



28 September 2016

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

## **SOUTH AFRICA ENERGY COAL – KLIPSPRUIT SITE TOUR PRESENTATION**

South32 Limited (ASX, LSE, JSE: S32) (South32) will today host an investor and analyst site tour to its South Africa Energy Coal Klipspruit mine in Mpumalanga, South Africa.

### **About South32**

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

### **FURTHER INFORMATION**

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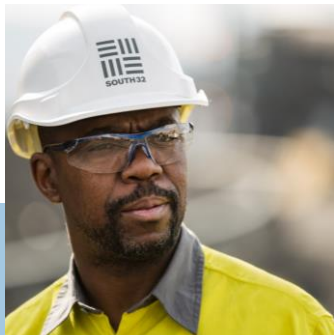
Further information on South32 can be found at [www.south32.net](http://www.south32.net).

JSE Sponsor: UBS South Africa (Pty) Ltd  
28 September 2016



# KLIPSPRUIT INVESTOR TOUR

28 SEPTEMBER 2016



This presentation should be read in conjunction with the Annual Financial Report as at 30 June 2016, Financial Results and Outlook – Year ended 30 June 2016, Quarterly Report for June 2016 and any other announcements made by South32 in accordance with its continuous disclosure obligations.

## **FORWARD LOOKING STATEMENTS**

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

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This presentation includes certain non-IFRS financial measures, including Underlying earnings, Underlying EBIT and Underlying EBITDA, Underlying basic 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.

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## **NO FINANCIAL OR INVESTMENT ADVICE – SOUTH AFRICA**

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

## **CURRENCY**

All references to dollars, cents or \$ in this document are to US currency, unless otherwise stated.

## **COAL RESERVES AND COAL RESOURCES**

Details of South32 Klipspruit, Wolvekrans Middelburg Complex and Khutala Coal Resource and Coal Reserve estimates which appear in this presentation are estimates previously disclosed in the South32 Annual report 2016 dated 8 August 2016 in compliance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012. The Competent Persons responsible for resources were: Khutala - G Gemmell (Pri. Sci. Nat., SACNASP), Klipspruit - H Strauss (MGSSA), Wolvekrans Middelburg Complex: S Kara (Pri. Sci. Nat., SACNASP), L Visser (Pri. Sci. Nat., SACNASP). The Competent Person responsible for reserves for Khutala, Klipspruit and Wolvekrans Middelburg Complex was P Mulder (MSAIMM). All the named Competent Persons are full time employees of South32. South32 is not aware of any new information or data that materially affects these Resource and Reserve estimates and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The company confirms that the form and context in which the resource and reserve estimates are presented have not been materially modified from the original market announcements.

Reserve Life is calculated based on the current stated Ore Reserves divided by the current approved nominated production rate as at the end of FY2016.

# SOUTH AFRICA ENERGY COAL RESOURCE AND RESERVE STATEMENT



## Coal Resources

As at 30 June 2016

																						South32 Interest	
			Measured Coal Resources					Indicated Coal Resources					Inferred Coal Resources					Total Coal Resources					
Deposit <sup>(1)(2)</sup>	Mining Method	Coal Type	Mt	% Ash	% VM	% S	Kcal/k g CV	Mt	% Ash	% VM	% S	Kcal/k g CV	Mt	% Ash	% VM	% S	Kcal/k g CV	Mt	% Ash	% VM	% S	Kcal/ kg CV	%
South Africa - Operating mines																							
Khutala	OC	Th	1,104	30.2	22.7	1.19	4,900	-	-	-	-	-	-	-	-	-	-	1,104	30.2	22.7	1.19	4,900	92
	UG	Th	219	34.6	20.6	0.90	4,440	-	-	-	-	-	-	-	-	-	-	219	34.6	20.6	0.90	4,440	
Klipspruit	OC	Th	114	28.3	22.4	1.21	5,150	-	-	-	-	-	-	-	-	-	-	114	28.3	22.4	1.21	5,150	92
Wolvekrans Middelburg Complex	OC	Th	663	26.3	22.8	1.12	5,520	17	29.2	22.9	1.01	5,190	115	28.9	23.2	1.08	5,210	795	26.8	22.8	1.11	5,470	92

## Coal Reserves

As at 30 June 2016

Deposit <sup>(1)(2)(4)(5)</sup>	Mining Method	Coal Type	Proved Coal Reserves	Probable Coal Reserves	Total Coal Reserves	Proved Marketable Coal Reserves				Probable Marketable Coal Reserves				Total Marketable Coal Reserves				Reserve Life	South32 Interest			
			Mt	Mt	Mt	Mt	% Ash	% VM	% S	Kcal/kg CV	Mt	% Ash	% VM	% S	Kcal/kg CV	Mt	% Ash	% VM	% S	Kcal/kg CV	Years	%
South Africa - Operating mines																						
Khutala	UG	Th	47		47	47	34.1	21.3	0.89	4,520						47	34.1	21.3	0.89	4,520	9.0	92
Klipspruit	OC	Th Export	31		31	9.1	14.2	25.1	0.47	6,290						9.1	14.2	25.1	0.47	6,290	4.0	92
	OC	Th				15	25.0	21.0	0.58	5,290						15	25.0	21.0	0.58	5,290		
Wolvekrans Middelburg Complex	OC	Th	466	17	483																24	92
	OC	Th Export				174	15.9	25.3	0.48	6,280	7	15.9	25.3	0.48	6,280	181	15.9	25.3	0.48	6,280		
	OC	Th Domestic				130	25.4	21.3	0.92	5,420	4	25.4	21.3	0.92	5,420	134	25.4	21.3	0.92	5,420		

(1) Cut-off criteria

Coal Resources  
 Khutala ≥ 1.0m seam thickness for OC, ≥ 2.5m seam thickness for UG, ≥ 24% dry ash-free volatile matter.  
 Klipspruit ≥ 1.0m seam thickness, ≤ 45% ash, ≥ 24% dry ash-free volatile matter.  
 Wolvekrans Middelburg Complex ≥ 1.0m seam thickness, ≤ 45% ash, ≥ 17.9% volatile matter.

