	1,329
Alumina sales (kt)	1,341	1,316
Realised alumina sales price (US$/t)[27]	411	293
Alumina operating unit cost (US$/t)[28][31]	252	197

South32 share (US$M)	FY18	FY17
Revenue	551	385
Alumina	551	385
Aluminium	-	-
Other income	46	143
Underlying EBITDA	192	123
Alumina	213	126
Aluminium	(21)	(3)
Underlying EBIT	136	66
Alumina	157	69
Aluminium	(21)	(3)
Net operating assets/(liabilities)	644	691
Alumina	656	718
Aluminium	(12)	(27)
Capital expenditure	12	20
All other capital expenditure	12	20

South Africa Energy Coal (92% share)

Volumes

South Africa Energy Coal saleable production decreased by 6% (or 1.6Mt) in FY18 to 27.3Mt as domestic demand remained subdued and our product mix was reweighted towards the export market. We have lowered our FY19 saleable coal production guidance to 29Mt with export volumes expected to decline to 11.5Mt due to an extended outage of the dragline at Klipspruit as structural damage was incurred in the process of swinging the boom on 17 August 2018. This guidance is preliminary in nature and assumes that mobile fleet mitigates the impact across the remainder of the year. Conversely, domestic volumes are expected to rise as we sell additional lower quality stockpiled product under the terms of a new contract. Production is expected to increase in FY20 to approximately 30Mt.

Operating costs

Operating unit costs increased by 24% in FY18 to US$36/t as general inflation and an unfavourable movement in exchange rates impacted the largely South African rand cost base. Costs were further impacted by additional washing and logistics charges as we intentionally increased the proportion of higher margin export sales to maximise margins and returns.

We expect Operating unit costs to increase to approximately US$41/t in FY19 largely as a result of the extended dragline outage at Klipspruit and an increase in material movement at the WMC. The management of South Africa Energy Coal as a stand-alone business from 30 April 2018 is expected to deliver a reduction in the Group’s functional costs and additional procurement savings amounting to US$50M from FY20. Exchange rate and price assumptions for FY19 Operating unit cost guidance are detailed on page 11, footnote a.

Financial performance

Underlying EBIT increased by 30% (or US$64M) in FY18 to US$276M as higher average realised prices (+US$228M) were partially offset by general inflation (-US$43M), an increase in activity and labour costs (-US$37M), a stronger South African rand (-US$35M) and a drawdown of inventory (-US$54M).

Capital expenditure

Sustaining capital expenditure increased by US$46M in FY18 to US$102M as we continued to invest in new mining areas at the WMC. Sustaining capital expenditure is expected to decrease by US$36M in FY19 to US$66M as activity at the WMC returns to typical levels. We also invested US$62M in FY18 to progress the 4.3B[13] South African rand KPSX project, which was approved by the Board in November 2017. The 8Mt per annum brownfield project extends the life of the colliery by more than 20 years. The project is approximately 20% complete and remains on schedule and budget, with the level of expenditure expected to rise to US$165M in FY19. Guidance for capital expenditure does not include any assessment of the cost of repairing the dragline at Klipspruit.

100 per cent terms[23]	FY18	FY17
Energy coal production (kt)	27,271	28,913
Domestic sales (kt)[29]	15,396	16,922
Export sales (kt)[29]	12,518	11,797
Realised domestic sales price (US$/t)[29]	25	21
Realised export sales price (US$/t)[29]	79	64
Operating unit cost (US$/t)[28]	36	29

100 per cent terms[23] (US$M)	FY18	FY17
Revenue[32]	1,366	1,103
Underlying EBITDA	353	273
Underlying EBIT	276	212
Net operating liabilities	(23)	(84)
Capital expenditure	164	64
Major projects (>US$100M)	62	8
All other capital expenditure	102	56

Illawarra Metallurgical Coal (100% share)

Volumes

Illawarra Metallurgical Coal saleable production decreased by 40% (or 2.8Mt) in FY18 to 4.2Mt as the Appin colliery recovered from an extended outage and achieved an annualised mining rate of more than 6Mt throughout the month of June. Saleable coal production is expected to increase by 44% in FY19 to 6.1Mt, with a further 15% increase to 7.0Mt anticipated in FY20 as the Appin colliery reverts to a two longwall operation.

Operating costs

Operating unit costs increased by 78% in FY18 to US$142/t. We expect Operating unit costs to decrease by 26% in FY19 to US$105/t as production ramps-up and a general improvement in productivity is achieved across our supply chain. Exchange rate and price assumptions for FY19 Operating unit cost guidance are detailed on page 11, footnote a.

Financial performance

Underlying EBIT decreased by US$420M in FY18 to a loss of US$62M as lower sales volumes (-US$525M) and one-off costs associated with the Appin restart plan (-US$23M) more than offset higher average realised coal prices (+US$78M), lower selling and distribution costs (+US$30M), and lower price-linked royalties (+US$30M).

Capital expenditure

Sustaining capital expenditure decreased by US$15M in FY18 to US$89M as underground development was impacted by the extended outage. Sustaining capital expenditure is expected to increase by US$81M in FY19 to US$170M as we raise the level of underground development to US$97M (FY18: US$37M) to facilitate the progressive ramp-up in production to historic rates of more than 8Mt per annum.

South32 share	FY18	FY17
Metallurgical coal production (kt)	3,165	5,697
Energy coal production (kt)	1,079	1,376
Metallurgical coal sales (kt)	2,937	5,952
Energy coal sales (kt)	1,179	1,344
Realised metallurgical coal sales price (US$/t)(27)	203	175
Realised energy coal sales price (US$/t)(27)	76	69
Operating unit cost (US$/t)(28)	142	80

South32 share (US$M)	FY18	FY17
Revenue(33)	686	1,133
Underlying EBITDA	103	548
Underlying EBIT	(62)	358
Net operating assets	1,408	1,406
Capital expenditure	89	112
Major projects (>US$100M)	-	8
All other capital expenditure	89	104
Exploration expenditure	7	5
Exploration expensed	7	5

Australia Manganese (60% share)

Volumes

Australia Manganese saleable ore production increased by 13% (or 402kwmt) to a record 3.4Mwmt in FY18 as the PC02 circuit operated at approximately 107% of its design capacity and contributed 9% of total production (6% FY17). Saleable Manganese alloy production increased by 12% (or 18kt) to 165kt in FY18 as all four furnaces continued to operate.

Ore production guidance of 3.4Mwmt in FY19 currently assumes we continue to operate the low cost PC02 circuit above nameplate capacity. As this PC02 product attracts a discount to our primary higher grade GEMCO ore, we will continue to adjust its performance in response to market demand.

Operating costs

FOB manganese ore Operating unit costs increased by 7% in FY18 to US$1.63/dmtu as a stronger Australian dollar, a rise in planned maintenance and higher price linked royalties more than offset underlying productivity gains. We expect Operating unit costs to remain unchanged at US$1.63/dmtu in FY19 as broader productivity gains mitigate a further increase in strip ratio (FY19: 4.2, FY18: 4.0) and a temporary decline in product yield. Exchange rate and price assumptions for FY19 Operating unit cost guidance are detailed on page 11, footnote a.

