

20 August 2020

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

2020 FULL YEAR FINANCIAL RESULTS PRESENTATION

South32 Limited (ASX, LSE, JSE: S32; ADR: SOUHY) (South32) will hold a conference call at 8.00am Australian Western Standard Time to discuss the attached 2020 full year financial results presentation materials, the details of which are as follows:

Conference ID: 7890688

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

A presentation is attached. Following the conference call a recording will be available on the South32 website (<https://www.south32.net/investors-media/investor-centre/financial-operational-results>).

Separately a video presentation by South32 Chief Executive Officer, Graham Kerr, is available on the South32 website (<https://www.south32.net/investors-media/investor-centre/financial-operational-results>).

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

Investor Relations

Alex Volante

T +61 8 9324 9029

M +61 403 328 408

E Alex.Volante@south32.net

Tom Gallop

T +61 8 9324 9030

M +61 439 353 948

E Tom.Gallop@south32.net

Media Relations

Rebecca Keenan

T +61 8 9324 9364

M +61 402 087 055

E rebecca.keenan@south32.net

Jenny White

T +44 20 7798 1773

M +44 7900 046 758

E Jenny.White@south32.net

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

Authorised for release by Nicole Duncan, Company Secretary

JSE Sponsor: UBS South Africa (Pty) Ltd
20 August 2020

2020 FINANCIAL RESULTS

20 August 2020

Important notices



This presentation should be read in conjunction with the “Financial Results and Outlook – year ended 30 June 2020” announcement released on 20 August 2020, which is available on South32's website (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, Basic Underlying earnings per share, Underlying effective tax rate, Underlying EBIT margin, Underlying EBITDA margin, Underlying return on invested capital, Free cash flow, net debt, net cash, 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.

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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.

MINERAL RESOURCES AND ORE RESERVES

The information that relates to the Mineral Resources of the Taylor Deposit was declared in the market announcement “Quarterly Report June 2020” dated 20 July 2020 (www.south32.net) based on information compiled by Matthew Readford, Competent Person. South32 confirms that it is not aware of any new information or data that materially affects the information included in the original announcement.

The information that relates to the Mineral Resources of the Clark Deposit was declared in the market announcement “Hermosa Project – Mineral Resource Declaration” dated 12 May 2020 (www.south32.net) based on information compiled by Matthew Hastings, Competent Person. South32 confirms that it is not aware of any new information or data that materially affects the information included in the original announcement.

The information that relates to the Mineral Resources of the Arctic Deposit and the Bornite Deposit was declared in the market announcement “2020 Half Year Financial Results Presentation” dated 13 February 2020 (www.south32.net) based on information compiled by David F. Machuca Mory, Competent Person, for the Arctic Deposit, and Sia Khosrowshahi, Competent Person, for the Bornite Deposit.

Other information in this presentation that relates to Ore Reserve and Mineral Resource estimates was declared as part of South32's annual Resource and Reserve declaration in the FY19 Annual Report (www.south32.net) issued on 6 September 2019 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.

A simple strategy underpinned by a disciplined capital management framework



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



IDENTIFY

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

Our portfolio

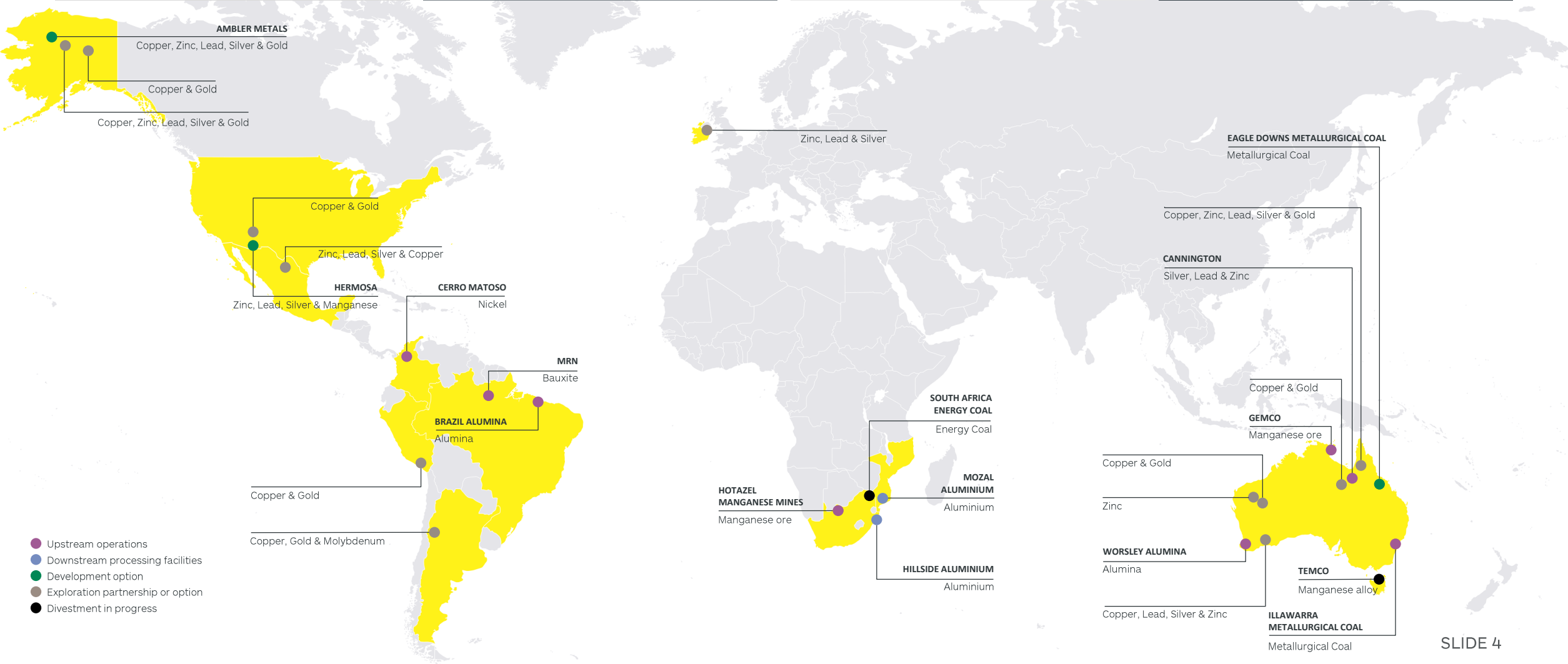


Large producer of manganese ore and alumina

Multiple projects progressing through study phase

Greenfield exploration partnerships with a bias to base metals

Progressing divestments of South Africa Energy Coal and TEMCO



Record production at 3 operations

**Lower Operating unit costs
at 9 of 10 operations**

**Net loss after tax
US\$(65)M**

**Underlying earnings
US\$193M**

**Underlying EBITDA
US\$1.2B**

**Free cash flow^(a)
US\$583M**

**Net cash balance
US\$298M**

US\$424M in shareholder returns^(b)

**Final ordinary dividend US\$48M
(1 US cent per share)**

**Acted to protect our
strong balance sheet**

**On-market share buy-back
suspended with execution window
extended to September 2021**

**Exiting lower returning
businesses and progressing
our development options**

Notes:

a. Free cash flow from operations including net distributions from our manganese equity accounted investments (EAI).

b. In respect of the June 2020 financial year. Fully franked dividends (interim ordinary US\$53.5M, interim special US\$53.5M and final ordinary US\$48M) and on-market share buy-back US\$269M.

PERFORMANCE AND GUIDANCE





KEEPING OUR PEOPLE SAFE AND WELL

- Implemented physical distancing, screening and testing and remote working where possible
- Provided our workforce with appropriate personal protective equipment
- Isolation facilities made available at all our operations
- Supported our people with their mental health and wellbeing



MAINTAINING SAFE AND RELIABLE OPERATIONS

- Activated crisis and emergency management protocols to identify, prevent and respond to risks as they arise
- Stopped non-business critical work
- Ensured reliable supply to our customers and access to critical supplies for our operations
- Worked with governments, regulators and industry associations to share learnings and implement best practice



SUPPORTING OUR COMMUNITIES

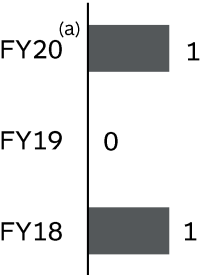
- Contributing US\$7M to our communities
- Assisting in the provision of essential hygiene, sanitation and medical supplies
- Supporting an increase in the capacity of local health care systems



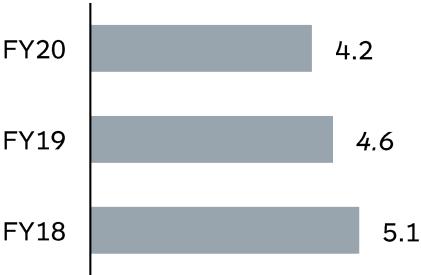
PROTECTING OUR STRONG FINANCIAL POSITION

- Continue to manage our financial position to maintain the right balance of flexibility, efficiency and prudence
- Adjusted capital expenditure priorities to rapidly defer and rescope non-critical projects
- Suspended our on-market share buy-back

Fatalities^{1,2}



TRIF^{1,2}



TRILF^{1,2}



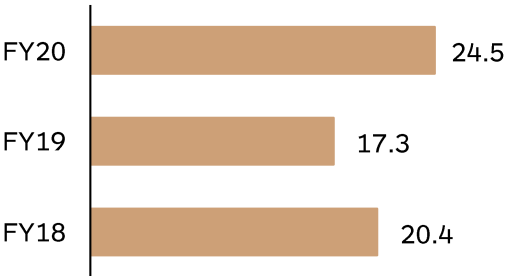
GHG emissions^{1,2}
(Scope 1 & 2, Mt CO₂-e)

On-track to meet our
FY21 Scope 1 emissions target



Community investment²
(US\$M)

US\$7M to support our communities' response to COVID-19



Women in our workforce

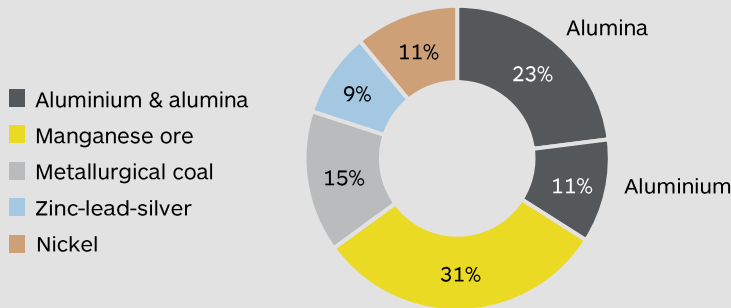
Targeting continuous improvement



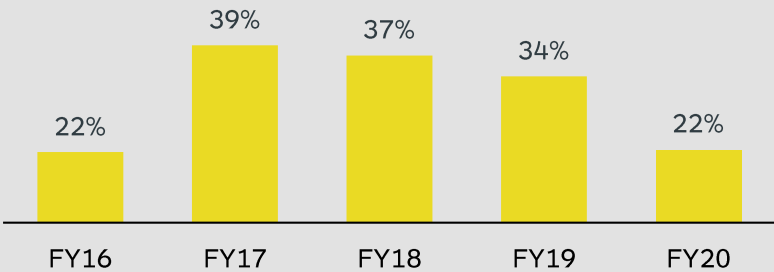
Notes:
a. Also in FY20, two people from our contracting companies tragically lost their lives in separate offsite road incidents during transport of our product to shipping ports. These incidents were associated with our Cerro Matoso and South Africa Manganese operations.
b. FY20 information is unaudited and as at 30 June 2020.

Lower prices for our key commodities more than offset the benefit of our strong operating result

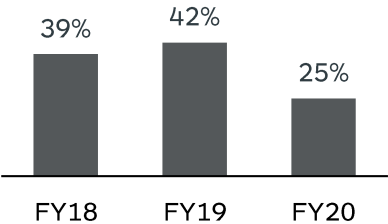
FY20 Underlying EBITDA contribution by commodity^{(a)(b)}



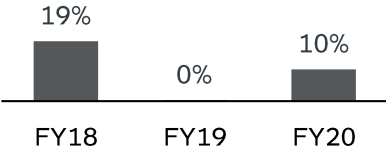
Group operating margin³



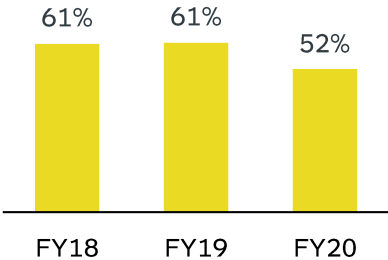
Alumina operating margin^(b)



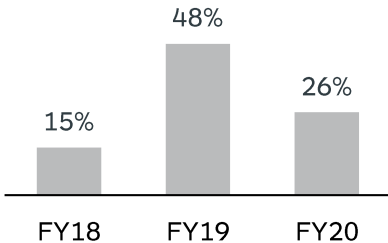
Aluminium operating margin^(b)



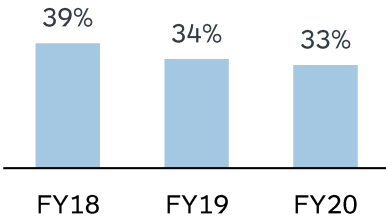
Manganese ore operating margin



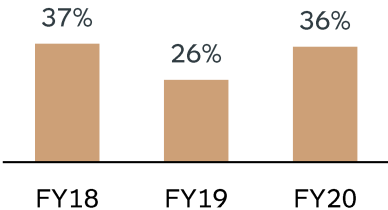
Metallurgical coal operating margin^(b)



Zinc-lead-silver operating margin

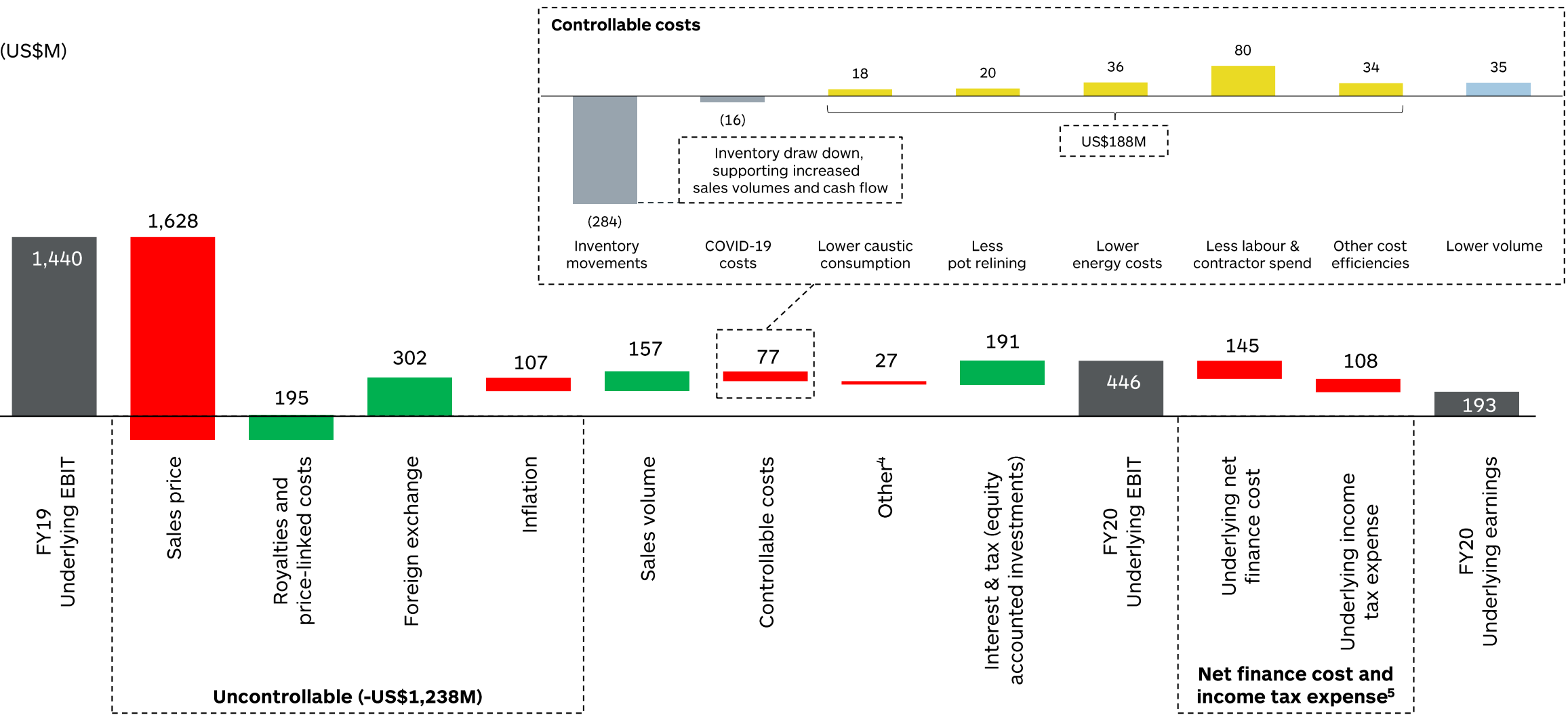


Nickel operating margin



Notes:
a. Presented on a proportionally consolidated basis and excludes South Africa Energy Coal, manganese alloys, the Brazil Alumina aluminium smelter, Hermosa and Group and unallocated costs.
b. Metallurgical coal comprises Illawarra Metallurgical Coal, including energy coal by-product volumes. The Brazil Alumina aluminium smelter is included in alumina operating margin.

Controllable costs increased year-on-year despite US\$188M in cost efficiencies, as we drew down inventory

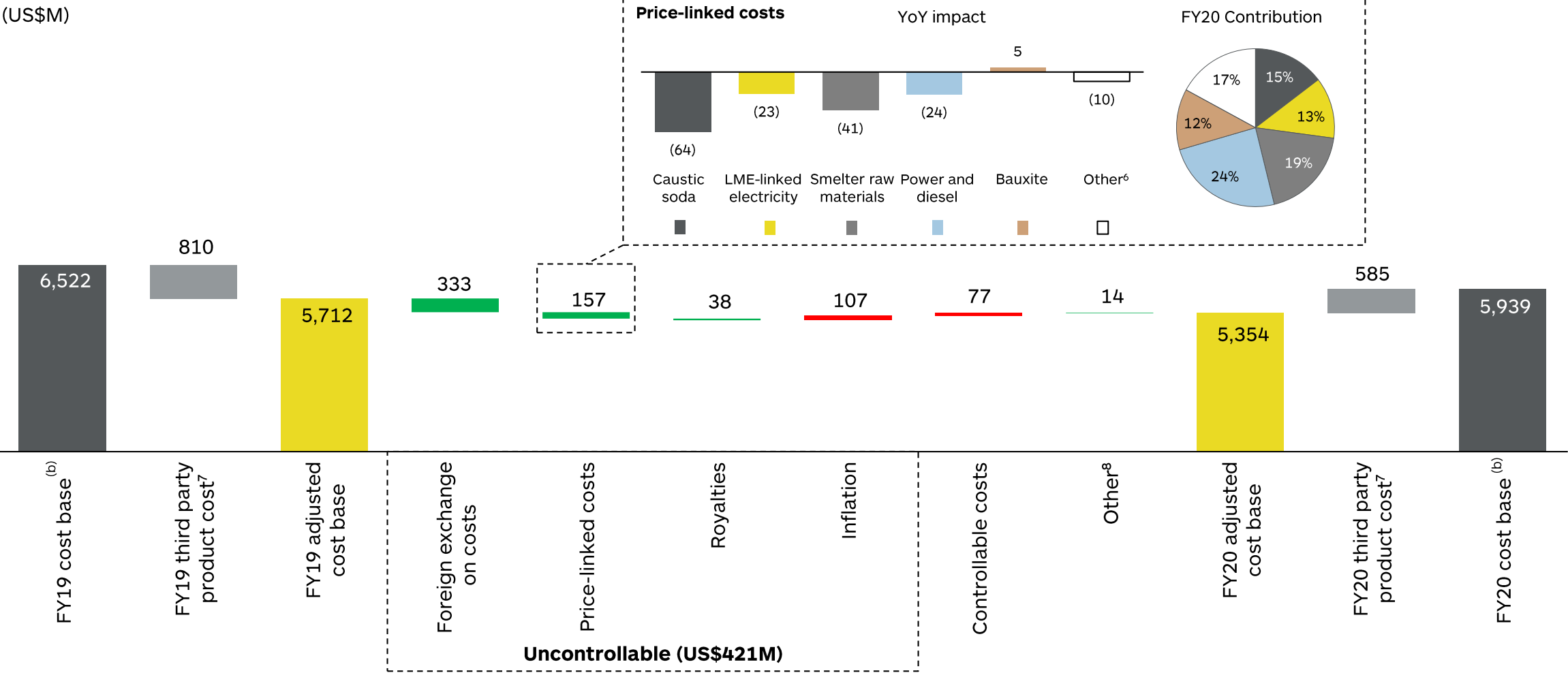


20% decline in average realised prices the primary driver of lower revenue, despite our strong operating performance



Notes:
a. Revenue includes Manganese ore and alloy on a proportionally consolidated basis. Revenue for zinc, lead and silver is net of treatment and refining charges.

Cost efficiencies combined with weaker FX and lower raw material inputs reduced our cost base by 6%^(a) in FY20



Notes:

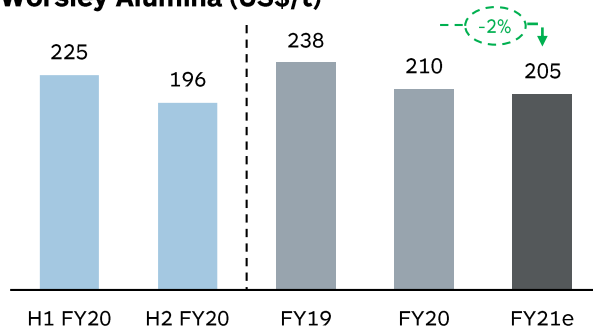
a. Cost base excluding third part product costs.

b. Cost base includes equity accounted investments and excludes other income. FY20 includes US\$822M of statutory adjustments and a US\$227M adjustment for other income to reconcile to Revenue minus Underlying EBITDA (FY19 includes US\$1,178M of statutory adjustments and a US\$267M adjustment for other income to reconcile to Revenue minus Underlying EBITDA).