(2) Tonnes and qualities are reported on an air-dried basis.

(3) Leandra: Increase in Coal Resource tonnes due to additional drilling.

(4) Process recoveries for the operations:

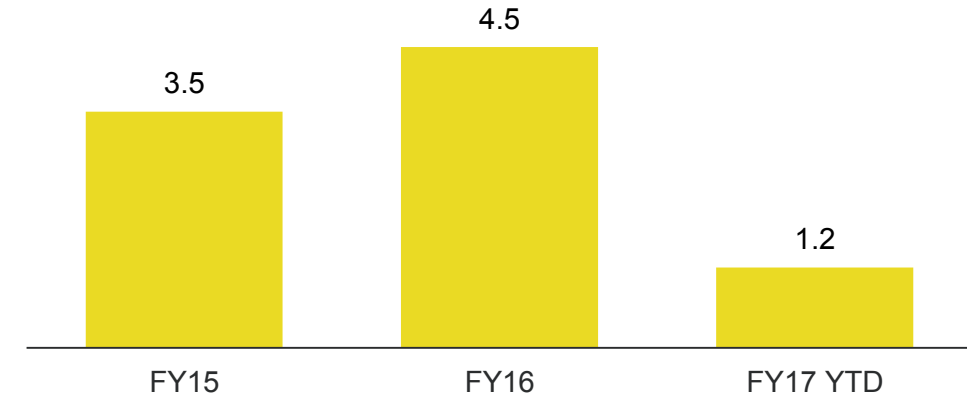
Khutala 100%  
 Klipspruit 79%  
 Wolvekrans Middelburg Complex 67%

Coal Reserves  
 ≥ 1.0m seam thickness for OC, ≥ 3.6m seam thickness for UG.  
 ≥ 1.0m seam thickness, varying CV ≥ 3,580 Kcal/kg to ≥ 4,300Kcal/kg, ≤ 45% ash.  
 ≥ 1.0m seam thickness, ≥ 2,870 Kcal/kg CV, ≤ 45% ash, ≥ 17.9% volatile matter.

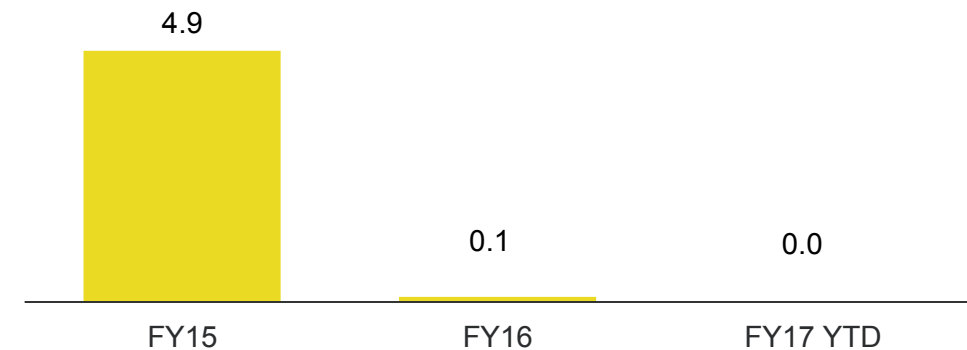


- One fatality at South Africa Energy Coal in FY16:
  - Klipspruit (June 2016)
- Delivering a step change in safety for South Africa Energy Coal by:
  - Building a more inclusive workplace with a strong culture of care and accountability
  - Ensuring that work is well-designed and we continuously improve and learn
  - Continuously improving and learning
  - Undertaking a thorough technical and leadership capability review to define, assess and address potential gaps
- Strong focus on controlling occupational exposures and significantly reduced occupational illness frequency
- Comprehensive wetland offset strategy developed, including the plan for Klipspruit Life Extension Project

**Total Recordable Injury Frequency Rate for SA Energy Coal**  
(per million hours worked)



**Occupational Illness Frequency Rate<sup>1</sup> for SA Energy Coal**  
(employees and contractors illness per million hours worked)

