



# BMO GLOBAL METALS, MINING AND CRITICAL MINERALS CONFERENCE

27 February 2023



# IMPORTANT NOTICES



This presentation should be read in conjunction with the “Financial Results and Outlook – half year ended 31 December 2022” announcement released on 16 February 2023, which is available on South32’s website ([www.south32.net](http://www.south32.net)).

Figures in italics indicate that an adjustment has been made since the figures were previously reported.

## **FORWARD-LOOKING STATEMENTS**

This presentation contains forward-looking statements, including statements about trends in commodity prices and currency exchange rates; demand for commodities; production forecasts; plans, strategies and objectives of management; capital costs and scheduling; operating costs; anticipated productive lives of projects, mines and facilities; and provisions and contingent liabilities. These forward-looking statements reflect expectations at the date of this presentation, however they are not guarantees or predictions of future performance or statements of fact. 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 presentation. Readers are cautioned not to put undue reliance on forward-looking statements. South32 makes no representation, assurance or guarantee as to the accuracy or likelihood or fulfilment of any forward-looking statement or any outcomes expressed or implied in any forward-looking statement. Except as required by applicable laws or regulations, the South32 Group 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. South32 cautions against reliance on any forward-looking statements or guidance, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption arising in connection with COVID-19. The denotation “e” refers to an estimate or forecast year.

## **NON-IFRS FINANCIAL INFORMATION**

This presentation includes certain non-IFRS financial measures, including Underlying earnings, Underlying EBIT and Underlying EBITDA, Underlying revenue, Underlying net finance costs, Underlying depreciation and amortisation, Underlying operating costs, Underlying income tax expense, Underlying royalty related tax expense, Basic Underlying earnings per share, Underlying effective tax rate, Underlying EBIT margin, Underlying EBITDA margin, Underlying return on capital, Free cash flow, net debt, net operating assets and ROIC. These measures are used internally by management to assess the performance of our business, make decisions on the allocation of our resources and assess operational management. Non-IFRS measures have not been subject to audit or review and should not be considered as an indication of or alternative to an IFRS measure of profitability, financial performance or liquidity.

## **NO OFFER OF SECURITIES**

Nothing in this presentation should be read or understood as an offer or recommendation to buy or sell South32 securities, or be treated or relied upon as a recommendation or advice by South32.

## **RELIANCE ON THIRD PARTY INFORMATION**

Any information contained in this presentation that has been derived from publicly available sources (or views based on such information) has not been independently verified. The South32 Group does not make any representation or warranty about the accuracy, completeness or reliability of the information. This presentation should not be relied upon as a recommendation or forecast by South32.

## **NO FINANCIAL OR INVESTMENT ADVICE – SOUTH AFRICA**

South32 does not provide any financial or investment ‘advice’ as that term is defined in the South African Financial Advisory and Intermediary Services Act, 37 of 2002, and we strongly recommend that you seek professional advice.

## **MINERAL RESOURCES AND ORE RESERVES**

Information in this presentation that relates to Ore/Coal Reserve or Mineral/Coal Resource estimates for all operations and projects was declared as part of South32’s annual Resource and Reserve declaration in the FY22 Annual Report ([www.south32.net](http://www.south32.net)) issued on 9 September 2022 and prepared by Competent Persons in accordance with the requirements of the JORC Code. South32 confirms that it is not aware of any new information or data that materially affects the information included in the original announcements. All material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. South32 confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

Resource life is estimated using Mineral Resources (extracted from South32’s FY22 Annual Report published on 9 September 2022 and available to view on [www.south32.net](http://www.south32.net)) and Exploration Target (details of which are available in the “Hermosa Project Update” announcement published on 17 January 2022), converted to a run-of-mine basis using conversion factors, divided by the nominated run-of-mine production rate on a 100% basis. Whilst South32 believes it has a reasonable basis to reference this resource life and incorporate it within its Production Targets, it should be noted that resource life calculations are indicative only and do not necessarily reflect future uncertainties such as economic conditions, technical or permitting issues. Resource life is based on our current expectations of future results and should not be solely relied upon by investors when making investment decisions. The cautionary statement included in the next paragraph relates to the proportion of Inferred Resources and Exploration Target when calculating Resource life and should be read in conjunction with this paragraph.

Taylor Production Targets cautionary statement: The information in this presentation that refers to Production Target and forecast financial information is based on Measured (20%), Indicated (62%), Inferred (14%) Mineral Resources and Exploration Target (4%) for the Taylor Deposit. The Mineral Resources underpinning the Production Target have been prepared by a Competent Person in accordance with the JORC Code. All material assumptions on which the Production Target and forecast financial information is based is provided in the “Hermosa Project Update” announcement released on 17 January 2022. There is low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the Production Target will be realised. The potential quantity and grade of the Exploration Target is conceptual in nature. In respect of Exploration Target used in the Production Target, there has been insufficient exploration to determine a Mineral Resource and there is no certainty that further exploration work will result in the determination of Mineral Resources or that the Production Target itself will be realised. The stated Production Target is based on South32’s current expectations of future results or events and should not be solely relied upon by investors when making investment decisions. Further evaluation work and appropriate studies are required to establish sufficient confidence that this target will be met. South32 confirms that inclusion of 18% of tonnage (14% Inferred Mineral Resources and 4% Exploration target) is not the determining factor of the project viability and the project forecasts a positive financial performance when using 82% tonnage (20% Measured and 62% Indicated Mineral Resources). South32 is satisfied, therefore, that the use of Inferred Mineral Resources and Exploration Target in the Production Target and forecast financial information reporting is reasonable.