Operating unit costs guidance

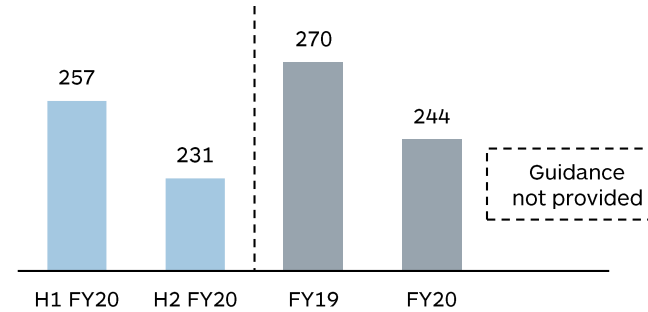
We expect to deliver a further reduction in Operating unit costs across the majority of our operations

Worsley Alumina (US\$/t)⁹



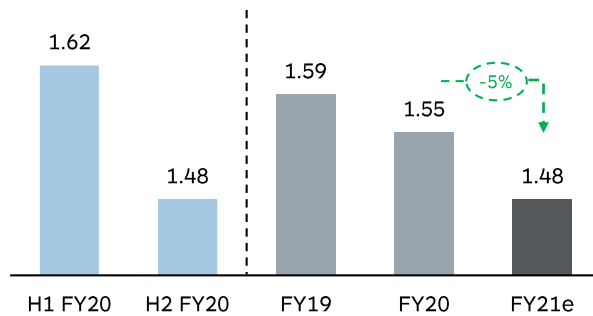
Higher volumes and the reduction of contractor rates and activity, partially offset by higher planned caustic consumption rates and a stronger Australian dollar

Brazil Alumina (non-operated) (US\$/t)



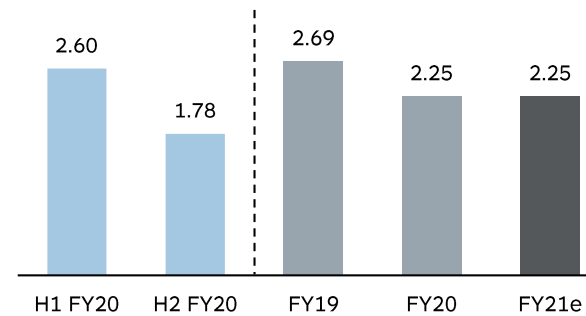
Guidance not provided but expected to benefit from lower bauxite, caustic soda and energy prices

Australia Manganese ore (US\$/dmu)⁹



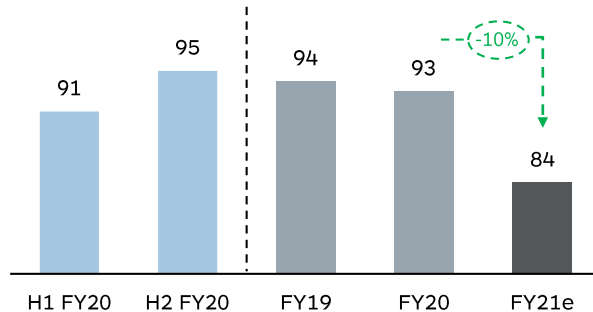
Expected improvement in yield due to favourable ore characteristics and lower contractor and labour spend, partially offset by a stronger Australian dollar

South Africa Manganese ore (US\$/dmu)⁹



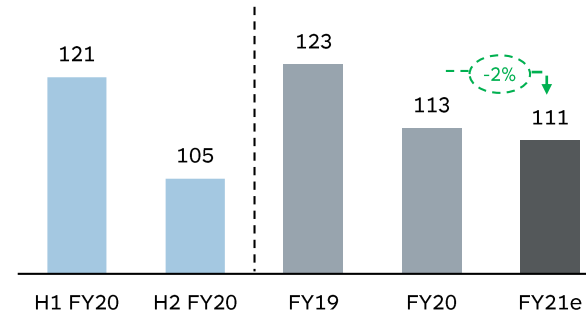
Higher volumes and a weaker South African rand, offset by the prior period's realisation of a one-off royalty benefit and a planned increase in trucking volumes

Illawarra Metallurgical Coal (US\$/t)⁹



Higher volumes and an associated increase in productivity, partially offset by a stronger Australian dollar

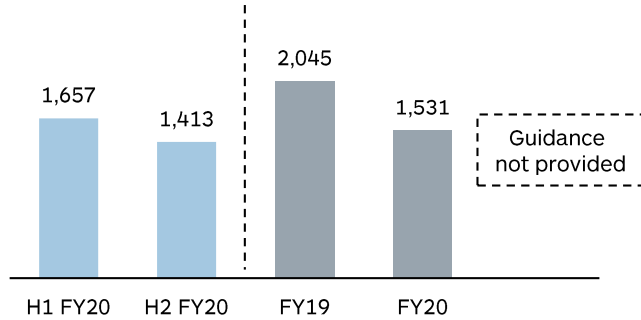
Cannington (US\$/t)^{9, 10}



Insourcing of activity and the continued benefit of lower negotiated energy contracts, partially offset by a stronger Australian dollar and lower mill throughput

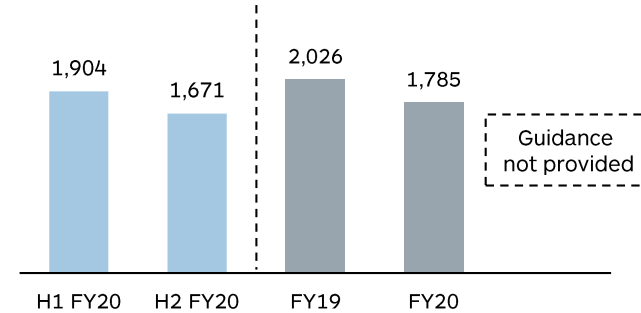
Operating unit costs guidance

Hillside Aluminium (US\$/t)



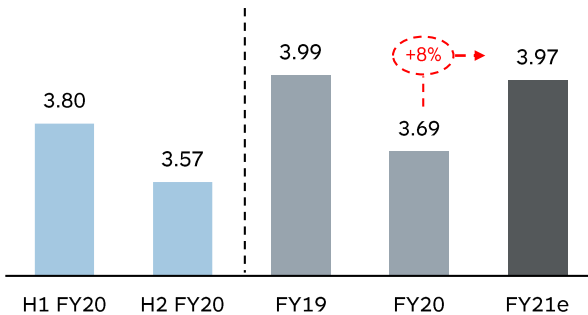
Not provided but combined tailwinds of lower alumina prices and a weaker South African rand are expected to mitigate higher power costs

Mozal Aluminium (US\$/t)



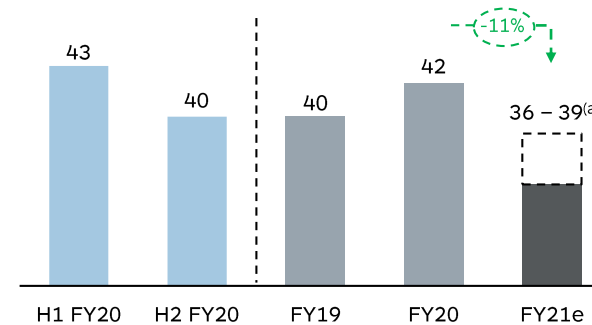
Not provided but expected to benefit from the further insourcing of activity and the combined tailwinds of lower alumina prices and a weaker South African rand

Cerro Matoso (US\$/lb)⁹



Weaker Colombian peso, lower price-linked royalties and the continued benefit of our energy optimisation strategy, more than offset by lower production volumes from planned furnace outage

South Africa Energy Coal (US\$/t)⁹



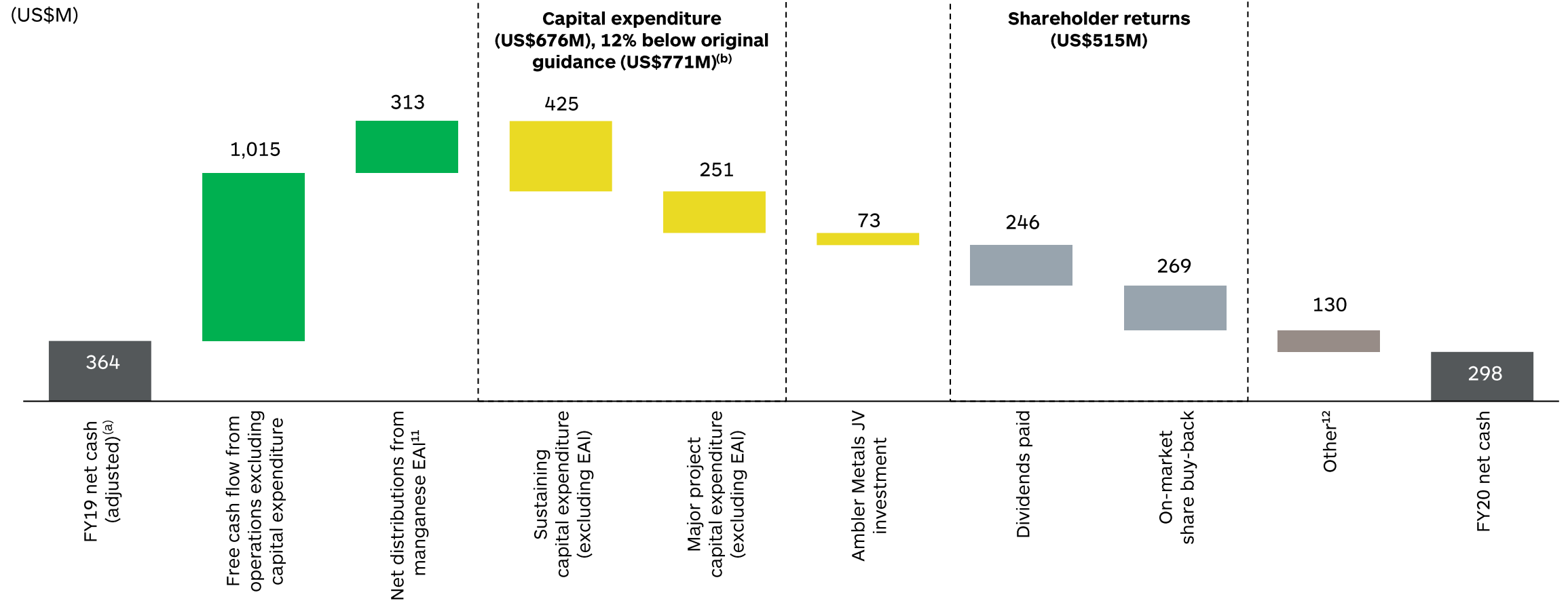
Guidance range reflects our intent to adjust volumes to maximise margins, and a weaker South African rand

Notes:

a. South Africa Energy Coal Operating unit cost guidance is for H1 FY21. Percentage change calculated using the mid-point of FY21 guidance.

Cash flow analysis

We took action to protect our strong balance sheet, adjusting our capital expenditure plans and suspending our on-market share buy-back in H2 FY20



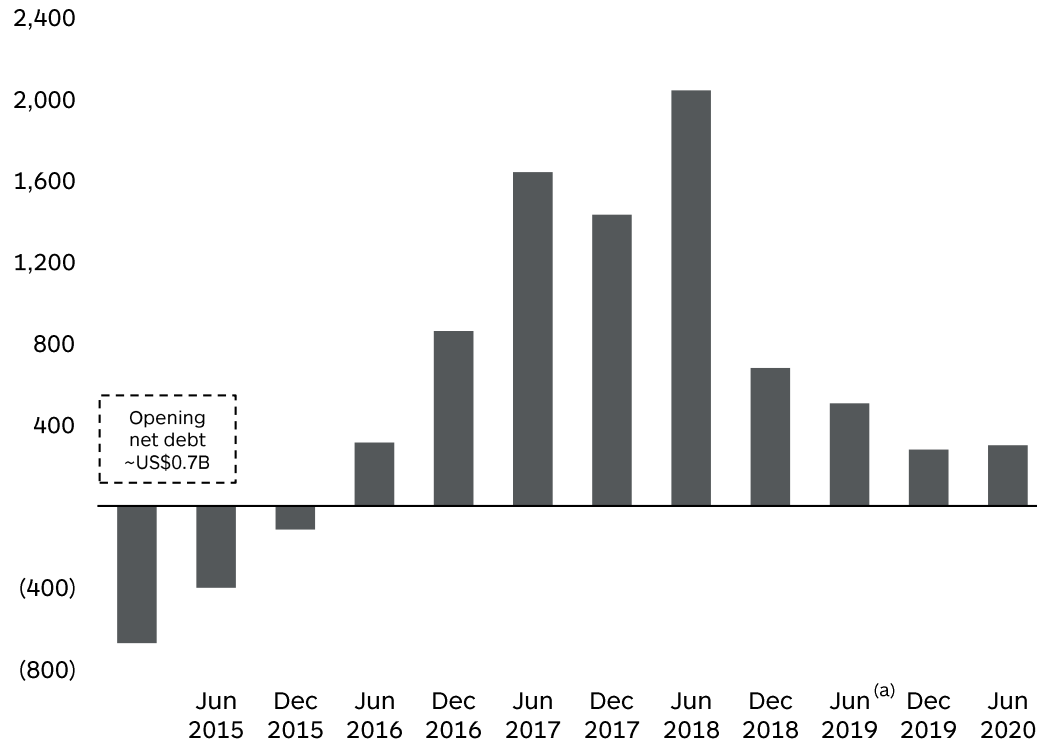
Notes:

- a. FY19 net cash (US\$504M) has been adjusted for the impact of the adoption of AASB 16 Leases (-US\$140M).
- b. FY20 original guidance for Sustaining capital (excluding EAI) of US\$515M and Major capital expenditure (excluding EAI) of US\$256M.

Balance sheet

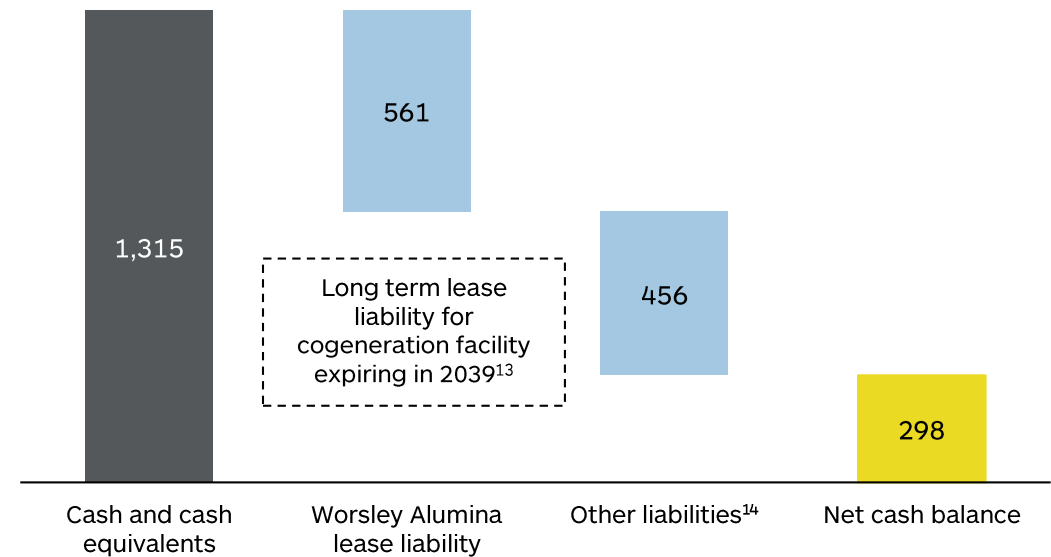
**A strong balance sheet through the cycle
is at the core of our strategy**

Net cash/(debt) (US\$M)



**Net cash and no term debt
Undrawn US\$1.45B revolving credit facility extended to CY23**

Net cash balance as at 30 June 2020 (US\$M)



Notes:

a. The Group's June 2019 net cash position reduced by US\$140M to US\$364M on 1 July 2019 following the adoption of AASB 16 Leases.

Capital expenditure analysis

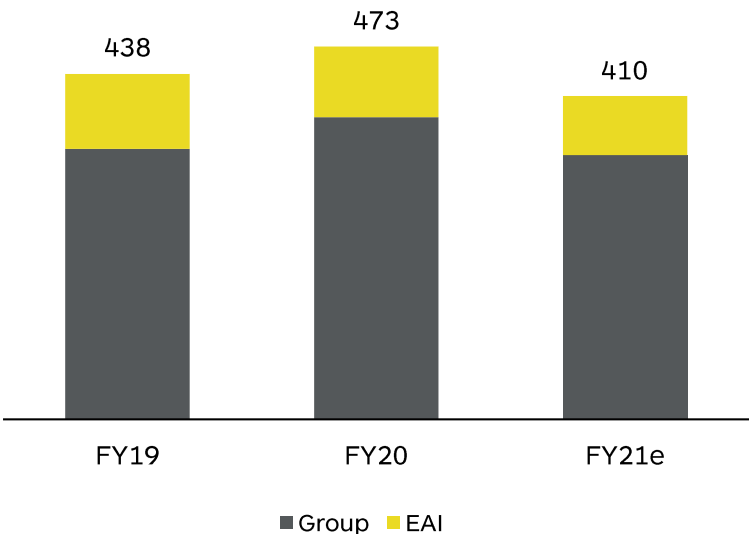


Re-designed and re-prioritised activity across the Group in response to market conditions

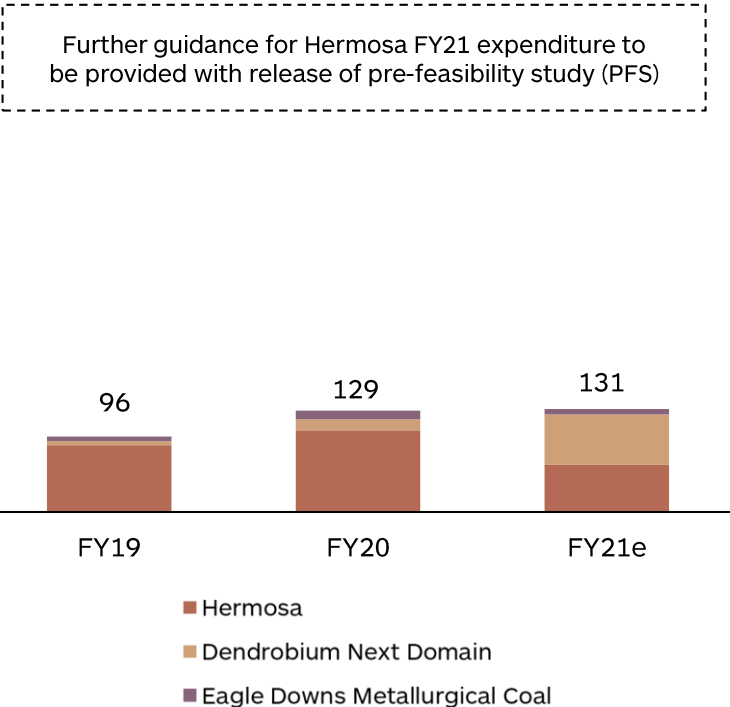
Continue to invest in our development options to create shareholder value

Successful divestment of South Africa Energy Coal will meaningfully reduce the Group's capital intensity

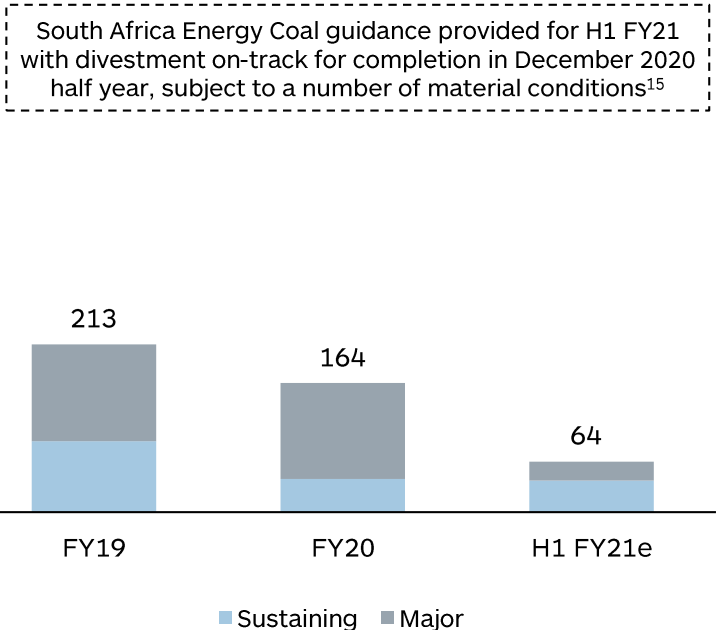
Sustaining capital expenditure (excluding South Africa Energy Coal)
(US\$M)



Major capital expenditure (excluding South Africa Energy Coal)
(US\$M)



South Africa Energy Coal capital expenditure
(US\$M)