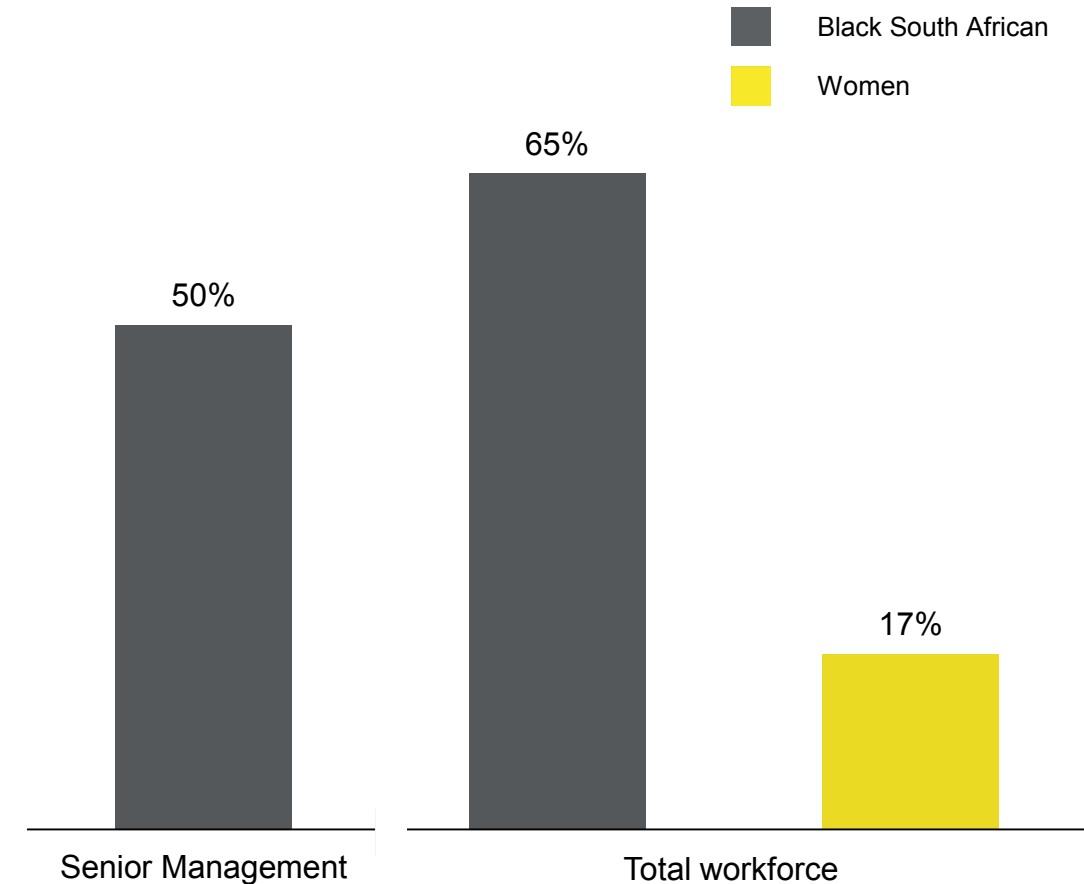


Note:

1. FY17 YTD occupational illness frequency rate is zero

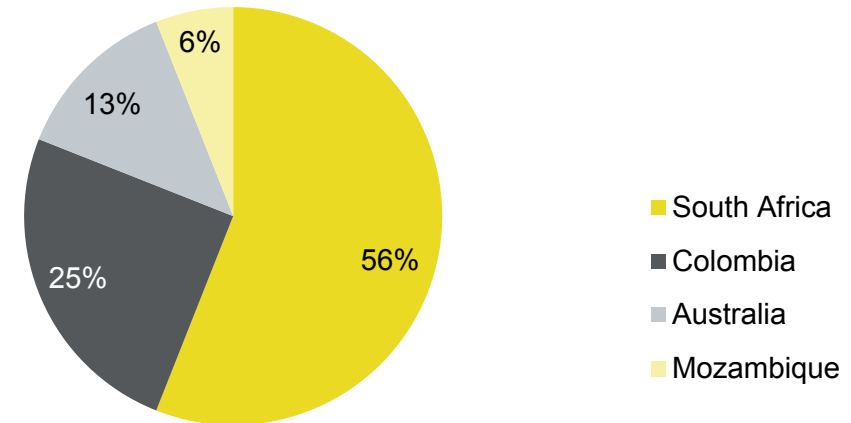
- Committed to the National Transformation Agenda as enacted in the B-BBEE Act and the Mining Charter
- Accelerated the implementation of key transformation initiatives:
  - Facilitating economic empowerment with broad-based equity ownership structures
  - Working towards equitable representation and the upskilling of our historically disadvantaged workforce at all levels
  - Developing black small and medium enterprises and the creation of opportunities for growth for existing black enterprises
  - Increasing our local engagement through focussed and sustainable community development
  - Improving the housing and living conditions of our employees and ensuring our plans are aligned with our values and the requirements of the South African Mining Charter
  - Recruiting from within our local communities