Peake Exploration Target: The information in this presentation that relates to Exploration Target for Peake is extracted from “Hermosa Project Update” released on 17 January 2022 and is available to view on [www.south32.net](http://www.south32.net). The information was prepared by a Competent Person in accordance with the requirements of the JORC Code. South32 confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. South32 confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

Flux Exploration Target: The information in this presentation that relates to Exploration Target for Flux is extracted from “South32 Strategy and Business Update” released on 18 May 2021 and is available to view on [www.south32.net](http://www.south32.net). The information was prepared by a Competent Person in accordance with the requirements of the JORC Code. South32 confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. South32 confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

# OUR STRATEGY



## OPTIMISE

our business by working safely, minimising our impact, consistently delivering stable and predictable performance and continually improving our competitiveness.



## UNLOCK

the full value of our business through our people, innovation, projects and technology.



## IDENTIFY

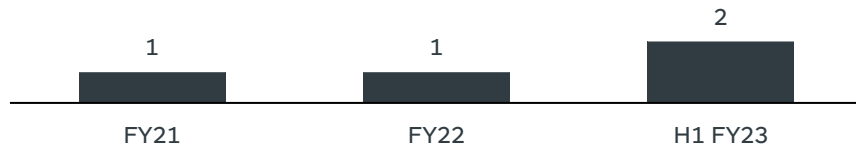
and pursue opportunities to sustainably reshape our business for the future, and create enduring social, environmental and economic value.

**Our simple strategy is underpinned by a disciplined approach to capital management**

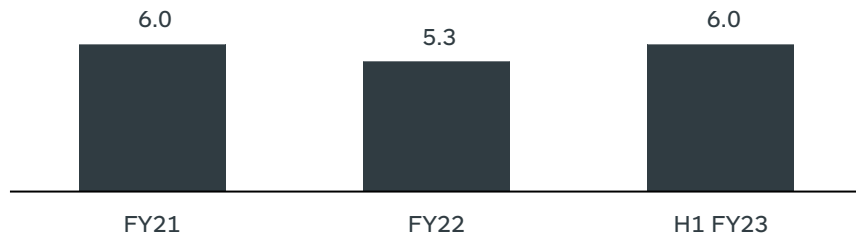
# WORKING SAFELY

The most important commitment we make at South32 is that everyone goes home safe and well

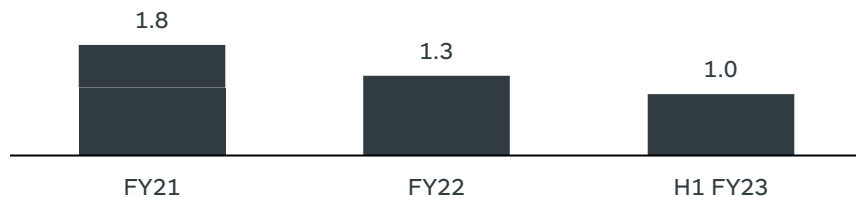
## Fatalities<sup>1,(a)</sup>



## TRIF<sup>2,(b)</sup>



## TRILF<sup>2,(b)</sup>



- In November 2022, we were devastated by the loss of two of our colleagues, Mr Cristovão Alberto Tonela and Mr Alfredo Francisco Domingos João, who were fatally injured in an incident while undertaking maintenance work on a raising girder at Mozal Aluminium
- An investigation into the incident has been completed and key learnings are being shared across our organisation and with industry participants
- We continue to implement our multi-year Safety Improvement Program, designed to fundamentally shift our safety performance and deliver the culture transformation required for sustained improvement
- We remain focused on continuing to embed safe and sustainable business practices, shift mindsets through leadership, and empower our people

### Notes:

- Incidents are included where South32 controls the work location or controls the work activity. Since FY20 we have disclosed fatalities that occur as part of activities associated with our operations, where we seek to influence safety performance, but which occur in locations where we do not have operational control. In FY21 an employee from a company contracted by Cerro Matoso lost their life while carrying out road paving activities on the public road between the municipality of Planeta Rica and our Q&P Project. In H1 FY23 an employee from a company contracted by our South Africa Manganese operation lost their life in an offsite road trucking accident.
- FY21 TRIF and TRILF data was adjusted to account for the removal of South Africa Energy Coal and Tasmanian Electro Metallurgical Company from the portfolio.