Financial performance

Underlying EBIT increased by 39% (or US$184M) in FY18 to US$651M. Higher realised ore and alloys prices (+US$202M) and an increase in sales volumes (+US$58M) were only partially offset by a rise in raw material input prices (coke, energy, diesel) (-US$16M) and additional freight and marketing costs (-US$13M).

Our low cost PC02 fines product has a manganese content of approximately 40%, which leads to both grade and product-type discounts when referenced to the high grade 44% manganese lump ore index. Notwithstanding the contribution of the PC02 circuit to our sales profile, our average realised price for external sales of Australian ore in FY18 reflects a modest premium to the high grade 44% manganese lump ore index on a volume weighted M-1 basis(34) in FY18.

Capital expenditure

Sustaining capital expenditure increased by US$20M in FY18 to US$48M and is expected to rise to US$75M in FY19 as we continue to invest in additional tailings storage capacity. Our FY19 plan also includes investment within our alloys business of US$8M.

South32 share	FY18	FY17
Manganese ore production (kwmt)	3,396	2,994
Manganese alloy production (kt)	165	147
Manganese ore sales (kwmt)(35)	3,290	3,087
External customers	2,917	2,777
TEMCO	373	310
Manganese alloy sales (kt)(35)	170	155
Realised external manganese ore sales price (US$/dmtu, FOB)(35)(36)	6.38	5.22
Realised manganese alloy sales price (US$/t)(35)	1,518	1,174
Ore operating unit cost (US$/dmtu)(36)(37)	1.63	1.52
Alloy operating unit cost (US$/t)(37)	906	755

South32 share (US$M)	FY18	FY17
Revenue(38)	1,111	851
Manganese Ore	884	694
Manganese Alloy	258	182
Intra-segment elimination	(31)	(25)
Underlying EBITDA	710	521
Manganese Ore	606	456
Manganese Alloy	104	65
Underlying EBIT	651	467
Manganese Ore	552	406
Manganese Alloy	99	61
Net operating assets	289	319
Manganese Ore	284	313
Manganese Alloy	5	6
Capital expenditure	48	28
All other capital expenditure	48	28
Exploration expenditure	1	1
Exploration expensed	1	-

South Africa Manganese (Ore 44.4% share, Alloy 60% share)

Volumes

South Africa Manganese saleable ore production increased by 5% (or 107kwmt) in FY18 to 2.1Mwmt as we continued to take advantage of favourable market conditions by selling lower quality fines product and utilising higher cost trucking as an additional route to market. Manganese alloy saleable production increased by 8% (or 6kt) in FY18 to 79kt as we continued to operate one of Metalloys' four furnaces.

Ore production is currently expected to remain largely unchanged at 2.1Mwmt in FY19. This is premised upon an underlying increase in production for our premium products and a reduction in lower quality, fine grained material that has historically attracted grade and product-type discounts. Production will, however, continue to be adjusted in response to market demand.

Operating costs

FOB manganese ore Operating unit costs increased by 21% to US$2.53/dmtu in FY18 as a result of a stronger South African rand, higher price-linked royalties and additional costs associated with opportunistic trucking activity. We expect Operating unit costs to remain largely unchanged at US$2.56/dmtu in FY19, with a weaker South African rand and an improvement in equipment utilisation expected to offset the impact of marginally lower production. Exchange rate and price assumptions for FY19 Operating unit cost guidance are detailed on page 11, footnote a.

Financial performance

Underlying EBIT increased by 69% (or US$76M) in FY18 to US$186M as a significant improvement in ore and alloy prices (+US$107M) was only partially offset by a stronger South African rand (-US$14M), an increase in costs associated with opportunistic trucking (-US$14M) and higher price-linked royalties (-US$5M).

Our lower quality fine grained material, which accounted for 13% of sales across FY18 (9% FY17), receives a product discount when referenced to index prices. As a result, our average realised price for external sales of South African ore reflected a 5% discount to the medium grade 37% manganese lump ore index (FOB Port Elizabeth, South Africa) on a volume weighted M-1 basis[39].

Capital expenditure

Sustaining capital expenditure increased by US$8M in FY18 to US$17M and is expected to rise to US$35M in FY19 as we invest in mobile fleet and extract a boundary pillar at our Mamatwan mine. Our FY19 plan also includes investment within our alloys business of US$7M.

South32 share	FY18	FY17
Manganese ore production (kwmt)	2,145	2,038
Manganese alloy production (kt)	79	73
Manganese ore sales (kwmt)[40]	2,082	2,024
External customers	1,919	1,866
Metalloys	163	158
Manganese alloy sales (kt)[40]	67	74
Realised external manganese ore sales price (US$/dmtu, FOB)[40][41]	5.21	4.01
Realised manganese alloy sales price (US$/t)[40]	1,269	1,027
Ore operating unit cost (US$/dmtu)[41][42]	2.53	2.09
Alloy operating unit cost (US$/t)[42]	970	1,000

South32 share (US$M)	FY18	FY17
Revenue[43]	503	391
Manganese Ore[44]	436	328
Manganese Alloy	85	76
Intra-segment elimination	(18)	(13)
Underlying EBITDA	215	140
Manganese Ore[44]	195	138
Manganese Alloy	20	2
Underlying EBIT	186	110
Manganese Ore[44]	175	120
Manganese Alloy	11	(10)
Net operating assets	297	307
Manganese Ore[44]	234	245
Manganese Alloy	63	62
Capital expenditure	17	9
All other capital expenditure	17	9

Cerro Matoso (99.9% share)

Volumes

Cerro Matoso payable nickel production increased by 20% (or 7.3kt) in FY18 to 43.8kt as ore grades temporarily improved with the ramp up of La Esmeralda and the operation continued to benefit from an improvement in plant utilisation and throughput rates. We have increased payable nickel production guidance by 4% to 40.5kt in FY19 as a further improvement in plant utilisation and throughput rates is expected to partially offset the impact of lower grades. Production is expected to decrease again in FY20 to 35.6kt as ore grades continue to decline and a major refurbishment of the furnace is undertaken to broaden its operating window.

Operating costs

Operating unit costs decreased by 3% in FY18 to US$3.67/lb as the increase in production more than offset a substantial increase in price-linked royalties. We expect Operating unit costs to increase by 15% in FY19 to US$4.21/lb as lower production and higher price-linked royalties are expected to more than offset additional productivity gains. Exchange rate and price assumptions for FY19 Operating unit cost guidance are detailed on page 11, footnote a.

Financial performance

Underlying EBIT increased by US$136M in FY18 to US$120M as the higher average realised nickel price (+US$114M) and rise in sale volumes (+US$68M) were partially offset by an increase in price-linked royalties (-US$20M) and energy costs (-US$9M), which were mitigated by our energy optimisation strategy (+US$6M).

Capital expenditure

Sustaining capital expenditure increased by US$8M in FY18 to US$22M as the higher grade La Esmeralda ore body was connected to the broader operation with the completion of a permanent access bridge. Sustaining capital expenditure is expected to rise to US$41M in FY19 as we prepare for the major furnace refurbishment in FY20.

