

1 April 2021

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

South32 Limited (ASX, LSE, JSE: S32; ADR: SOUHY) (South32) is pleased to provide the following update regarding the transfer of our shareholding in South32 SA Coal Holdings Proprietary Limited (South Africa Energy Coal) to Seriti Resources Holdings Proprietary Limited (Seriti) (the Transaction)¹.

Further to our release on 29 March 2021 that we now expect to conclude the Transaction following the end of the March 2021 quarter, we advise that we have become aware that key information regarding negotiations between South32, Seriti and Eskom Holdings SOC Limited (Eskom) has ceased to be confidential ahead of finalising arrangements to satisfy the final material conditions to the Transaction.

In this regard and conditional on Eskom's final approval, the approval of National Treasury for amendments to the terms of the Duvha Coal Supply Agreement and the completion of the Transaction, we have committed to provide additional support to underpin the sustainability of the South Africa Energy Coal business under the ownership of Seriti. The key elements include:

- amending the original share purchase agreement by adjusting the up-front cash payment to a nominal consideration and removing the deferred consideration mechanism;
- entering into a US\$50M facility with a subsidiary of Seriti that will primarily fund costs to be incurred for the restructure of certain loss-making mining areas (Restructure Facility); and
- providing US\$200M to fund rehabilitation activity at the South Africa Energy Coal operations, by way of 10 annual instalments with the first US\$27.5M payment expected to be made in July 2021².

The Restructure Facility is expected to be drawn down before the end of FY22 and is repayable over a 10-year period if energy coal index prices³ exceed agreed thresholds.

In order to fund working capital requirements and investment in improvements to the South Africa Energy Coal operations, Seriti also intends to enter into a 5 year working capital facility of up to US\$120M⁴ with a South African commercial bank, which will be supported by a South32 subsidiary guarantee.

South32 Chief Executive Officer, Graham Kerr said "Securing the long-term sustainability of South Africa Energy Coal has been our key objective in transitioning the business to black ownership, consistent with South Africa's transformation imperative. This additional support package moves us closer to completion of the sale and will enable the business to continue to operate safely and sustainably into the future for the benefit of its employees, customers and local communities. For South32, the transaction will significantly simplify our business, substantially reduces our capital intensity, improves the Group's underlying operating margin and supports our strategy to re-shape our portfolio with a bias to base metals."

¹ Refer to the market announcement "Agreement to divest South Africa Energy Coal" dated 6 November 2019. Final material conditions include approval from Eskom Holdings SOC Limited for the transfer of our shareholding and amendments to the terms of the Duvha Coal Supply Agreement, with the latter also subject to National Treasury consent. Purchaser includes Thabong Coal Proprietary Limited, a wholly-owned subsidiary of Seriti and two trusts for the benefit of employees and communities.

² Rehabilitation activity to be funded by way of 4 annual instalments of US\$27.5M followed by 6 annual instalments of US\$15M.

³ Argus McCloskey API4 Coal index 6,000Kcal NAR (FOB Richards Bay, South Africa).

⁴ Facility will be based in South African rand and entered into by South Africa Energy Coal as a subsidiary of Seriti.

Accounting treatment

If the transaction completes before 30 June 2021 South Africa Energy Coal will be presented as a discontinued operation in our June 2021 full year results, with earnings from the business included within Underlying earnings. Any gain/(loss) recognised on the sale of South Africa Energy Coal will be excluded from Underlying earnings.

Conference call

South32 will hold a conference call at 7.00am Australian Western Standard Time on 1 April 2021 to provide an update on the divestment of South Africa Energy Coal, the details of which are as follows:

Conference ID: 10013361

Please pre-register for this call at [link](#)

About South32

South32 is a globally diversified mining and metals company. 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 produce bauxite, alumina, aluminium, energy and metallurgical coal, manganese, nickel, silver, lead and zinc at our operations in Australia, Southern Africa and South America. With a focus on growing our base metals exposure, we also have two development options in North America and several partnerships with junior explorers around the world.

Further Information

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

Approved for release by Nicole Duncan, Company Secretary

JSE Sponsor: UBS South Africa (Pty) Ltd

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