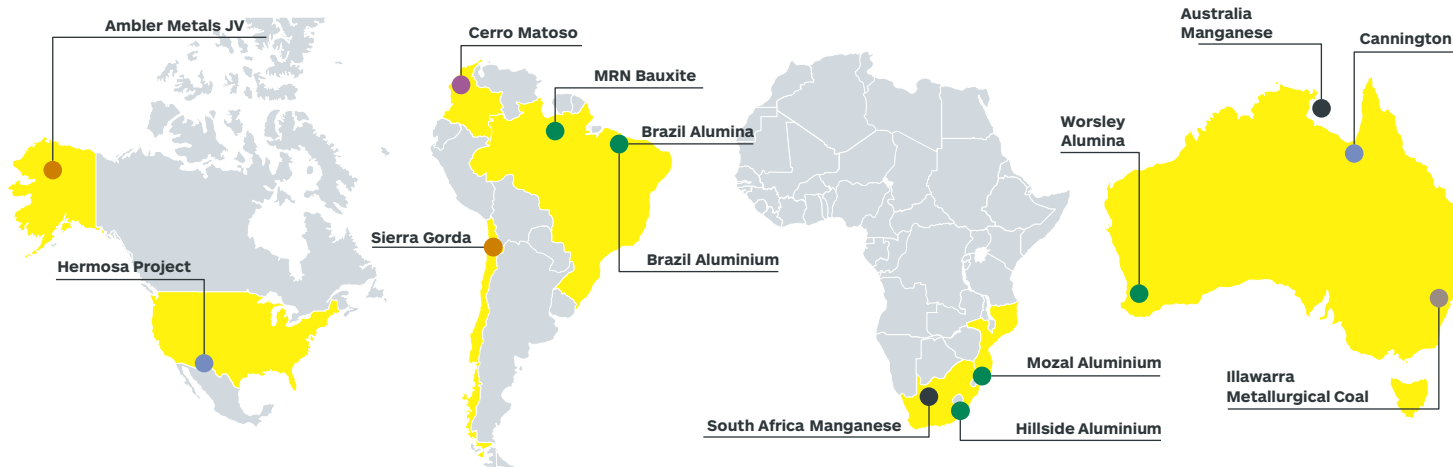
# OUR PORTFOLIO

**We have an attractive commodity mix and a growth pipeline in metals critical to a low-carbon future**

**Portfolio improvements have increased our volumes of metals critical to a low-carbon future**

**Our next phase of growth is expected to come from our development options in the Americas**

**We are investing to discover our next generation of mines with over 25 exploration prospects**



- Aluminium value chain
- Copper
- Nickel
- Zinc-lead-silver
- Manganese ore
- Metallurgical coal

## Project pipeline

### Brownfield options in study phase

- Worsley Alumina decarbonisation and life extension
- MRN bauxite mine life extension
- Hillside energy transition
- Sierra Gorda fourth line expansion
- Sierra Gorda brownfield oxide project
- Australia Manganese Eastern & Southern Areas
- South Africa Manganese expansion & logistics

### Advancing greenfield exploration partnerships and prospects in:



### Greenfield growth options in study phase

- Hermosa Taylor zinc-lead-silver
- Hermosa Clark battery-grade manganese-zinc-silver
- Ambler Metals Arctic deposit

# H1 FY23 FINANCIAL SCORECARD

**Our financial performance remains strong, underpinned by our stable operating performance, portfolio improvements and continued capital discipline**

Profit after tax

**US\$685M**

Underlying earnings

**US\$560M**

Underlying EBITDA

**US\$1,364M**

Group operating margin<sup>3</sup>

**31.5%**

Free cash flow<sup>4</sup>

**US\$127M**

Returned to shareholders during H1 FY23<sup>(a)</sup>

**US\$927M**

Fully-franked ordinary dividend in respect of H1 FY23

**US 4.9c per share (US\$224M)**

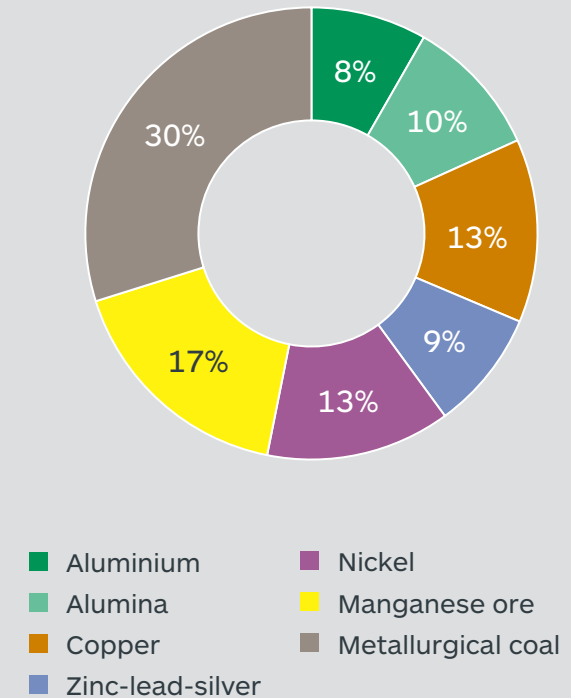
Capital management program ↑US\$50M with

**US\$158M remaining**

Net debt at 31 December 2022

**US\$298M**

**H1 FY23 Underlying EBITDA contribution by commodity<sup>(b)(c)(d)</sup>**



Notes:

- a. Includes US\$784M in fully-franked ordinary and special dividends paid in respect of H2 FY22 and a further US\$143M returned via our on-market share buy-back.
- b. Presented on a proportional consolidation basis and excludes manganese alloys, Hermosa, and Group and unallocated costs.
- c. Metallurgical coal comprises Illawarra Metallurgical Coal, including energy coal by-product volumes.
- d. Copper comprises Sierra Gorda, including molybdenum, gold and silver by-product volumes.