South32 share	FY18	FY17
Ore mined (kwmt)	3,741	4,447
Ore processed (kdmt)	2,722	2,561
Ore grade processed (%, Ni)	1.79	1.59
Payable nickel production (kt)	43.8	36.5
Payable nickel sales (kt)	43.3	36.6
Realised nickel sales price (US$/lb)[45]	5.86	4.67
Operating unit cost (US$/lb)[46]	3.67	3.77

South32 share (US$M)	FY18	FY17
Revenue	559	377
Underlying EBITDA	209	74
Underlying EBIT	120	(16)
Net operating assets	551	611
Capital expenditure	22	14
All other capital expenditure	22	14
Exploration expenditure	9	5
Exploration expensed	8	4

Cannington (100% share)

Volumes

Cannington silver, lead and zinc payable production decreased by 20%, 21% and 41%, respectively, in FY18 as mining and processing rates were reset in order to deliver greater predictability and stability in the underground mine. Although grade variability is expected to persist over the remaining life of the operation as the stope sequence is optimised to maximise long term value, zinc equivalent payable metal production[22] is expected to remain unchanged in FY19 (11.8Moz for silver, 98.0kt for lead and 51.0kt for zinc), and FY20 (10.9Moz for silver, 94.7kt for lead and 57.3kt for zinc).

Operating costs

Operating unit costs increased by 13% to US$150/t in FY18 as geological complexity and lower throughput rates more than offset a reduction in treatment and refining charges and the benefit we achieved by further optimising energy supply and logistics. We expect Operating unit costs to decrease marginally to US$147/t in FY19 as mill throughput increases and we benefit from lower power costs following the renegotiation of a supply contract. Exchange rate and price assumptions for FY19 Operating unit cost guidance are detailed on page 11, footnote a.

Financial performance

Underlying EBIT decreased by 41% (or US$125M) in FY18 to US$183M as the decline in sales volumes (-US$221M) was partially offset by higher average realised prices (+US$37M), a reduction in negotiated treatment and refining charges (+US$38M), and lower royalty (+US$10M) and logistics costs (+US$10M). Finalisation adjustments and the provisional pricing of Cannington concentrates increased Underlying EBIT by US$0.1M in FY18 (FY17: US$4.1M, H1 FY18: US$5.5M). Outstanding concentrate sales (containing 2.2Moz of silver, 18.8kt of lead and 4.9kt of zinc) were revalued at 30 June 2018. The final price of these sales will be determined in the December 2018 half year.

Capital expenditure

Sustaining capital expenditure increased by US$15M to US$51M in FY18 as we commissioned a new underground crusher in the March 2018 quarter and invested in additional underground development that will create greater operating flexibility in the mine. Sustaining capital expenditure is expected to remain largely unchanged at US$50M in FY19 as underground development rates remain elevated and we invest in additional tailings storage capacity.

South32 share	FY18	FY17
Ore mined (kwmt)	2,463	2,909
Ore processed (kdmt)	2,355	3,036
Ore grade processed (g/t, Ag)	194	194
Ore grade processed (%, Pb)	5.3	5.4
Ore grade processed (%, Zn)	2.6	3.4
Payable silver production (koz)	12,491	15,603
Payable lead production (kt)	104.4	132.1
Payable zinc production (kt)	41.3	70.4
Payable silver sales (koz)	11,985	16,270
Payable lead sales (kt)	97.9	138.1
Payable zinc sales (kt)	45.0	67.4
Realised silver sales price (US$/oz)[27]	16.6	17.6
Realised lead sales price (US$/t)[27]	2,463	2,223
Realised zinc sales price (US$/t)[27]	3,185	2,601
Operating unit cost (US$/t ore processed)[47]	150	133

South32 share (US$M)	FY18	FY17
Revenue	584	768
Underlying EBITDA	230	364
Underlying EBIT	183	308
Net operating assets	210	215
Capital expenditure	51	36
All other capital expenditure	51	36
Exploration expenditure	3	2
Exploration expensed	2	2

Notes

(1) Revenue includes revenue from third party products.

(2) FY18 basic earnings per share is calculated as Profit/(loss) after tax divided by the weighted average number of shares for FY18 (5,159 million). FY18 basic Underlying earnings per share is calculated as Underlying earnings divided by the weighted average number of shares for FY18. FY17 basic earnings per share is calculated as Profit/(loss) after tax divided by the weighted average number of shares for FY17 (5,307 million). FY17 basic Underlying earnings per share is calculated as Underlying earnings divided by the weighted average number of shares for FY17.

(3) FY18 ordinary dividend per share is calculated as H1 FY18 ordinary dividend announced (US$223M) divided by the number of shares on issue at 31 December 2017 (5,181 million) plus H2 FY18 ordinary dividend announced (US$317M) divided by the number of shares on issue at 30 June 2018 (5,120 million).

(4) H1 FY18 special dividend per share is calculated as H1 FY18 special dividend announced (US$155M) divided by the number of shares on issue at 31 December 2017 (5,181 million).

(5) Underlying EBIT is profit before net finance costs, tax and any earnings adjustment items, including impairments. Underlying EBIT is reported inclusive of South32's share of net finance costs and tax of equity accounted investments. Underlying EBITDA is Underlying EBIT, before depreciation and amortisation. Underlying earnings is Profit/(loss) after tax and earnings adjustment items. Underlying earnings is the key measure that South32 uses to assess the performance of the South32 Group, make decisions on the allocation of resources and assess senior management's performance. In addition, the performance of each of the South32 operations and operational management are assessed based on Underlying EBIT. In order to calculate Underlying earnings, Underlying EBIT and Underlying EBITDA, the following items are adjusted as applicable each period, irrespective of materiality:

- Exchange rate (gains)/losses on restatement of monetary items;
- Impairment losses/(reversals);
- Net (gains)/losses on disposal and consolidation of interests in businesses;
- Fair value (gains)/losses on non-trading derivative instruments;
- Major corporate restructures; and
- Earnings adjustments included in profit/(loss) of equity accounted investments.

In addition, items that do not reflect the underlying operations of South32, and are individually significant to the financial statements, are excluded to determine Underlying earnings. Significant items are detailed in the Financial Information.

(6) Comprises Underlying EBITDA excluding third party product EBITDA, divided by revenue excluding third party product revenue.

(7) Comprises Underlying EBIT excluding third party product EBIT, divided by revenue excluding third party product revenue.

(8) Return on invested capital (ROIC) is a key measure that South32 uses to assess performance. ROIC is calculated as Underlying EBIT less the discount on rehabilitation provisions included in net finance cost, tax effected by the Group’s Underlying effective tax rate (ETR), divided by the sum of fixed assets (excluding any rehabilitation asset and impairments) and inventories. Manganese is included in the calculation on a proportional consolidation basis.

(9) To ensure that incident classification definitions are applied uniformly across our workforce, we have adopted the United States Government Occupational Safety and Health Assessment (OSHA) guidelines for the recording and reporting of occupational injuries and illnesses.

(10) Total Recordable Injury Frequency (TRIF): The sum of (fatalities + lost-time cases + restricted work cases + medical treatment cases) x 1,000,000 ÷ actual hours worked, for employees and contractors. Stated in units of per million hours worked.

(11) Figure has been restated since it was previously reported due to the reclassification of a recordable illness to a recordable injury.

(12) Based on revenue equivalent sales or production (where applicable) which assumes average realised prices remain unchanged from FY18.

(13) Refer to the market announcement “South32 approves Klipspruit Life Extension Project” dated 27 November 2017.

