



27 November 2017

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

SOUTH32 APPROVES KLIPSPRUIT LIFE EXTENSION PROJECT

South32 Limited (ASX, LSE, JSE: S32, ADR: SOUHY) (**South32**) announced today that it has approved the 4.3 billion South African Rand (US\$301M)¹ Klipspruit Life Extension project (KPSX) at South Africa Energy Coal². Development activity is expected to commence in the current quarter with first coal expected from the open-cut operation in FY19.

South32 Chief Executive Officer Graham Kerr said: “Approval of the 4.3 billion Rand Klipspruit Life Extension project will secure the future of the colliery for at least another 20 years, ensure employment for 740 people and create 4,000 jobs during construction.

“The investment is expected to generate an internal rate of return (IRR) on investment of more than 20 percent³ by unlocking 616Mt⁴ of Resource at the Klipspruit South and Weltevrede deposits, and fulfilling around half of our current rail obligations with Transnet.”

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

INVESTOR RELATIONS

Alex Volante

T +44 20 7798 1778
M +44 74 6853 3005
E Alex.Volante@south32.net

Rob Ward

T +61 8 9324 9340
M +61 431 596 831
E Robert.Ward@south32.net

MEDIA RELATIONS

Hayley Cardy

T +61 8 9324 9008
M +61 409 448 288
E Hayley.Cardy@south32.net

James Clothier

T +61 8 9324 9697
M +61 413 319 031
E James.Clothier@south32.net

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

JSE Sponsor: UBS South Africa (Pty) Ltd
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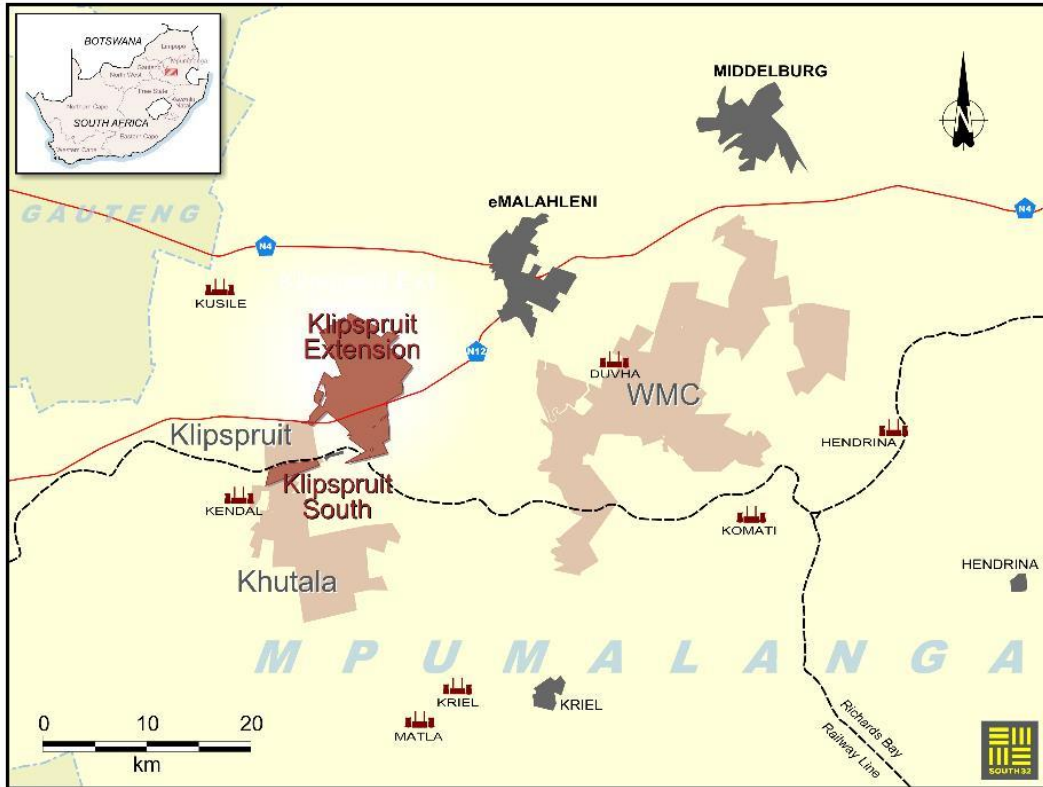
KPSX fact sheet

