



18 February 2021

South32 Limited  
(Incorporated in Australia under the *Corporations Act 2001* (Cth))  
(ACN 093 732 597)  
ASX / LSE / JSE Share Code: S32 ADR: SOUHY  
ISIN: AU000000S320  
south32.net

## 2021 HALF YEAR FINANCIAL RESULTS PRESENTATION

South32 Limited (ASX, LSE, JSE: S32; ADR: SOUHY) (South32) will hold a conference call at 7.00am Australian Western Standard Time to discuss the attached 2021 half year financial results presentation materials, the details of which are as follows:

### Conference ID: 10011672

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, will be made 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](mailto:Alex.Volante@south32.net)

##### Tom Gallop

T +61 8 9324 9030

M +61 439 353 948

E [Tom.Gallop@south32.net](mailto:Tom.Gallop@south32.net)

#### Media Relations

##### Rebecca Keenan

T +61 8 9324 9364

M +61 402 087 055

E [Rebecca.Keenan@south32.net](mailto:Rebecca.Keenan@south32.net)

##### Jenny White

T +44 20 7798 1773

M +44 7900 046 758

E [Jenny.White@south32.net](mailto:Jenny.White@south32.net)

Further information on South32 can be found at [www.south32.net](http://www.south32.net).

Approved for release by Nicole Duncan, Company Secretary  
JSE Sponsor: UBS South Africa (Pty) Ltd  
18 February 2021



# 2021 HALF YEAR FINANCIAL RESULTS

18 February 2021

# IMPORTANT NOTICES



This presentation should be read in conjunction with the “Financial Results and Outlook – half year ended 31 December 2020” announcement released on 18 February 2021, 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, 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.

## **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.

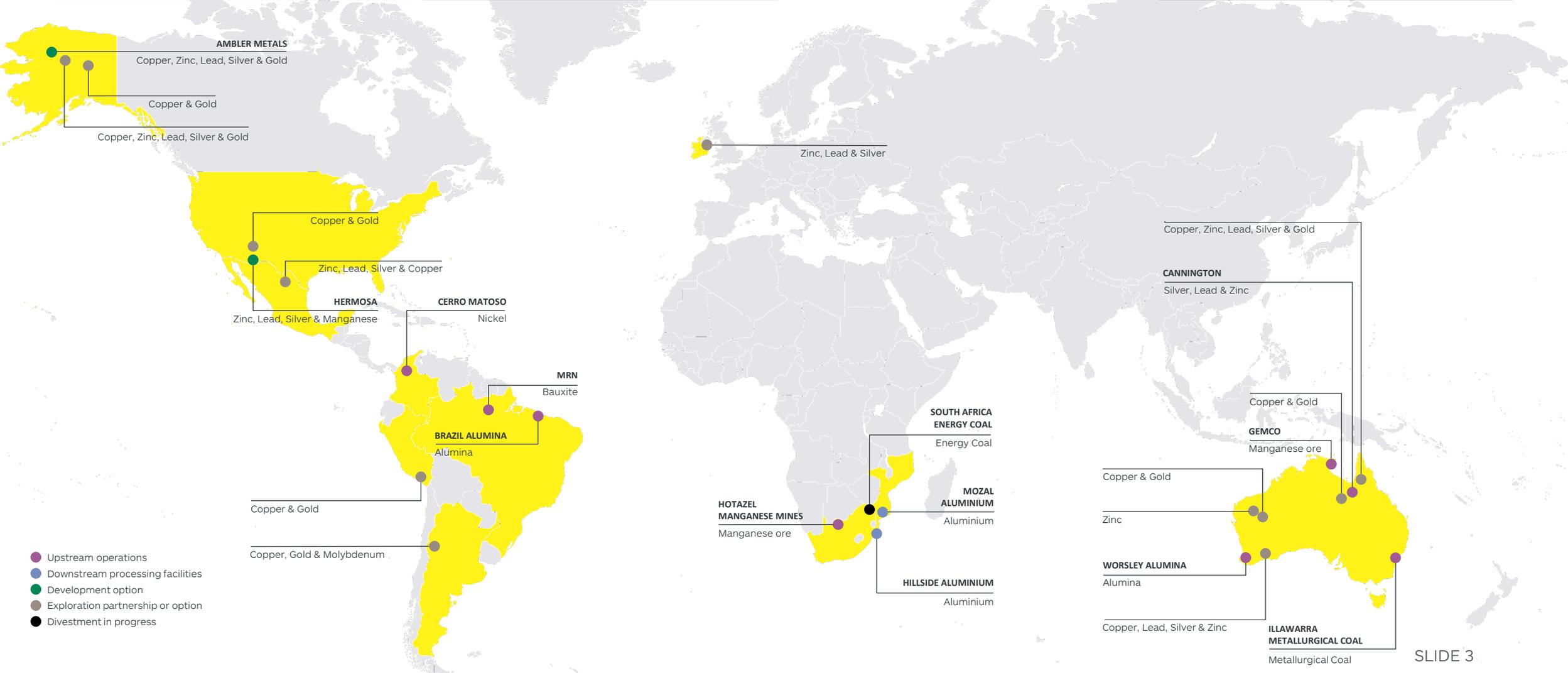
# OUR PORTFOLIO

**Large producer of manganese ore and alumina**

**Multiple growth projects progressing through study phase**

**Pipeline of greenfield exploration partnerships with a bias to base metals**

**Exiting lower returning businesses**



# OUR STRATEGY

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.

# H1 FY21 PROGRESS



## Optimise our business

- Production records at three operations (Australia Manganese, Brazil Alumina, Worsley Alumina)
- FY21 production guidance increased at three operations (Cannington, Cerro Matoso, Illawarra Met Coal)
- H1 FY21 Operating unit costs in-line or below guidance for the majority of operations
- Further simplification of our corporate and marketing structures, including our office footprint, remaining on-track to embed US\$50M in annualised savings beyond FY22



## Unlock the full value of our business

- Accelerated development of the higher-grade Queresas and Porvenir project (Q&P project) at Cerro Matoso to grow nickel production
- Continued to roll out AP3XLE energy efficiency technology at Mozal Aluminium and progressed a study for its use at Hillside Aluminium
- Progressed Group decarbonisation studies ahead of our next set of emissions reduction targets in CY21



## Identify and pursue opportunities to create value

- Key conditions achieved for the planned divestment of South Africa Energy Coal<sup>(a)</sup>
- Sale of GEMCO's shareholding in TEMCO manganese alloy smelter completed subsequent to end of period
- Divestment of non-core precious metals royalties for US\$55M<sup>(b)</sup> completed subsequent to end of period
- Pre-feasibility study (PFS) for the Hermosa project's Taylor Deposit expected in Q4 FY21
- Scoping study for the Hermosa project's Clark Deposit expected in H1 FY22
- PFS for the Arctic Deposit and planning for the next season's regional exploration program underway at our Ambler Metals Joint Venture