(14) The information that relates to estimates of Mineral Resources for the Hermosa Project are qualifying foreign estimates under ASX Listing Rules and reference should be had 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.

(15) Sales price variance reflects the revenue impact of changes in commodity prices, based on the current period’s sales volume. Price-linked costs variance reflects the change in royalties together with the change in input costs driven by changes in commodity prices or market traded consumables. Foreign exchange reflects the impact of exchange rate movements on local currency denominated costs and sales. Volume variance reflects the revenue impact of sales volume changes, based on the comparative period’s sales prices. Controllable costs variance represents the impact from changes in the Group’s controllable local currency cost base, including the variable cost impact of production volume changes on expenditure, and period-on-period movements in inventories. The controllable cost variance excludes earnings adjustments including significant items.

(16) Underlying net finance cost and Underlying tax expense are actual FY18 results, not year-on-year variances.

(17) South32’s ownership share of operations are presented as follows: Worsley Alumina (86% share), South Africa Aluminium (100%), Mozal Aluminium (47.1% share), Brazil Alumina (Alumina 36% share, Aluminium 40% share), South Africa Energy Coal (92% share), Illawarra Metallurgical Coal (100%), Australia Manganese (60% share), South Africa Manganese (60% share), Cerro Matoso (99.9% share), and Cannington (100%).

(18) Underlying ETR is Underlying income tax expense, excluding royalty related tax, divided by Underlying profit before tax; both the numerator and denominator exclude equity accounted investments.

(19) The Colombian corporate tax rate was 40% until 31 December 2017. The Mozambique operations are subject to a royalty on revenues instead of income tax.

(20) Total capital expenditure comprises Capital expenditure, the purchase of intangibles and capitalised exploration expenditure. Capital expenditure comprises Sustaining capital expenditure and Major projects capital expenditure. Sustaining capital expenditure comprises Stay-in-business (SIB), Minor discretionary and Deferred stripping (including underground development) capital expenditure.

(21) The Eagle Downs consideration also includes a deferred payment of US$27M due three years after completion and a coal price-linked production royalty which is capped at US$80M.

(22) Payable Zinc Equivalent (kt) was calculated by aggregating revenues from payable sliver, lead and zinc, and dividing the total revenue by price of zinc. FY18 realised prices for zinc (US$3,185/t), lead (US$2,463/t) and silver (US$16.6/oz) was 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) South32’s interest in South Africa Energy Coal is accounted at 100% until Broad-Based Black Economic Empowerment (B-BBEE) vendor loans are repaid.

Notes

(24) Operating unit cost is Revenue less Underlying EBITDA, excluding third party sales, divided by sales volumes. Operating cost is Revenue less Underlying EBITDA excluding third party sales. Additional manganese disclosures are included in footnotes 36 and 41 on page 25.

(25) Third party products and services sold comprise US$206M for aluminium, US$49M for alumina, US$290M for coal, US$198M for freight services and US$124M for aluminium raw materials. Underlying EBIT on third party products comprise US$11M for aluminium, US$2M for alumina, US$12M for coal, (US$1)M for freight services and US$1M for aluminium raw materials.

(26) The information that relates to the Mineral Resources and Ore Reserves of Worsley Alumina was declared in the market announcement "Worsley Alumina Ore Reserves Update" dated 23 August 2018. 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.

(27) Realised sales price is calculated as sales Revenue divided by sales volume.

(28) Operating unit cost is Revenue less Underlying EBITDA divided by sales volume.

(29) Volumes and prices do not include any third party trading that may be undertaken independently of equity production. Realised sales price is calculated as sales Revenue divided by sales volume.

(30) Presented on a 100% basis.

(31) Alumina operating unit cost includes cost of acquiring bauxite mainly from MRN.

(32) South Africa Energy Coal Revenue includes domestic and export sales Revenue.

(33) Illawarra Metallurgical Coal Revenue includes metallurgical coal and energy coal sales Revenue.

(34) The quarterly sales volume weighted average of the Metal Bulletin 44% manganese lump ore index (CIF Tianjin, China) on the basis of a one month lag to published pricing (Month minus one or "M-1") was US$6.45/dmtu in FY18.

(35) Volumes and realised prices do not include any third party trading that may be undertaken independently of equity production. Realised ore prices are calculated as external sales Revenue less freight and marketing costs, divided by external sales volume. Realised alloy prices are calculated as sales Revenue, including sinter revenue, divided by alloy sales volume. Ore converted to sinter and alloy, and sold externally, is eliminated as an intracompany transaction.

(36) FY18 average manganese content of ore sales was 45.7% on a dry basis (FY17: 46.2%). 94% of FY18 external manganese ore sales (FY17: 95%) were completed on a CIF basis. FY18 realised FOB ore prices and operating unit costs have been adjusted for freight and marketing costs of US$43M (FY17: US$30M), consistent with our FOB cost guidance.

(37) FOB ore operating unit cost is Revenue less Underlying EBITDA, freight and marketing costs, divided by ore sales volume. Alloy operating unit cost is revenue less Underlying EBITDA divided by alloy sales volumes and includes costs associated with sinter sold externally.

(38) Revenues associated with sales from GEMCO to TEMCO are eliminated as part of the consolidation. Internal sales occur on a commercial basis.

(39) The quarterly sales volume weighted average of the Metal Bulletin 37% manganese lump ore index (FOB Port Elizabeth, South Africa) on the basis of a one month lag to published pricing (Month minus one or "M-1") was US$5.46/dmtu in FY18.

(40) Volumes and prices do not include any third party trading that may be undertaken independently of equity production. Realised ore prices are calculated as external sales Revenue less freight and marketing costs, divided by external sales volume. Realised alloy prices are calculated as sales Revenue, divided by alloy sales volume. Ore converted to sinter and alloy, and sold externally, is eliminated as an intracompany transaction. Manganese ore sales are grossed-up to reflect a 60% accounting effective interest.

(41) FY18 average manganese content of ore sales was 39.9% on a dry basis (FY17: 40.1%). 70% of FY18 external manganese ore sales (FY17: 63%) were completed on a CIF basis. FY18 realised FOB ore prices and operating costs have been adjusted for freight and marketing costs of US$33M (FY17: US$24M), consistent with our FOB cost guidance.

(42) FOB ore operating unit cost is Revenue less Underlying EBITDA, freight and marketing costs, divided by ore sales volume. Alloy operating unit cost is revenue less Underlying EBITDA divided by alloy sales volumes.

(43) Revenues associated with sales from Hotazel Manganese Mines (HMM) to Metalloys are eliminated as part of the consolidation. Internal sales occur on a commercial basis.

(44) Consistent with the presentation of South32's segment information, South Africa Manganese ore production and sales have been reported at 60%. South32 has a 44.4% ownership interest in HMM. 26% of HMM is owned by a B-BBEE consortium comprising Ntsimbintle Mining (9%), NCAB Resources (7%), Iziko Mining (5%) and HMM Education Trust (5%). The interests owned by NCAB Resources, Iziko Mining and HMM Education Trust were acquired using vendor finance with the loans repayable via distributions attributable to these parties, pro rata to their share in HMM. Until these loans are repaid, South32's interest in HMM is accounted at 54.6%.