# COMMODITY PRICE AND FOREIGN EXCHANGE ANALYSIS



**China's re-opening and global supply disruptions have underpinned a commodity price rebound to start H2 FY23**

Commodity	EBIT sensitivity <sup>(a)</sup> +/- 10%	US\$M	South32 commodity basket reference prices <sup>5</sup>	
			H1 FY23 vs. H1 FY22 average prices	Spot (10 February 2023) vs. H1 FY23 average prices
Aluminium <sup>(b)</sup>		303	-12%	5%
Alumina		185	-10%	12%
Metallurgical coal <sup>(c)</sup>		168	-15%	42%
Manganese ore		91	-5%	18%
Nickel		73	22%	18%
Copper		70	-15%	13%
Silver		25	-13%	10%
Lead		21	-12%	3%
Zinc		15	-2%	0%
Australian dollar		203		
South African rand		116		
Brazilian real		33		
Colombian peso		28		
Chilean peso		14		

Notes:

- a. The sensitivities reflect the annualised estimated impact on FY23e Underlying EBIT of a 10% movement in H1 FY23 actual realised prices and H1 FY23 actual average exchange rates applied to FY23e volumes and operating unit costs.
- b. Aluminium sensitivity does not include the Group consolidation impact of inter-company alumina sold on index. Aluminium sensitivity is shown without any associated increase in alumina pricing.
- c. Includes metallurgical coal and energy coal at Illawarra Metallurgical Coal.

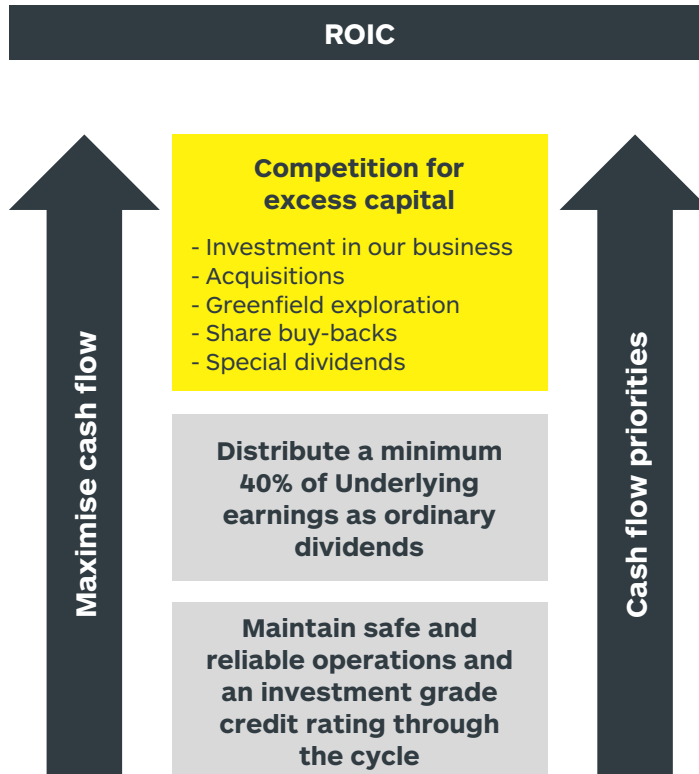
# CAPITAL MANAGEMENT FRAMEWORK

**Our capital management framework is unchanged**

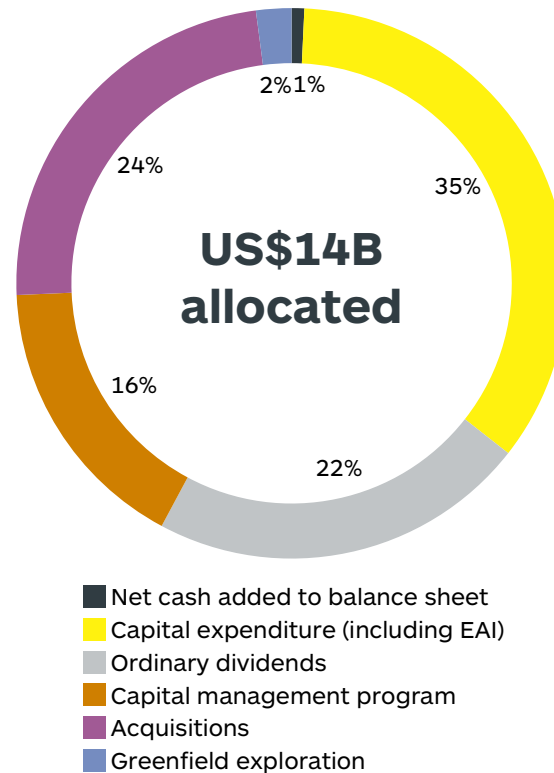
**We have a balanced approach to capital allocation**