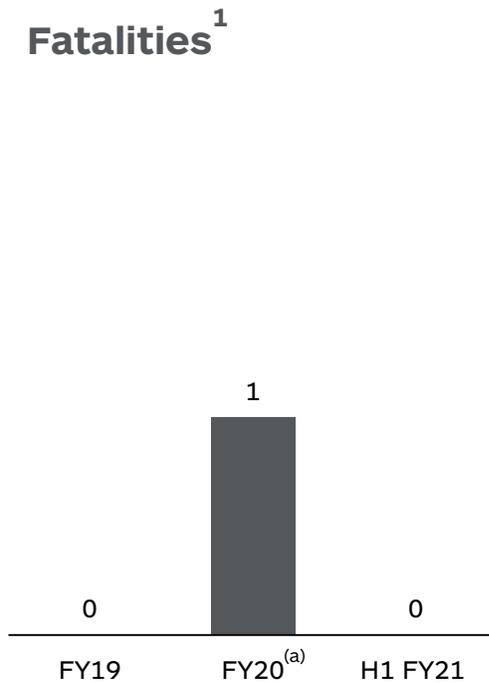
### Notes:

- a. Material conditions remain outstanding, refer to the market announcement "Agreement to Divest South Africa Energy Coal" dated 6 November 2019.
- b. Includes US\$40M in cash and US\$15M in shares of TSX-V listed Elemental Royalty Corp.

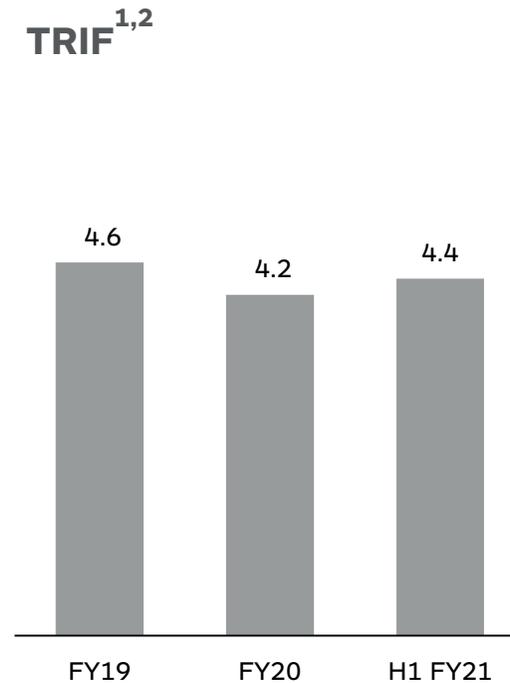
# HEALTH & SAFETY PERFORMANCE

We are committed to working together, continually improving our systems, processes and safety performance at all our operations

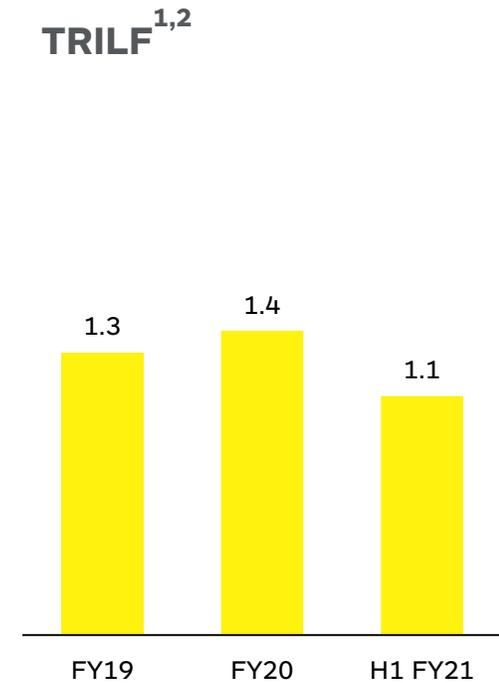
## Fatalities<sup>1</sup>



## TRIF<sup>1,2</sup>



## TRILF<sup>1,2</sup>



Notes:

- a. Incidents are included where South32 controls the work location or controls the work activity. 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.

# H1 FY21 FINANCIAL SUMMARY

**Net profit after tax**  
**US\$53M**

**Underlying earnings**  
**US\$136M**

**Underlying EBITDA**  
**US\$633M**

**Operating margin 23%**

**Operating unit costs**  
**in-line with or below guidance**  
**for the majority of operations**

**Free cash flow<sup>(a)</sup>**  
**US\$188M**

**Net cash balance**  
**US\$275M**

**US\$160M returned**  
**to shareholders<sup>(b)</sup>**

**Interim ordinary**  
**dividend US\$67M**  
**(1.4 US cents per share)**

**Capital management**  
**program expanded by**  
**US\$250M to US\$1.68B**

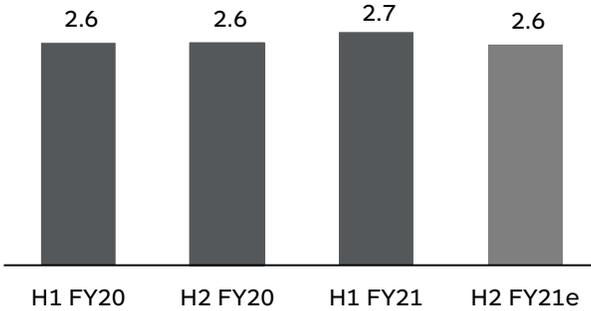
**US\$259M remaining**  
**to be allocated**

Notes:

- a. Free cash flow from operations including net distributions from our manganese equity accounted investments (EAI).
- b. Includes FY20 final ordinary dividend of US\$48M and on-market share buy-back of US\$112M.

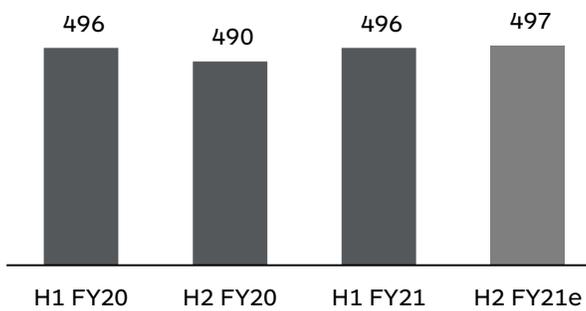
# PRODUCTION OVERVIEW

**Alumina (Mt)**



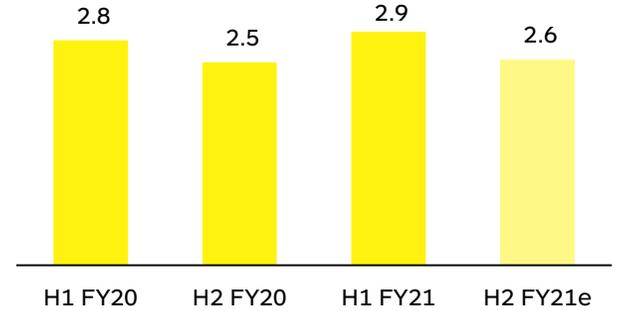
Record year to date production at both alumina refineries with Worsley Alumina exceeding nameplate capacity