(45) Cerro Matoso Realised nickel sales price is inclusive of by-products. Realised sales price is calculated as sales Revenue divided by sales volume.

(46) Cerro Matoso Operating unit cost is Revenue less Underlying EBITDA divided by Payable nickel sales volume.

(47) Cannington Operating unit cost is Revenue less Underlying EBITDA divided by ore processed. Periodic movements in finished product inventory may impact operating unit costs as related marketing costs and treatment and refining charges may change.

Figures in Italics indicate that an adjustment has been made since the figures were previously reported.

The following abbreviations may be used throughout this report: US$ million (US$M); US$ billion (US$B); financial year (FY18); grams per tonne (g/t); tonnes (t); thousand tonnes (kt); thousand tonnes per annum (ktpa); million tonnes (Mt); million tonnes per annum (Mtpa); thousand ounces (koz); million ounces (Moz); thousand wet metric tonnes (kwmt); million wet metric tonnes (Mwmt); million wet metric tonnes per annum (Mwmt pa); thousand dry metric tonnes (kdmt); dry metric tonne unit (dmtu); pound (lb); megawatt (MW); Australian Securities Exchange (ASX); London Stock Exchange (LSE); Johannesburg Stock Exchange (JSE); and American Depositary Receipts (ADR).

South32 Financial Information

For the year ended 30 June 2018

Basis of preparation

The financial information included in this document for the year ended 30 June 2018 is unaudited. The financial information does not constitute the South32 Group's (the Group) full financial statements for the year ended 30 June 2018, which will be approved by the Board, reported on by the auditors, and filed with the Australian Securities and Investments Commission. The Group's full financial statements will be prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial information set out on pages 28 to 38 for the year ended 30 June 2018 has been prepared on the basis of accounting policies and methods of computation consistent with those applied in the 30 June 2017 financial statements contained within the Annual Report of the Group.

As required, and unless otherwise stated, comparative financial information for the Group has been presented.

All amounts are expressed in US dollars unless otherwise stated. The Group's presentation currency and the functional currency of the majority of its operations is US dollars as this is the principal currency of the economic environment in which it operates.

Comparative figures have been prepared on the same basis as the current period figures. Amounts in this Financial Information have, unless otherwise indicated, been rounded to the nearest million dollars (US$M or US$ million).

Consolidated Income Statement

for the year ended 30 June 2018

US$M	FY18	FY17
Revenue		
Group production	**6,682**	6,160
Third party products	**867**	790
	7,549	6,950
Other income	**226**	275
Expenses excluding net finance cost	**(6,577)**	(5,742)
Share of profit/(loss) of equity accounted investments	**521**	312
Profit/(loss)	**1,719**	1,795
Comprising:		
Group production	**1,694**	1,783
Third party products	**25**	12
Profit/(loss)	**1,719**	1,795
Finance expenses	**(168)**	(212)
Finance income	**68**	41
Net finance cost	**(100)**	(171)
Profit/(loss) before tax	**1,619**	1,624
Income tax (expense)/benefit	**(287)**	(393)
Profit/(loss) after tax	**1,332**	1,231
Attributable to:		
Equity holders of South32 Limited	**1,332**	1,231
Profit/(loss) for the year attributable to the equity holders of South32 Limited		
Basic earnings per share (cents)	**25.8**	23.2
Diluted earnings per share (cents)	**25.4**	22.9

The accompanying notes form part of this financial information.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2018

US$M	FY18	FY17
Profit/(loss) for the year	**1,332**	1,231
Other Comprehensive Income		
Items that may be reclassified to the Consolidated Income Statement:		
Available for sale investments:		
Net gains/(losses) recognised in equity	**170**	19
Net (gains)/losses transferred to the Consolidated Income Statement	**(33)**	-
Tax benefit/(expense) recognised within Other Comprehensive Income	**(3)**	1
Cash flow hedges:		
Net gains/(losses) recognised in equity	**5**	-
Total items that may be reclassified to the Consolidated Income Statement	**139**	20
Items not to be reclassified to the Consolidated Income Statement:		
Equity accounted investments – share of Other Comprehensive Income/(loss)	**1**	1
Gains/(losses) on pension and medical schemes	**4**	8
Tax benefit/(expense) recognised within Other Comprehensive Income	**(1)**	(2)
Total items not to be reclassified to the Consolidated Income Statement	**4**	7
Total Other Comprehensive Income/(loss)	**143**	27
Total Comprehensive Income/(loss)	**1,475**	1,258
Attributable to:		
Equity holders of South32 Limited	**1,475**	1,258

The accompanying notes form part of this financial information.

Consolidated Balance Sheet

as at 30 June 2018

US$M	FY18	FY17
ASSETS		
Current assets		
Cash and cash equivalents	**2,970**	2,675
Trade and other receivables	**826**	718
Other financial assets	**80**	103
Inventories	**886**	781
Current tax assets	**8**	27
Other	**51**	28
Total current assets	**4,821**	4,332
Non-current assets		
Trade and other receivables	**248**	365
Other financial assets	**613**	465
Inventories	**76**	81
Property, plant and equipment	**8,196**	8,373
Intangible assets	**221**	252
Equity accounted investments	**697**	569
Deferred tax assets	**245**	276
Other	**16**	20
Total non-current assets	**10,312**	10,401
Total assets	**15,133**	14,733
LIABILITIES		
Current liabilities		
Trade and other payables	**830**	850
Interest bearing liabilities	**333**	391
Other financial liabilities	**2**	-
Current tax payables	**135**	116
Provisions	**360**	383
Deferred income	**4**	4
Total current liabilities	**1,664**	1,744
Non-current liabilities		
Trade and other payables	**5**	4
Interest bearing liabilities	**596**	644
Deferred tax liabilities	**445**	518
Provisions	**1,705**	1,577
Deferred income	**9**	11
Total non-current liabilities	**2,760**	2,754
Total liabilities	**4,424**	4,498
Net assets	**10,709**	10,235
EQUITY		
Share capital	**14,493**	14,747
Treasury shares	**(83)**	(26)
Reserves	**(3,333)**	(3,503)
Retained earnings/(accumulated losses)	**(367)**	(982)
Total equity attributable to equity holders of South32 Limited	**10,710**	10,236
Non-controlling interests	**(1)**	(1)
Total equity	**10,709**	10,235

The accompanying notes form part of this financial information.