## Klipspruit workforce diversity

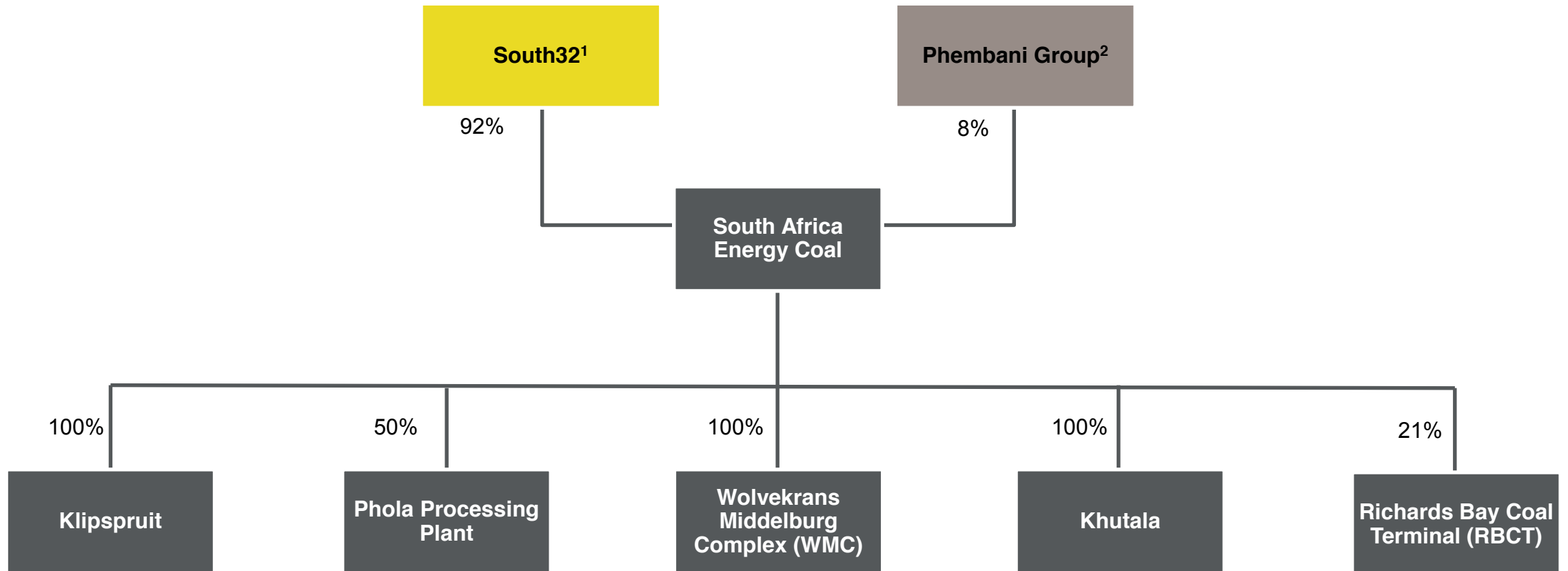


- We want to be trusted by society and the communities in which we operate
- During FY16, South32 contributed US\$16.5M to Community investment, of which US\$5.0M was spent at South Africa Energy coal
- Energy Coal South Africa community investment focusses on education, health, community based agriculture initiatives and local waste recycling and seeks to:
  - Empower employees to contribute to their community and society
  - Support local communities in areas of need
  - Develop long-term projects focussed on delivering positive outcomes for future generations
- At South Africa Energy Coal a wetland offset strategy has been developed to ensure no net loss in wetland function as a result of mining activities.

**South32 FY16 Community investment by country**



# BROAD-BASED EQUITY OWNERSHIP STRUCTURE



## Notes:

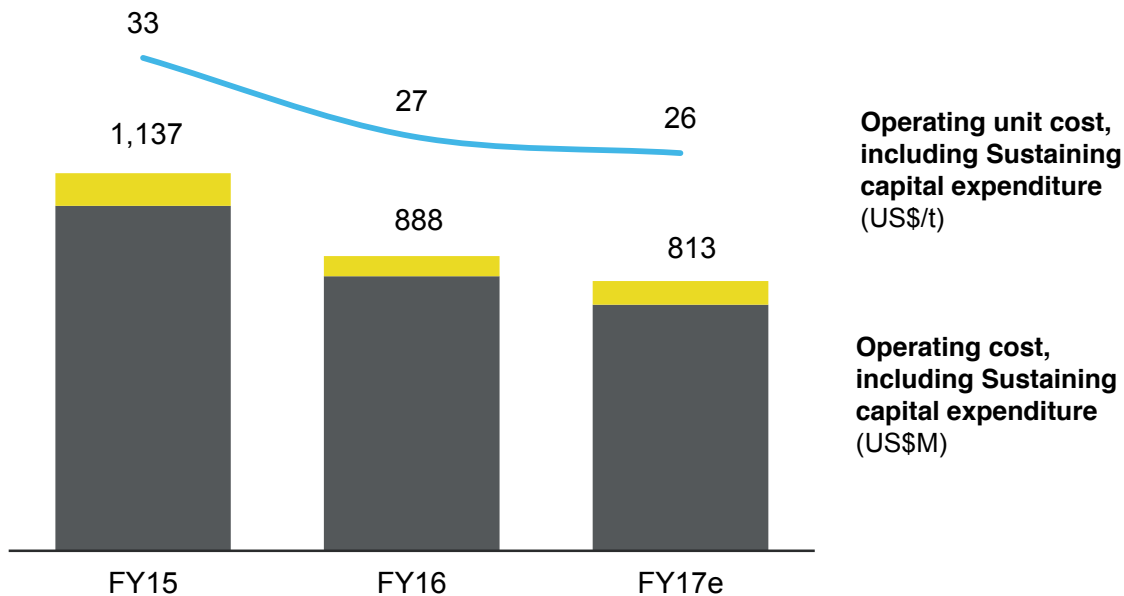
1. South32 has undertaken a number of historic asset transactions where it has transferred South Africa Energy Coal resources to historically disadvantaged entities which resulted in more than 26% ownership empowerment. These transactions were completed in consultation with the DMR to ensure consistency with the requirements of the Mining Charter.
2. The interests owned by our BEE partner, Phembani Group, were acquired using vendor finance, with the loans repayable to South32 via distributions attributable to these parties, pro rata to their share in South Africa Energy Coal. Until these loans are repaid, South32's interest in South Africa Energy Coal is accounted at 100%.