**Aluminium (kt)**



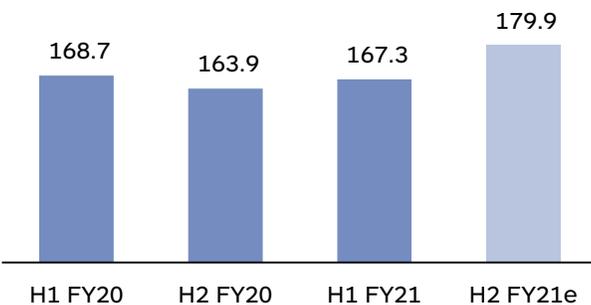
Both smelters continued to test their maximum technical capacity, despite the impact from load-shedding

**Manganese ore (Mwmt)**



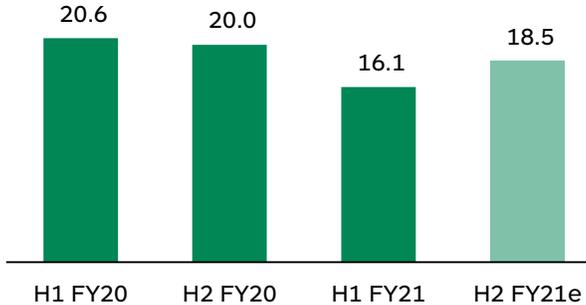
Record year to date production at Australia Manganese with H2 FY21 volumes in South Africa and Australia subject to market demand and weather

**Zinc equivalent<sup>3</sup> (kt)**



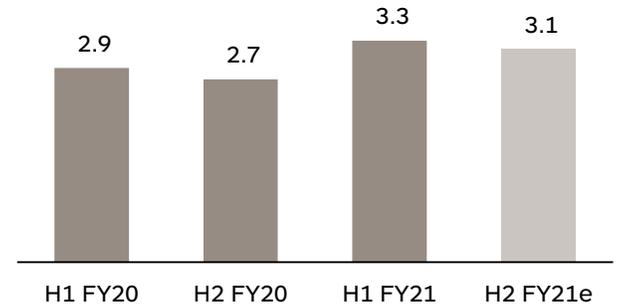
Increased FY21 production guidance at Cannington with underground mine performance expected to support the acceleration of a higher-grade mining sequence

**Nickel (kt)**



Increased FY21 and FY22 production guidance at Cerro Matoso following our approval to accelerate the development of the higher-grade Q&P project

**Metallurgical coal (Mt)**

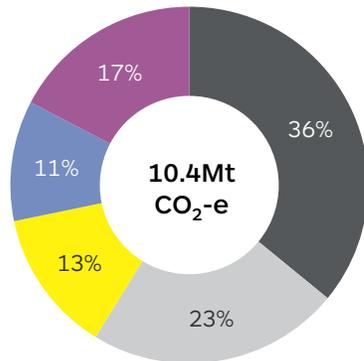


Metallurgical coal volumes continue to benefit from the return to a three longwall configuration at Illawarra Metallurgical Coal

# EMISSIONS PROGRESS

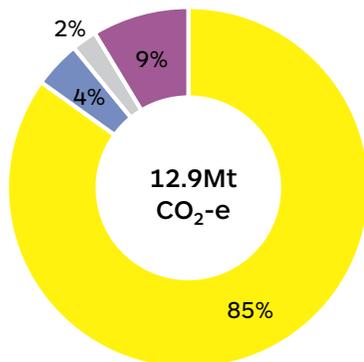
## Scope 1 & 2 emissions<sup>1,4</sup>

**Scope 1 emissions**  
(%, FY20)



■ Worsley Alumina    ■ Illawarra Metallurgical Coal  
■ Hillside Aluminium    ■ Mozal Aluminium    ■ Other

**Scope 2 emissions**  
(%, FY20)



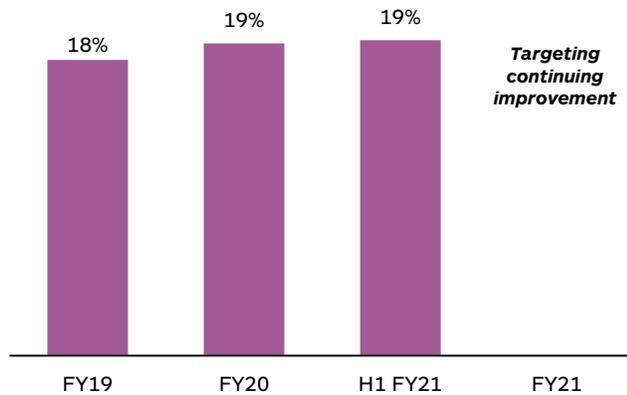
■ Hillside Aluminium    ■ Mozal Aluminium  
■ Illawarra Metallurgical Coal    ■ Other

**We are advancing our climate change initiatives aligned to our strategy and commitment to net zero by 2050**

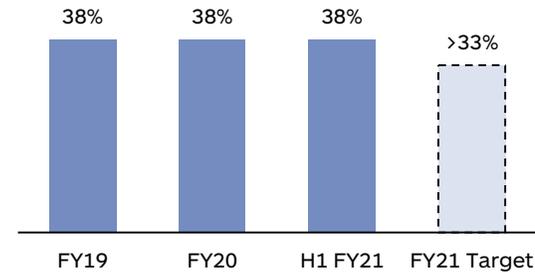
- On-track to achieve our five year Scope 1 emissions reduction target in FY21
- New Scope 1 and 2 emissions reduction targets will be released in CY21
- Updating our analysis to assess portfolio resilience under a 1.5°C scenario
- Progressing multiple decarbonisation projects and energy studies
- Increasing our exposure to metals important for the transition to a low-carbon world, with development studies underway at Hermosa and Ambler Metals
- Our exit of lower returning businesses will also reduce our emissions intensity

# INCLUSION AND DIVERSITY PROGRESS

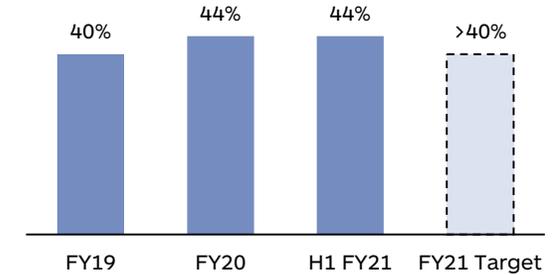
Percentage of total employees who are women