Location	<ul style="list-style-type: none"> • Mpumalanga, South Africa, 110km east of Johannesburg
Overview	<ul style="list-style-type: none"> • Klipspruit average saleable export thermal coal production rate of 7.2Mtpa between FY14 and FY17 under an owner-operator model <ul style="list-style-type: none"> - Production to cease in the existing mining areas in 2020 following the depletion of Coal Reserves • KPSX expected to commence production from FY19, extending the life of Klipspruit by more than 20 years <ul style="list-style-type: none"> - Contract-miner operation, utilising existing infrastructure ramping up to an average 8.0Mtpa saleable export thermal coal production rate from 3 open-cut pits (Klipspruit South, Pit BD and Pit H)⁵
Coal Resources⁴	<ul style="list-style-type: none"> • Klipspruit South: 69Mt of Measured Resources • Weltevreden: 547Mt comprising 225Mt Measured (41%), 151Mt Indicated (28%) and 171Mt Inferred Resources (31%)⁶
Product, production and costs	<ul style="list-style-type: none"> • A mix of high grade (~5,900kcal/kg) and low grade export (~4,650kcal/kg) and domestic (~4,250kcal/kg) product • Average production over the life of the project: <ul style="list-style-type: none"> - Run of Mine production 9.6Mtpa - Marketable production 8.0Mtpa - Strip ratio 5.5⁷ • Combined Klipspruit and KPSX operating unit costs: <ul style="list-style-type: none"> - FY18-20: average 490 Rand/t (real) at a strip ratio of 3.0⁸
Processing	<ul style="list-style-type: none"> • Phola coal handling and preparation plant: <ul style="list-style-type: none"> - Existing 50:50 joint venture with Anglo American - Installed capacity of 16Mtpa washed product - Export rail load-out facility with direct access to Richards Bay Coal Terminal (RBCT)
Logistics and marketing	<ul style="list-style-type: none"> • Access to seaborne market via 611km heavy-haul rail line to RBCT • Entitlement covered by 16.4Mtpa Transnet rail agreement until 2024 • Flexibility to supply larger volumes to the domestic market beyond 2024
Permits	<ul style="list-style-type: none"> • Fully permitted, having received a Section 102 Mining Right, extending Weltevreden into the Klipspruit mining area during H1 FY18
Ownership	<ul style="list-style-type: none"> • South32 owns 92% of South Africa Energy Coal, with the remaining 8% held by a Broad-Based Black Economic Empowerment (B-BBEE) consortium⁹

