



13 October 2017

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

ILLAWARRA METALLURGICAL COAL UPDATE

South32 Limited (ASX, JSE, LSE: S32; ADR: SOUHY) (South32) announced today that it has concluded its review into Illawarra Metallurgical Coal's operating systems and processes, and has completed remedial action required to safely and sustainably recommence production at the Appin mine following a staged ramp-up of activity through September.

Longwall 707 restarted production today and we plan to operate a single longwall at the Appin mine consistent with the prescribed ramp-up conditions. This plan will be adopted across the remainder of FY18, before returning to a two longwall configuration in the December 2018 quarter. Longwall 707 is expected to be completed during the June 2018 quarter, at which point we will commence production at Longwall 902.

South32 Chief Executive Officer Graham Kerr said: "We have completed a detailed review of Illawarra Metallurgical Coal's operating systems and processes to address the unacceptable levels of performance that have been achieved as the Appin Area 9 project¹ ramped-up to capacity."

"Longwall utilisation rates of 30% to 40% are significantly below industry benchmark levels and an opportunity exists for us to sustainably improve productivity in order to maximise the value of this high quality, long life resource."

"While unit operating costs and profitability will be significantly impacted by a lower rate of production in FY18, a measured ramp-up of activity at the Appin mine will allow us to reset the operation's culture, re-establish minimum performance criteria and drive productivity towards a more acceptable level."

Illawarra Metallurgical Coal produced 819kt of coal during the September 2017 quarter (494kt metallurgical coal, 325kt energy coal). A longwall move is scheduled for the Dendrobium mine in the March 2018 quarter.

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.

1. In June 2012, the BHP Billiton Board approved a US\$845 million investment to sustain operations at Illawarra Metallurgical Coal by establishing a replacement mining area at Appin mine (Appin Area 9 project). The project was completed in the March 2016 quarter, at which point it replaced production from the West Cliff mine.

FURTHER INFORMATION

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

JSE Sponsor: UBS South Africa (Pty) Ltd

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