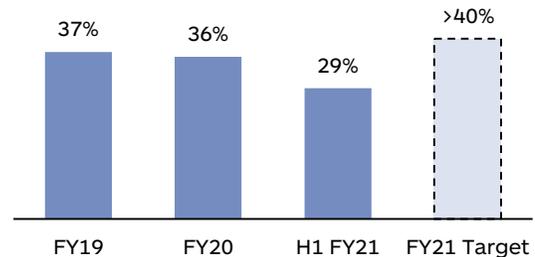
Women on our Board



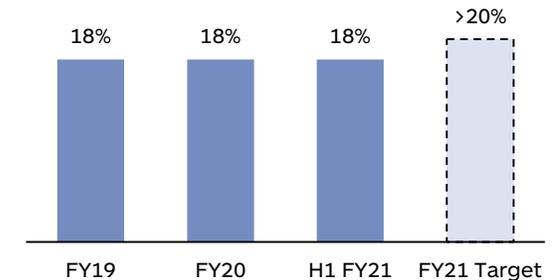
Women on our Lead Team



Women in senior leadership<sup>6</sup>



Women in operational leadership<sup>7</sup>



- We are targeting continuous improvement for the representation of:
  - ✓ Employees and leaders who are women
  - ✓ Diversity<sup>5</sup> in our workforce and management in South Africa
- We are a signatory to 40:40 Vision

# SOCIAL PROGRESS

## Community investment

- Our Community Investment Framework is based on four priority areas aligned with the UN Sustainable Development Goals:
  - Education and leadership
  - Economic participation
  - Good health and social wellbeing
  - Natural resource resilience
- US\$17.2M committed to community investment in FY21

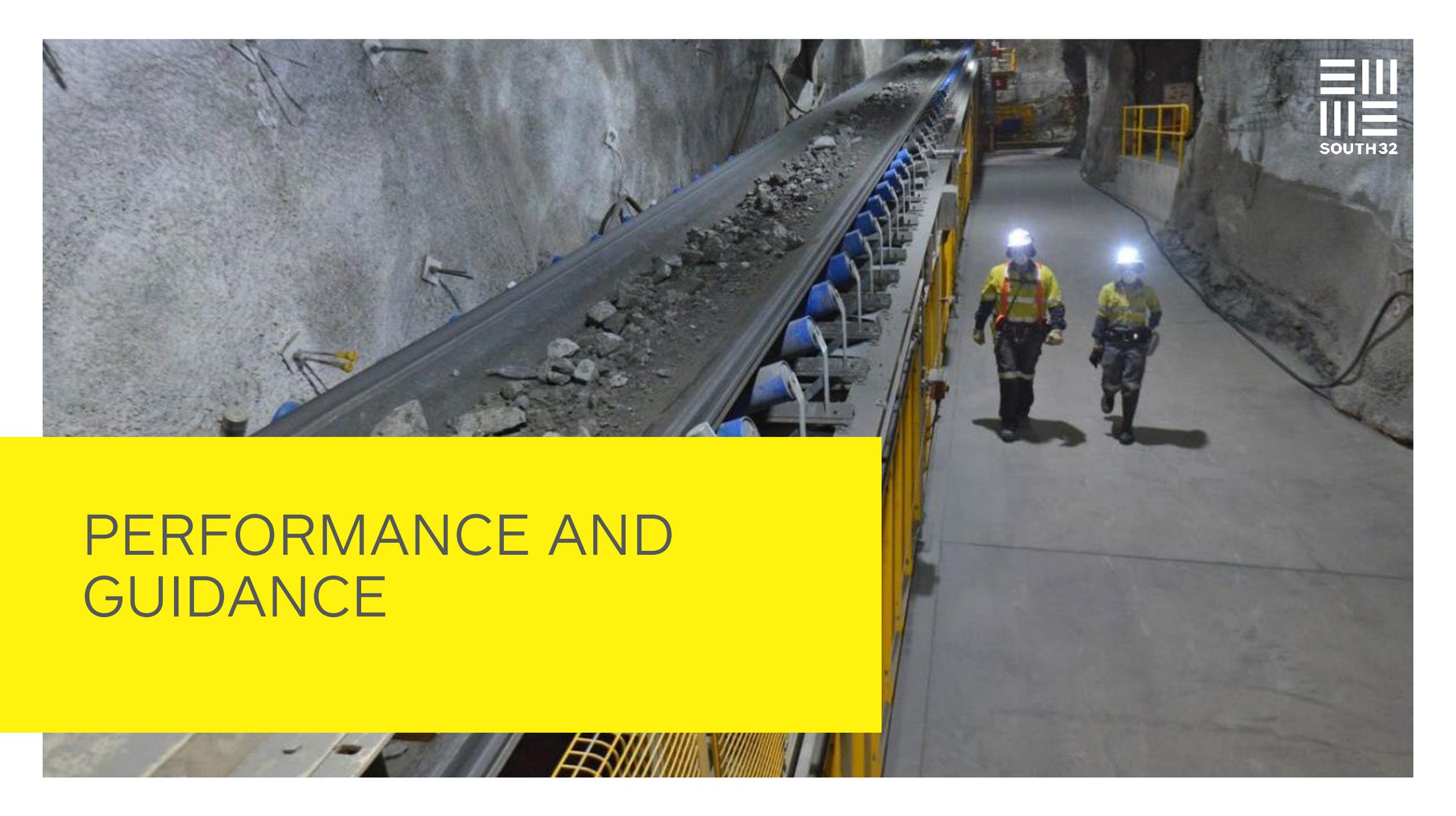
## Our response to COVID-19

- Our people continued to respond to the impact of the pandemic's second wave during H1 FY21
- Across all of the jurisdictions where we operate, we remain focussed on keeping our people well, maintaining safe and reliable operations and supporting our communities
- US\$6M of our US\$7M COVID-19 Community Investment Fund has now been contributed across the areas of prevention, preparedness, response and recovery

## Cultural heritage

- During CY20 we undertook a review of our approach to cultural heritage management
- Whilst we have processes in place to support the preservation of cultural heritage, tailored to the local context, our review identified opportunities to enhance our current practices to move beyond compliance
- Noting that many legal frameworks are outdated and under review, we are developing our own approach guided by international standards and better aligned with societal expectations
- We are currently consulting with external stakeholders, and Indigenous and Tribal Peoples across our operating regions on our draft approach
- Senior management at our operations have accountability for the management of cultural heritage and for building relationships with Indigenous and Tribal Peoples
- Our cultural heritage management work is supported by cultural awareness and cultural heritage training, which we will continue to improve and update once our approach is finalised