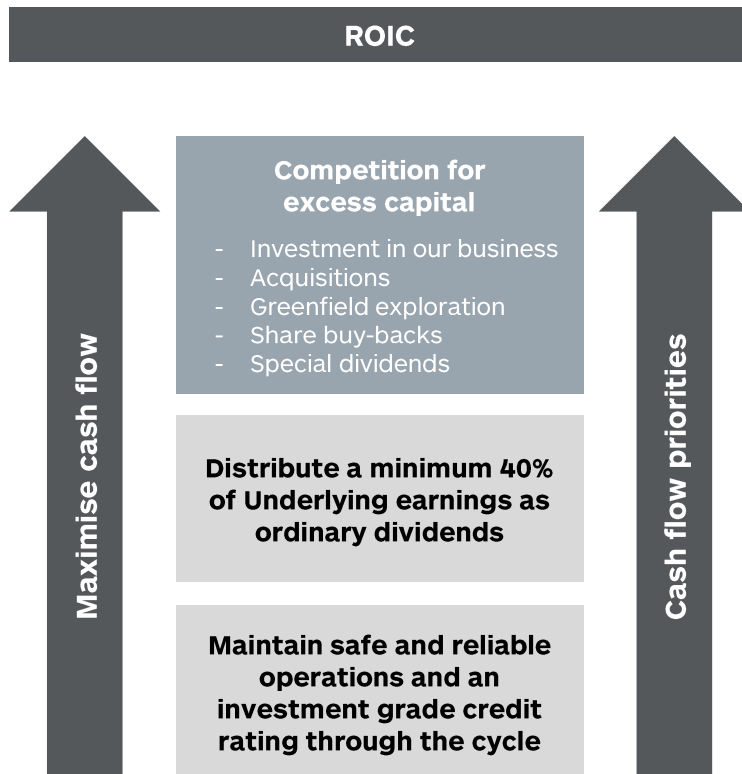
Capital management framework

Our framework remains unchanged

We responded to the uncertainty caused by the pandemic, suspending our on-market share buy-back

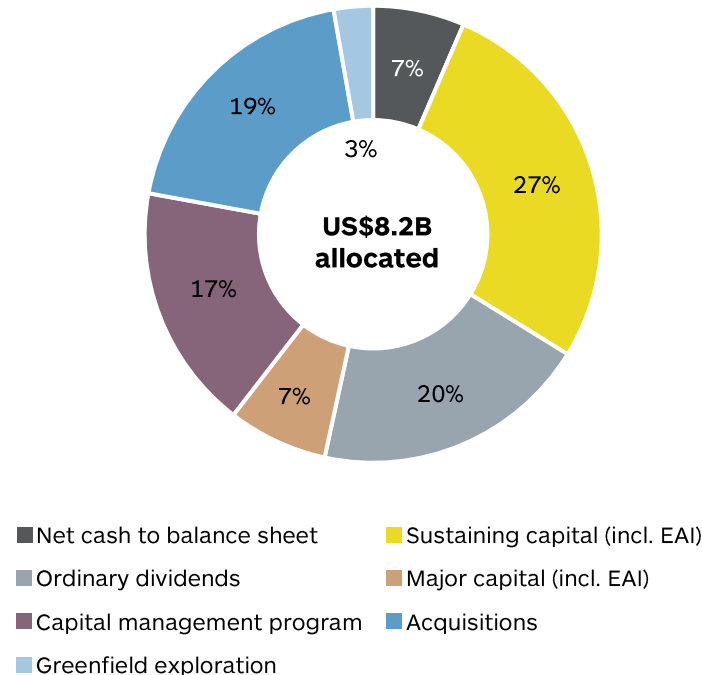
Execution window extended to September 2021, maintaining the flexibility to recommence

Capital management framework

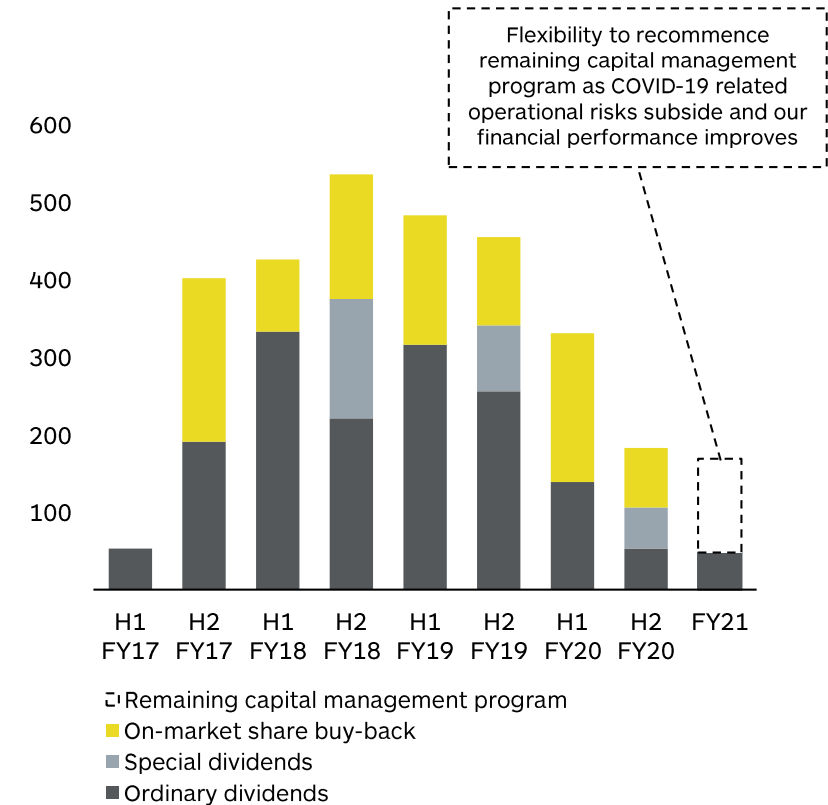


Capital allocation

(Capital allocation since FY16)¹⁶



Shareholder returns (paid and committed) (US\$M)



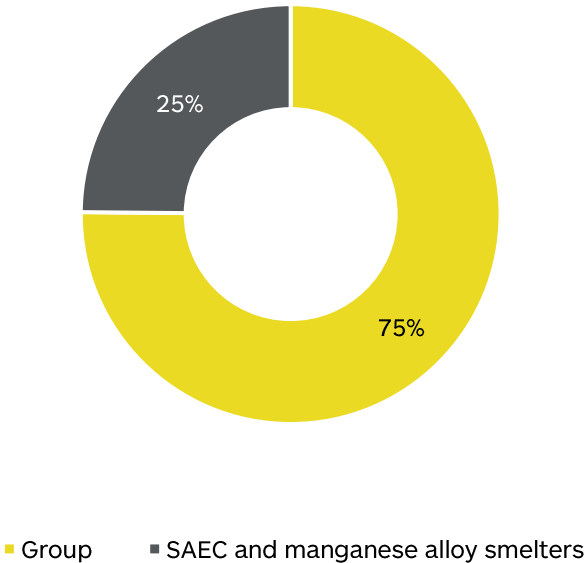


RESHAPING OUR PORTFOLIO

Planned divestments of South Africa Energy Coal and TEMCO will reshape our portfolio

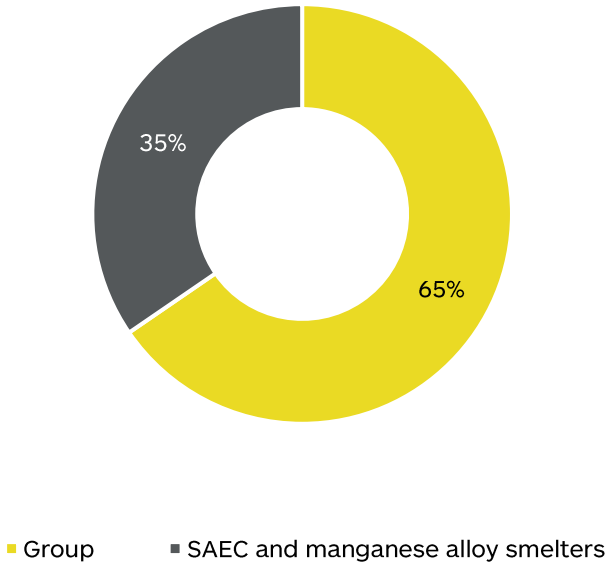
Lower capital intensity

Historical capital expenditure (including EAI)^(a)
(US\$M) (FY16-20)



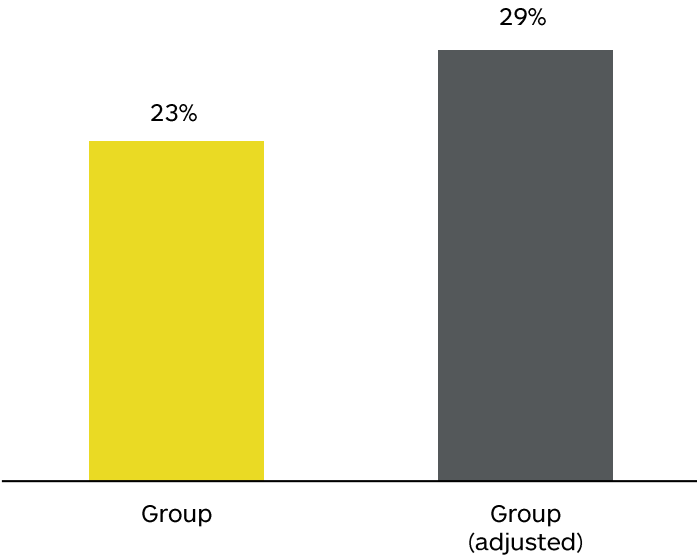
Less complexity, greater focus

Employee headcount^(a)
(at 30 June 2020)



Higher Group margins and returns

FY20 operating margin^{(a)(b)}
(%)

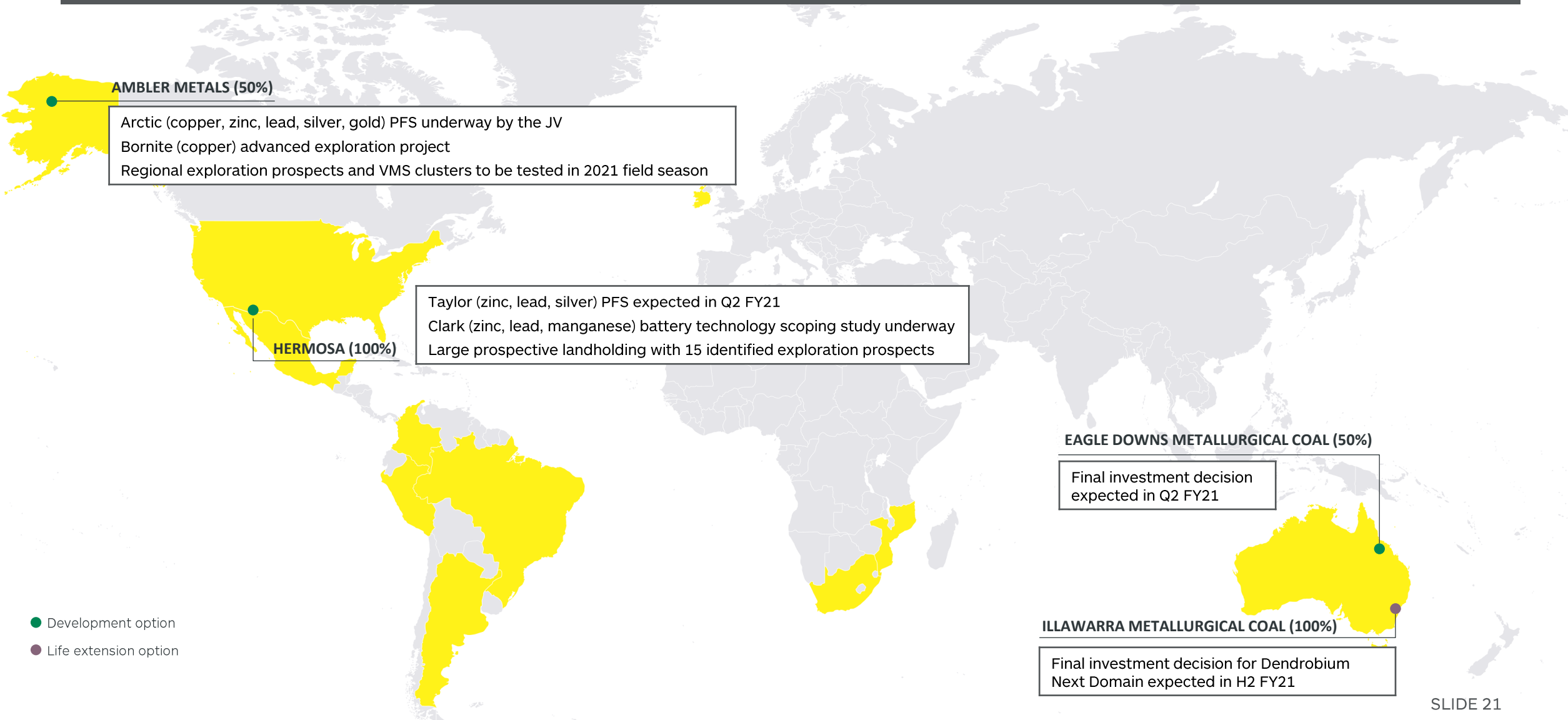


Notes:
a. Illustrative analysis excluding South Africa Energy Coal and manganese alloy smelters (TEMCO and Metalloys, which has been placed on care and maintenance).
b. Operating margin showing Manganese EAI on a proportionally consolidated basis.

Our development and life extension options



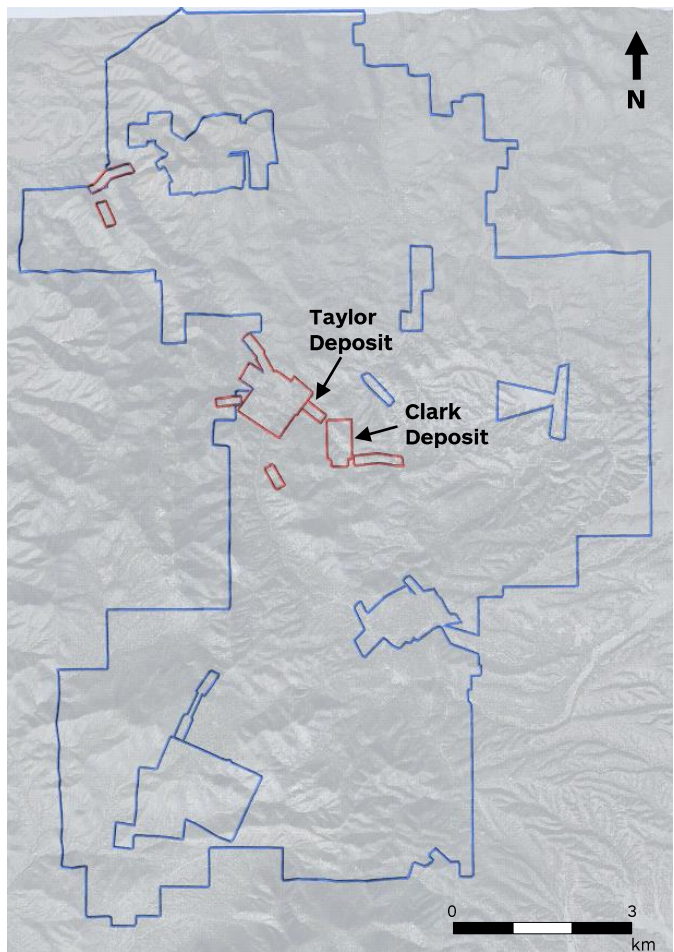
We are progressing our development options through their study phase towards investment decisions



Prospective regional land package

Hermosa land package

Taylor Deposit, Clark Deposit and regional landholdings

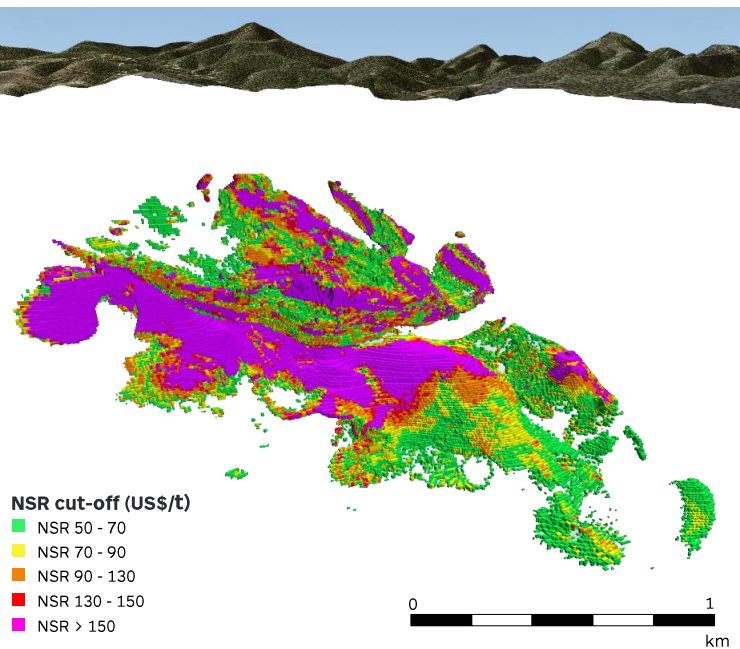


Patented area Unpatented area

Taylor Deposit PFS expected Q2 FY21

Taylor Deposit mineralisation (looking southwest)

Remains open at depth and laterally



Taylor Deposit Mineral Resource^(a)

Net Smelter Return (NSR) cut-off US\$90/t

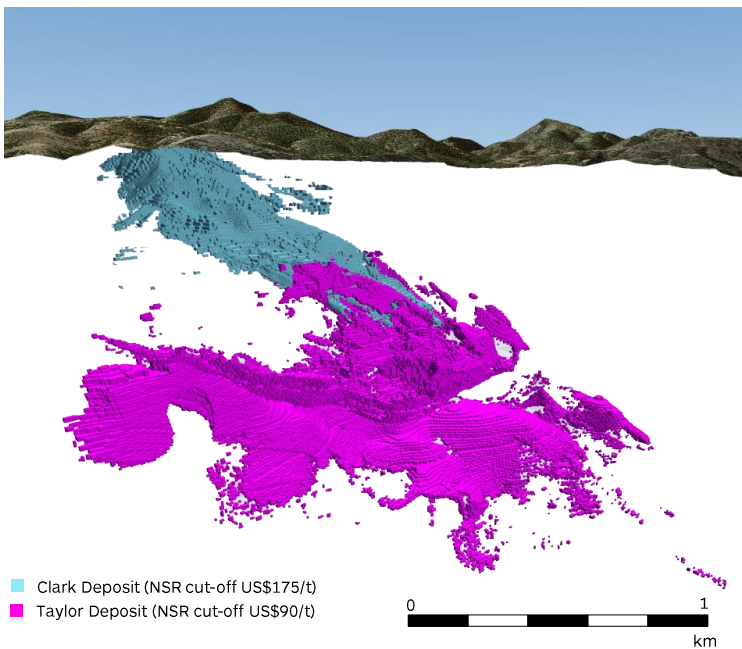
Ore Type	Total Mineral Resources			
	Mt	% Zn	% Pb	g/t Ag
UG Sulphide	162	3.31	3.86	72
UG Transition	5.0	4.50	3.39	44
Total Sulphides	167	3.34	3.84	71

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

Clark Deposit scoping study underway

Taylor and Clark Mineral Resources (looking southwest)

Clark is the upper oxidised portion of the mineralised system



Clark Deposit Mineral Resource^(a)

NSR cut-off US\$175/t

Ore Type	Total Mineral Resources			
	Mt	% Zn	% Mn	g/t Ag
UG Oxide	55	2.31	9.08	78

Progressing Taylor to a development decision

- Initial site works and dry stack tailings storage facility completed
- Voluntary remediation program delivered
- Updated Mineral Resource estimate released in July 2020
- FY21 capital expenditure (US\$60M) to advance development studies, surface and decline infrastructure prior to completing PFS
- Further update on capital expenditure expected to be provided with PFS in Q2 FY21

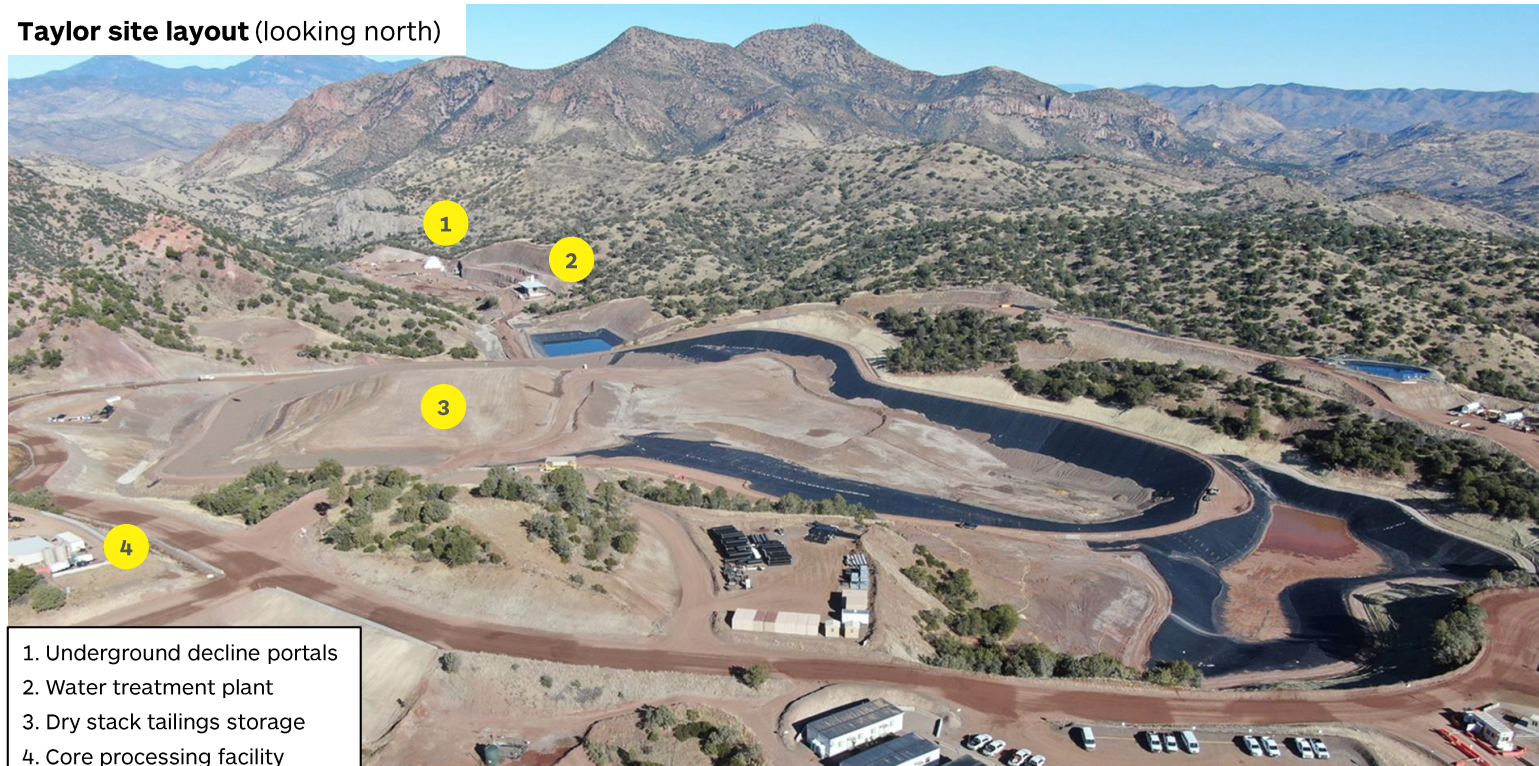
Evaluating Clark's potential

- Mineral Resource estimate declared in May 2020
- Scoping study underway
- Evaluating processing options and emerging end-market opportunities in battery technology
- Potential for an integrated development with Taylor to be studied