# SOUTH AFRICA ENERGY COAL KEY METRICS

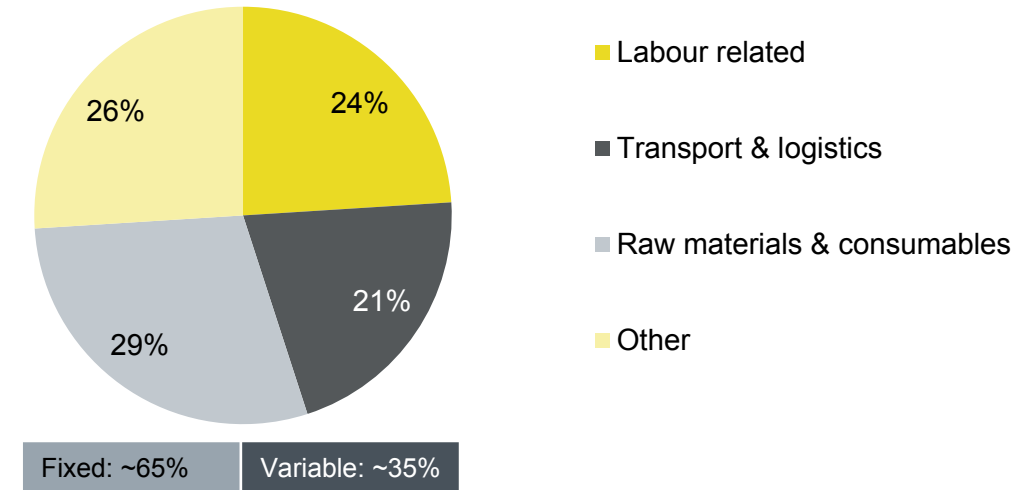


## Operating cost, including Sustaining capital expenditure<sup>1</sup>

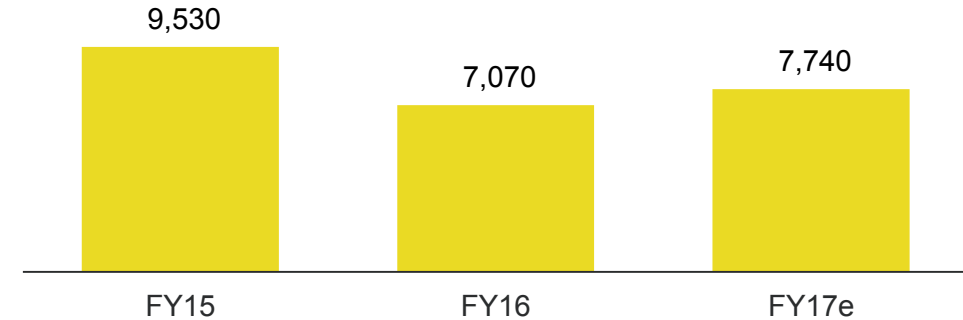


Costs expected to decline in FY17 as the assumed depreciation of the South African Rand offsets an increase in stripping activity required to access new mining areas, primarily at WMC

## FY16 Operating cost (excluding Sustaining capital)



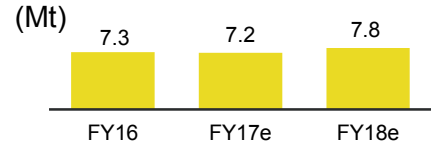
## Employee and contractor headcount <sup>2</sup>



### Notes:

- Operating unit cost, including Sustaining capital expenditure, and Sustaining capital expenditure guidance for FY17e, include royalties (where appropriate) and the influence of exchange rate assumptions, and are predicated on a thermal coal price of US\$54/t (API4) and a USD:ZAR exchange rate of 16.57; which reflect forward markets at the end of May 2016 or our internal expectations.
- Compares end of period average contractors and employees for respective financial years (FY15, FY16 and FY17e).

## Klipspruit production



## Klipspruit Life Extension project

- Now in Feasibility study phase
- Low capital expenditure development option
- Using existing infrastructure

## WMC production



## Contract type

- Duvha: Coal Supply Agreement 8.5Mtpa equity share
- Current fixed-price contract with two annual escalations
- Extends to 2024 (Eskom option to extend)

Additional investment required to access new areas

## Richards Bay Coal Terminal

- 21.4% interest
- Design capacity 91Mtpa
- CY15 exports 75.4Mt

## Khutala production



## Contract type

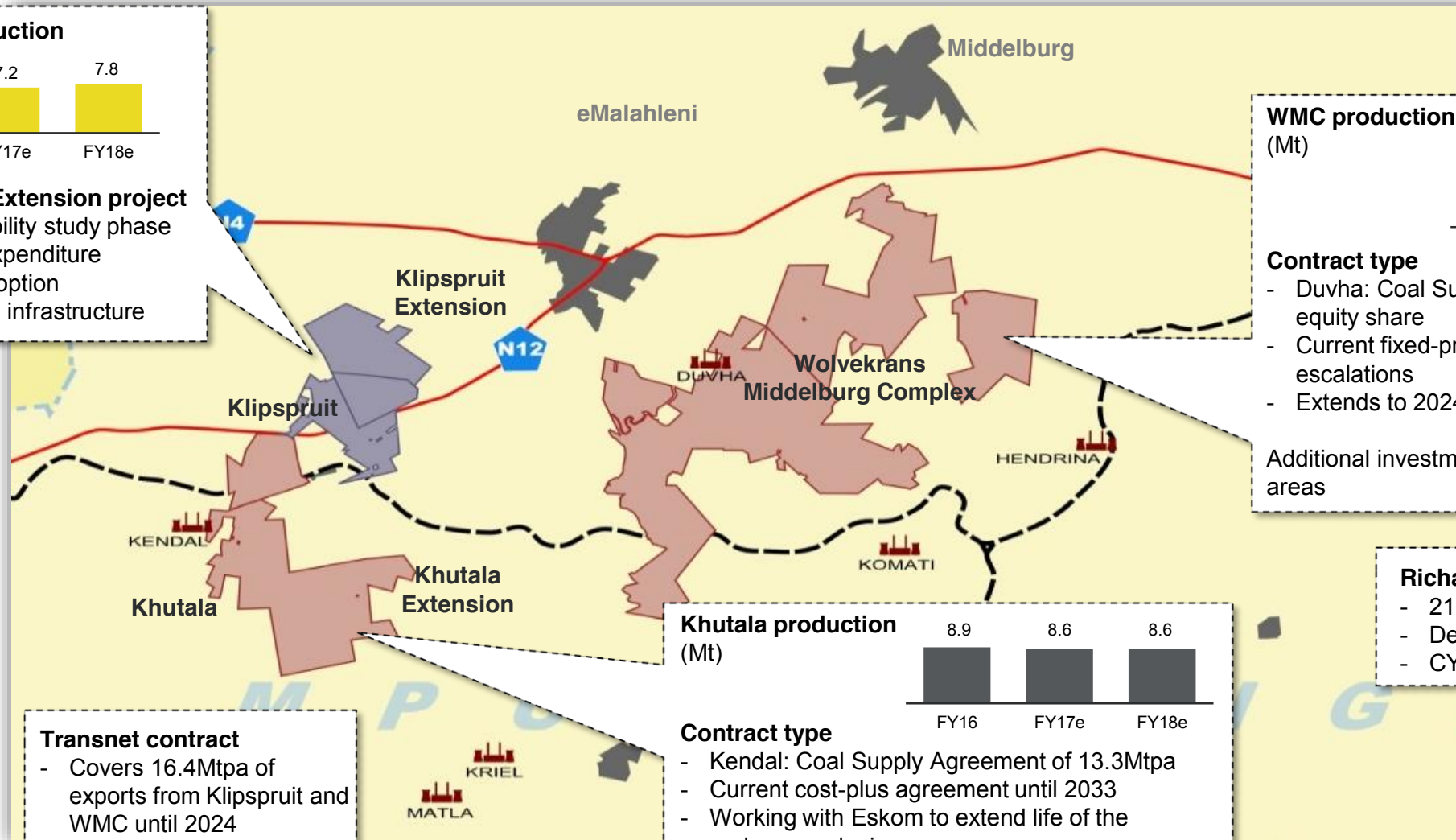
- Kendal: Coal Supply Agreement of 13.3Mtpa
- Current cost-plus agreement until 2033
- Working with Eskom to extend life of the underground mine