Consolidated Cash Flow Statement

for the year ended 30 June 2018

US$M	FY18	FY17
Operating activities		
Profit/(loss) before tax	**1,619**	1,624
Adjustments for:		
Non-cash significant items	**(31)**	-
Depreciation and amortisation expense	**742**	763
Employee share awards expense	**40**	37
Net finance cost	**100**	171
Share of (profit)/loss of equity accounted investments	**(521)**	(312)
Fair value (gains)/losses on derivative instruments	**76**	(194)
Other non-cash or non-operating items	**(12)**	(21)
Changes in assets and liabilities:		
Trade and other receivables	**(153)**	(119)
Inventories	**(99)**	(60)
Trade and other payables	**(22)**	137
Provisions and other liabilities	**(118)**	(63)
Cash generated from operations	**1,621**	1,963
Interest received	**64**	41
Interest paid	**(70)**	(73)
Income tax (paid)/received	**(306)**	(127)
Dividends received	**14**	15
Dividends received from equity accounted investments	**394**	313
Net cash flows from operating activities	**1,717**	2,132
Investing activities		
Purchases of property, plant and equipment	**(430)**	(316)
Exploration expenditure	**(40)**	(27)
Exploration expenditure expensed and included in operating cash flows	**38**	25
Purchase of intangibles	**(4)**	(1)
Investment in financial assets	**(273)**	(331)
Investment in equity accounted investments	**-**	(21)
Cash outflows from investing activities	**(709)**	(671)
Proceeds from sale of property, plant and equipment and intangibles	**1**	16
Proceeds from financial assets	**407**	344
Distribution from equity accounted investments	**-**	22
Net cash flows from investing activities	**(301)**	(289)
Financing activities		
Proceeds from interest bearing liabilities	**4**	109
Repayment of interest bearing liabilities	**(77)**	(20)
Purchase of shares by South32 Limited Employee Incentive Plans Trusts (ESOP Trusts)	**(84)**	(27)
Share buy-back	**(254)**	(211)
Dividends paid	**(708)**	(244)
Net cash flows from financing activities	**(1,119)**	(393)
Net increase/(decrease) in cash and cash equivalents	**297**	1,450
Cash and cash equivalents, net of overdrafts, at the beginning of the financial year	**2,675**	1,225
Foreign currency exchange rate changes on cash and cash equivalents	**(2)**	-
Cash and cash equivalents, net of overdrafts, at the end of the financial year	**2,970**	2,675

The accompanying notes form part of this financial information.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2018

	Attributable to equity holders of South32 Limited						
US$M	**Share capital**	**Treasury shares**	**Reserves**	**Retained earnings/ (accumulated losses)**	**Total**	**Non-controlling interests**	**Total equity**
Balance as at 1 July 2017	**14,747**	**(26)**	**(3,503)**	**(982)**	**10,236**	**(1)**	**10,235**
Profit/(loss) for the year	**-**	**-**	**-**	**1,332**	**1,332**	**-**	**1,332**
Other Comprehensive Income/(loss)	**-**	**-**	**139**	**4**	**143**	**-**	**143**
Total Comprehensive Income/(loss)	**-**	**-**	**139**	**1,336**	**1,475**	**-**	**1,475**
Transactions with owners:							
Accrued employee entitlements for unexercised awards	**-**	**-**	**45**	**-**	**45**	**-**	**45**
Dividends	**-**	**-**	**-**	**(708)**	**(708)**	**-**	**(708)**
Purchase of shares by ESOP Trusts	**-**	**(84)**	**-**	**-**	**(84)**	**-**	**(84)**
Employee share awards exercised	**-**	**27**	**(14)**	**(13)**	**-**	**-**	**-**
Shares bought back and cancelled	**(254)**	**-**	**-**	**-**	**(254)**	**-**	**(254)**
Balance as at 30 June 2018	**14,493**	**(83)**	**(3,333)**	**(367)**	**10,710**	**(1)**	**10,709**
Balance as at 1 July 2016	14,958	(3)	(3,555)	(1,977)	9,423	(1)	9,422
Profit/(loss) for the year	-	-	-	1,231	1,231	-	1,231
Other Comprehensive Income/(loss)	-	-	20	7	27	-	27
Total Comprehensive Income/(loss)	-	-	20	1,238	1,258	-	1,258
Transactions with owners:							
Accrued employee entitlements for unexercised awards	-	-	37	-	37	-	37
Dividends	-	-	-	(244)	(244)	-	(244)
Purchase of share by ESOP Trusts	-	(27)	-	-	(27)	-	(27)
Employee share awards exercised	-	4	(5)	1	-	-	-
Shares bought back and cancelled	(211)	-	-	-	(211)	-	(211)
Balance as at 30 June 2017	14,747	(26)	(3,503)	(982)	10,236	(1)	10,235

The accompanying notes form part of this financial information.

Segment Information

(a) Description of segments

The operating segments (also referred to as operations), are organised and managed separately according to the nature of products produced. Certain members of the Lead Team (the chief operating decision makers) and the Board of Directors monitor the segment results regularly for the purpose of making decisions about resource allocation and performance assessment. The segment information for the manganese operations are presented on a proportional consolidation basis, which is the measure used by the Group's management to assess their performance.

The principal activities of each operating segment as the Group is currently structured are summarised as follows:

Operating segment	Principal activities
Worsley Alumina	Integrated bauxite mine and alumina refinery in Western Australia, Australia
South Africa Aluminium	Aluminium smelter in Richards Bay, South Africa
Mozal Aluminium	Aluminium smelter in Mozambique
Brazil Alumina	Alumina refinery in Brazil
South Africa Energy Coal	Open-cut and underground energy coal mines and processing operations in South Africa
Illawarra Metallurgical Coal	Underground metallurgical coal mines in New South Wales, Australia
Australia Manganese	Integrated producer of manganese ore in the Northern Territory and manganese alloys in Tasmania, Australia
South Africa Manganese	Integrated producer of manganese ore and alloy in South Africa
Cerro Matoso	Integrated laterite ferronickel mining and smelting complex in Colombia
Cannington	Silver, lead and zinc mine in Queensland, Australia

All operations are operated or jointly operated by the Group except Brazil Alumina, which is operated by Alcoa.

(b) Segment results

The Group separately discloses sales of group production from sales of third party products because of the significant difference in profit margin earned on these sales.

It is the Group's policy that inter-segment transactions are made on a commercial basis.

Group and unallocated items/eliminations represent group centre functions and consolidation adjustments. Group financing (including finance expense and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

FY18 Segment Information

Year ended 30 June 2018 US$M	Worsley Alumina	South Africa Aluminium	Mozal Aluminium	Brazil Alumina	South Africa Energy Coal	Illawarra Metallurgical Coal	Australia Manganese[(1)]	South Africa Manganese[(1)]	Cerro Matoso	Cannington	Group and unallocated items/ elimination	Statutory adjustment[(1)]	Group
Revenue													
Group production	724	1,583	629	551	1,366	686	1,111	489	559	584	-	(1,600)	6,682
Third party products[(2)]	-	-	-	-	-	-	-	-	-	-	870	(3)	867
Inter-segment revenue	749	-	-	-	-	-	-	14	-	-	(749)	(14)	-
Total revenue	**1,473**	**1,583**	**629**	**551**	**1,366**	**686**	**1,111**	**503**	**559**	**584**	**121**	**(1,617)**	**7,549**
Underlying EBITDA	**588**	**285**	**133**	**192**	**353**	**103**	**710**	**215**	**209**	**230**	**(64)**	**(438)**	**2,516**
Depreciation and amortisation	(166)	(72)	(34)	(56)	(77)	(165)	(59)	(29)	(89)	(47)	(36)	88	(742)
Underlying EBIT	**422**	**213**	**99**	**136**	**276**	**(62)**	**651**	**186**	**120**	**183**	**(100)**	**(350)**	**1,774**
Comprising:													
Group production excluding exploration expensed	423	213	99	136	273	(56)	652	186	128	185	(105)	(838)	1,296
Exploration expensed	(1)	-	-	-	-	(7)	(1)	-	(8)	(2)	(20)	1	(38)
Third party products[(2)]	-	-	-	-	-	-	-	-	-	-	25	-	25
Share of profit/(loss) of equity accounted investments[(3)]	-	-	-	-	3	1	-	-	-	-	-	487	491
Underlying EBIT	**422**	**213**	**99**	**136**	**276**	**(62)**	**651**	**186**	**120**	**183**	**(100)**	**(350)**	**1,774**
Net finance cost													(123)
Income tax (expense)/benefit													(324)
Underlying earnings													**1,327**
Earnings adjustments[(4)]													5
Profit/(loss) after tax													**1,332**
Exploration expenditure	**1**	**-**	**-**	**-**	**-**	**7**	**1**	**-**	**9**	**3**	**20**	**(1)**	**40**
Capital expenditure[(5)]	**52**	**28**	**10**	**12**	**164**	**89**	**48**	**17**	**22**	**51**	**2**	**(65)**	**430**
Equity accounted investments	**-**	**-**	**-**	**-**	**12**	**1**	**-**	**-**	**-**	**-**	**-**	**684**	**697**
Total assets[(6)]	**3,516**	**1,507**	**685**	**756**	**1,036**	**1,655**	**596**	**496**	**764**	**450**	**4,239**	**(567)**	**15,133**
Total liabilities[(6)]	**488**	**305**	**132**	**112**	**1,059**	**247**	**307**	**199**	**213**	**240**	**1,669**	**(547)**	**4,424**