Testing the highly prospective regional land package

- Prospective land package totalling ~11,000 hectares
- 15 regional prospects identified
- Exploration field activity to recommence following suspension due to COVID-19 restrictions
- FY21 exploration guidance (US\$29M) for Taylor resource drilling and regional programs

Taylor site layout (looking north)



1. Underground decline portals
2. Water treatment plant
3. Dry stack tailings storage
4. Core processing facility

Ambler Metals JV (50%)

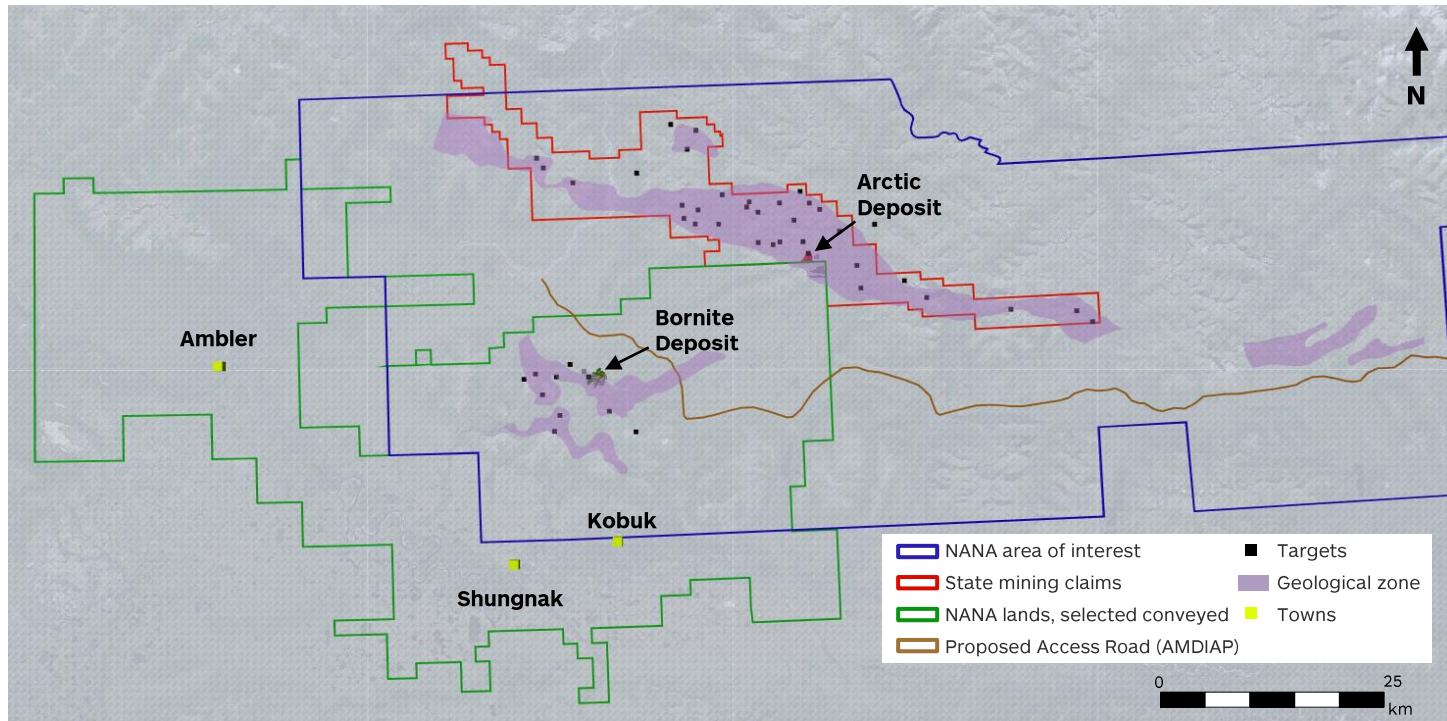


Regional scale in an attractive mining jurisdiction

PFS for Arctic Deposit underway

Access road has potential to unlock the region

Ambler Metals JV location map



High grade development option in northwest Alaska

- 50% joint venture with Trilogy Metals following an initial exploration partnership over three field seasons
- Two prospective mineralised belts
- JV is funded to complete:
 - Development studies for Arctic
 - Drill testing of regional prospects
 - Further exploration at Bornite
- 2020 exploration drilling programs deferred due to COVID-19 restrictions
- FY21 exploration and study budget US\$10M (South32 share)
- Positive Record of Decision for proposed industrial access road filed in July 2020
- Supportive local partner NANA Regional Corporation^(b)

Arctic Deposit Mineral Resource^(a)

NSR cut-off US\$63.40/t

Ore Type	Total Mineral Resources					
	Mt	% Cu	% Zn	% Pb	g/t Ag	g/t Au
Open Pit	37	3.06	4.30	0.77	47	0.60

Bornite Deposit Mineral Resource^(a)

Cut-off 0.5% Cu for Open Pit, 1.5% Cu for Underground

Ore Type	Total Mineral Resources	
	Mt	% Cu
Open Pit	78	1.04
Underground	70	2.29

Notes:

- a. Refer to important notices (slide 2) for additional disclosure.
- b. If the JV proceeds with construction of a mine on lands subject to the NANA Agreement, NANA will have the option to acquire between 16% and 25% (as specified by NANA) of the project or receive a net proceeds royalty of 15%.

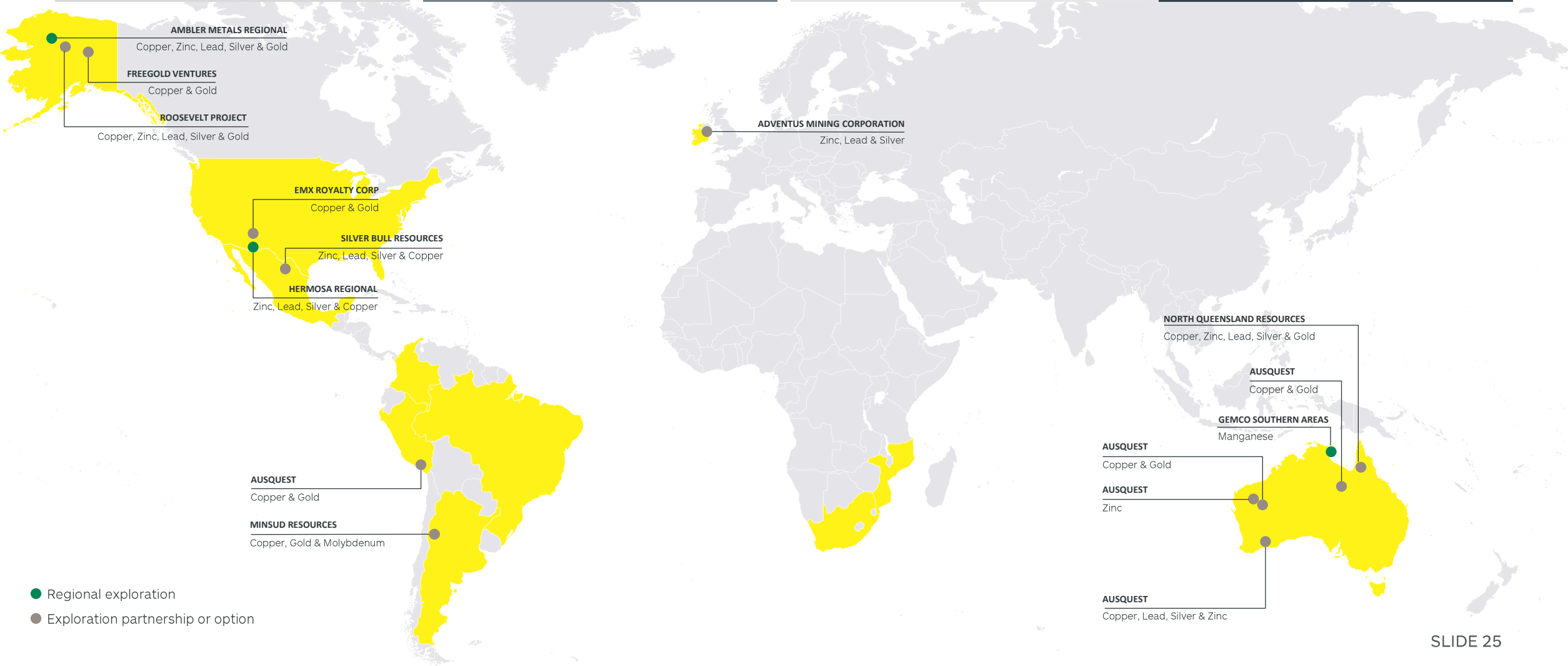
Our exploration footprint

Pipeline of greenfield base metal partnerships established

Regional exploration programs at Hermosa and Ambler

Strategy to identify, advance and cycle options to add growth to our portfolio

FY21 greenfield exploration guidance US\$18M with drilling programs scheduled at 12 projects



● Regional exploration
● Exploration partnership or option

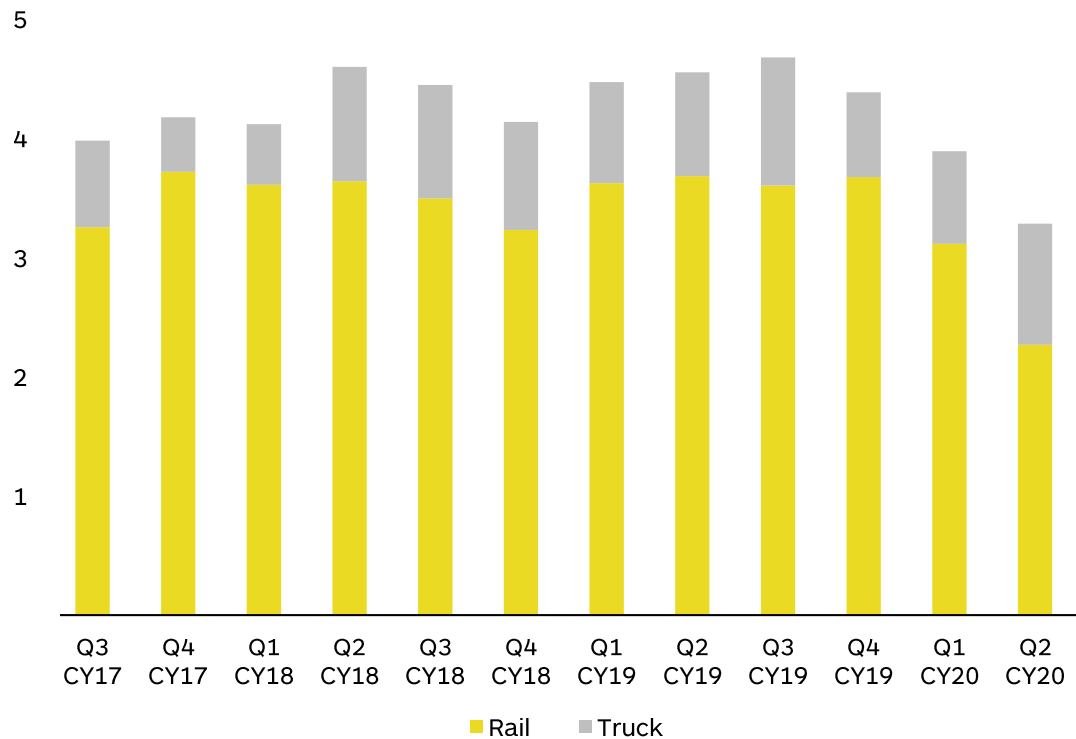
MARKETS OUTLOOK

South African supply disruption and recovery has driven prices in CY20

Market outlook for FY21 likely to be a function of supply as alloy demand into steel remains strong

Long term price to be set by marginal South African supply transitioning underground over time

South African exports^(a)
(Mt, Mn content unadjusted)

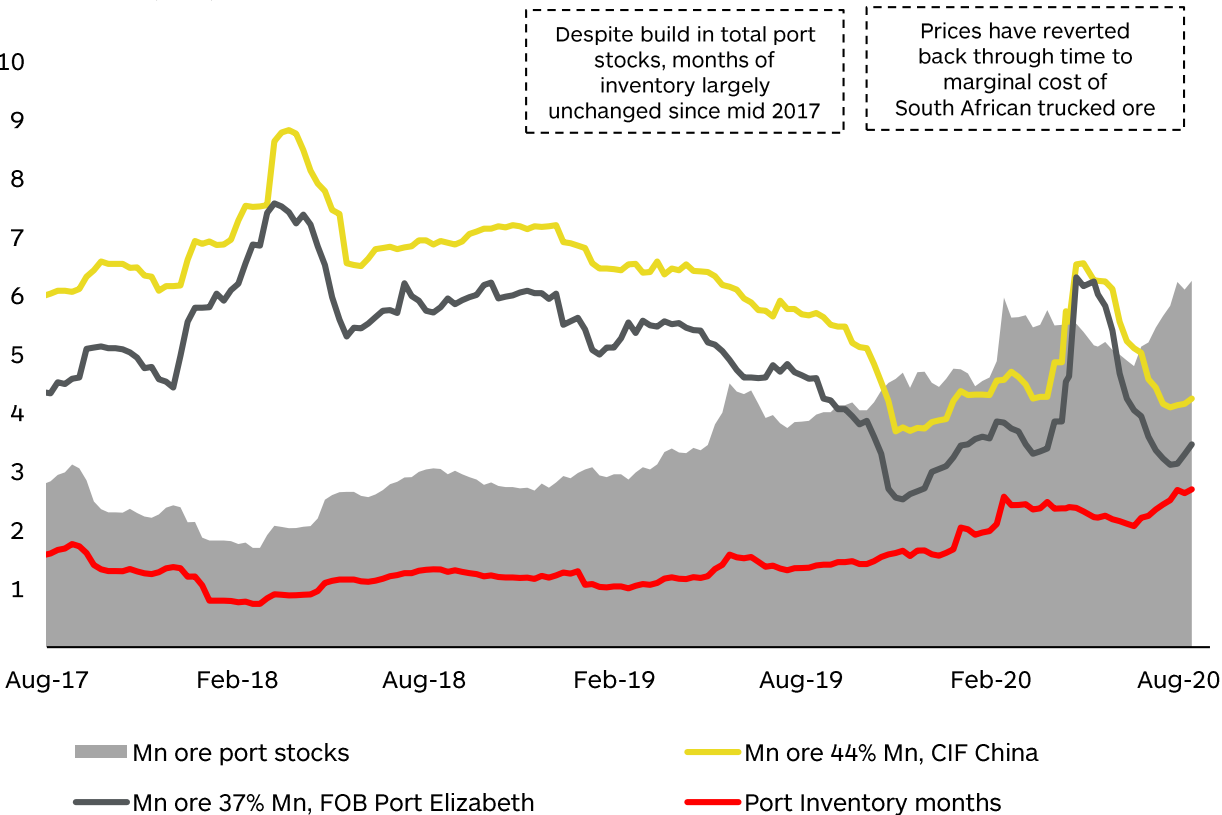


Source: South32 industry analysis, IMnI.

Notes:

- a. South Africa accounted for approximately 40% of global production in CY19.
- b. Port inventory months based on 12 month normalised imports.

Manganese ore price and China port stocks^(b)
(US\$/dmtu; Mt; months)



Source: South32 industry analysis, Fastmarkets, Ferroalloy.net.

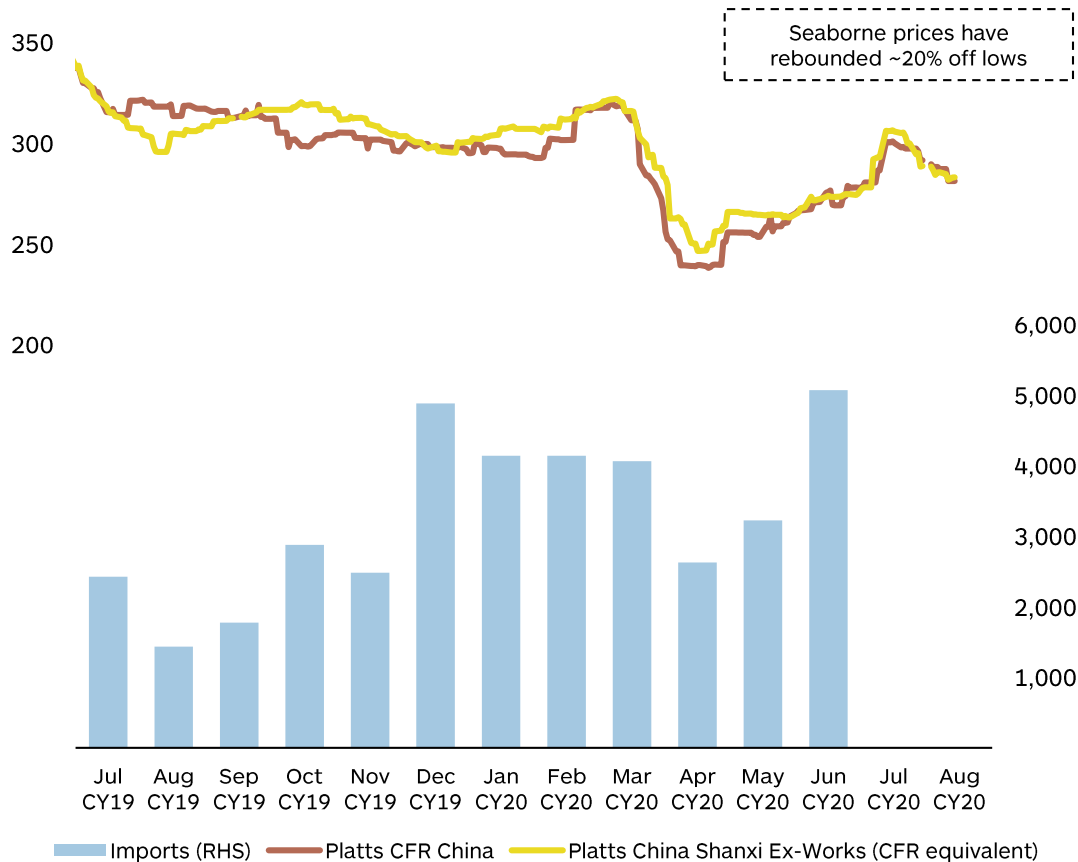
Growth in Chinese imports and supply curtailments have supported recent price rise

Import arbitrage currently open, with ~20% of Chinese supply loss-making

Cost curve expected to rise in the long term as raw material input costs increase and Chinese domestic bauxite quality deteriorates

China annualised monthly alumina imports and prices

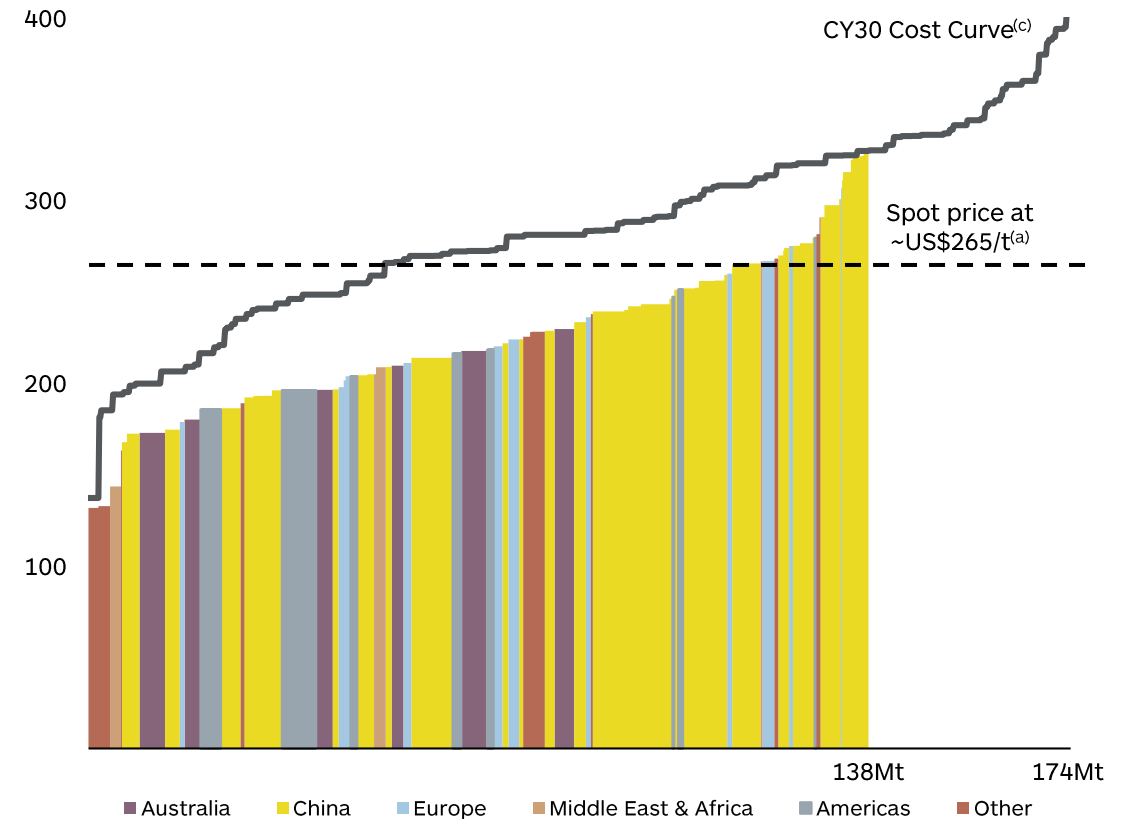
(Alumina price US\$/t LHS; kt RHS)



Source: GTIS, China Custom, Platts, South32 analysis.