**Our framework is designed to reward shareholders as our financial performance improves**

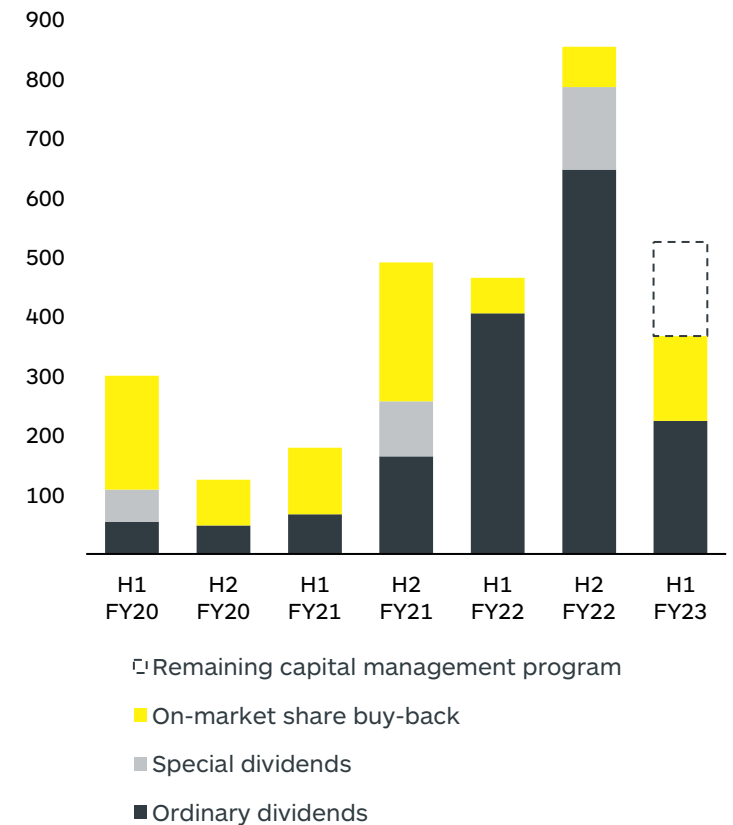
## Capital management framework



## Capital allocation since FY16 (US\$M)



## Shareholder returns<sup>(a)</sup> (US\$M)



Notes:

a. Shareholder returns refers to dividends declared in respect of each period and on-market share buy-back amounts paid during each period. Remaining capital management program refers to the balance remaining on our on-market share buy-back program as at the time of release of this presentation.



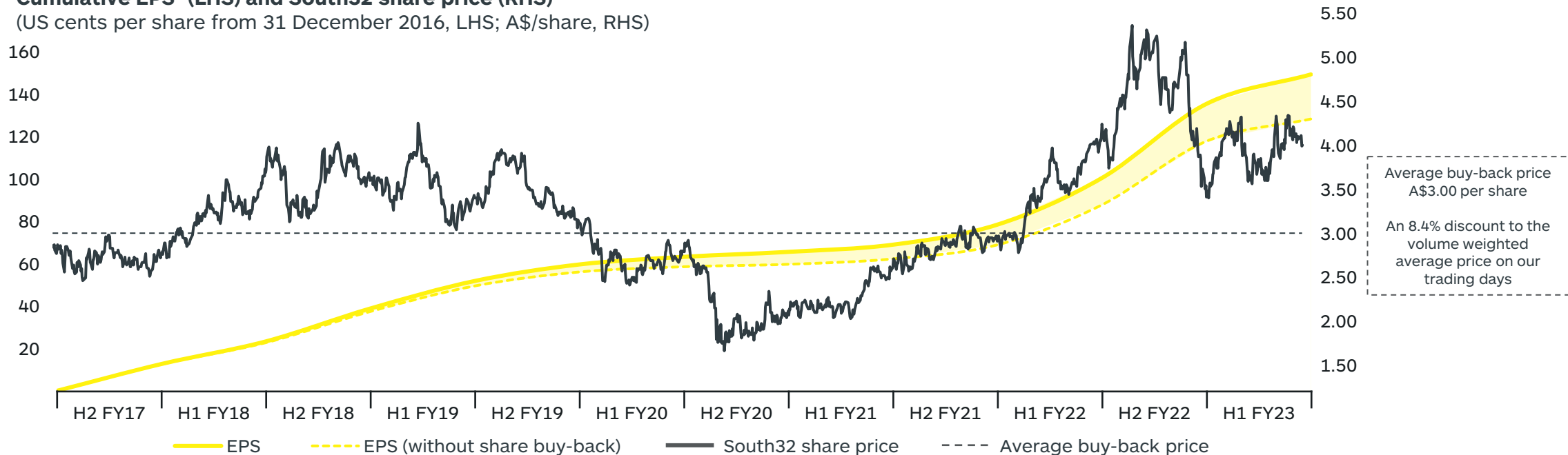
# SHAREHOLDER RETURNS

**Our flexible capital management program has been active since FY17**

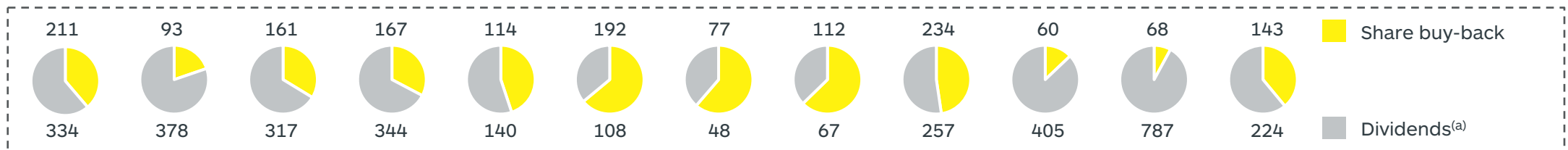
**Our on-market share buy-back has reduced shares on issue by 14% since inception**

**Our program has returned US\$2.1B to date and has been expanded by a further US\$50M, leaving US\$158M to be returned by September 2023**

**Cumulative EPS<sup>6</sup> (LHS) and South32 share price (RHS)**  
(US cents per share from 31 December 2016, LHS; A\$/share, RHS)



