

MEDIA RELEASE

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SOUTH32 TO ACQUIRE 50% INTEREST IN EAGLE DOWNS AND ASSUME OPERATORSHIP

South32 Limited (ASX, JSE, LSE: S32; ADR: SOUHY) (South32) announced today that it had signed a conditional agreement¹ (the Acquisition) with a subsidiary of China BaoWu Steel Group (BaoWu) to acquire a 50% interest in, and assume operatorship of, the Eagle Downs metallurgical coal project in Queensland's Bowen Basin (Eagle Downs). The other 50% interest in the project will continue to be held by Aquila Resources Pty Ltd (Aquila), a subsidiary of BaoWu.

The consideration payable by South32 comprises an upfront payment of approximately US\$106M upon completion of the Acquisition (excluding transaction costs) and a deferred payment of US\$27M due three years after completion. A coal price linked production royalty will also be payable and is capped at US\$80M. The Acquisition, which will be funded from the Group's cash reserves, is subject to conditions precedent and is expected to close in the first half of FY19.

South32 Chief Executive Officer Graham Kerr said, "We have a long-standing relationship with BaoWu as a supplier of manganese ore and alloy. We are very pleased to be able to further strengthen this relationship by assuming operatorship of Eagle Downs.

This Acquisition embeds an attractive development option within our growing operating footprint and puts our strong balance sheet to work in a disciplined manner. This high quality metallurgical coal project benefits from prior investment which has the potential to support its accelerated development and deliver significant value to both South32 and Aquila."

Eagle Downs is a large, high quality and fully permitted metallurgical coal development project located approximately 25km south-east of the town of Moranbah and immediately adjacent to and down dip of BHP Billiton Mitsubishi Alliance's Peak Downs mine. The project was placed under care and maintenance in late 2015 having benefitted from initial investment that delivered site infrastructure including water supply and high voltage systems, office buildings and water and sediment dams. Dual 2km drifts are also approximately 40% complete.

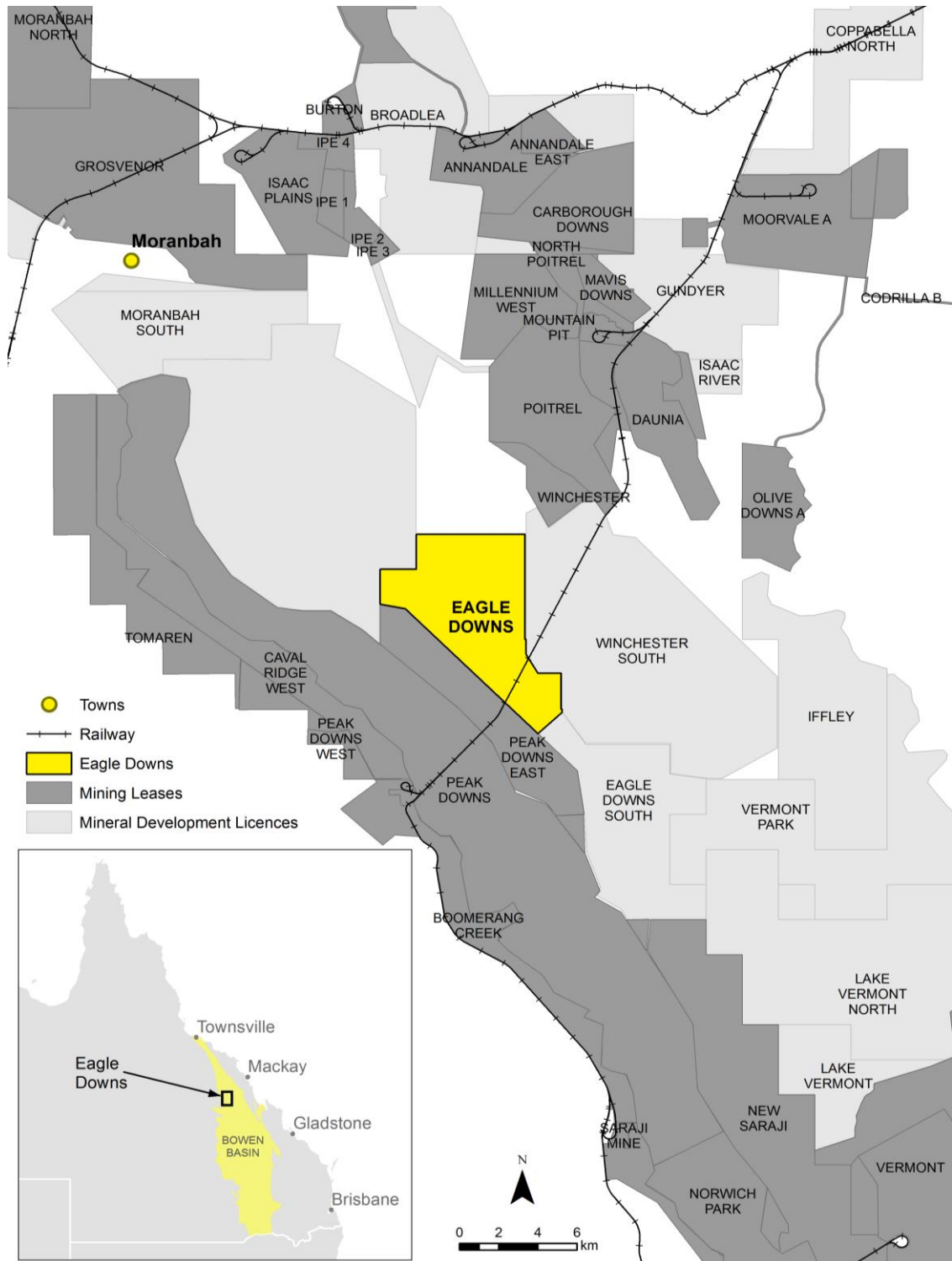
Aquila has previously reported on its website a Coal Resource (100% basis) of 1,122Mt of which 67% (750Mt) is Measured, 12% (139Mt) is Indicated and 21% (233Mt) is Inferred in accordance with the JORC Code (2012 Edition). Prior work undertaken by Aquila has indicated that Eagle Downs has the potential to export 4.5Mtpa of coal (on average) from one longwall over the first 10 years of full production.²

Following completion of the Acquisition and assumption of operatorship, South32 propose to commence a final feasibility study which will seek to optimise the mine's design and development. Subject to the findings of that study and requisite approvals, South32 in partnership with Aquila plan to construct a multi-seam underground longwall metallurgical coal mine and processing plant with a dedicated rail spur and train loadout facility.

¹ The agreement is conditional on the completion of BaoWu's acquisition of the 50% interest in Eagle Downs that it does not currently own, which is subject to a separate conditions and approvals process.

² The information that relates to the Coal Resource of Eagle Downs was disclosed by Aquila on its website at <https://www.aquilaresources.com.au> in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition).

Location and infrastructure map of Eagle Downs





About South32

South32 is a globally diversified metals and mining 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 operations and shareholder returns by optimising our existing operations, unlocking their potential and identifying new opportunities to compete for capital.

About Aquila and BaoWu

Aquila is the resource development subsidiary of Baosteel Resources, the mining and commodities trading arm of Baosteel Resources (a BaoWu subsidiary).

BaoWu, formed through the 2017 combination of Baoshan Iron and Steel Group with Wuhan Iron and Steel Group, is a major Chinese state owned enterprise and the largest steel producer in China.

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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.