## Khutala life extension

- Further options with Eskom, under the current agreement, to recapitalise and move to open cut

## Transnet contract

- Covers 16.4Mtpa of exports from Klipspruit and WMC until 2024
- Take-or-pay obligation of 15.6Mtpa

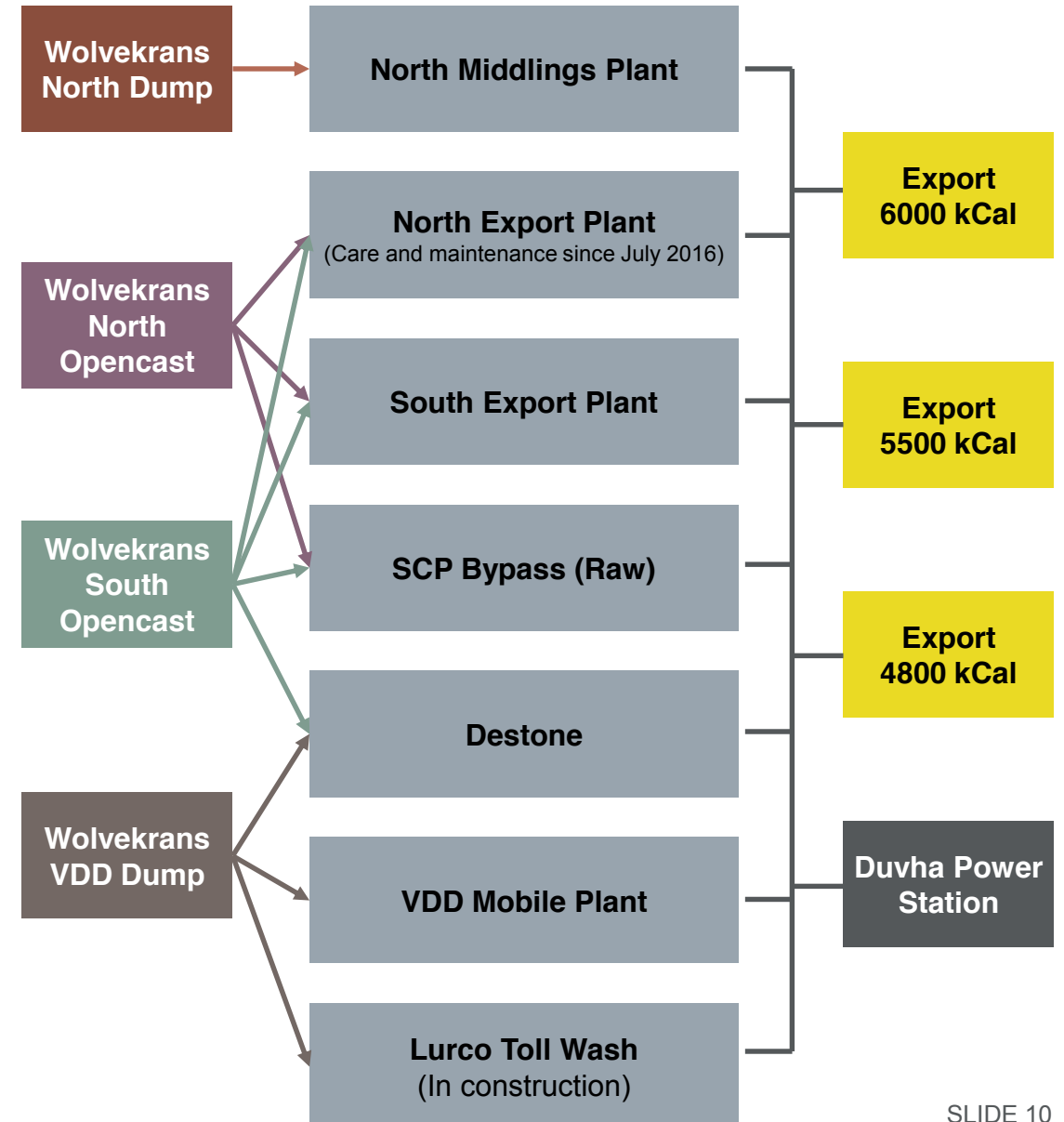
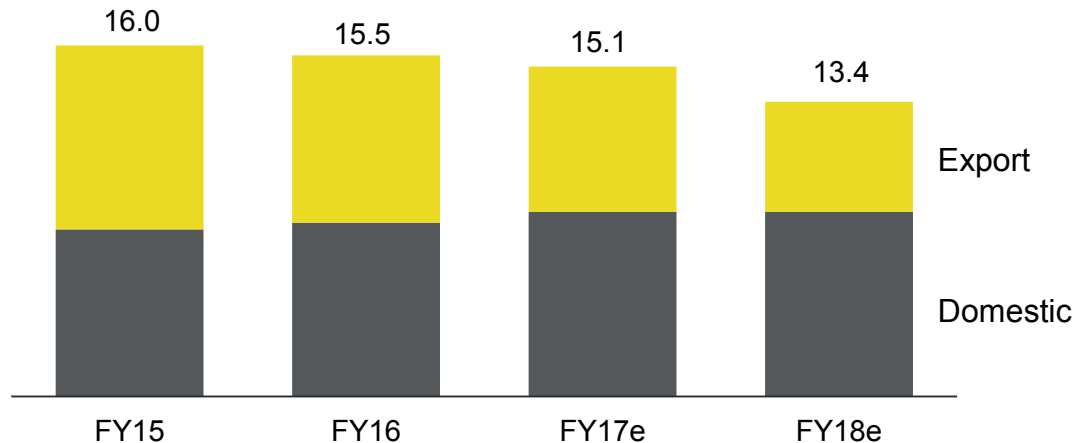