**Returns to shareholders (US\$M)**

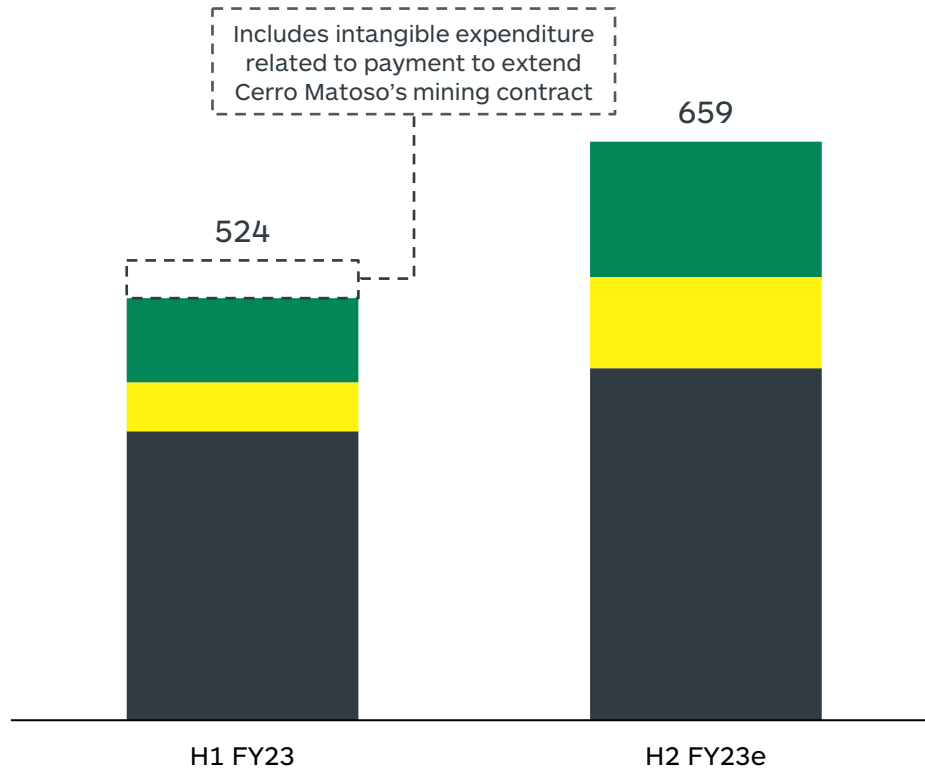


Notes:  
a. Ordinary and special dividends resolved to be paid in respect of the period.

# CAPITAL EXPENDITURE GUIDANCE (INCLUDING EAI)

**We have reduced FY23 guidance by US\$105M, as we continue to allocate capital that prioritises safe and reliable operations and invest to unlock value through our improvement, life extension and growth options**

**Capital expenditure<sup>(a)</sup>**  
(US\$M)



## **Growth capital (FY23e ↓US\$40M to US\$250M)**

- Construction of critical path dewatering and initial mining infrastructure, with reduced spend in FY23 reflecting the successful renegotiation of commercial supply agreements for long lead items
- Taylor feasibility study expected mid-CY23
- Clark initial pilot plant production expected mid-CY23

## **Improvement and life extension capital (FY23e ↓US\$10M to US\$160M)**

- Decarbonisation and energy security projects at Worsley Alumina
- Plant de-bottlenecking at Sierra Gorda to unlock future volumes
- Continued roll-out of AP3XLE energy efficiency technology at Hillside Aluminium and Mozal Aluminium
- Eastern Leases mine life extension project at Australia Manganese
- New mining areas and rail infrastructure upgrades at South Africa Manganese

## **Safe and reliable capital (FY23e ↓US\$55M to US\$730M)**

- Guidance reflects deferral of non-critical activities at Illawarra Metallurgical Coal and Sierra Gorda, as the operations continue to invest in safe and reliable capital programs and projects to enhance productivity:
  - Illawarra Metallurgical Coal: single longwall transition at Appin by FY25 and additional ventilation capacity to enable mining in the current Area 7 to at least 2039<sup>7</sup>
  - Sierra Gorda: deferred stripping activity and additional tailings storage capacity

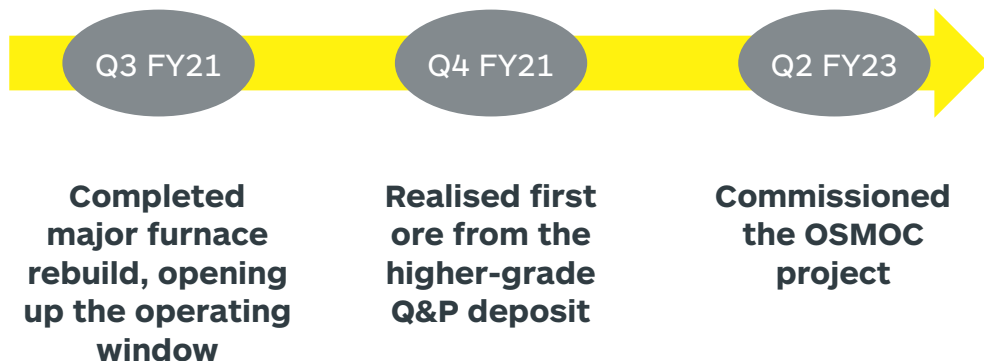
Notes:

a. Inclusive of our manganese and Sierra Gorda EAls.