Alumina cost curve (CY20)

(US\$/t)



Source: CRU, South32 analysis.

Notes:

- a. Platts FOB Australia price as at 14 August 2020.
- b. Q2 CY20 cost curve shown.
- c. CY30 cost curve in January 2020 real terms.

Metallurgical coal market

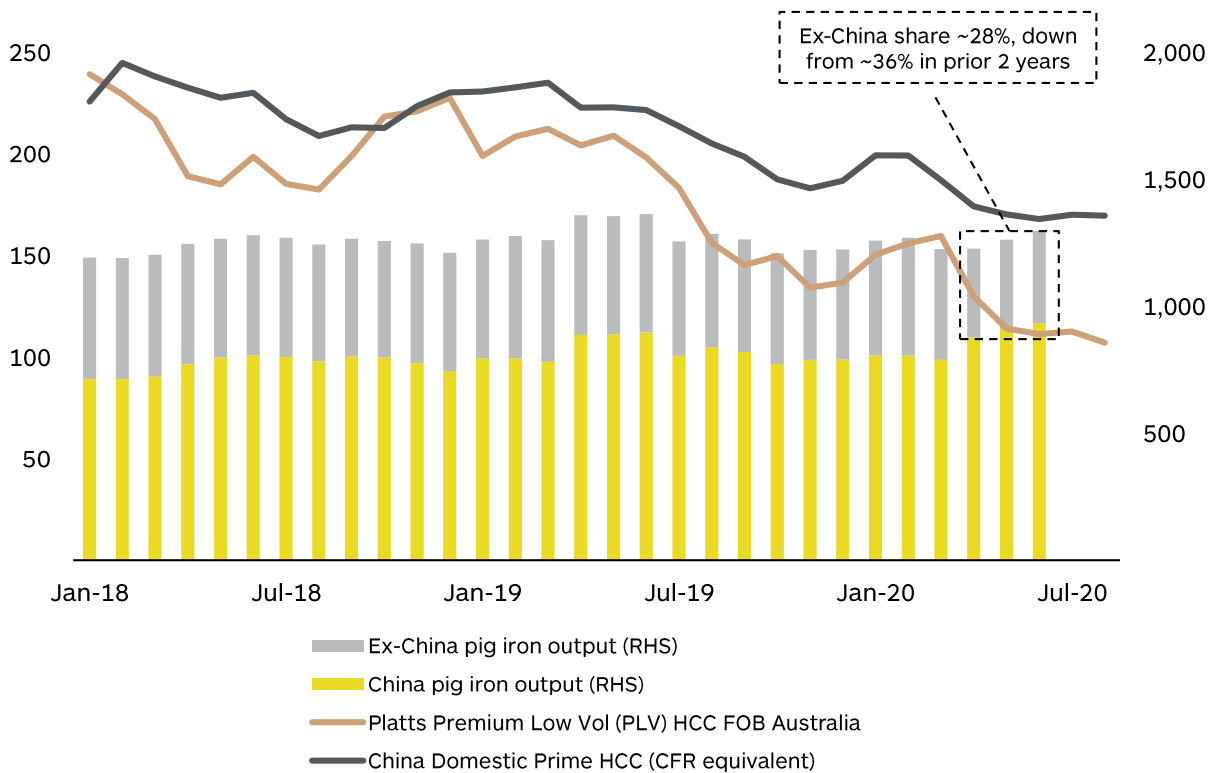


Chinese import quotas, weak ex-China demand and US supply response have impacted trade flows

Ex-China demand recovery, Chinese import quotas and supply response from producers in Australia and US will drive near term price performance

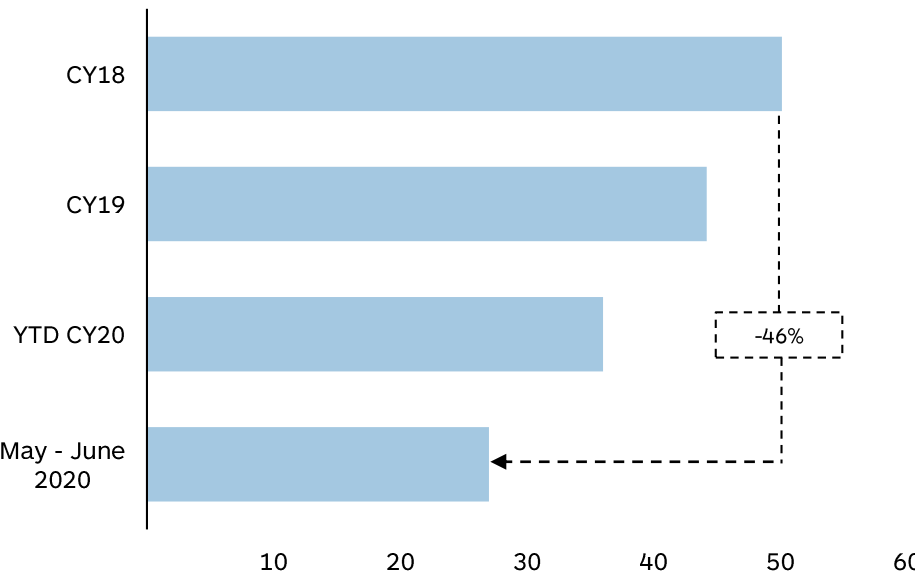
Long run demand driven by growth in India and other emerging Asian economies

Monthly average metallurgical coal prices (US\$/t LHS)



Source: Platts SBB database, World Steel Association, South32 analysis.

United States annualised seaborne metallurgical coal exports (Mt)



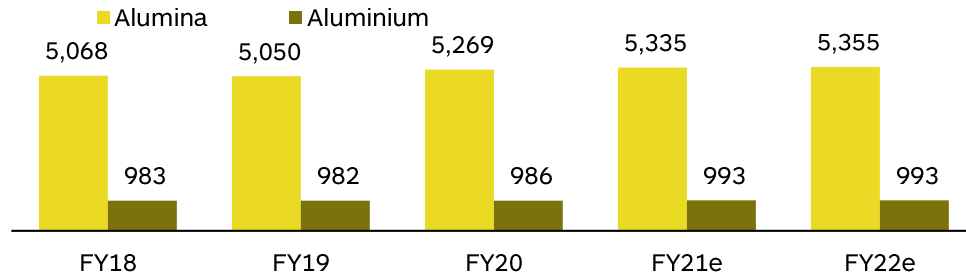
Source: GTIS, I-H-S Markit Trade Flows, South32 analysis.

REVIEW OF OPERATIONS

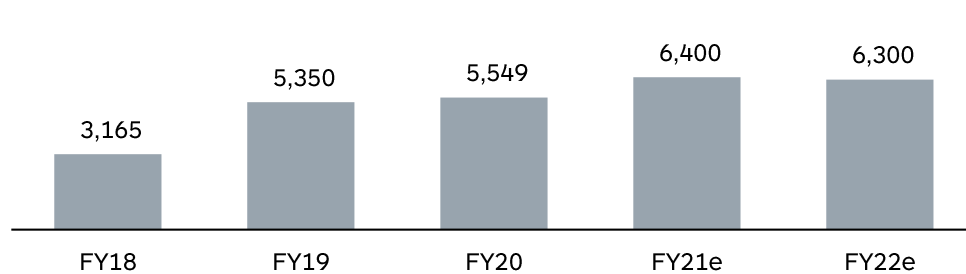
Production profile

We delivered a strong production result in FY20 and expect to increase production at the majority of our operations in FY21^(a)

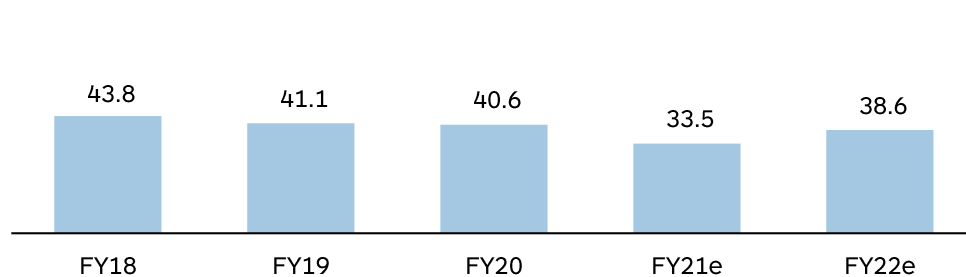
Alumina & aluminium production^(b) (kt)



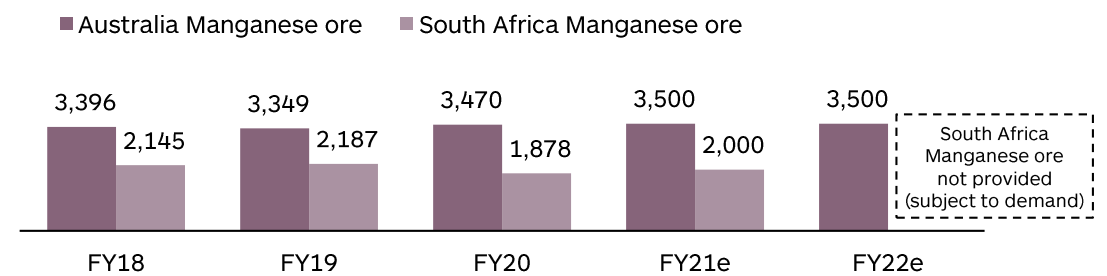
Metallurgical coal production (kt)



Nickel production (kt)

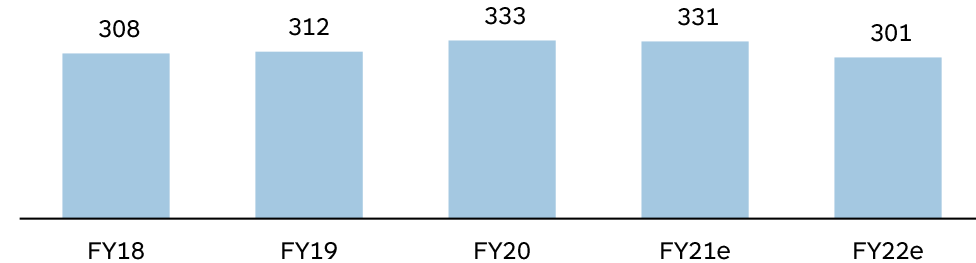


Manganese ore production^(b) (kwmt)

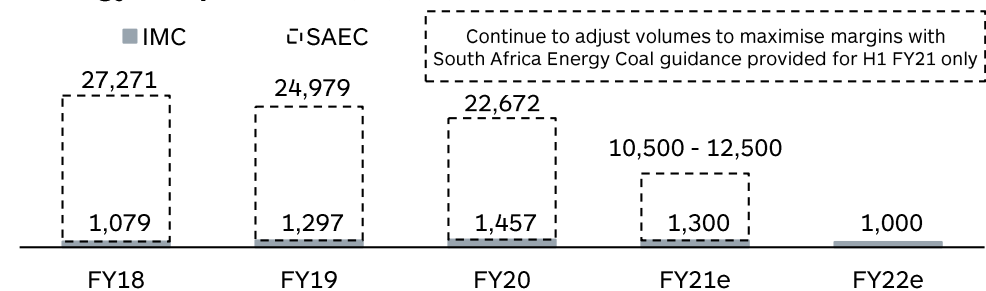


Zinc, lead and silver production

Zinc equivalent¹⁷ (kt)



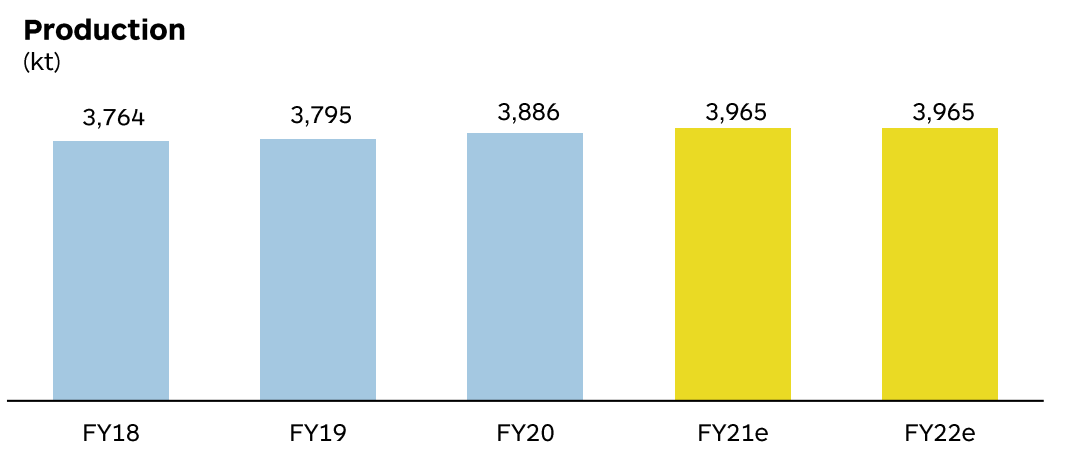
Energy coal production (kt)



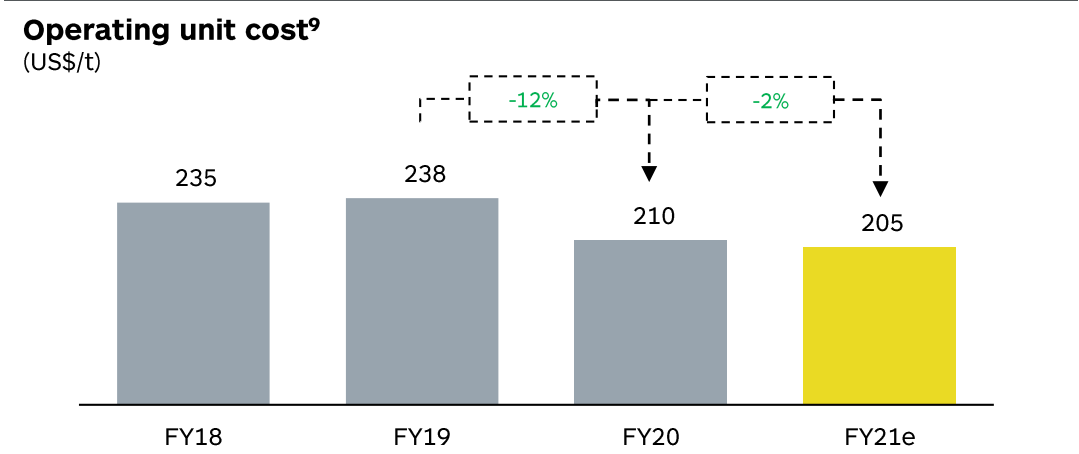
Notes:

- a. All guidance is subject to further potential impacts from COVID-19.
- b. South32 share.

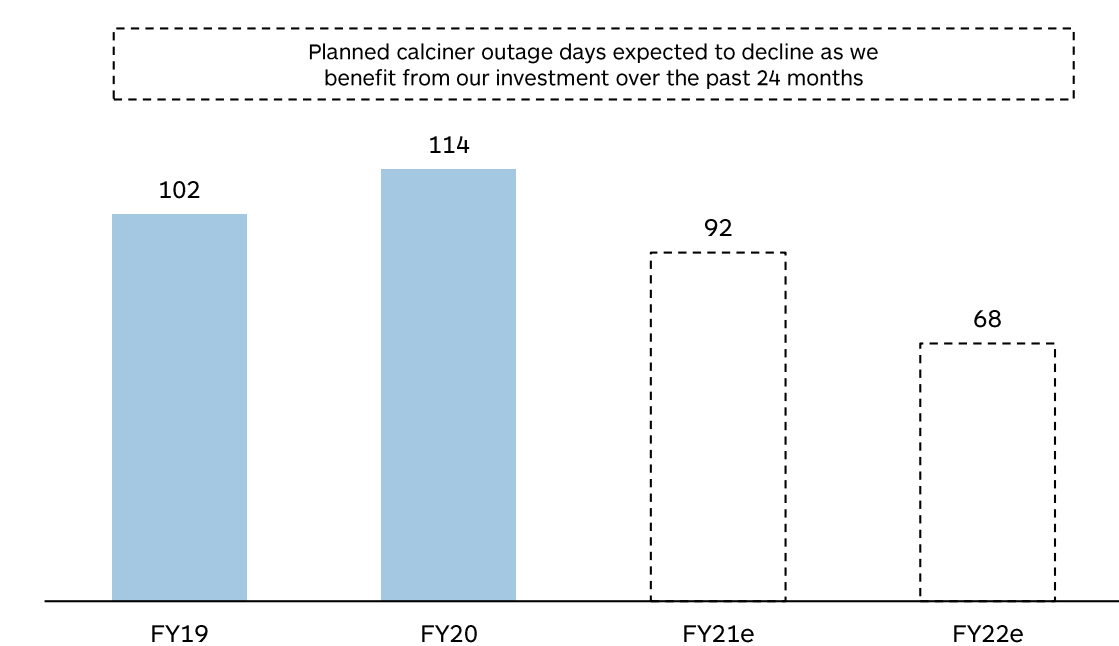
Production



Costs



Calcliner outage days

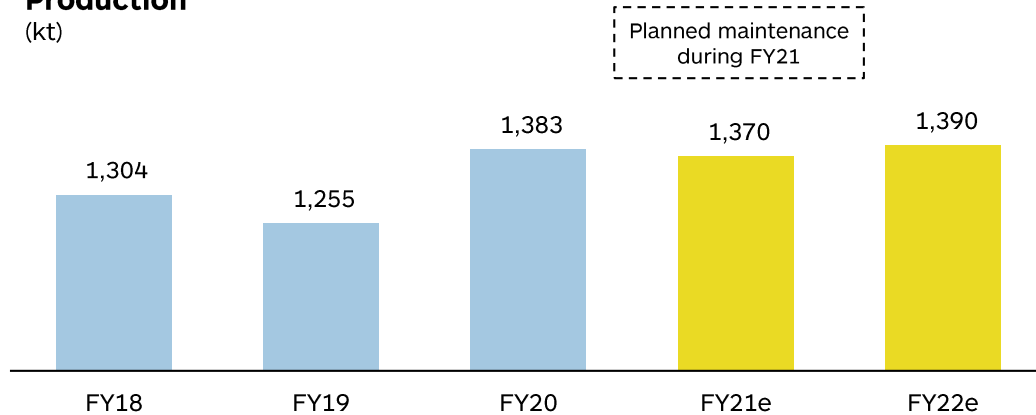


- Improved calciner availability achieved in FY20 with production expected to increase further in FY21 and FY22 as improvement initiatives support a sustainable increase to nameplate capacity
- FY20 Operating unit costs declined as the refinery benefitted from lower caustic soda prices and consumption rates (FY20: 93kg/t, FY19: 98kg/t), and lower renegotiated energy prices
- FY21 Operating unit costs to decline further, with higher volumes and reduction of contractor rates and activity, partially offset by higher planned caustic consumption rates (FY21e: 95kg/t) and a stronger Australian dollar

Brazil Alumina (non-operated)

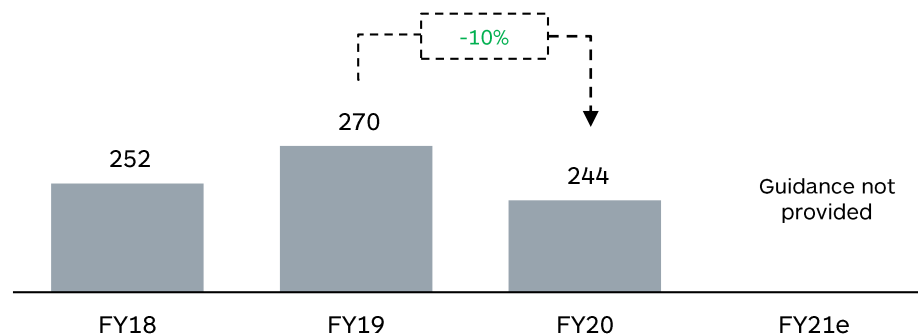
Production

Production (kt)