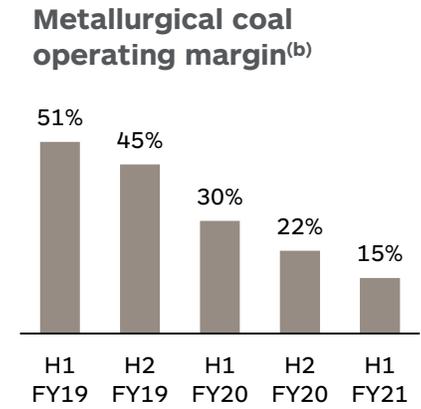
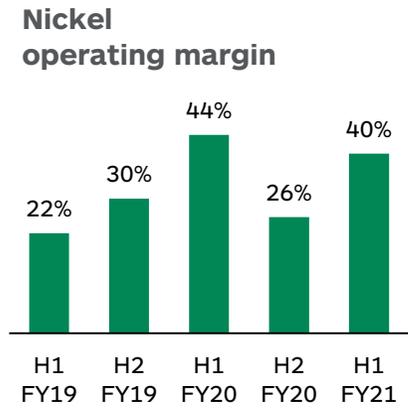
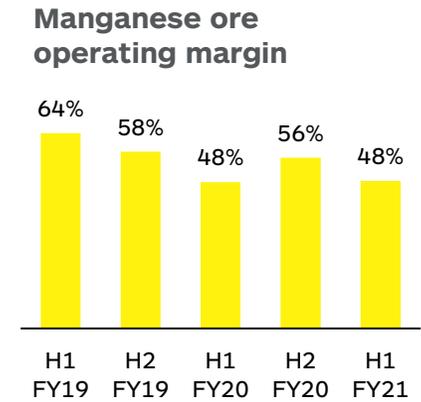
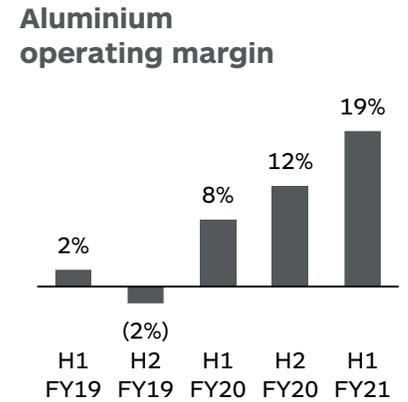
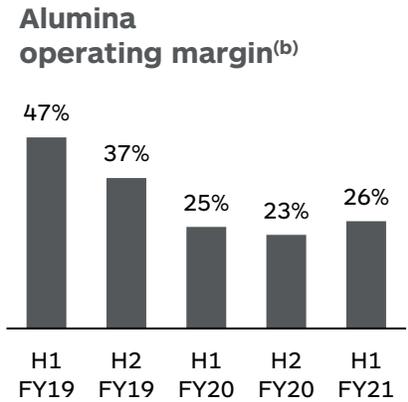
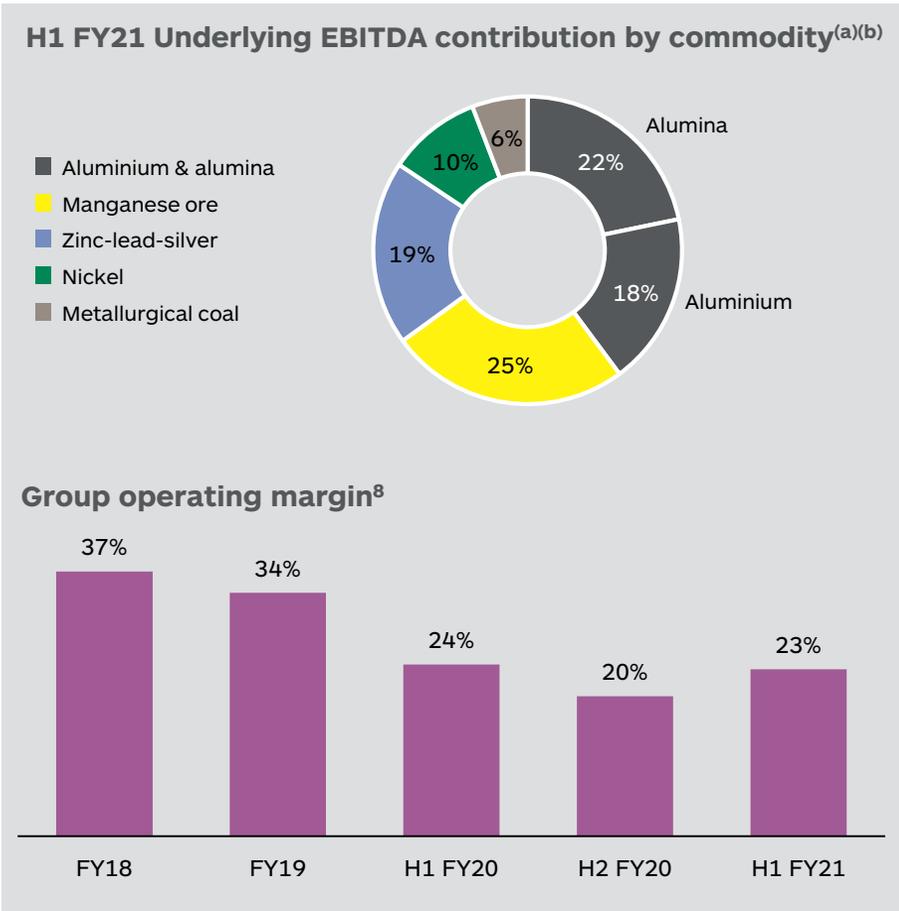




