SOUTH AFRICA ENERGY COAL TO BECOME A STAND-ALONE BUSINESS

South32 Limited (ASX, LSE, JSE: S32, ADR: SOUHY) (South32) announced today that it will manage South Africa Energy Coal (SAEC) as a stand-alone business from April 2018 and invest 4.3 billion South African Rand (US$301M)¹ to extend the life of its Klipspruit colliery by approximately 20 years².

SAEC requires ongoing investment to sustain production and meet its take or pay rail and domestic supply obligations. To sustainably improve its financial performance, we will restructure SAEC and manage it separately from the rest of the Group with tailored functional support, systems and governance processes. This change will also allow the Group to further simplify the way it manages its global portfolio³.

Once SAEC has been established as a stand-alone business and consistent with our objective to further transform our South African operations, we will commence a process to broaden ownership of SAEC. This will present opportunities for Broad-Based Black Economic Empowerment entities, employees and communities, and could lead to a listing of SAEC on the Johannesburg Stock Exchange.

SAEC will continue to be consolidated in the Group’s financial statements on a 100% basis⁴ until there is a change in control.

South32 Chief Executive Officer, Graham Kerr, said “Establishing South Africa Energy Coal as a stand-alone business will enable us to improve the operation’s competitiveness and ensure its ongoing sustainability. This process will also allow us to further simplify our organisation and unlock additional value for shareholders.”

“We will also seek to increase the local ownership of South Africa Energy Coal, consistent with our commitment to South Africa’s economic transformation, and may ultimately list the business on the Johannesburg Stock Exchange.”

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.

This announcement contains inside information.
FURTHER INFORMATION

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

JSE Sponsor: UBS South Africa (Pty) Ltd
27 November 2017

Forward-looking statements

This release contains forward-looking statements, including statements about currency exchange rates, commodity prices, production forecasts, plans, development decisions, 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.
About South Africa Energy Coal

South Africa Energy Coal consists of three primary coal mining operations and processing plants producing energy coal for the domestic and export market:

- The 8.6Mt\(^4,5\) Khutala Colliery consisting of an underground bord and pillar mine and truck and shovel mini pit, with coal delivered to Eskom on a ‘cost plus’ basis;
- The 6.5Mt\(^4,5\) Klipspruit Colliery consisting of a single dragline, multi seam open-cut mine and a truck and shovel mini pit, with coal sold into the export and domestic markets; and
- The 13.8Mt\(^4,5\) Wolvekrans Middelburg Complex (WMC) consisting of open-cut mines using draglines as well as truck and shovel operations, with coal sold into the export market as well as to Eskom under a long-term contract.

South Africa Energy Coal had a Coal Resource of 4,940Mt and a Coal Reserve of 346Mt as at 30 June 2017\(^6\). The operation owns a 21.0% interest in Richards Bay Coal Terminal Pty Ltd (RBCT) and a port capacity entitlement of 17.3Mtpa. This is matched by a rail capacity entitlement for export coal sales from Klipspruit and the WMC with Transnet Freight Rail of 16.4Mtpa (inclusive of 15.64Mtpa take or pay obligation).

South Africa Energy Coal employs approximately 4,100 full-time employees and 4,300 contractors (approximately 35% of South32).

The operation had closure and rehabilitation provisions of US$746 million (South32 share) as at 30 June 2017 (2016: US$616 million).

### South Africa Energy Coal historical and estimated production

<table>
<thead>
<tr>
<th>Upstream production (South32’s share(^4))</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18(^e)</th>
<th>FY19(^e)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total energy coal production (kt)</strong></td>
<td>31,681</td>
<td>28,913</td>
<td>27,500</td>
<td>29,350</td>
</tr>
<tr>
<td>Domestic coal production (kt)</td>
<td>16,825</td>
<td>16,717</td>
<td>16,000</td>
<td>15,850</td>
</tr>
<tr>
<td>Export coal production (kt)</td>
<td>14,856</td>
<td>12,196</td>
<td>11,500</td>
<td>13,500</td>
</tr>
</tbody>
</table>

