

# PDAC 2023 CORPORATE PRESENTATION FORUM FOR INVESTORS

6 March 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.

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## **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.

# A GLOBALLY DIVERSIFIED MINING AND METALS COMPANY



We produce commodities including bauxite, alumina, aluminium, copper, silver, lead, zinc, nickel, metallurgical coal and manganese from our operations in Australia, southern Africa and South America.

## Making a difference

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.

## Optimise | Unlock | Identify

Our purpose is underpinned by a simple strategy which is focused on optimising the performance of our operations, unlocking their potential and identifying new opportunities to create value for all of our stakeholders.

## Care | Trust | Togetherness | Excellence

While our strategy outlines what we do to achieve our purpose, our values of care, trust, togetherness and excellence guide how we do it. Every day, our values shape the way we behave and the standards we set for ourselves and others.



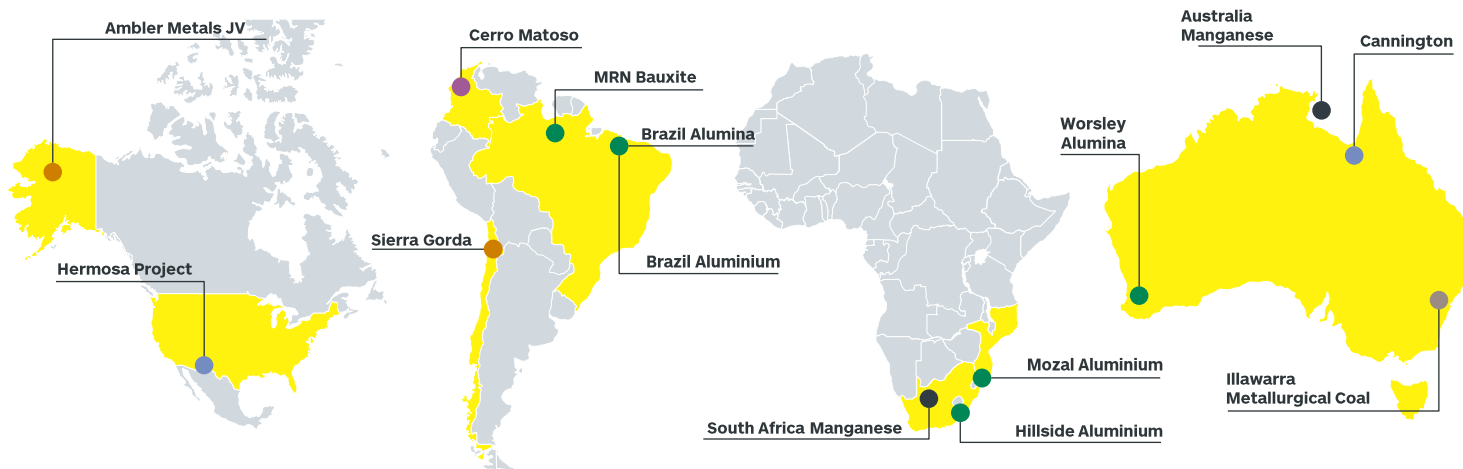
# OUR PORTFOLIO

**We have an attractive commodity mix and a growth pipeline in commodities 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

## Advancing greenfield exploration partnerships and prospects in:



## 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

### 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>4</sup>

**31.5%**

Free cash flow<sup>5</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**

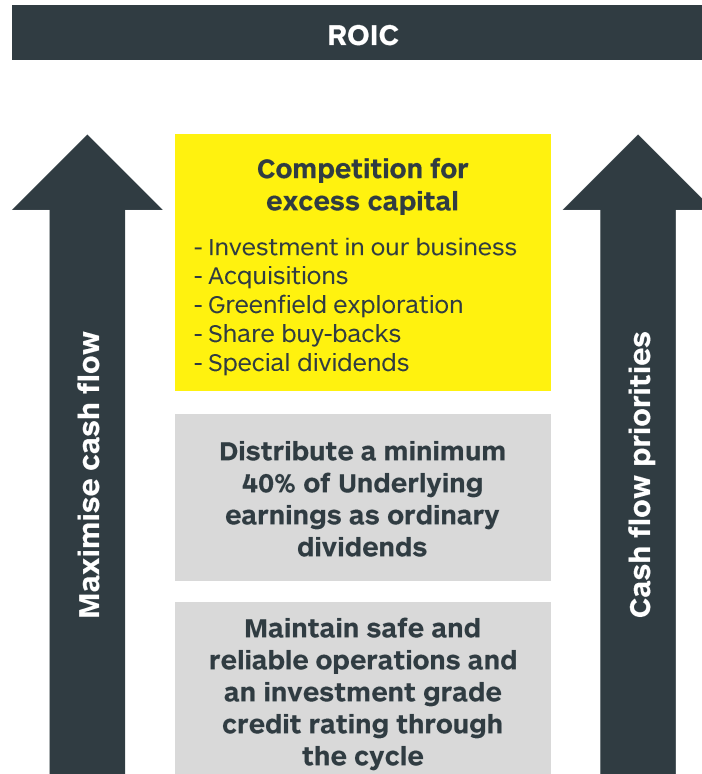
Notes:

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.