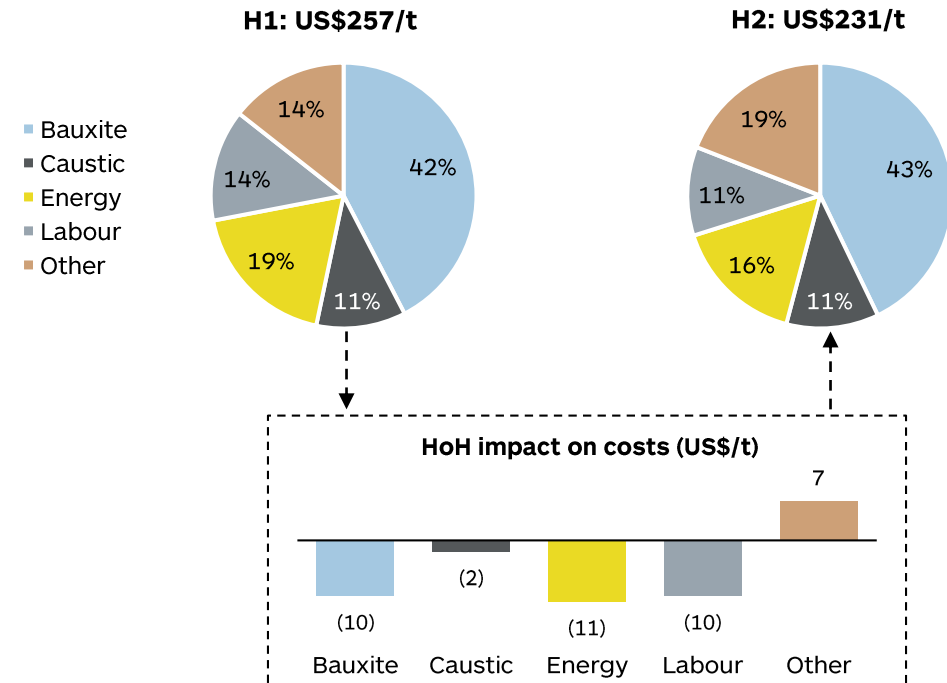


Costs

Operating unit cost (US\$/t)



FY20 Operating unit costs



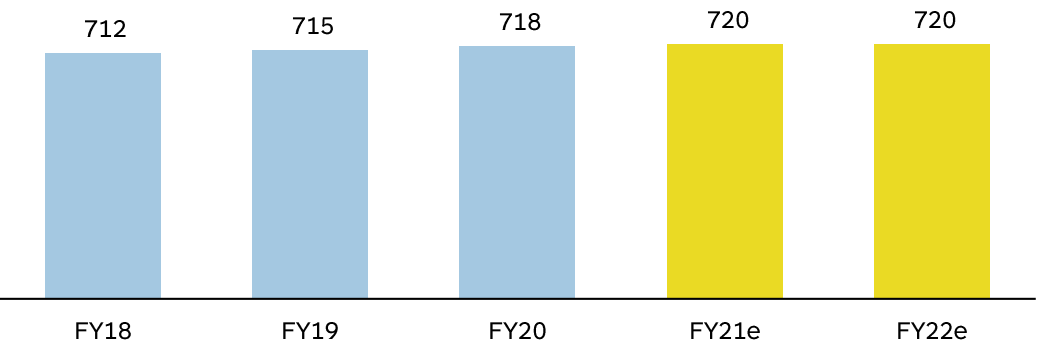
- Record production achieved in FY20 with improved performance in steam generation and realisation of the De-bottlenecking Phase One project benefits
- Lower bauxite, caustic soda and energy prices expected to further benefit Operating unit costs in FY21
- MRN life extension PFS on-track for H2 FY21. Project has the potential to extend the life of mine by more than 20 years. MRN has a substantial 494Mt^(a) high grade bauxite Mineral Resource

Notes:

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

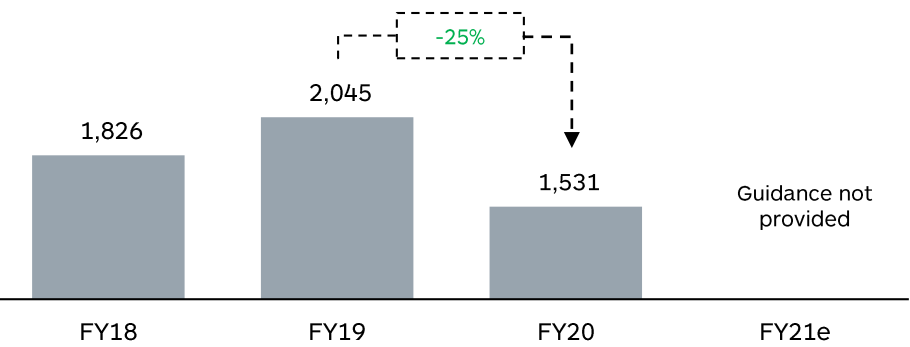
Production

Production (guidance subject to load-shedding)
(kt)

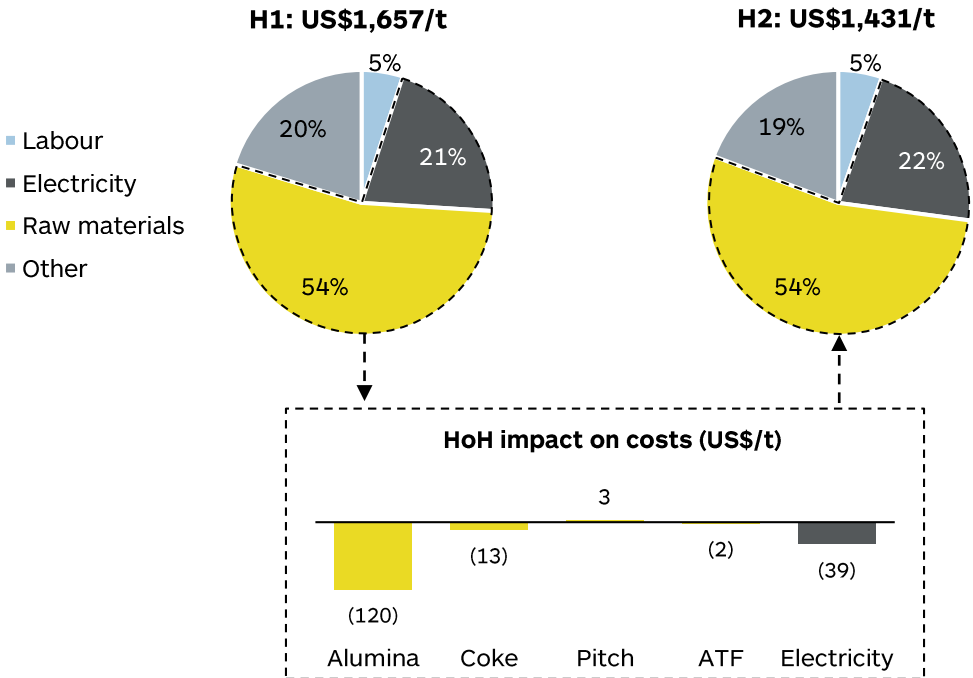


Costs

Operating unit cost
(US\$/t)



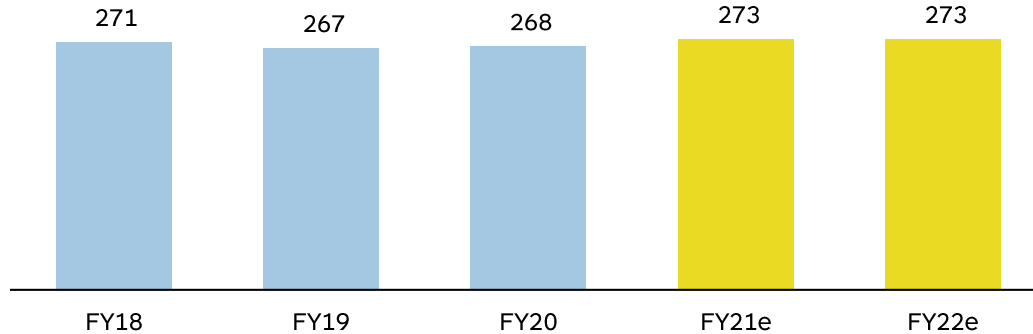
FY20 Operating unit cost



- Record production in FY20 as the smelter continues to test its technical capacity
- FY20 costs declined 25% as the smelter benefited from lower raw material input prices and a workforce restructure concluded in June 2019
- Engaging with Eskom on a new 10 year pricing arrangement for the smelter. Interim agreement in place ahead of new tariff being considered for approval by the National Energy Regulator of South Africa
- Lower anticipated alumina prices and a weaker South African rand are expected to mitigate the impact of higher power costs in FY21

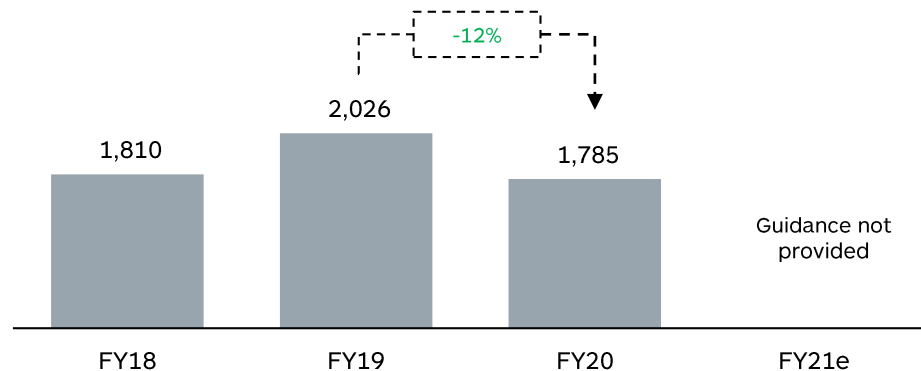
Production

Production (guidance subject to load-shedding)
(kt)

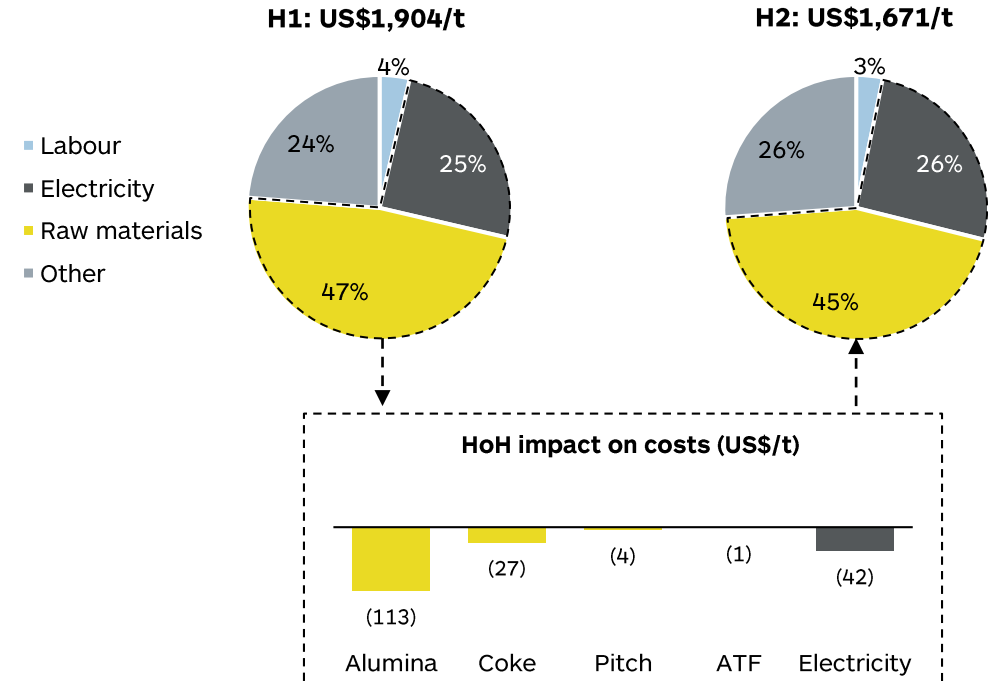


Costs

Operating unit cost
(US\$/t)

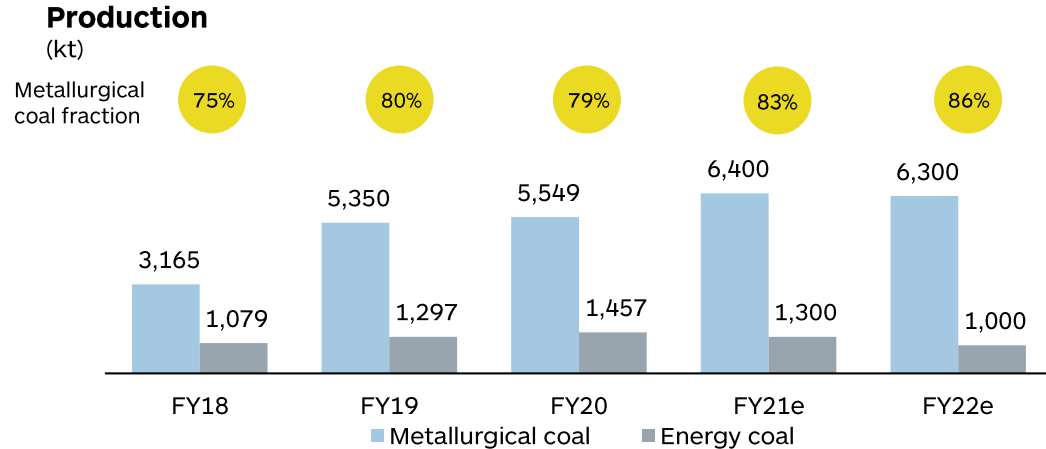


FY20 Operating unit cost



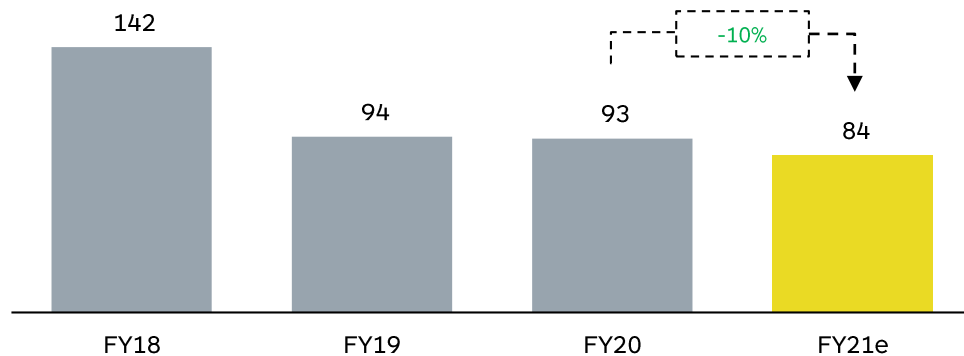
- Smelter continues to test its maximum technical capacity
- FY20 costs declined 12% as the smelter benefited from lower raw material input prices and improved hydroelectric power availability
- Smelter expected to benefit from the further insourcing of activity and the combined tailwinds of lower alumina prices and a weaker South African rand in FY21
- Roll-out of AP3XLE energy efficiency technology expected to deliver a ~5% increase in annual production by FY24 with no associated increase in power consumption

Production

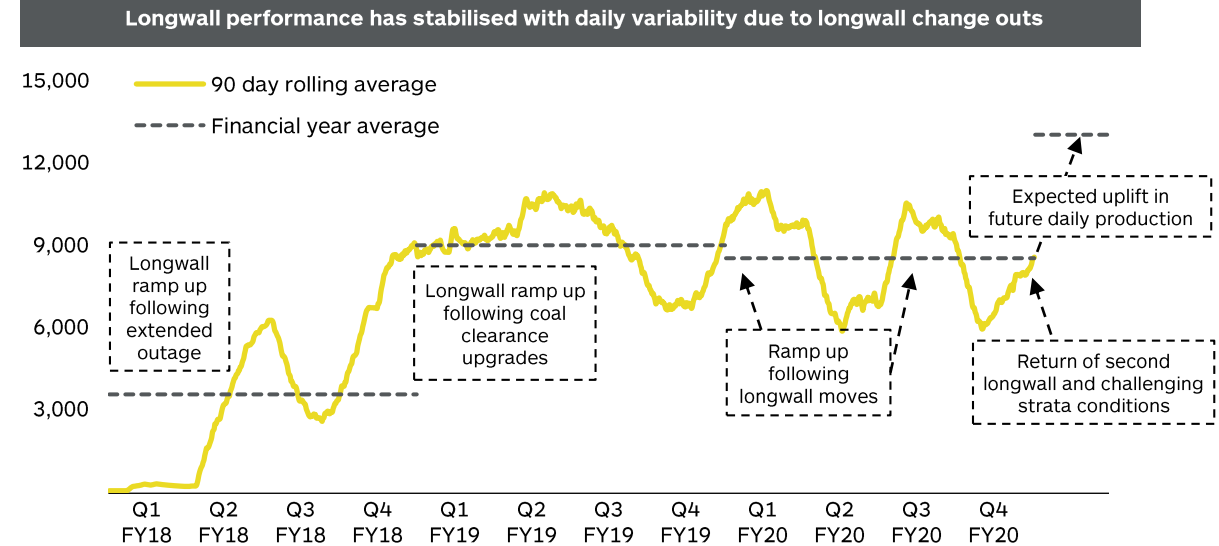


Costs

Operating unit cost⁹ (US\$/t)



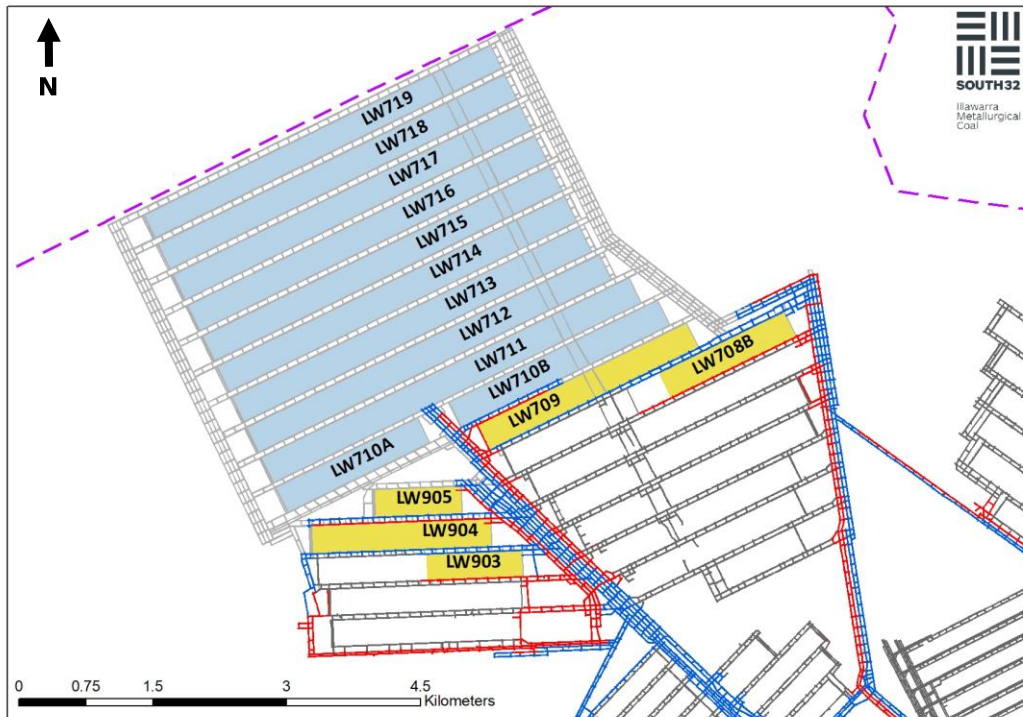
Average Appin longwall performance Tonnes per day (90 day moving average)



- FY21 production guidance reflects Appin's dual longwall operation, optimised for capital, labour and equipment productivity to maximise value rather than volume
- FY22 metallurgical coal production largely unchanged with lower value energy coal production expected to decline year-on-year as a result of an extra longwall move at Dendrobium
- Operating unit costs expected to decline in FY21 as the operation benefits from higher volumes and associated productivity at Appin, partially offset by a stronger Australian dollar
- FY21 Sustaining capital expenditure expected to decline by US\$35M to US\$150M as underground development reduces following substantial investment in prior periods

Optimised plan to target ~7.6Mtpa at approximately US\$100/t (all-in)^(a) from Illawarra Metallurgical Coal beyond FY22

Appin optimised long term plan



Notes:

a. Operating costs plus sustaining capital expenditure, at price and foreign exchange rate assumptions per footnote 9.