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

### Notes:

1. The project’s costs are primarily South African Rand based and the capital expenditure conversion to USD is predicated on an average USD: ZAR exchange rate of 14.36 (average of daily spot rate from 13 to 17 November 2017 inclusive).
2. In accordance with the market announcement “South32 approves Klipspruit Life Extension project” disclosed 27 November 2017.
3. Subject to any necessary regulatory approvals.
4. 8% of South Africa Energy Coal is owned by a Broad-Based Black Economic Empowerment (B-BBEE) consortium.
5. FY17 saleable production.
6. Coal Resources and Coal Reserves, shown as Marketable Coal Reserves, as disclosed as part of South32’s Annual Resource and Reserve declaration in the FY17 Annual Report on 14 September 2017 (www.south32.net). The Competent Persons responsible for resources were: Khutala - G Gemmell (Pri. Sci. Nat., SGNASP), Klipspruit - H Strauss (MGSSA), Wolvekrans Middelburg Complex - S Kara (Pri. Sci. Nat., SGNASP), L Visser (Pri. Sci. Nat., SGNASP), Davel, Pegasus, and Weltevreden - P Maseko (Pri.Sci.Nat., SGNASP), Leandra and Naudesbank – S Nzama (Pri.Sci.Nat., SGNASP). 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.
South Africa Energy Coal FY17 Resource and Reserves

SOUTH AFRICA ENERGY COAL
Energy Coal

COAL RESOURCES
As at 30 June 2017

<table>
<thead>
<tr>
<th>Deposit</th>
<th>Mining Method</th>
<th>Coal Type</th>
<th>Measured Coal Resources</th>
<th>Indicated Coal Resources</th>
<th>Inferred Coal Resources</th>
<th>Total Coal Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Mt % Ash % VM % S</td>
<td>Mt % Ash % VM % S</td>
<td>Mt % Ash % VM % S</td>
<td>Mt % Ash % VM % S</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>KCal/ kg CV</td>
<td>KCal/ kg CV</td>
<td>KCal/ kg CV</td>
<td>KCal/ kg CV</td>
</tr>
</tbody>
</table>

South Africa - Operating mines

Khutula
OC Th 1.105 30.4 22.6 1.21 4,890 - - - - - - - - 1.105 30.4 22.6 1.21 4,890
UG Th 142 35.1 20.2 0.73 4,390 - - - - - - - - 142 35.1 20.2 0.73 4,390

Kliprivier
OC Th 102 28.5 22.4 1.23 5,140 - - - - - - - - 102 28.5 22.4 1.23 5,140

Wolvekrans Middelburg Complex
OC Th 651 26.9 22.6 1.11 5,440 17 29.2 23.0 1.05 5,180 175 20.5 23.1 1.10 5,590 643 26.6 22.7 1.10 5,480

South Africa - Projects

Davel
US Th - - - - - - - - 222 22.8 27.2 1.49 5,790 222 22.8 27.2 1.49 5,790

Leandria
US Th 328 27.1 23.3 1.25 5,020 199 28.0 23.1 1.21 4,930 1.195 28.4 22.6 0.98 4,840 1.722 28.1 22.4 1.06 4,880

Naudesbank
OC/UG Th 87 24.9 25.5 1.07 5,600 110 24.3 25.6 1.05 5,600 46 24.7 25.3 1.00 5,640 243 24.6 25.5 1.06 5,630

Pegasus
OC Th 12 27.4 21.1 1.35 5,340 1.4 23.6 22.3 1.32 5,730 - - - - 33 26.9 21.3 1.35 5,380

Weltewredek
OC/UG Th 226 28.3 22.7 1.27 6,230 161 30.8 22.0 1.22 6,000 171 31.2 21.7 1.15 4,950 647 29.9 22.2 1.22 6,080
## SOUTH AFRICA ENERGY COAL