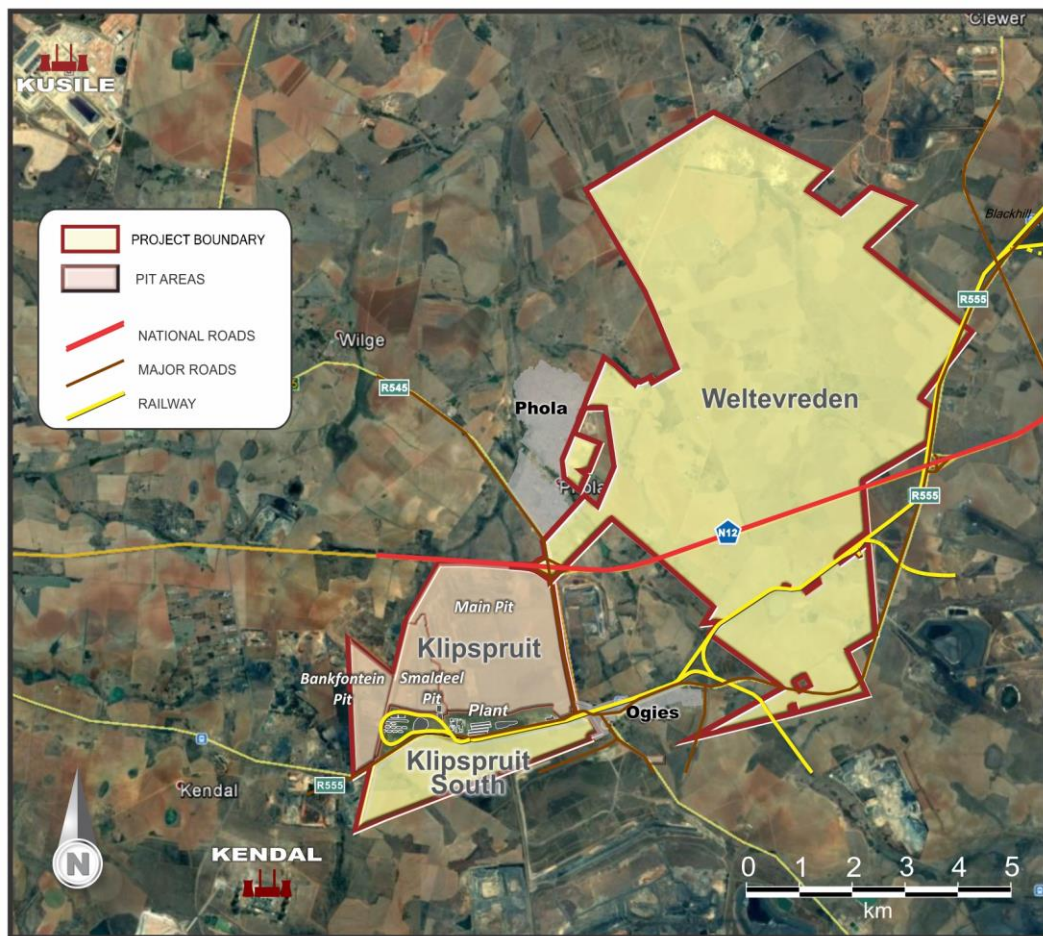
Notes:

1. The project's costs are primarily South African Rand based and the capital expenditure conversion to USD is predicated on a USD:ZAR exchange rate of 14.36 (average of daily spot rate from 13 to 17 November 2017 inclusive).
2. Project execution is subject to South32 reaching satisfactory agreement on securing all land rights for infrastructure development.
3. IRR is predicated on the commencement of production from KPSX in H2 FY19 and a long term thermal coal price of US\$60.5/t (API4 equivalent) based on the average of 12 broker estimates (Barclays, BMO Capital, BoAML, Credit Suisse, Deutsche Bank, HSBC, Investec, Jefferies, Macquarie, Morgan Stanley, Renaissance Capital, UBS) and a spot USD:ZAR exchange rate of 14.36 (average of daily spot rate from 13 to 17 November 2017 inclusive).
4. The Coal Resource is part of the total Coal Resources for Klipspruit and Weltevreden as at 30 June 2017 disclosed as part of South32's Annual Resource and Reserve declaration in the FY17 Annual Report on 14 September 2017 (www.south32.net). The breakdown of Coal Resources for Klipspruit South, Pit BD and Pit H is provided in Table 1 of this announcement.
5. Saleable production target is based on 280Mt of Coal Resources from a Coal Resource base of 616Mt. There is a low level of geological confidence associated with 9.3Mt (3%) of Inferred Coal Resources and there is no certainty that further exploration work will result in the determination of Indicated Coal Resources or that the production target itself will be realised.
6. Weltevreden includes Pit BD comprising 163Mt of Measured (81%), 28Mt Indicated (14%) and 9.2 Mt Inferred Resources (5%); and Pit H comprising 8.8Mt of Measured (85%), 1.5Mt Indicated (14%) and 0.1Mt Inferred Resources (1%).
7. Ratio of mining waste in bank cubic metres to the coal tonnes mined.
8. Operating unit cost and strip ratio predicated on internal analysis undertaken for the project.
9. 8% of South Africa Energy Coal is owned by a Broad-Based Black Economic Empowerment (B-BBEE) consortium. The interests owned by the B-BBEE consortium 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 for at 100%.