PERFORMANCE AND  
GUIDANCE

# H1 FY21 PERFORMANCE ANALYSIS

**Our strong operating result supported an improvement in our H1 FY21 Group operating margin**

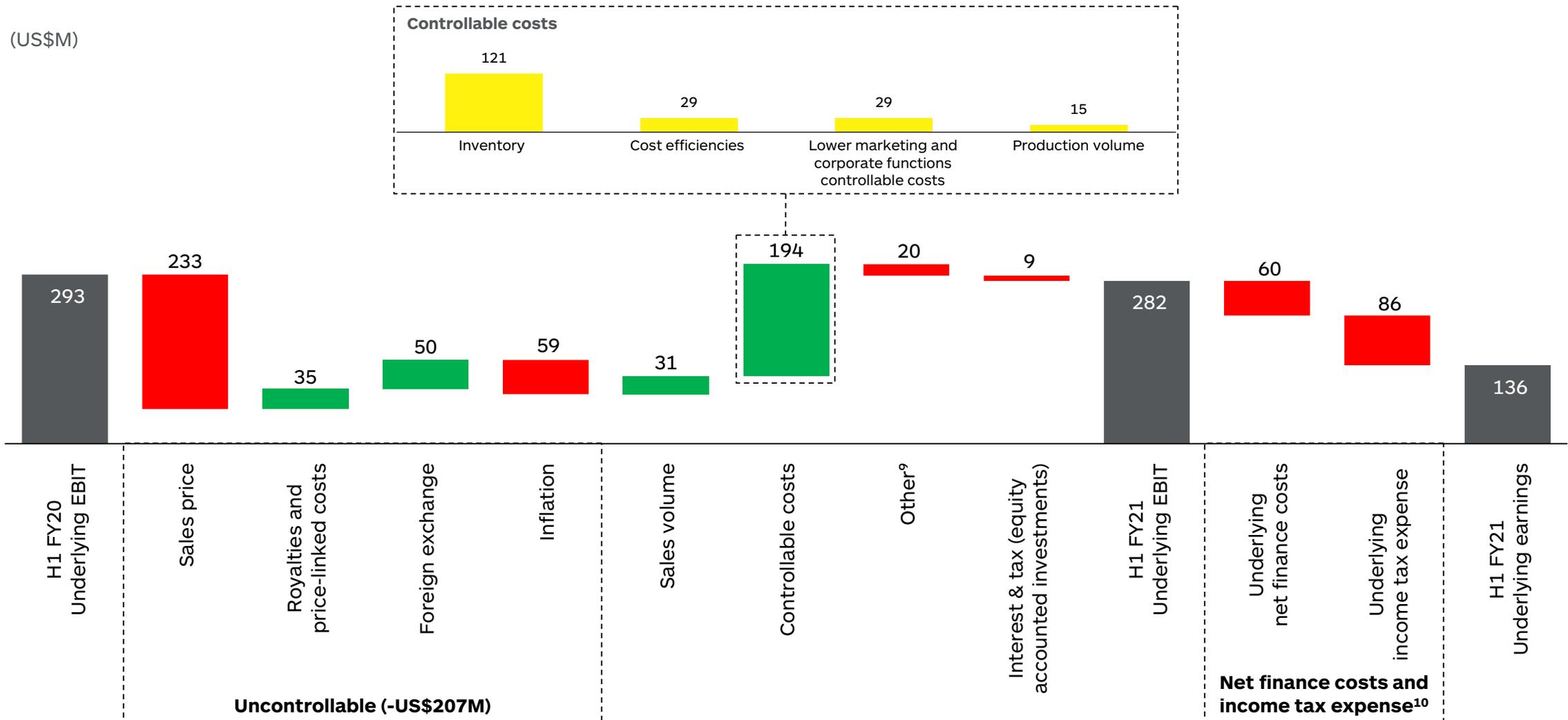


Notes:

- a. Presented on a proportionally consolidated basis and excludes South Africa Energy Coal, manganese alloys, 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.