(1) The segment information reflects the Group's interest in the manganese operations and is presented on a proportional consolidation basis, which is the measure used by the Group's management to assess their performance. The manganese operations are equity accounted in the consolidated financial statements. The statutory adjustment column reconciles the proportional consolidation to the equity accounting position.

(2) Third party products sold comprise US$206 million for aluminium, US$49 million for alumina, US$290 million for coal, US$198 million for freight services and US$124 million for aluminium raw materials. Underlying EBIT on third party products comprise US$11 million for aluminium, US$2 million for alumina, US$12 million for coal, (US$1) million for freight services and US$1 million for aluminium raw materials.

(3) Share of profit/(loss) of equity accounted investments includes the impact of earnings adjustments to Underlying EBIT.

(4) Refer to Earnings adjustments.

(5) Capital expenditure excludes the purchase of intangibles and capitalised exploration expenditure.

(6) Total assets and liabilities for each operating segment represent operating assets and liabilities which predominantly exclude the carrying amount of equity accounted investments, cash, interest bearing liabilities and tax balances.

FY17 Segment Information

Year ended 30 June 2017 US$M	Worsley Alumina	South Africa Aluminium	Mozal Aluminium	Brazil Alumina	South Africa Energy Coal	Illawarra Metallurgical Coal	Australia Manganese(1)	South Africa Manganese(1)	Cerro Matoso	Cannington	Group and unallocated items/ elimination	Statutory adjustment(1)	Group
Revenue													
Group production	630	1,324	521	304	1,103	1,133	851	387	377	768	-	(1,238)	6,160
Third party products(2)	-	-	-	-	-	-	-	-	-	-	792	(2)	790
Inter-segment revenue	476	-	-	81	-	-	-	4	-	-	(557)	(4)	-
Total revenue	**1,106**	**1,324**	**521**	**385**	**1,103**	**1,133**	**851**	**391**	**377**	**768**	**235**	**(1,244)**	**6,950**
Underlying EBITDA	**326**	**287**	**113**	**123**	**273**	**548**	**521**	**140**	**74**	**364**	**(21)**	**(337)**	**2,411**
Depreciation and amortisation	(167)	(68)	(37)	(57)	(61)	(190)	(54)	(30)	(90)	(56)	(37)	84	(763)
Underlying EBIT	**159**	**219**	**76**	**66**	**212**	**358**	**467**	**110**	**(16)**	**308**	**(58)**	**(253)**	**1,648**
Comprising:													
Group production excluding exploration expensed	160	219	76	66	216	363	467	110	(12)	310	(56)	(578)	1,341
Exploration expensed	(1)	-	-	-	-	(5)	-	-	(4)	(2)	(14)	1	(25)
Third party products(2)	-	-	-	-	-	-	-	-	-	-	12	-	12
Share of profit/(loss) of equity accounted investments(3)	-	-	-	-	(4)	-	-	-	-	-	-	324	320
Underlying EBIT	**159**	**219**	**76**	**66**	**212**	**358**	**467**	**110**	**(16)**	**308**	**(58)**	**(253)**	**1,648**
Net finance cost													(136)
Income tax (expense)/benefit													(366)
Underlying earnings													**1,146**
Earnings adjustments(4)													85
Profit/(loss) after tax													**1,231**
Exploration expenditure	**1**	**-**	**-**	**-**	**-**	**5**	**1**	**-**	**5**	**2**	**14**	**(1)**	**27**
Capital expenditure(5)	**43**	**15**	**6**	**20**	**64**	**112**	**28**	**9**	**14**	**36**	**6**	**(37)**	**316**
Equity accounted investments	**-**	**-**	**-**	**-**	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**559**	**569**
Total assets(6)	**3,564**	**1,478**	**630**	**860**	**936**	**1,667**	**597**	**493**	**800**	**371**	**4,011**	**(674)**	**14,733**
Total liabilities(6)	**521**	**273**	**96**	**169**	**1,020**	**261**	**278**	**186**	**189**	**156**	**2,017**	**(668)**	**4,498**

(1) The segment information reflects the Group's interest in the manganese operations and is presented on a proportional consolidation basis, which is the measure used by the Group's management to assess their performance. The manganese operations are equity accounted in the consolidated financial statements. The statutory adjustment column reconciles the proportional consolidation to the equity accounting position.

(2) Third party products sold comprise US$282 million for aluminium, US$133 million for alumina, US$169 million for coal, US$113 million for freight services and US$93 million for aluminium raw materials. Underlying EBIT on third party products comprise US$13 million for aluminium, (US$4) million for alumina, US$2 million for coal, nil for freight services and US$1 million for aluminium raw materials.

(3) Share of profit/(loss) of equity accounted investments includes the impact of earnings adjustments to Underlying EBIT.

(4) Refer to Earnings adjustments.

(5) Capital expenditure excludes the purchase of intangibles and capitalised exploration expenditure.

(6) Total assets and liabilities for each operating segment represent operating assets and liabilities which predominantly exclude the carrying amount of equity accounted investments, cash, interest bearing liabilities and tax balances.

Earnings adjustments

The following table shows earnings adjustments in determining Underlying earnings:

US$M	FY18	FY17
Adjustments to Underlying EBIT		
Significant items(1)	**(31)**	-
Exchange rate (gains)/losses on restatement of monetary items(2)	**(15)**	37
Fair value (gains)/losses on non-trading derivative instruments(2)(3)	**73**	(194)
Major corporate restructures(2)(4)	**58**	2
Earnings adjustments included in profit/(loss) of equity accounted investments(5)(6)	**(30)**	8
Total adjustments to Underlying EBIT	**55**	(147)
Adjustments to net finance cost		
Exchange rate variations on net debt	**(23)**	35
Total adjustments to net finance cost	**(23)**	35
Adjustments to income tax expense		
Tax effect of significant items(1)	**1**	-
Tax effect of other earnings adjustments to Underlying EBIT	**(34)**	42
Tax effect of earnings adjustments to net finance cost	**7**	(9)
Exchange rate variations on tax balances	**(11)**	(6)
Total adjustments to income tax expense	**(37)**	27
Total earnings adjustments	**(5)**	(85)

(1) Refer to Significant items.