# WOLVEKRANS MIDDELBURG COMPLEX

## Wolvekrans Middelburg Complex

<b>Discovery/history</b>	<ul style="list-style-type: none"> <li>Commenced production in 1982</li> </ul>
<b>Reserves</b>	<ul style="list-style-type: none"> <li>315Mt; Reserve life: 24 years</li> </ul>
<b>Resources</b>	<ul style="list-style-type: none"> <li>795Mt</li> </ul>
<b>Mining</b>	<ul style="list-style-type: none"> <li>Open-cut; dragline and truck and shovel</li> <li>Mining right valid until 1 Dec 2041, with renewal right for another 30 years</li> </ul>

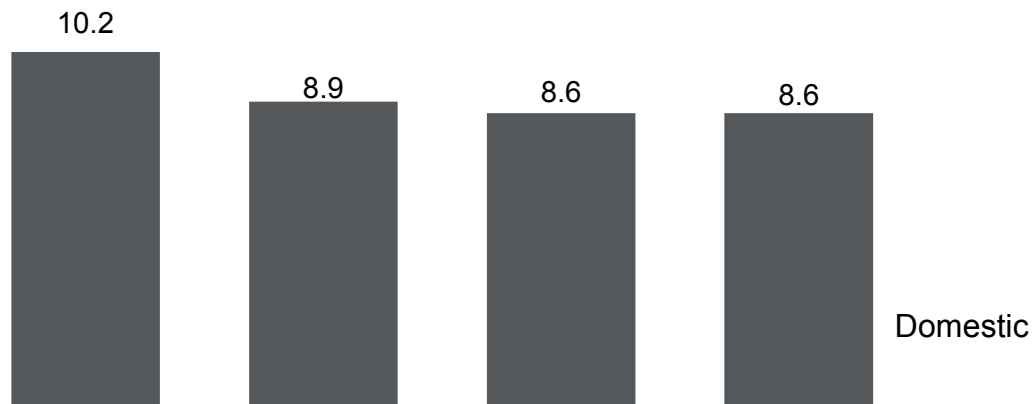
## Saleable coal production (Mt)



## Khutala

<b>Discovery/history</b>	<ul style="list-style-type: none"> <li>Commenced production in 1984</li> </ul>
<b>Reserves</b>	<ul style="list-style-type: none"> <li>47Mt; Reserve life: 9 years</li> </ul>
<b>Resources</b>	<ul style="list-style-type: none"> <li>1,323Mt</li> </ul>
<b>Mining</b>	<ul style="list-style-type: none"> <li>Underground bord and pillar</li> <li>Mining right valid until 10 Oct 2041</li> </ul>

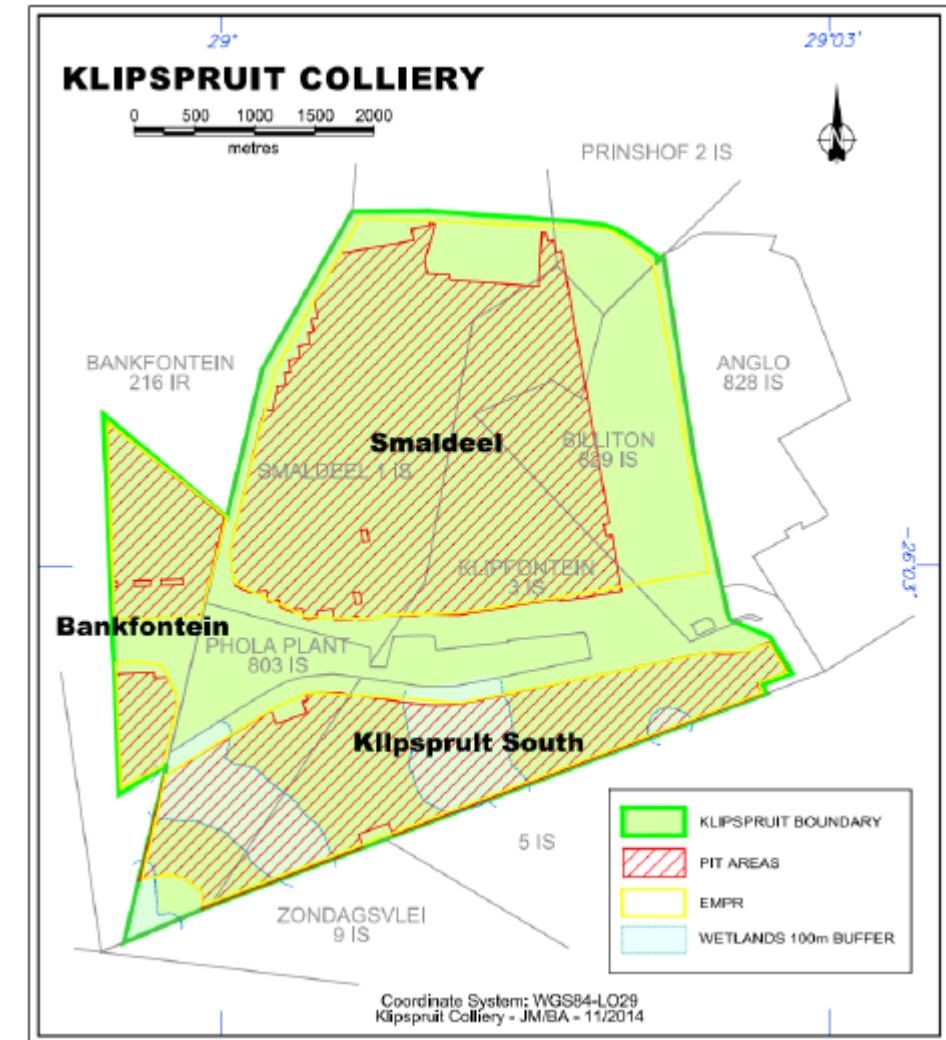
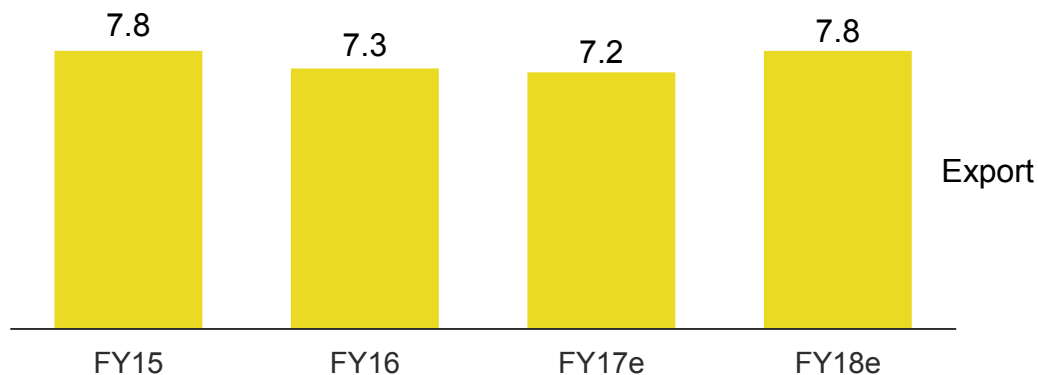
## Saleable coal production (Mt)