# EARNINGS ANALYSIS

Lower controllable costs and higher sales volumes helped to offset weaker prices

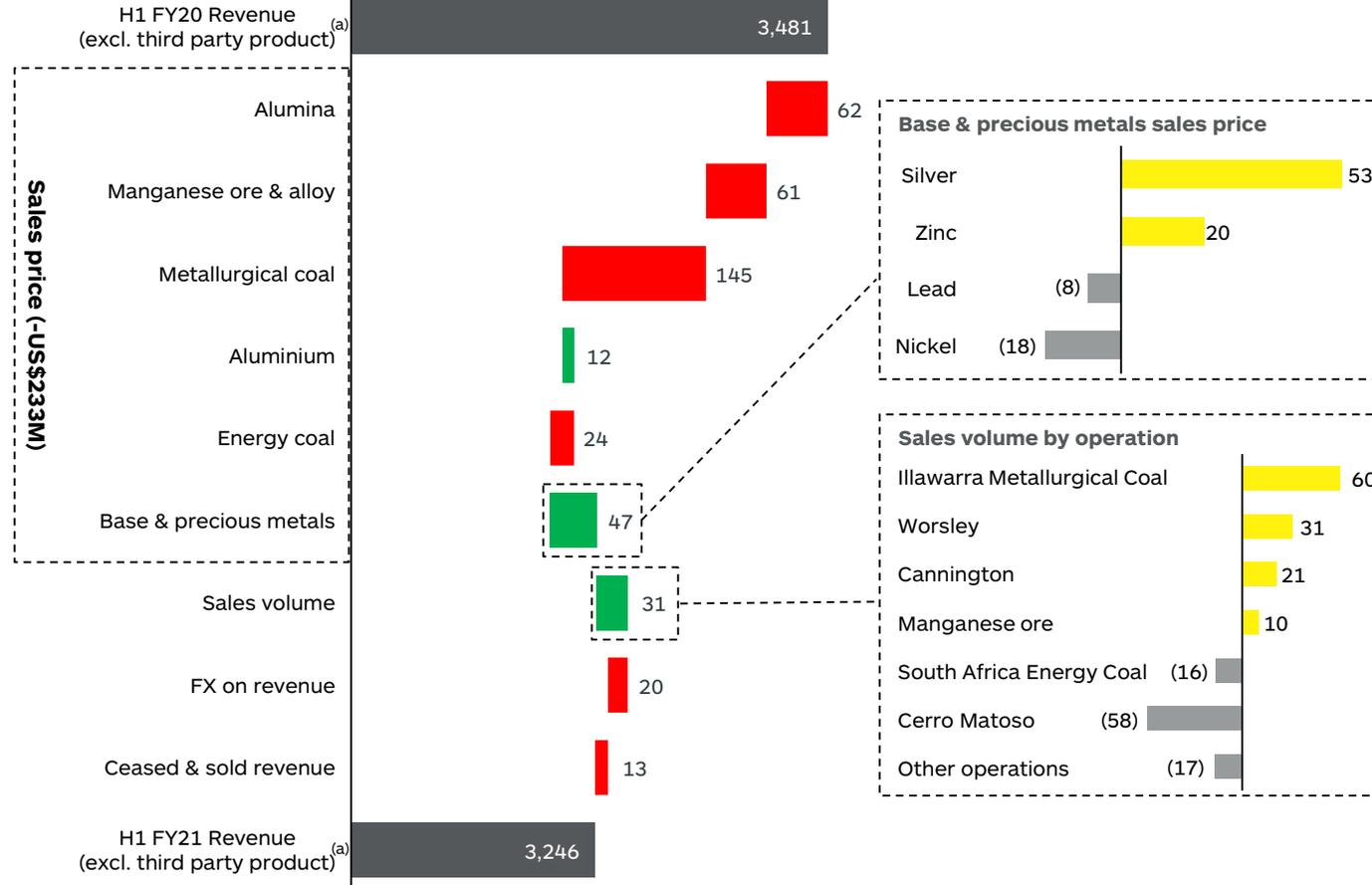


# REVENUE ANALYSIS

**We have seen a broad based recovery in our commodity basket to start H2 FY21**

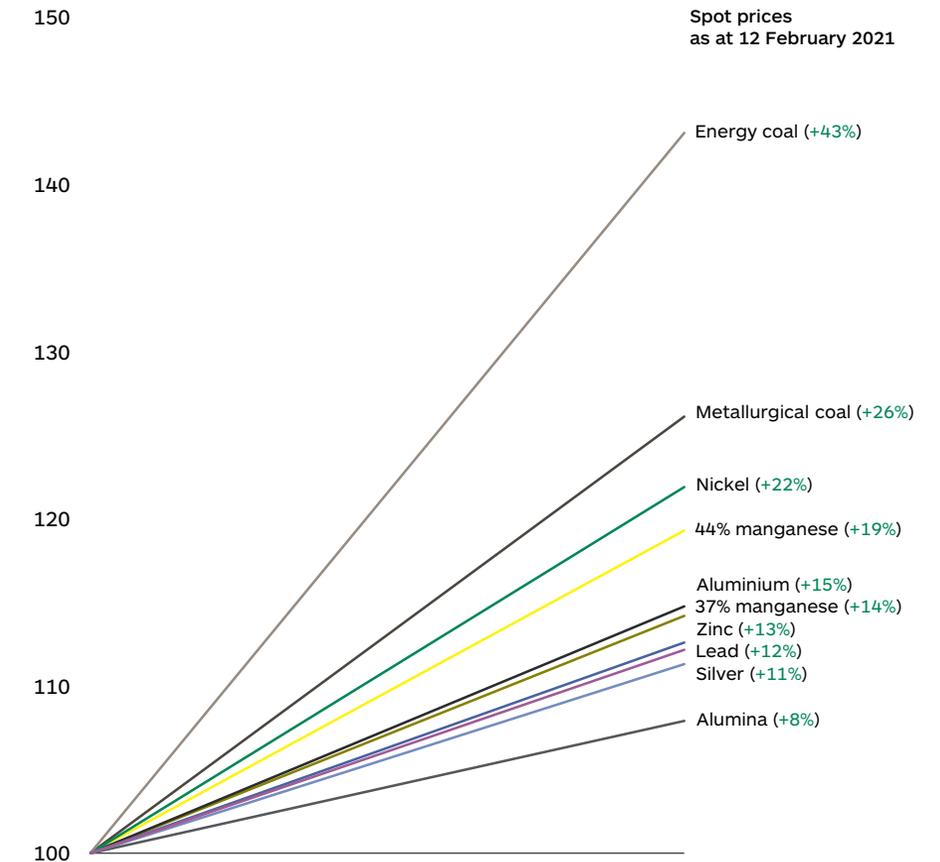
## Revenue analysis

(US\$M)



## South32 commodity basket reference prices<sup>11</sup>

(Spot to H1 FY21 average prices for reference index)

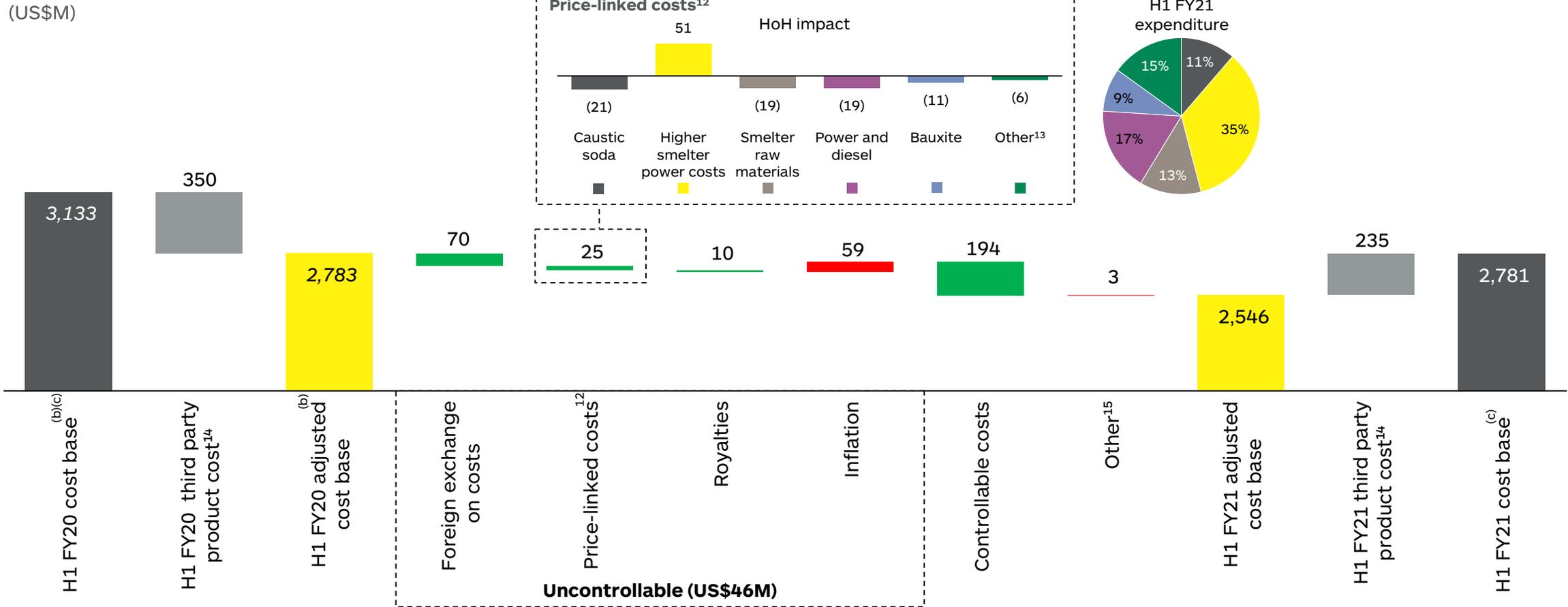


Notes:

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.

# COSTS ANALYSIS

**We reduced our cost base by 9%<sup>(a)</sup> with cost efficiencies and weaker FX more than offsetting an increase in power costs**

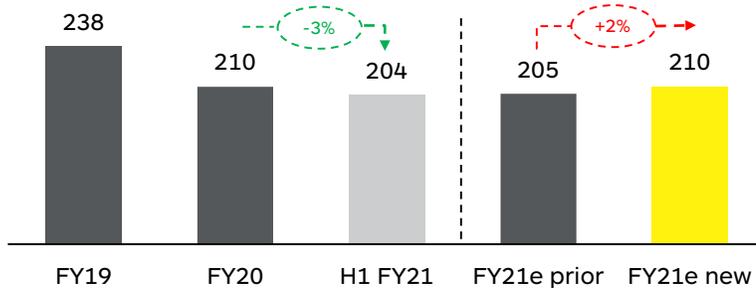


Notes:  
 a. Cost base excluding third party product costs.  
 b. Consistent with the H1 FY21 and FY20 treatment, H1 FY20 includes a reclass of US\$27M for rail related costs which have previously been presented on a gross basis in Other income and Expenses.  
 c. Cost base includes EAI and excludes Other income. H1 FY21 includes US\$385M of statutory adjustments and a US\$86M adjustment for Other income and inter-segment manganese sales to reconcile to Revenue minus Underlying EBITDA (H1 FY20 includes US\$451M of statutory adjustments and a US\$144M adjustment for Other income and inter-segment manganese sales to reconcile to Revenue minus Underlying EBITDA).

