

17 May 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 UNCONDITIONAL

South32 Limited (ASX, LSE, JSE: S32; ADR: SOUHY) (South32) is pleased to provide the following update regarding the transfer of our 100% shareholding in South32 SA Coal Holdings Proprietary Limited (South Africa Energy Coal) to Seriti Resources Holdings Proprietary Limited (Seriti) and two trusts for the benefit of employees and communities (the Transaction)¹. Further to our release on 1 April 2021, we are pleased to confirm that all conditions precedent have now been fulfilled. Accordingly, the Transaction is unconditional and we expect to complete on 1 June 2021.

South32 Chief Executive Officer, Graham Kerr said “When we made the decision to exit South Africa Energy Coal, we recognised the business would continue to play an important role in supplying South Africa’s energy needs for years to come. With this in mind our vision was two-fold. First, we wanted to ensure that the business would be sustainable for the long-term, for the benefit of its employees, customers and local communities. Of equal importance was our objective for it to become a black-owned and operated business, consistent with South Africa’s transformation agenda. We believe Seriti is the right owner of South Africa Energy Coal and that the additional financial support package we have provided will underpin the future sustainability of the business.

“For South32, completion of the divestment is an important milestone that will see us significantly simplify our business, reduce our capital intensity and improve our underlying operating margins. Looking forward, we remain focussed on reshaping our portfolio with a bias to the base metals important for a low carbon future by advancing our development options in North America and continuing to invest in greenfield exploration.”

Further information

On completion of the divestment we expect to book a loss on sale of between US\$125M and US\$175M, while the Group’s net cash balance is expected to reduce by approximately US\$180M to reflect the recognition of the vendor support package being provided to Seriti². Notwithstanding, completion of the divestment will further strengthen our balance sheet and provide additional flexibility to the Group in respect of the future allocation of capital. Our capital management program remains on-going with US\$116M remaining to be returned via our on-market share buy-back by 3 September 2021.

The loss on sale will be excluded from Underlying earnings and South Africa Energy Coal will be presented as a discontinued operation in our June 2021 full year results. Our Group Underlying effective tax rate is expected to remain elevated in a range between 35% and 45% (excluding EAI) in FY21, given the impact of losses incurred at South Africa Energy Coal. From FY22 we expect the rate to more closely reflect the corporate tax rates of the geographies where the Group operates.

¹ Refer to the market announcement “Agreement to divest South Africa Energy Coal” dated 6 November 2019. Purchaser includes Thabong Coal Proprietary Limited, a wholly-owned subsidiary of Seriti and two trusts for the benefit of employees and communities.

² Refer to market announcement “South Africa Energy Coal Divestment Update” dated 1 April 2021 which includes details of the vendor support package to be provided.

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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