### Energy Coal

#### COAL RESERVES

As at 30 June 2017

<table>
<thead>
<tr>
<th>Deposit</th>
<th>mining</th>
<th>Coal Method Type</th>
<th>Proved Coal Reserves</th>
<th>Probable Coal Reserves</th>
<th>Total Coal Reserves</th>
<th>Proved Marketable Coal Reserves</th>
<th>Probable Marketable Coal Reserves</th>
<th>Total Marketable Coal Reserves</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Mt</td>
<td>Mt</td>
<td>Mt</td>
<td>Kg/ha CV % S</td>
<td>Kg/ha CV % S</td>
<td>Kg/ha CV % S</td>
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<tr>
<td>South Africa - Operating mines</td>
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<td></td>
</tr>
<tr>
<td>Khutulak</td>
<td>US</td>
<td>Th</td>
<td>42</td>
<td>42</td>
<td>42</td>
<td>37.1 20.0 0.73 4,220</td>
<td>- - -</td>
<td>42 37.1 20.0 0.73 4,220</td>
</tr>
<tr>
<td>OC</td>
<td>2.4</td>
<td>0.3</td>
<td>2.7</td>
<td>2.4</td>
<td>2.7</td>
<td>39.2 20.7 1.05 4,080</td>
<td>0.3 31.0 2.11 6,030</td>
<td>2.7 37.0 21.8 1.17 4,300</td>
</tr>
<tr>
<td>Klipspruit</td>
<td>Th</td>
<td>Export</td>
<td>22</td>
<td>22</td>
<td>6.7</td>
<td>14.2 25.8 0.57 6,230</td>
<td>- - -</td>
<td>6.7 14.2 25.8 0.57 6,230</td>
</tr>
<tr>
<td>OC</td>
<td>Th</td>
<td></td>
<td>12</td>
<td>215.5</td>
<td>5.260</td>
<td>12 21.5 0.87 5,260</td>
<td>- - -</td>
<td>12 21.5 0.87 5,260</td>
</tr>
<tr>
<td>Wolwekrans</td>
<td>OC</td>
<td>Th</td>
<td>412</td>
<td>449</td>
<td>- - -</td>
<td>- - -</td>
<td>- - -</td>
<td>- - -</td>
</tr>
<tr>
<td>Middelburg Complex</td>
<td>SPH</td>
<td>Th</td>
<td>4.9</td>
<td>4.9</td>
<td>- - -</td>
<td>- - -</td>
<td>- - -</td>
<td>- - -</td>
</tr>
<tr>
<td>OC</td>
<td>Export</td>
<td></td>
<td>-</td>
<td>-</td>
<td>157</td>
<td>24.8 0.49 6,270</td>
<td>8.1 25.3 0.48 6,280</td>
<td>165 18.6 24.8 0.49 6,270</td>
</tr>
<tr>
<td>OC</td>
<td>Th</td>
<td>Domestic</td>
<td>-</td>
<td>-</td>
<td>96</td>
<td>21.8 0.94 5,530</td>
<td>22 22.0 0.89 5,450</td>
<td>118 23.8 21.9 0.93 5,520</td>
</tr>
</tbody>
</table>

(1) Cut-off criteria

- Coal Resources
  - Khutulak: ≥ 1.0m seam thickness for OC, ≥ 1.5m seam thickness for US, ≥ 24% dry ash-free volatile matter.
  - Klipspruit: ≥ 1.0m seam thickness, ≤ 45% ash, ≥ 24% dry ash-free volatile matter.
  - Wolwekrans-Middelburg Complex: ≥ 1.0m seam thickness, ≤ 45% ash, ≥ 17.9% volatile matter.
  - Davek: ≥ 1.0m seam thickness, ≥ 24% dry ash-free volatile matter.
  - Leandria: ≥ 1.0m seam thickness, ≤ 45% ash, ≥ 24% dry ash-free volatile matter.
  - Pegasus: ≥ 1.0m seam thickness, ≤ 45% ash, ≥ 24% dry ash-free volatile matter.
  - Nautilebank: ≥ 0.5m to 0.8m seam thickness, ≤ 45% ash, ≥ 22% dry ash-free volatile matter.
  - Weltevreden: ≥ 0.8m seam thickness, ≤ 45% ash, ≥ 24% dry ash-free volatile matter.

(2) Coal Resource Tonnes are reported on an in situ moisture basis and qualities are reported on an air-dried basis.

(3) Increase in Coal Resource tonnes due to reporting refinements adopted in FY17.

(4) Coal Reserve tonnes and quality is reported on an air-dried basis.

(5) SP Coal Resources and Coal Reserves are reported for the first time.

(6) Coal delivered to wash plant for Khutulak, coal delivered to the power station.

(7) Process recoveries for the operations:

- Khutulak: 100%
- Klipspruit: 79%
- Wolwekrans-Middelburg Complex: 48%