# CERRO MATOSO

**We have allocated capital at Cerro Matoso to unlock value and create options for potential supply into new nickel markets**

**Cerro Matoso's recent high-returning investments have helped to re-position the operation ...**



**... and sets a strong platform to unlock further value following its mining contract extension to 2044**

**Unlocks existing resources and creates an opportunity to analyse options to optimise our product mix into the battery supply chain**

- Expanded processing capacity delivered by the OSMOC project has underpinned a 15-year extension to the mining contract, creating options for future investments at the operation
- Concept study work completed to date supports the potential to produce intermediary nickel products for electric vehicle (EV) markets
- Operation's proximity to the United States and Free Trade Agreement with Colombia may provide a pathway to supply rapidly growing North American market
- Additional test work and studies to be prioritised

# HERMOSA PROJECT

**Unlocking multiple sources of value to deliver future supply of metals critical to a low-carbon future**

## **Taylor zinc-lead-silver development option**

Targeting a sustainable, low-cost operation with 20+ year resource life<sup>(a)</sup> in the first quartile of the industry's cost curve



**Final investment decision expected mid CY23**

## **Clark battery-grade manganese-zinc-silver development option**

Confirmed the opportunity to supply battery-grade manganese into rapidly growing North American markets



**Pilot plant production expected mid CY23**

## **Regional resource growth potential**

Highly prospective regional land package with identified copper and base metals targets



**Exploration ongoing at Peake, planning to drill Flux in CY23<sup>(a)</sup>**

Notes:

a. Refer to important notices (slide 2) for additional disclosure.

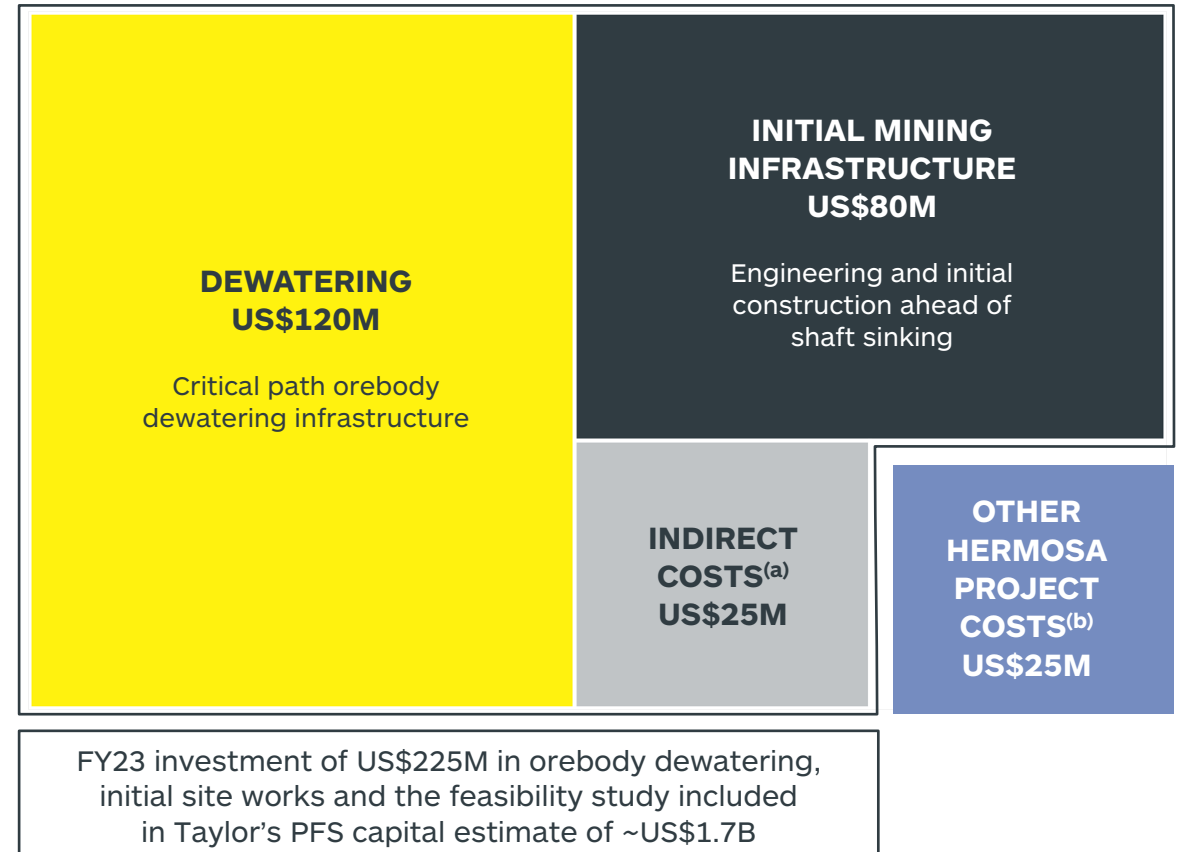
# HERMOSA PROJECT – TAYLOR

Orebody dewatering, studies and early site works progressing in-line with our Taylor PFS capital estimate

## WTP2 and dewatering well construction



## FY23e Growth capital expenditure (US\$M)



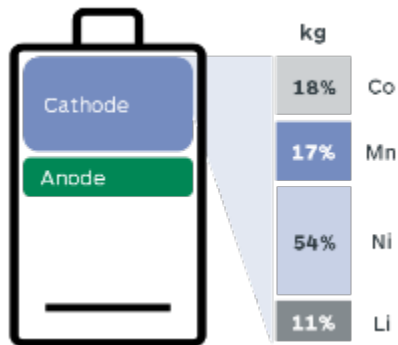
### Notes:

- a. Indirect costs primarily relate to Taylor FS costs.
- b. Additional costs incurred during study phase and work across the broader Hermosa project, including at Clark.