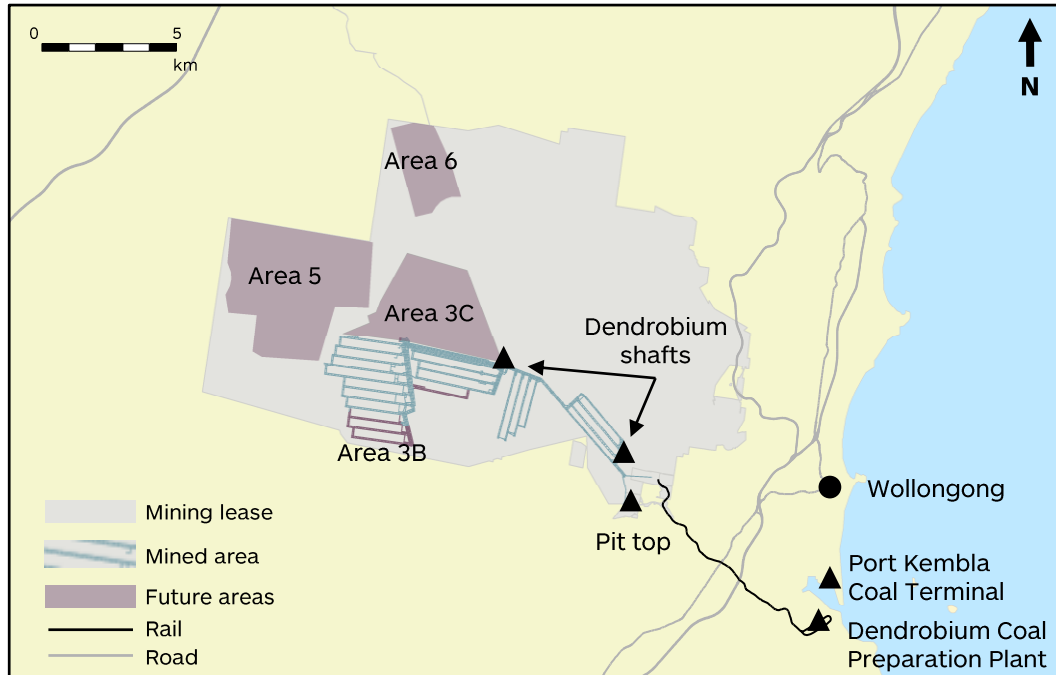
Appin dual longwall plan (FY21-24)

- Commenced alternate dual longwall operation in April 2020
- Priority/secondary longwall configuration using single crews
- Delivers a ~20% increase in average daily tonnes compared to FY19-20
- Increases efficiencies and lowers mining costs through reduced labour and longwall set up requirements
- Reduces operating complexity and eliminates development and drainage, removing diseconomies of scale and lowering capital expenditure

Appin single longwall (Beyond FY25)

- Plan to transition to a single longwall in a step-on-step-off configuration
- Increases longwall length, reducing the number of longwall moves
- No delay relocating longwalls, further benefitting productivity
- Reduces future sustaining capital expenditure requirements:
 - 30km less underground development
 - Fewer ventilation shafts (4 to 2) and continuous miner units (7 to 4)
- Delivers a superior valuation outcome to concurrent dual longwall plan

Dendrobium mining domains and infrastructure



Securing Dendrobium's future

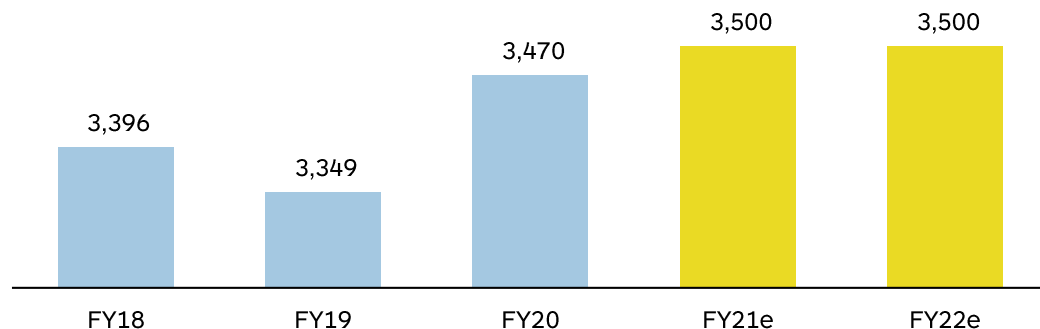
Dendrobium Next Domain (DND)

- If approved, will target Area 5 and extend Dendrobium's life to ~FY36, sustaining mining and steel making in the region
- Utilises existing processing plant and rail infrastructure
- US\$64M capital expected in FY21 to commence critical path development and ventilation infrastructure
- Final investment decision expected during H2 FY21 following completion of feasibility study and required approvals from NSW and Federal governments

Production

Production (guidance subject to market demand)

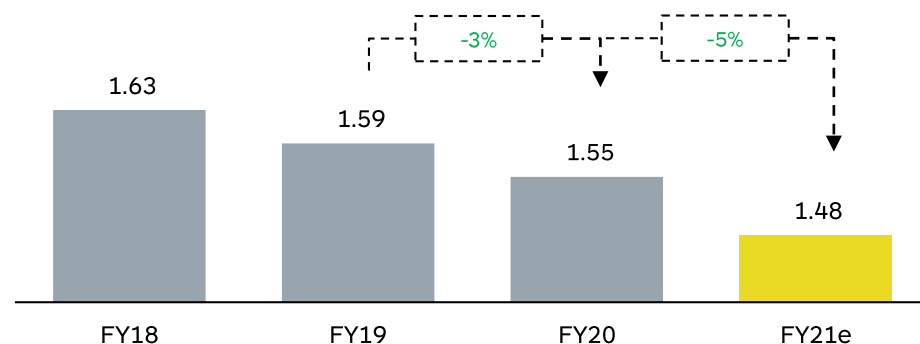
(kwmt)



Costs

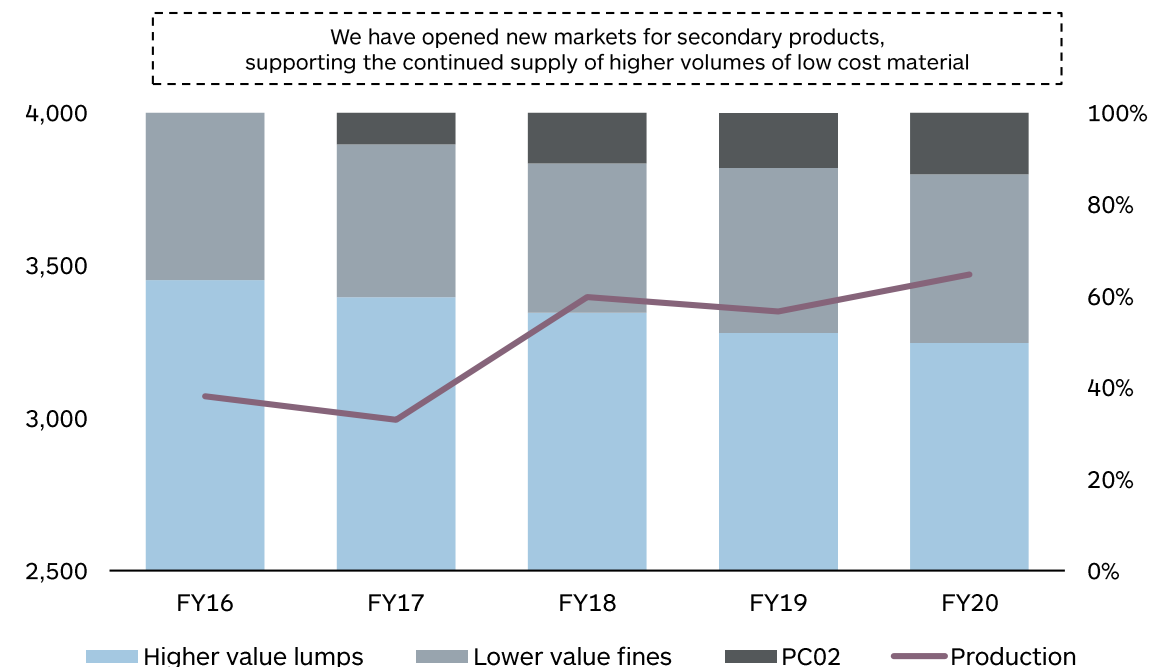
Operating unit cost⁹

(US\$/dmu)



Production volumes and sales by product^(a)

Production volume (kwmt, LHS); sales by product (% , RHS)



- Record production in FY20, delivering extra secondary product volumes in response to market conditions
- FY21 and FY22 production guidance assumes we continue to operate the low cost PC02 circuit above nameplate capacity, supporting secondary product volumes
- FY21 Operating unit costs to benefit from an expected improvement in yield due to favourable ore characteristics and lower contractor and labour spend, partially offset by a stronger Australian dollar
- Southern Areas exploration expected to recommence in Q2 FY21

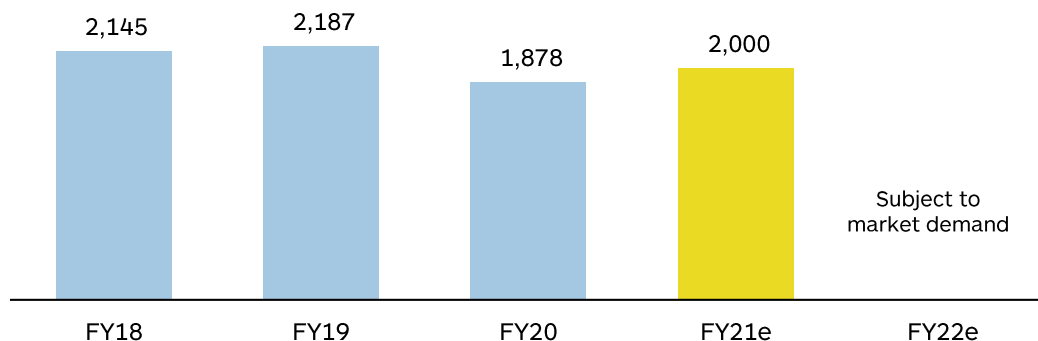
Notes:

a. External product sales.

Production

Production (guidance subject to market demand)

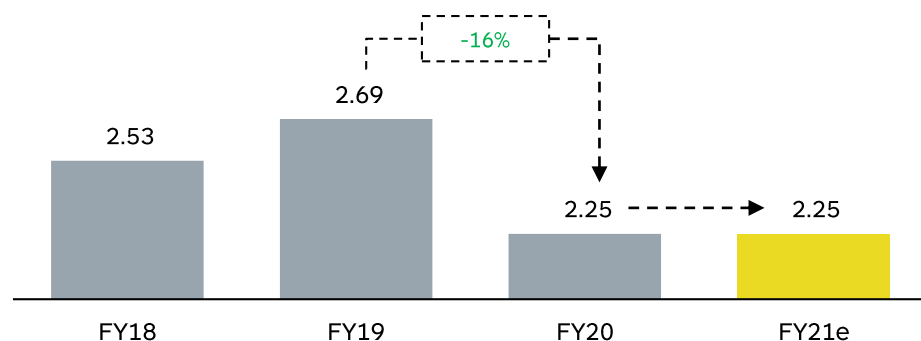
(kwmmt)



Costs

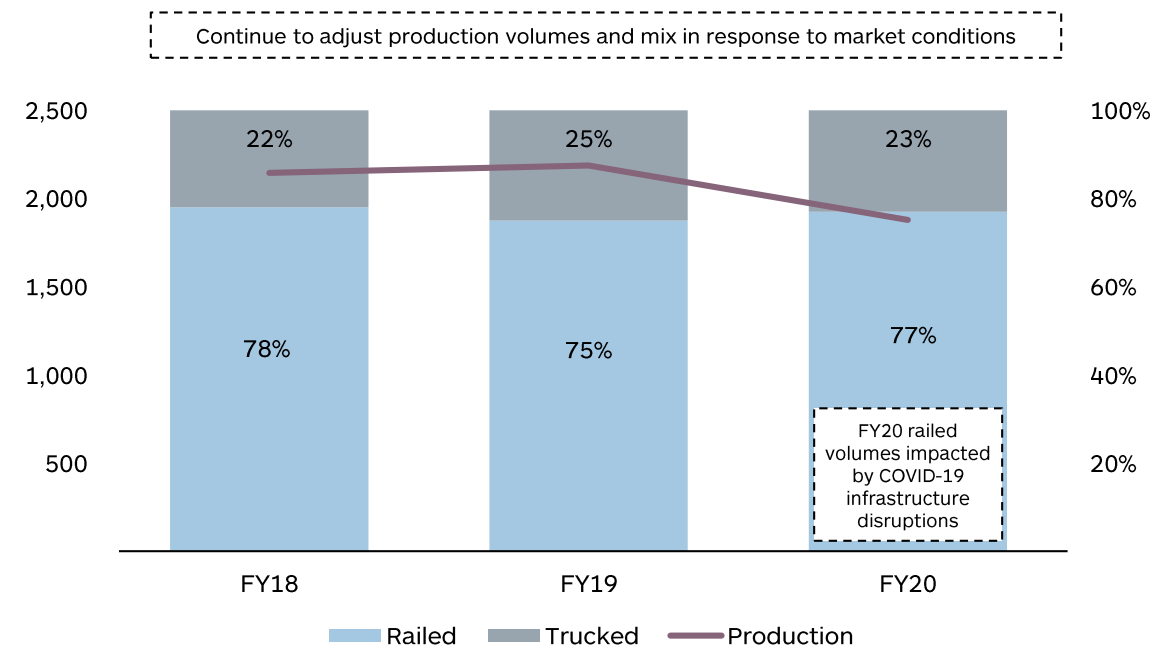
Operating unit cost⁹

(US\$/dmu)



Production volumes and export logistics^(a)

Production volume (kwmmt, LHS); export logistics (%; RHS)



- FY20 production impacted by our removal of volumes in H1 FY20 as we responded to weaker market conditions, ahead of COVID-19 impacts in Q4 FY20
- FY21 production guidance assumes market conditions remain attractive for the use of higher cost trucking
- FY21 Operating unit costs expected to benefit from higher volumes and a weaker South African rand, offset by the prior period's one-off settlement of a historical royalty claim and a planned increase in the use of higher cost trucking

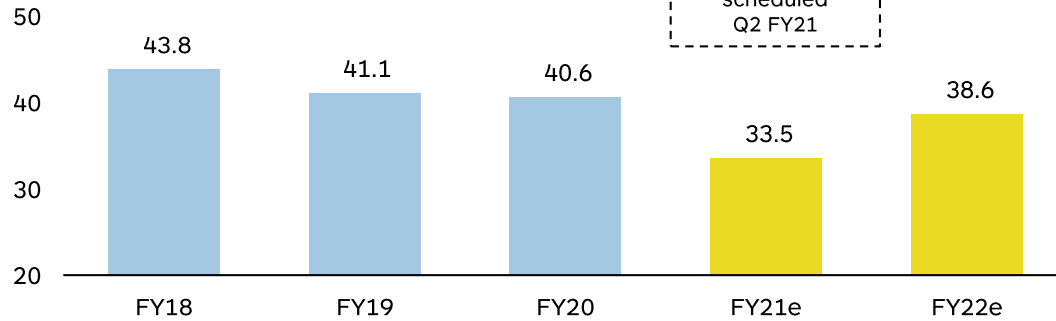
Notes:

a. Export logistics are for external product sales only.

Production

Production

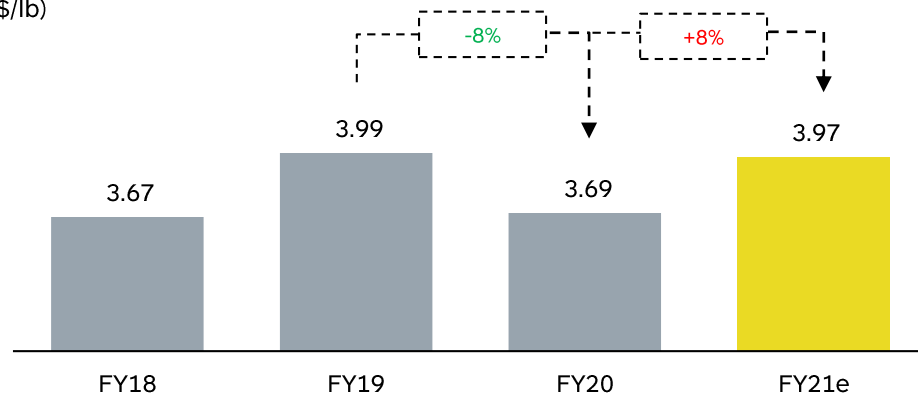
(kt)



Costs

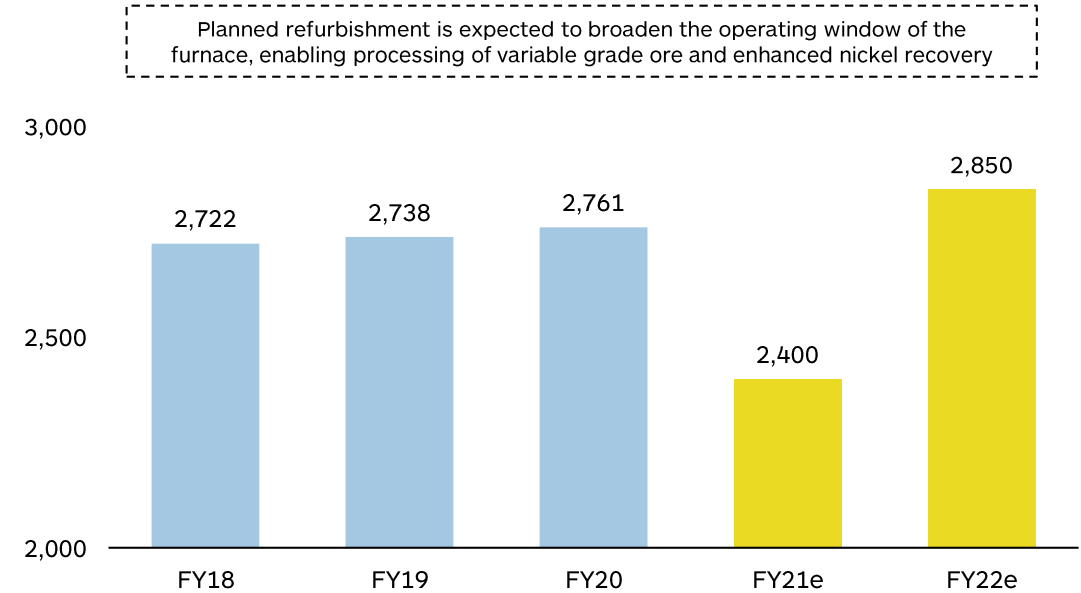
Operating unit cost⁹

(US\$/lb)

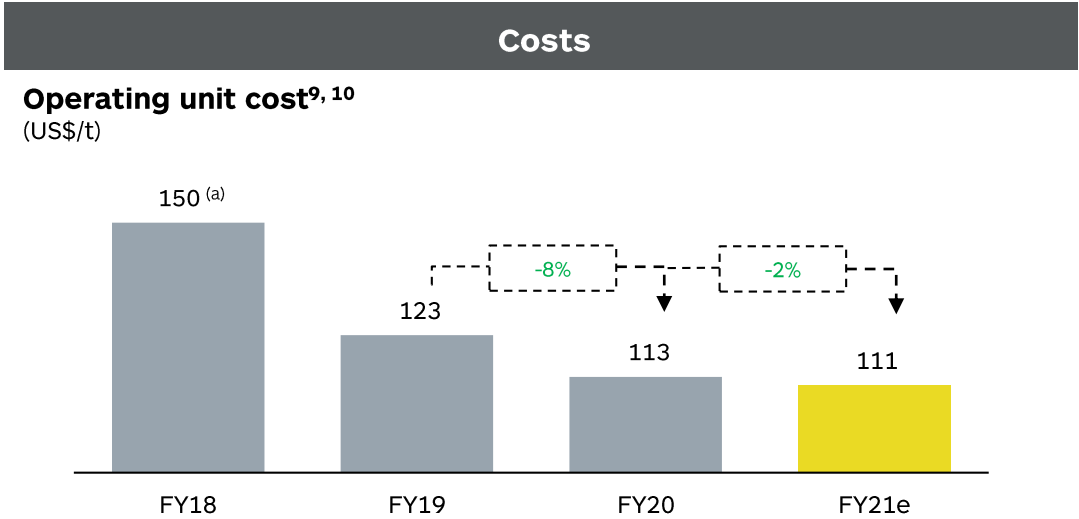
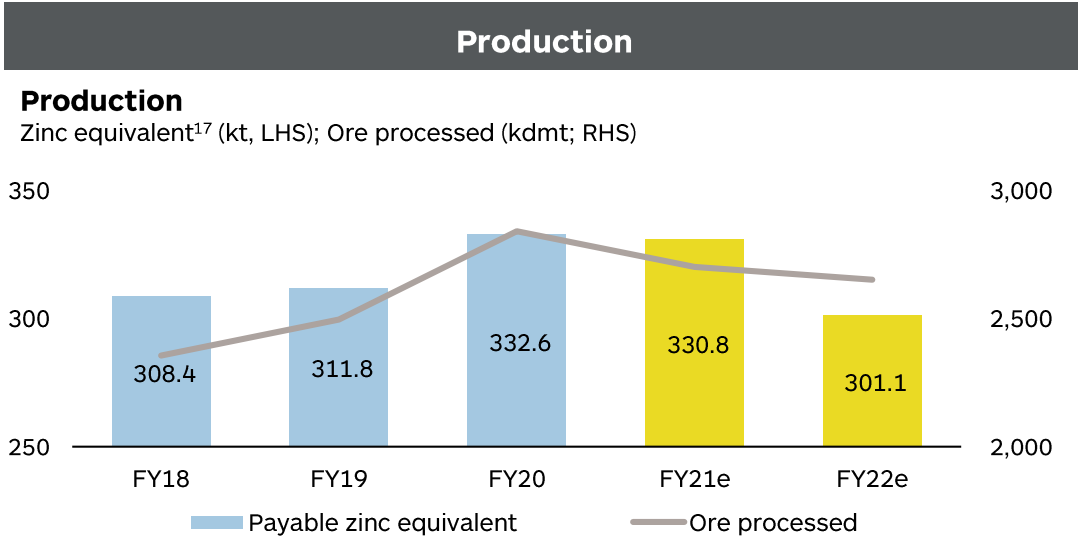


Ore to kiln

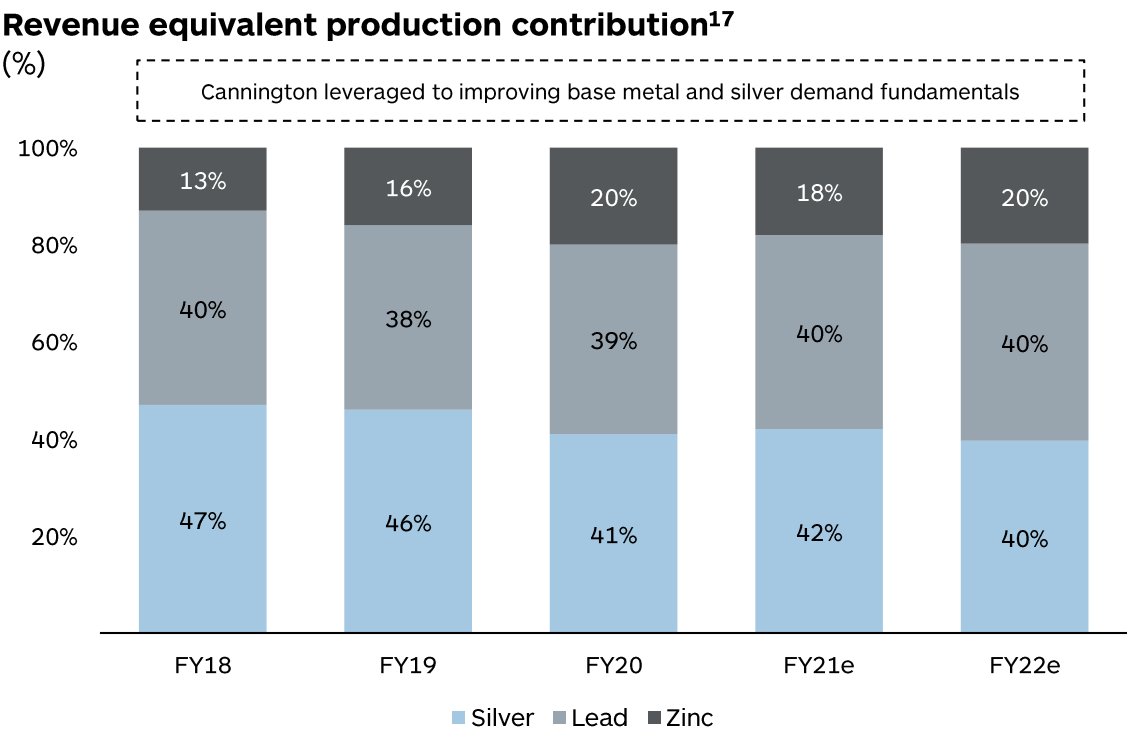
(kdmt)



- FY21 Production volumes are expected to be impacted by the furnace shutdown scheduled for Q2 FY21
- Operating unit costs expected to be impacted by lower volumes in FY21 following the benefit of a weaker Colombian peso and the realisation of benefits from our energy optimisation strategy in FY20
- Options for potential satellite deposits beyond La Esmeralda identified



Notes:
a. FY18 Operating unit costs are gross of treatment and refining charges.



