

22 August 2019

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

SOUTH AFRICA ENERGY COAL DIVESTMENT UPDATE AND IMPAIRMENT

South32 Limited (ASX, LSE, JSE: S32; ADR: SOUHY) (South32) announces that following a comprehensive and competitive process we have entered into exclusive negotiations with Seriti Resources Holdings Proprietary Limited (Seriti) in respect of its indicative offer (the Offer) to acquire our South Africa Energy Coal business. Seriti's Offer includes a modest up-front cash payment with a deferred payment mechanism whereby both companies will share commodity price upside for an agreed period. The Offer is subject to final negotiation and execution of a binding Sale and Purchase Agreement with a subsidiary of Seriti and entities holding equity on behalf of employees and communities.

South32 Chief Executive Officer, Graham Kerr said "When we announced our intention to broaden the ownership of South Africa Energy Coal in November 2017, our vision was that it become a sustainable, black-owned and operated business, consistent with South Africa's transformation agenda.

"To improve South Africa Energy Coal's competitiveness we approved a 4.3B¹ South African rand investment to extend the life of the Klipspruit colliery by at least 20 years (KPSX project). Across FY18 and FY19 we invested US\$377M of capital expenditure, including US\$185M to advance the KPSX project, while we progressed the divestment process.

"Following this historical investment, our assessment of Seriti's current Offer and the market outlook for thermal coal demand and prices, we have recognised a pre-tax, impairment charge of US\$504M within our 30 June 2019 Financial Results.

"Our announcement that we have entered into exclusive negotiations with Seriti is an important milestone and we expect to provide a further update to the market in the December 2019 half year."

Impairment summary

- Pre-tax, impairment charge of US\$504M (US\$578M post tax, including de-recognition of deferred tax assets);
- Considers Seriti's current Offer, including a modest up-front cash payment with a mechanism whereby both companies will share commodity price upside for an agreed period;
- No further cash outflows outside of the normal course of business² are expected;
- Assumes transaction approvals fulfilled by June 2020;
- The South Africa Energy Coal operation will continue to be reported in the Group's Underlying results; and
- Impairments and associated tax impacts are excluded from the Group's Underlying earnings measures.

¹ Refer to the market announcement "South32 approves Klipspruit Life Extension Project" dated 27 November 2017.

² Predicated on guidance of approximately 26-28Mt for production, US\$37 - 40/t for Operating unit costs and US\$205M for capital expenditure (sustaining US\$90M, KPSX project US\$115M). Operating unit cost guidance includes various assumptions including a thermal coal price of US\$69/t (API4) and a USD:ZAR exchange rate 15.06.

About South32

South32 is a globally diversified mining and metals company. We produce bauxite, alumina, aluminium, energy and metallurgical coal, manganese, nickel, silver, lead and zinc at our operations in Australia, Southern Africa and South America. We are also the owner of a high grade zinc, lead and silver development option in North America and have several partnerships with junior explorers with a focus on base metals. Our purpose is to make a difference by developing natural resources, improving people's lives now and for generations to come, and to be trusted by our owners and partners to realise the potential of their resources.

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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