



16 December 2016

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

South32 Limited (ASX, JSE, LSE: S32) (South32) advises that saleable coal production of 7.9Mt is anticipated at its Illawarra Metallurgical Coal operation in FY17, including 3.6Mt in H1 FY17. While ground conditions at the Appin Area 9 longwall have stabilised, additional work is being undertaken to recondition the maingate roadway to ensure the safe extraction of the 901 panel. At Appin Area 7, production continues to be progressively ramped-up to ensure safe levels of gas are maintained.

As a result, Illawarra Metallurgical Coal sales of 8.1Mt are now anticipated in FY17, while our average realised hard coking coal sales price will continue to reflect the premium low volatile index on a Month -1 (prior month) basis.

On the basis of unchanged assumptions for foreign exchange rates and coal prices, an average Operating unit cost (including Sustaining capital expenditure)¹ of approximately US\$86/t is now anticipated for Illawarra Metallurgical Coal in H1 FY17 (previously US\$75/t). This cost is forecast to decline towards US\$80/t in H2 FY17 (previously US\$71/t) for an average Operating unit cost (including Sustaining capital expenditure) of US\$83/t in FY17.

Illawarra Metallurgical Coal Revised guidance	FY16	H1 FY17e	H2 FY17e	FY17e
Metallurgical coal production (kt)	7,059	2,740	3,620	6,360
Metallurgical coal sales (kt)	6,984	2,780	3,750	6,530
Energy coal production (kt)	1,307	900	640	1,540
Energy coal sales (kt)	1,333	950	610	1,560
Total coal production (kt)	8,366	3,640	4,260	7,900
Total coal sales (kt)	8,317	3,730	4,360	8,090
Operating unit cost, incl. Sustaining capital expenditure (US\$/t)¹	80	86	80	83

With the completion of the 901 panel and the associated release of ground stresses, a strong improvement in longwall availability and cutting rates is anticipated in FY18 with total saleable production forecast to exceed 9.0Mt. Consequently, Operating unit costs (including Sustaining capital expenditure)¹ are forecast to decline towards approximately US\$77/t given the operation's high fixed cost base.

Restated FY17 production guidance incorporates a longwall move for each of the March and June 2017 quarters. To allow comparison to prior guidance, the various unit cost estimates do not take account of currently elevated coal prices, which increase royalty rates, and changes in the Australian dollar to US dollar rate, which has remained persistently above 0.72. FY17 Operating

unit cost, including Sustaining capital expenditure, guidance for our upstream operations will be updated when we report H1 FY17 financial results and will incorporate revised foreign exchange rate and price assumptions.

Notes:

1. Operating unit costs, including Sustaining capital expenditure, include royalties and the influence of exchange rate assumptions, and are based on: an average blended coal price of US\$83/t for Illawarra Metallurgical Coal; and an AUD:USD exchange rate of 0.72.

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.

Forward-looking statements

This release contains forward-looking statements, including statements about currency exchange rates, commodity prices, production forecasts, plans, exploration and capital expenditure. 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, South32 Limited 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.

FURTHER INFORMATION

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