- Payable zinc equivalent production benefitted in FY20 as a draw down in run of mine stocks and further improvement in underground mine performance supported the realisation of efficiencies in mill throughput
- Payable zinc equivalent production guidance revised 10% higher in FY21 as mill throughput continues to benefit from improved performance in the underground mine and higher planned grades
- Operating unit costs are expected to decline in FY21 as the insourcing of activity and continued benefit from lower renegotiated energy costs are partially offset by a stronger Australian dollar and lower year-on-year throughput

Record production at 3 operations

**Lower Operating unit costs
at 9 of 10 operations**

**Net loss after tax
US\$(65)M**

**Underlying earnings
US\$193M**

**Underlying EBITDA
US\$1.2B**

**Free cash flow^(a)
US\$583M**

**Net cash balance
US\$298M**

US\$424M in shareholder returns^(b)

**Final ordinary dividend US\$48M
(1 US cent per share)**

**Acted to protect our
strong balance sheet**

**On-market share buy-back
suspended with execution window
extended to September 2021**

**Exiting lower returning
businesses and progressing
our development options**

Notes:

a. Free cash flow from operations including net distributions from our manganese EAI.

b. In respect of the June 2020 financial year. Fully franked dividends (interim ordinary US\$53.5M, interim special US\$53.5M and final ordinary US\$48M) and on-market share buy-back US\$269M.

SUPPLEMENTARY INFORMATION



Operating unit costs

Operating unit costs	FY19	H1 FY20	H2 FY20	FY20	FY20 guidance ¹⁸	(15%)	FY20 actual vs. FY20 guidance (5%)	5%	15%
Worsley Alumina (US\$/t)	238	225	196	210	210				
Brazil Alumina (non-operated) (US\$/t)	270	257	231	244	Guidance not provided				
Illawarra Metallurgical Coal (US\$/t)	94	91	95	93	92				
Australia Manganese (FOB, US\$/dmtu)	1.59	1.62	1.48	1.55	1.61				
South Africa Manganese¹⁹ (FOB, US\$/dmtu)	2.69	2.60	1.78	2.25	2.55 – 2.65				
Cerro Matoso (US\$/lb)	3.99	3.80	3.57	3.69	3.73				
Cannington¹⁰ (US\$/t)	123	121	105	113	116				
South Africa Energy Coal¹⁹ (US\$/t)	40	43	40	42	39 - 41				
Cost breakdown									
FY20									
Hillside Aluminium (US\$/t)	2,045	1,657	1,413	1,531		54%	9%	37%	
Mozal Aluminium (US\$/t)	2,026	1,904	1,671	1,785		46%		54%	

■ Foreign exchange
 ■ Price-linked costs (including royalties)²⁰
■ Controllable costs
 ■ Raw material inputs
 ■ LME price-linked power
 ■ Other

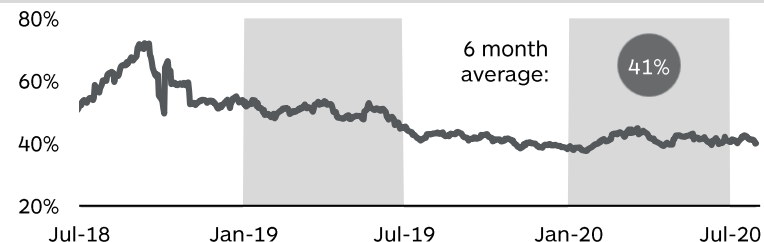
○ FY20 actual vs. FY20 guidance % movement
 ○ ≤ 5% of guidance
 ○ >5% of guidance

Operating unit cost guidance

Operating unit costs	H2 FY20 actual	FY20	FY21 guidance ⁹	FY21 guidance vs. FY20 actual				Commentary
				(15%)	(5%)	5%	15%	
Worsley Alumina (US\$/t)	196	210	205					Higher volumes and reduction of contractor rates and activity, partially offset by higher planned caustic consumption rates and a stronger Australian dollar
Brazil Alumina (non-operated) (US\$/t)	231	244	Guidance not provided					Expected to benefit from lower bauxite, caustic soda and energy prices
Illawarra Metallurgical Coal (US\$/t)	95	93	84					Higher volumes and an associated increase in productivity, partially offset by a stronger Australian dollar
Australia Manganese (FOB, US\$/dmu)	1.48	1.55	1.48					Expected improvement in yield due to favourable ore characteristics and lower contractor and labour spend, partially offset by a stronger Australian dollar
South Africa Manganese (FOB, US\$/dmu)	1.78	2.25	2.25					Higher volumes and a weaker South African rand, offset by the prior period's realisation of a one-off royalty benefit and a planned increase in trucking volumes
Cerro Matoso (US\$/lb)	3.57	3.69	3.97					Weaker Colombian peso, lower price-linked royalties and the continued benefit of our energy optimisation strategy, more than offset by lower production volumes from planned furnace outage
Cannington¹⁰ (US\$/t)	105	113	111					Insourcing of activity and the continued benefit of lower negotiated energy costs, partially offset by a stronger Australian dollar and lower mill throughput
South Africa Energy Coal¹⁹ (US\$/t)	40	42	36 - 39					Guidance range reflects our intent to adjust volumes to maximise margins and a weaker South African rand

Smelter raw material basket cost inflation

(% of LME Aluminium)²¹



Hillside Aluminium
(US\$/t)

1,413

1,531

Combined tailwinds of lower alumina prices and a weaker South African rand are expected to mitigate higher power costs

Mozal Aluminium
(US\$/t)

1,671

1,785

Expected to benefit from the further insourcing of activity and combined tailwinds of lower alumina prices and a weaker South African rand

Earnings adjustments

Earnings adjustments	FY20 US\$M	FY19 US\$M
Adjustments to Underlying EBIT		
Exchange rate (gains)/losses on restatement of monetary items	(72)	3
Impairment losses	-	504
(Gains)/losses on non-trading derivative instruments and other investments measured at fair value	149	35
Major corporate restructures	-	28
Earnings adjustments included in (profit)/loss of equity accounted investments	108	(17)
Total adjustments to Underlying EBIT	185	553
Adjustments to net finance cost		
Exchange rate variations on net debt	(6)	(34)
Total adjustments to net finance cost	(6)	(34)
Adjustments to income tax expense		
Tax effect of other earnings adjustments to Underlying EBIT	(18)	56
Tax effect of earnings adjustments to net finance cost	(2)	10
Exchange rate variations on tax balances	99	18
Total adjustments to income tax expense	79	84
Total earnings adjustments	258	603

Underlying income tax expense

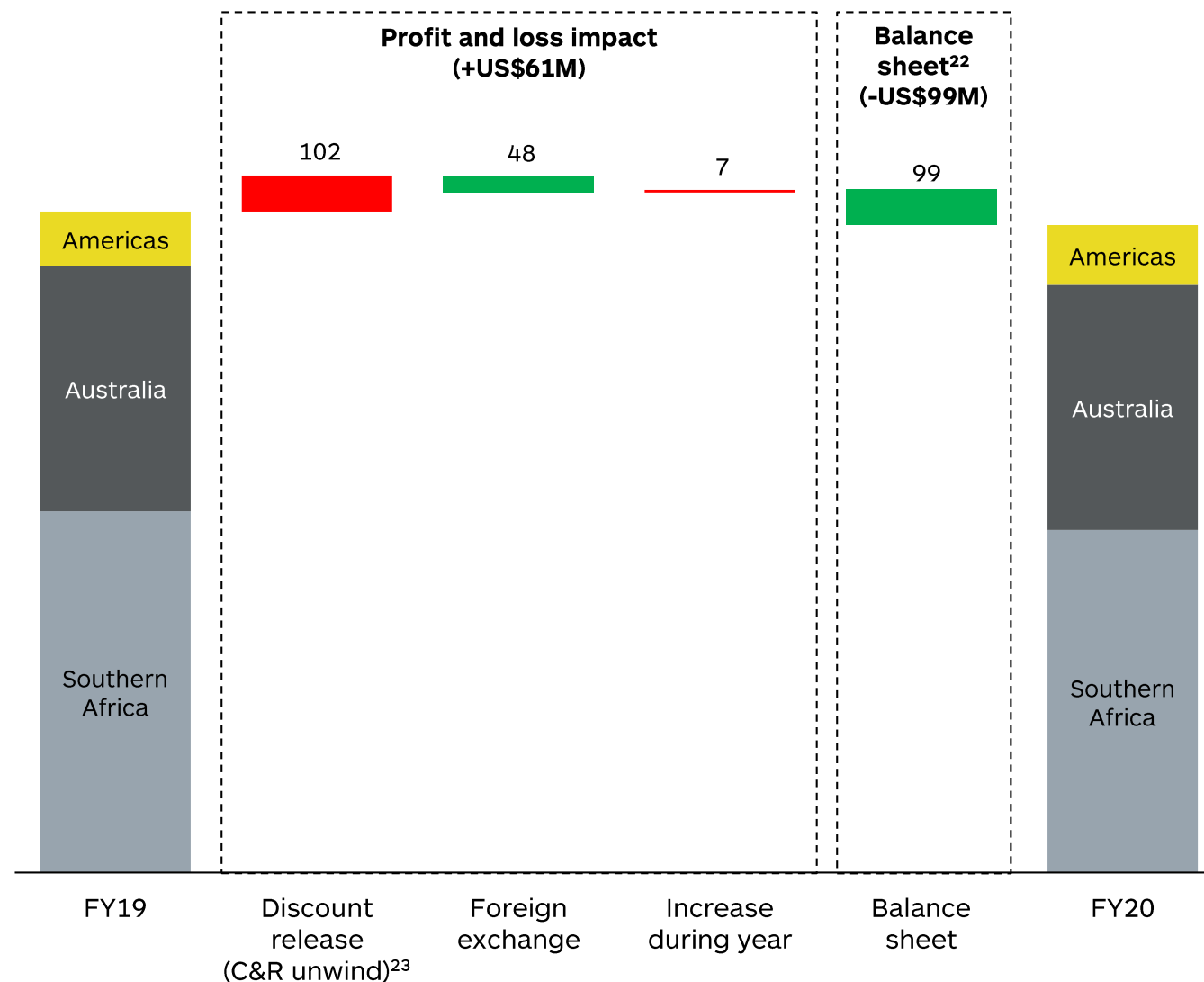
Underlying income tax expense reconciliation and Underlying effective tax rate	FY20	FY19
	US\$M	US\$M
Underlying EBIT	446	1,440
Include: Underlying net finance cost	(145)	(118)
Remove: Share of profit/(loss) of equity accounted investments	(208)	(450)
Underlying profit/(loss) before tax	93	872
Income tax expense	187	414
Tax effect of earnings adjustments to Underlying EBIT	18	(56)
Tax effect of earnings adjustments to net finance cost	2	(10)
Exchange rate variations on tax balances	(99)	(18)
Underlying income tax expense	108	330
Underlying effective tax rate	116%	37.8%

Underlying net finance cost

Underlying net finance cost reconciliation	FY20	FY19
	US\$M	US\$M
Unwind of discount applied to closure and rehabilitation provisions	(102)	(103)
Finance lease interest	-	(47)
Interest on lease liabilities	(51)	-
Other	8	32
Underlying net finance cost	(145)	(118)
Add back earnings adjustment for exchange rate variations on net debt	6	34
Net finance cost	(139)	(84)

Closure provisions

Closure and rehabilitation provisions by operation (South32 share)	FY20 US\$M	FY19 US\$M
South Africa Energy Coal	739	756
Worsley Alumina	402	408
Hillside Aluminium	175	209
Cannington	167	164
Illawarra Metallurgical Coal	118	116
Cerro Matoso	97	104
Mozal Aluminium	54	57
Brazil Alumina (non-operated)	44	35
Hermosa	28	14
Eagle Downs Metallurgical Coal	6	5
Total	1,830	1,868



Capital expenditure guidance

Capital expenditure (excluding exploration and intangibles) (South32 share)		
US\$M	FY20	FY21e
Worsley Alumina	48	57
Brazil Alumina	34	27
Hillside Aluminium	13	18
Mozal Aluminium	11	8
Illawarra Metallurgical Coal	185	150
Australia Manganese	67	58
South Africa Manganese	23	17
Cerro Matoso	39	36
Cannington	52	39
South Africa Energy Coal	42	40 ^(b)
Group & unallocated	1	-
Sustaining capital expenditure (including EAI)	515	450
Equity accounted adjustment ^(a)	(90)	(75)
Sustaining capital expenditure (excluding EAI)	425	375
Hermosa	104	60
Illawarra Metallurgical Coal – Dendrobium Next Domain	14	64
Eagle Downs Metallurgical Coal	11	7
South Africa Energy Coal	122	24 ^(b)
Major project capital expenditure	251	155
Total capital expenditure (including EAI)	766	605

Note:

- a. The equity accounting adjustment reconciles the proportional consolidation of the South32 manganese operations to the treatment of the manganese operations on an equity accounted basis.
- b. Guidance for South Africa Energy Coal is for H1 FY21.

Earning sensitivities

Estimated impact on FY21e Underlying EBIT of a 10% change in commodity prices or currency ^(a)	EBIT impact +/- 10% US\$M
Aluminium ^(b)	176
Alumina ^(b)	154
Manganese ore ^(c)	95
Metallurgical coal	87
Nickel	37
Energy coal ^(d)	31
Silver	19
Lead	18
Zinc	15
Australian dollar	175
South African rand	91
Colombian peso	17
Brazilian real	8

Notes:

- a. The sensitivities reflect the estimated impact on FY21e Underlying EBIT of a 10% movement in FY20 actual realised prices and FY20 actual average exchange rates (weakening currency) applied to FY21e volumes and costs.
- b. Aluminium sensitivity includes LME price-linked electricity cost impacts for Hillside Aluminium but ignores the Group consolidation impact of inter-company alumina sold on index. Aluminium sensitivity is shown without any associated increase in alumina pricing.
- c. The sensitivity impact for manganese ore are on a pre-tax basis. The Group's Manganese operations are reported as EAI. As a result, the Profit after taxation for Manganese is included in the Underlying EBIT of South32.
- d. Includes South Africa Energy Coal for H1 FY21.

1. Fatalities, Total Recordable Injury Frequency (TRIF) per million hours worked and Total Recordable Illness Frequency (TRILF) per million hours worked, are all calculated in accordance with the United States Government Occupational Safety and Health Assessment (OSHA) guidelines for the recording and reporting of occupational injuries and illnesses. Incidents are included where South32 controls the work location or controls the work activity. Greenhouse gas (GHG) total includes Scope 1 and Scope 2 emissions, measured according to the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol (WRI/WBCSD).
2. Metrics describing sustainability performance apply to “operated assets” that have been wholly owned and operated by South32, or that have been operated by South32 in a joint venture operation.
3. Operating margin comprises Underlying EBITDA excluding third party product EBITDA, divided by revenue excluding third party product revenue.
4. Other includes depreciation and amortisation, adjustments to provisions, ceased and sold operations, third party product EBIT and other income.
5. Underlying net finance cost and Underlying income tax expense are actual FY20 results, not year-on-year variances.
6. Other includes freight and fair value on derivatives.
7. FY19 third party product cost is US\$57M for aluminium, nil for alumina, US\$383M for coal, US\$9M for manganese, US\$244M for freight services and US\$117M for aluminium raw materials. FY20 third party product cost is US\$40M for aluminium, US\$18M for alumina, US\$291M for coal, nil for manganese, US\$152M for freight services and US\$84M for aluminium raw materials.
8. Other includes accounting related adjustments.
9. FY21 Operating unit cost guidance includes royalties (where appropriate) and the influence of exchange rates, and includes various assumptions for FY21, including: an alumina price of US\$250/t; an average blended coal price of US\$103/t for Illawarra Metallurgical Coal; a manganese ore price of US\$4.83/dmtu for 44% manganese product; a nickel price of US\$5.78/lb; a thermal coal price of US\$56/t (API4) for South Africa Energy Coal; a silver price of US\$18.20/troy oz; a lead price of US\$1,788/t (gross of treatment and refining charges); a zinc price of US\$2,102/t (gross of treatment and refining charges); an AUD:USD exchange rate of 0.69; a USD:ZAR exchange rate of 17.68; a USD:COP exchange rate of 3,665; and a reference price for caustic soda; all of which reflected forward markets as at June 2020 or our internal expectations.
10. Cannington operating unit cost per tonne calculated as US dollar per tonne of ore processed. Periodic movements in finished product inventory may impact Operating unit costs.
11. Distributions include dividends and the net repayment of shareholder loans from manganese EAI.
12. Other includes investments in / proceeds from financial investments, the purchase of shares by South32 Limited Employee Incentive Plans Trusts (ESOP Trusts), foreign exchange and other movements on leases, capitalised exploration and purchase of intangibles.
13. Worsley Alumina lease liability for two multi-fuel cogeneration units commenced in 2014, with a tenor of 32 years (incorporating a 7 year extension option).
14. Other liabilities primarily incorporates cash and cash equivalents we hold on behalf of our manganese JV and other lease liabilities.
15. Divestment subject to a number of material conditions. Refer to the market announcement “Agreement to Divest South Africa Energy Coal” dated 6 November 2019.
16. Capital allocation includes the FY20 ordinary dividend (US\$48M) to be paid in October 2020, and the currently suspended remaining capital management program (US\$121M).
17. Payable zinc equivalent (kt) was calculated by aggregating revenues from payable silver, lead and zinc, and dividing the total Revenue by the price of zinc. FY20 realised prices for zinc (US\$1,416/t), lead (US\$1,648/t) and silver (US\$16.5/oz) have been used for FY18, FY19, FY20, FY21e and FY22e.
18. FY20 Operating unit cost guidance included royalties (where appropriate) and the influence of exchange rates, and included various assumptions for FY20, including: an alumina price of US\$272/t; an average blended coal price of US\$125/t for Illawarra Metallurgical Coal; a manganese ore price of US\$4.96/dmtu for 44% manganese product; a nickel price of US\$6.27/lb; a thermal coal price of US\$69/t (API4) for South Africa Energy Coal; a silver price of US\$16.67/troy oz; a lead price of US\$1,905/t (gross of treatment and refining charges); a zinc price of US\$2,186/t (gross of treatment and refining charges); an AUD:USD exchange rate of 0.67; a USD:ZAR exchange rate of 15.76; a USD:COP exchange rate of 3,544; and a reference price for caustic soda; all of which reflected forward markets as at April 2020 or our internal expectations.
19. Operating unit cost illustrative comparison based on mid-point of guidance.
20. Price-linked costs reflects commodity price-linked costs and market traded consumables.
21. Sources: LME, Baiinfo, Aladinny, AZ China, CRU, Platts, Jacobs. Calculation assumes 1t of aluminium, 1.9t alumina, 0.35t coke, 0.075t pitch and 0.02t aluminium tri-fluoride.
22. Balance sheet movement (US\$99M) reflects net impact of a US\$106M increase in provisions as a result of amounts capitalised to the provision as a result of a review of underlying cash flow assumptions relating to open mines, a US\$175M decrease in provisions associated with the capitalisation of foreign exchange impacts on restatement of closure provisions relating to open sites and a US\$30M decrease as a result of closure activities.
23. Unwind of discount applied to closure and rehabilitation provisions.

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

The following abbreviations have been used throughout this presentation: aluminium tri-fluoride (ATF); cost, insurance and freight (CIF); equity accounted investments (EAI); free on board (FOB); hard coking coal (HCC); Illawarra Metallurgical Coal (IMC); Mineração Rio do Norte (MRN); Premium Concentrate Ore (PC02) and pre-feasibility study (PFS).