# CAPITAL MANAGEMENT FRAMEWORK

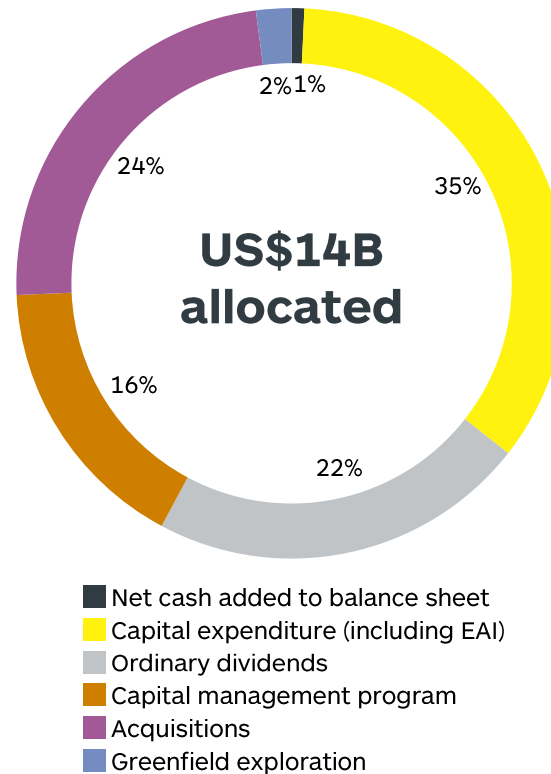
**Our capital management framework is unchanged**

## Capital management framework



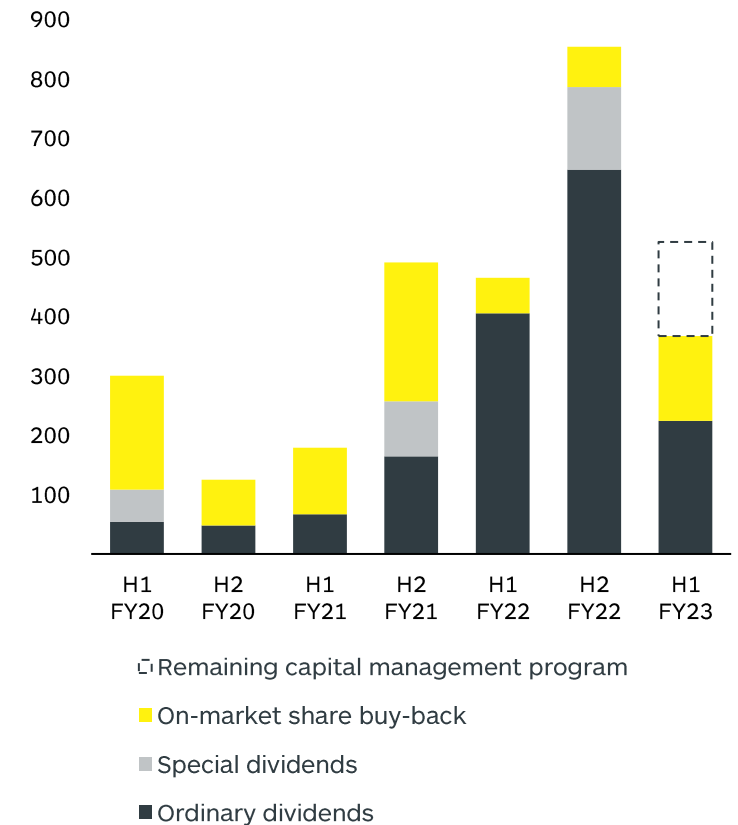
**We have a balanced approach to capital allocation**

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



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

## 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.

# 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.

# 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
incl. Hermosa	19	20
incl. Ambler Metals	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.



# SUMMARY

We produce commodities critical to a low-carbon future

We expect to deliver 6% production growth in H2 FY23<sup>(a)</sup>

Our world class development options have the potential to increase volumes into structurally attractive markets

Our consistent execution is underpinned by our disciplined capital allocation and strong balance sheet