South Africa Energy Coal location map



KPSX project map



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.

Coal Resources

The information in this announcement that relates to Coal Resources for South Africa Energy Coal is presented on a 100% basis, represents an estimate as at 30 June 2017 based on information compiled by H Strauss and P Maseko in the capacity of Competent Persons Coal Resources for Klipspruit and Weltevreden respectively.

Mr. Strauss (Member, GSSA) and Mr. Maseko (Pr. Sci. Nat., SACNASP) are full time employees of South32 and members of a 'Recognised Professional Organisation' (RPO) included in a list posted on the ASX website from time to time. They have sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activities being undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The estimated Coal Resources underpinning the production target have been prepared in accordance with the requirements in Appendix 5A (JORC Code) of the ASX Listing Rules, Chapter 5 and the Competent Persons consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

Years of production is estimated from the relevant Classified Coal Resources, converted to a run-of-mine basis using historical Coal Resources to Ore Reserves conversion factors (as applicable), divided by the nominated run-of-mine production rate on a 100 per cent basis. Years of production calculations are indicative only and do not necessarily reflect future uncertainties such as economic conditions, technical or permitting issues. Historical Coal Resources to Ore Reserves conversion factors may not be indicative of future conversion factors. Years of production is based on the company's' current expectations of future results and should not be solely relied upon by investors when making investment decisions.

Table 1: Coal Resources for Klipspruit and Weltevreden as at 30 June 2017.

Deposit	Mining Method	Coal Type	Measured Coal Resources					Indicated Coal Resources					Inferred Coal Resources					Total Coal Resources				
			Mt	% Ash	% VM	% S	Kcal/kg CV	Mt	% Ash	% VM	% S	Kcal/kg CV	Mt	% Ash	% VM	% S	Kcal/kg CV	Mt	% Ash	% VM	% S	Kcal/kg CV
Pit BD			163	29.0	22.6	1.21	5,160	28	30.3	22.3	1.09	5,070	9.2	31.6	21.9	1.01	4,930	201	29.3	22.6	1.18	5,140
Pit H			8.8	25.9	23.3	1.48	5,480	1.5	27.2	21.8	1.11	5,300	0.1	31.3	21.3	1.16	4,920	10	26.1	23.1	1.43	5,450
Other Areas			53	26.6	22.9	1.42	5,420	121	31.0	22.0	1.25	4,990	162	31.2	21.7	1.16	4,950	336	30.4	22.0	1.24	5,030
Weltevreden Total	OC/UG	Th	225	28.3	22.7	1.27	5,230	151	30.8	22.0	1.22	5,000	171	31.2	21.7	1.15	4,950	547	29.9	22.2	1.22	5,080
Klipspruit			33	26.8	22.4	1.02	5,320	-	-	-	-	-	-	-	-	-	-	33	26.8	22.4	1.02	5,320
Klipspruit South			69	29.3	22.4	1.33	5,050	-	-	-	-	-	-	-	-	-	-	69	29.3	22.4	1.33	5,050
Klipspruit Total	OC	Th	102	28.5	22.4	1.23	5,140	-	-	-	-	-	-	-	-	-	-	102	28.5	22.4	1.23	5,140

*Million Metric Tonnes on in situ moisture basis. a) Cut-off Klipspruit: >= 1.0m seam thickness, <=45% ash, >=24% dry ash-free volatile matter. Weltevreden: >=0.8m seam thickness, <=45% ash, >=24% dry ash-free volatile matter. b) Coal Resources qualities are reported on an air-dried basis.