# HERMOSA PROJECT – CLARK

**Ideally positioned to provide secure, localised supply of battery-grade manganese into rapidly expanding North American supply chain**

Battery chemistry for a standard lithium, nickel, cobalt and manganese battery (NCM-622)...



## Battery-grade manganese is a critical metal for EV supply chains

- Global EV penetration rates are rapidly rising
- Committed government policies expected to underpin a near six-fold increase from 2022 levels by 2030
- Manganese is the preferred metal of some leading EV producers to displace cobalt and partially substitute nickel
- Manganese rich chemistries help to improve vehicle performance and lower costs
- Customer interest is focused on meeting responsible sourcing requirements with a high-spec North-American sourced product
- We are advancing customer discussions, including signing our first non-binding, non-exclusive MOU, providing a framework for our supply of material from Hermosa to the North American market

...with battery technologies targeting manganese rich chemistries (NMx, LMNO, LMFP) that have significantly higher manganese content

## Clark selection phase PFS outcomes

- ✓ Confirmed opportunity to produce battery-grade manganese for growing North American electric vehicle supply chain
- ✓ Preferred mine plan is a small footprint, single decline underground mine
- ✓ High-purity manganese sulphate monohydrate identified as preferred flow sheet, with zinc and silver co-products

## Multiple work streams underway to unlock value

- Metallurgical test work and bulk sample collection underway to support pilot plant production from mid CY23
- Demonstration plant scope to be determined following pilot plant test work
- Exploring synergies between Taylor and Clark
- Updated JORC Mineral Resource estimate expected mid CY23

# CREATING VALUE THROUGH EXPLORATION

Investing in our portfolio of exploration options to discover our next generation of mines



Exploration spend (US\$M)	FY22	FY23e
Greenfield exploration	26	40
Capitalised exploration (excl. EAI)	33	40
<i>incl. Hermosa</i>	19	20
<i>incl. Ambler Metals</i>	11	10

Notes:  
a. The exploration projects, partnerships or options on this slide reflect a combination of wholly-owned South32 projects, exploration partnerships, strategic alliances and earn-in agreements.

# OUTLOOK

**We are in a strong position to continue our returns to shareholders and unlock value in our growth pipeline in metals critical for a low-carbon future**

**Volume growth, lower costs and commodity price tailwinds are expected to support margin expansion in H2 FY23**

**We will continue to reward shareholders via our 40% minimum dividend policy and expanded capital management program**

**We are investing to unlock value at our operations and high-quality growth options**



# FOOTNOTES



1. Metrics describing health, safety, environment, people and community related performance in this presentation apply to 'operated operations' that have been wholly owned and operated by South32, or that have been operated by South32 in a joint arrangement.
2. Total Recordable Injury Frequency (TRIF): (The sum of recordable injuries x 1,000,000) ÷ exposure hours. Total recordable illness frequency (TRILF): (The sum of recordable illnesses x 1,000,000) ÷ exposure hours. TRIF and TRILF are stated in units of per million hours worked for employees and contractors. We adopt the United States Government Occupational Safety and Health Administration guidelines for the recording and reporting of occupational injuries and illnesses.
3. Operating margin comprises Underlying EBITDA excluding third party product EBITDA, divided by Underlying revenue excluding third party product revenue.
4. Free cash flow represents cash generated from operations, including net distributions from EAls, and after capital expenditure, net interest and income taxes paid.
5. Aluminium (Aluminium LME cash index); Alumina (Platts Alumina Index (PAX) (FOB Australia)); Metallurgical coal (Platts Low-Vol Hard Coking Coal index (FOB Australia)); 44% manganese (Metal Bulletin 44% manganese lump ore index (CIF Tianjin, China)); Nickel (Nickel (LME) cash index); Copper (Copper (LME) cash index); Silver (Silver LME cash index); Lead (Lead LME cash index); and Zinc (Zinc LME cash index).
6. EPS refers to Basic Underlying earnings per share since inception of the capital management program. Cumulative EPS is calculated as the sum of Underlying earnings over time, divided by shares outstanding with or without the share buy-back.
7. Refer to market release "Dendrobium Next Domain Update" dated 23 August 2022 (market release). The information in the market release that refers to the Production Target and forecast financial information for the Appin mine at Illawarra Metallurgical Coal is based on Proved (14%) and Probable (86%) Coal Reserves from Bulli. The Coal Reserves estimates underpinning the Production Target have been prepared by M Rose (Competent Person) and reported in accordance with the JORC Code. The Coal Reserves estimates are available to view in South32's FY22 Annual Report (<http://www.south32.net>) published on 9 September 2022. The stated Production Target is based on South32's current expectations of future results or events and should not be solely relied upon by investors when making investment decisions. Further evaluation work and appropriate studies are required to establish sufficient confidence that this target will be met.

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

The following abbreviations have been used throughout this presentation; billion (B); earnings before interest and tax (EBIT); earnings before interest, tax, depreciation and amortisation (EBITDA); electric vehicle (EV); free on board (FOB); feasibility study (FS); financial year (FY); joint venture (JV); lithium manganese iron phosphate (LMFP); lithium manganese nickel oxide (LMNO); million (M); memorandum of understanding (MOU); Mineração Rio do Norte (MRN); cobalt-free nickel-manganese (NMx); Ore Sorting and Mechanical Ore Concentration (OSMOC); pre-feasibility study (PFS); Queresas and Porvenir (Q&P); return on invested capital (ROIC); total recordable injury frequency (TRIF); total recordable illness frequency (TRILF); United States (US)