## Klipspruit

<b>Discovery/history</b>	<ul style="list-style-type: none"> <li>Commenced production in 2003</li> </ul>
<b>Reserves</b>	<ul style="list-style-type: none"> <li>24.1Mt; Reserve life: 4 years</li> </ul>
<b>Resources</b>	<ul style="list-style-type: none"> <li>114Mt (excluding resources for Klipspruit expansion)</li> </ul>
<b>Mining</b>	<ul style="list-style-type: none"> <li>Single dragline; multi seam open-cut mine with a truck and shovel mini pit</li> <li>Mining right valid until 10 Oct 2041, with renewal right for another 30 years</li> </ul>
<b>Processing</b>	<ul style="list-style-type: none"> <li>Processed at Phola Processing Plant</li> </ul>
<b>Products</b>	<ul style="list-style-type: none"> <li>Export thermal coal</li> </ul>

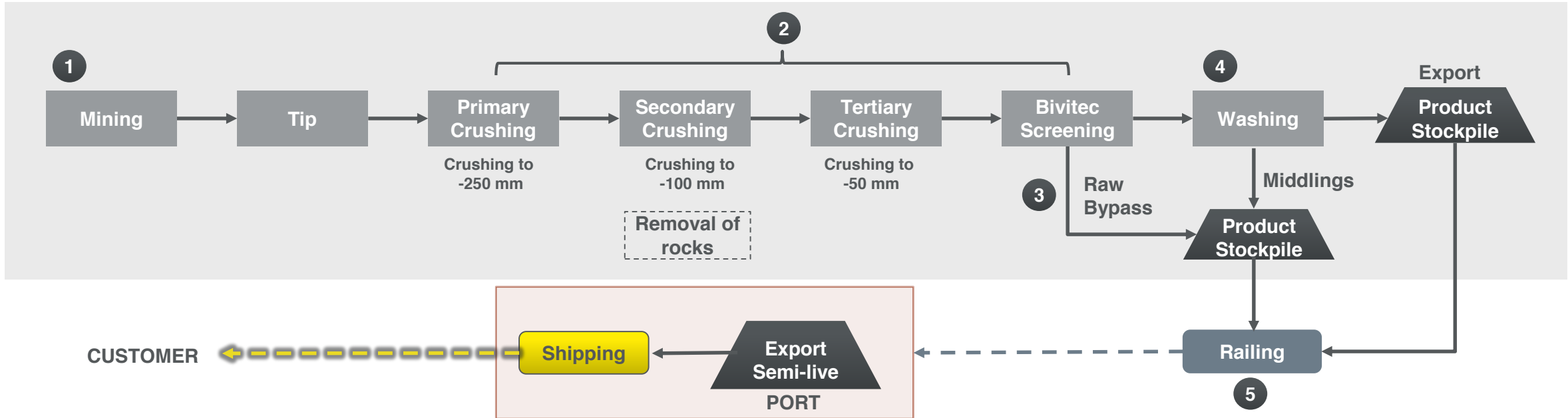
## Saleable coal production (Mt)





# KLIPSPRUIT CURRENT LAYOUT





## 1 Mining and ROM Stockpiles

- Routine analysis from the geological drilling programme
- Ad-hoc stockpile sampling on as needed basis

## 2 Crushing

- Auto-sampling on the crushing line stream conducted ahead of the feed to plant/ blending yard stockpiles

## 3 Raw Bypass

- The fraction of bypassed product auto-sampled on belt as added onto washed middlings

## 4 Plant Products

- Auto-sampled on an as produced basis for quality control

## 5 Rail consignments

- Auto-sampling done as product is reclaimed to silo