(2) Recognised in expenses excluding net finance cost in the Consolidated Income Statement.

(3) Primarily relates to US$57 million (FY17: (US$183) million) included in the South Africa Aluminium segment and US$16 million (FY17: (US$8) million) included in Group and unallocated items.

(4) Primarily relates to US$12 million (FY17: nil) included in the Illawarra Metallurgical Coal segment and US$45 million (FY17: nil) included in Group and unallocated items.

(5) Recognised in share of profit/(loss) of equity accounted investments in the Consolidated Income Statement.

(6) Primarily relates to (US$6) million (FY17: US$5 million) included in the Australia Manganese segment and (US$24) million (FY17: US$3 million) included in the South Africa Manganese segment.

Significant items

Significant items are those items, not separately identified in earnings adjustments, where their nature and amount is considered material to the consolidated financial statements. There were no such items included within the Group's (income)/expense for the year ended 30 June 2017.

Year ended 30 June 2018			
US$M	**Gross**	**Tax**	**Net**
Unwind of the investment in Dreamvision(1)(2)	(31)	1	(30)
Total significant items	**(31)**	**1**	**(30)**

(1) Recognised in other income in the Consolidated Income Statement.

(2) Attributable to Group and unallocated items.

Unwind of the investment in Dreamvision

The Group's investment in Dreamvision Investments 15 (RF) (Pty) Ltd (Dreamvision) originated in 2006 through the formation of a Broad-Based Black Economic Empowerment (B-BBEE) transaction. The transaction contained a lock-in period which expired in November 2016 and the process to unwind the investment was triggered. Consequently, the Group elected to receive shares in Exxaro Resources Limited in exchange for its shareholding in Dreamvision. The net valuation gain on the available for sale investment in Dreamvision has been transferred from the financial assets reserve and recognised in the Consolidated Income Statement.

Net finance cost

US$M	FY18	FY17
Finance expenses		
Interest on borrowings	**(18)**	(21)
Finance lease interest	**(52)**	(52)
Discounting on provisions and other liabilities	**(105)**	(98)
Change in discount rate on closure and rehabilitation provisions	**(3)**	6
Net interest expense on post-retirement employee benefits	**(10)**	(9)
Fair value change on financial asset	**(3)**	(3)
Exchange rate variations on net debt	**23**	(35)
	(168)	(212)
Finance income		
Interest income	**68**	41
Net finance cost	**(100)**	(171)

Income tax expense

US$M	FY18	FY17
Current tax (expense)/benefit	**(333)**	(269)
Deferred tax (expense)/benefit	**46**	(124)
Total tax (expense)/benefit	**(287)**	(393)
Australia	**(134)**	(220)
Southern Africa	**(124)**	(129)
Rest of world	**(29)**	(44)
Total income tax (expense)/benefit attributable to the geographical jurisdiction	**(287)**	(393)

Equity accounted investments

The Group's interests in equity accounted investments with the most significant contribution to the Group's net profit/(loss) or net assets are as follows:

Significant joint ventures	Country of incorporation/ principal place of business	Principal activity	Reporting date	Acquisition date	Ownership interest	
					FY18	FY17
					%	%
Australia Manganese[(1)(2)]	Australia	Integrated producer of manganese ore and alloy	30 June 2018	8 May 2015	**60**	60
South Africa Manganese[(1)(3)]	South Africa	Integrated producer of manganese ore and alloy	30 June 2018	3 February 2015	**60**	60

(1) Whilst the Group holds a greater than 50 per cent interest in the joint ventures, joint control is contractually achieved as joint venture parties unanimously consent on decisions over the joint venture's relevant activities.
(2) Australia Manganese consists of an investment in Groote Eylandt Mining Company Pty Ltd.
(3) South Africa Manganese consists of an investment in Samancor Holdings Proprietary Limited.

The following table summarises the financial information of the Group's significant equity accounted investments:

Share of profit/(loss) of equity accounted investments		
US$M	FY18	FY17
Australia Manganese and South Africa Manganese	**503**	287
Individually immaterial[(1)]	**18**	25
Total[(2)]	**521**	312

(1) Individually immaterial consists of investments in Samancor AG (60 per cent), Samancor Marketing Pte Ltd (60 per cent), Richards Bay Coal Terminal Proprietary Limited (21.1 per cent) and Port Kembla Coal Terminal Limited (16.7 per cent).

(2) Includes Underlying earnings adjustment of (US$30) million (FY17: US$8 million). Refer to Earnings adjustments.

Interests in joint operations

Significant joint operations of the Group, which are those with the most significant contributions to the Group's net profit/(loss) or net assets, are as follows:

Significant joint operations	Country of operation	Principal activity	Acquisition date	Effective interest	
				FY18	FY17
				%	%
Brazil Alumina	Brazil	Alumina refining	3 July 2014	**36**	36
		Aluminium smelting	3 July 2014	**40**	40
Mozal Aluminium SARL[(1)]	Mozambique	Aluminium smelting	27 March 2015	**47.1**	47.1
Worsley Alumina[(2)]	Australia	Bauxite mining and alumina refining	8 May 2015	**86**	86

(1) This joint arrangement is an incorporated entity. It is classified as a joint operation as the participants are entitled to receive output, not dividends, from the arrangement.
(2) Whilst the Group holds a greater than 50 per cent interest in Worsley Alumina, participants jointly approve certain matters and are entitled to receive output from the arrangement.

Subsequent Events

On 23 August 2018, the Directors resolved to pay a fully franked final dividend of US 6.2 cents per share (US$317 million) in respect of the 2018 financial year. The dividend will be paid on 11 October 2018. The dividend has not been provided for in the consolidated financial statements and will be recognised in the 2019 financial year.

On 10 August 2018, the Group completed its acquisition of the remaining 83 per cent of issued and outstanding shares of Arizona Mining Inc. that it did not already own via a plan of arrangement.

The transaction was completed for a total consideration of US$1.3 billion via a fully funded, all cash offer at CAD 6.20 per share. With the acquisition now complete, Arizona Mining's shares have ceased trading on the Toronto Stock Exchange (TSX) and were delisted from the TSX on 10 August 2018. The acquisition will be treated as an acquisition of assets as it involves the acquisition of exploration licences and some exploration surface facilities.

Disclaimer

Forward looking statements

This release 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 release, 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 release. 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.

Non-IFRS financial information

This release 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 capital, Free cash flow, net debt, 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 release 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.

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.

Further information

Investor Relations
Alex Volante
T +61 8 9324 9029
M +61 403 328 408
E Alex.Volante@south32.net

Media Relations
James Clothier
T +61 8 9324 9697
M +61 413 391 031
E James.Clothier@south32.net

Media Relations
Jenny White
T +44 20 7798 1773
M +44 7900 046 758
E Jenny.White@south32.net

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

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Registered in Australia
(Incorporated in Australia under the Corporations Act 2001)
Registered Office: Level 35, 108 St Georges Terrace
Perth Western Australia 6000 Australia
ISIN: AU000000S320

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