# OPERATING UNIT COSTS PERFORMANCE AND GUIDANCE

Cost and volume efficiencies are expected to partially offset strengthening producer currencies<sup>(a)</sup> in H2 FY21

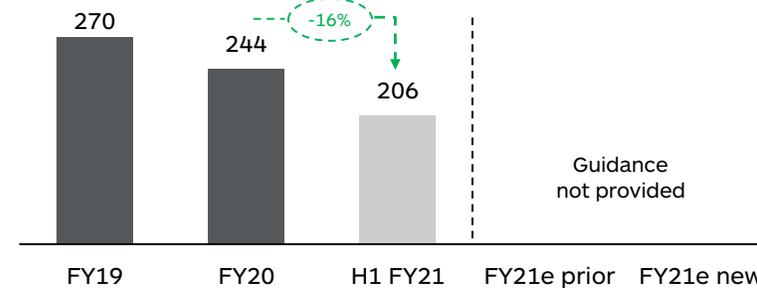
**Worsley Alumina (US\$/t)<sup>16</sup>**



**Guidance increased by 2%**

Stronger Australian dollar partially offset by lower caustic prices

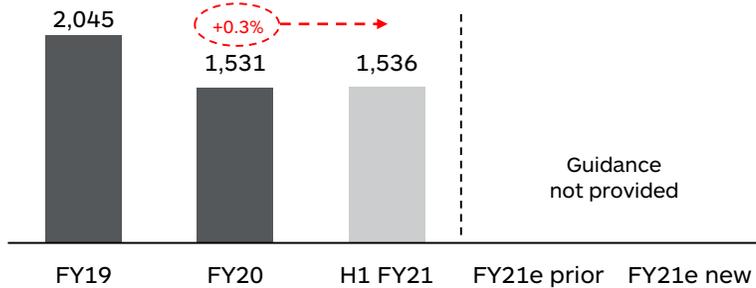
**Brazil Alumina (non-operated) (US\$/t)**



**Guidance not provided**

Cost profile will continue to be influenced by the Brazilian real, price of energy and raw material inputs

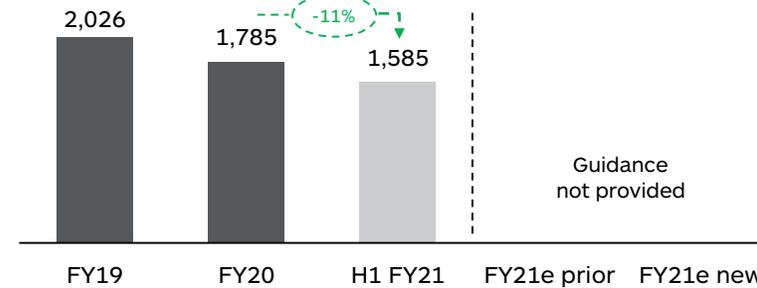
**Hillside Aluminium (US\$/t)**



**Guidance not provided**

Cost profile will continue to be influenced by the South African rand and price of raw material inputs

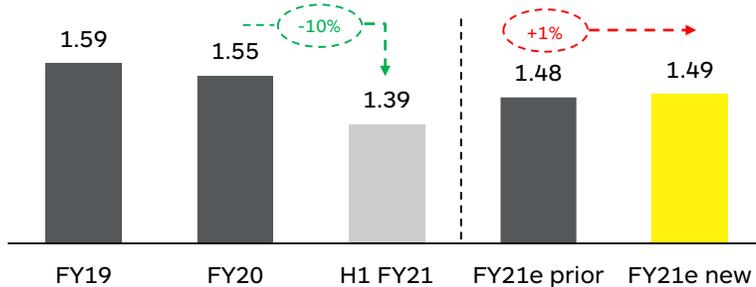
**Mozal Aluminium (US\$/t)**



**Guidance not provided**

Cost profile will continue to be influenced by the South African rand and price of raw material inputs

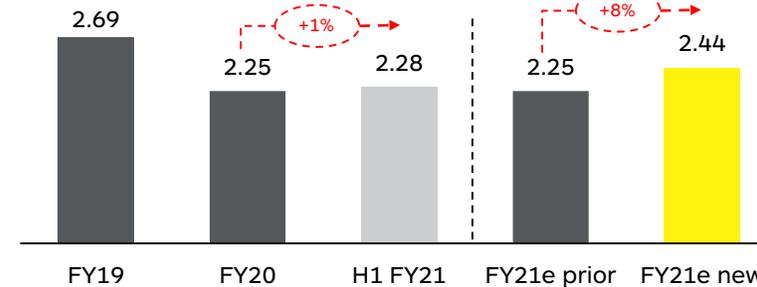
**Australia Manganese ore (US\$/dmu)<sup>16,17</sup>**



**Guidance increased by 1%**

Stronger Australian dollar partially offset by equipment productivity

**South Africa Manganese ore (US\$/dmu)<sup>16,17</sup>**



**Guidance increased by 8%**

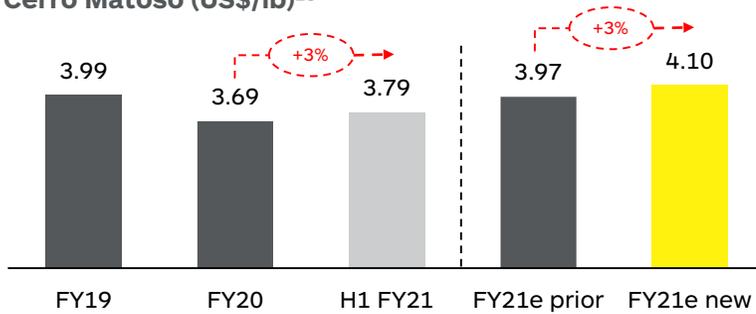
Stronger South African rand and on-going use of higher cost trucking partially offset by cost efficiencies and lower price-linked royalties

Notes:

a. FY21 prior Operating unit cost guidance included an AUD:USD exchange rate of 0.69; a USD:ZAR exchange rate of 17.68; a USD:COP exchange rate of 3,665. FY21 new Operating unit cost guidance includes an AUD:USD exchange rate of 0.75; a USD:ZAR exchange rate of 15.69; a USD:COP exchange rate of 3,594.

# OPERATING UNIT COSTS PERFORMANCE AND GUIDANCE

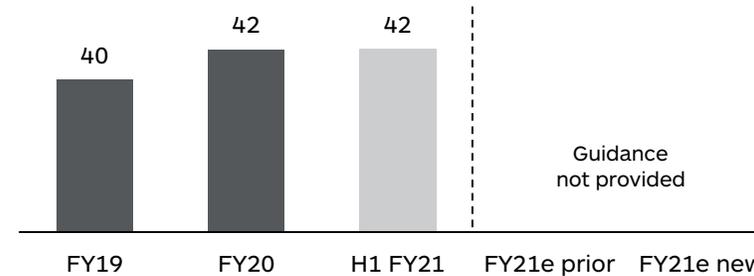
**Cerro Matoso (US\$/lb)<sup>16</sup>**



**Guidance increased by 3%**

Higher price-linked royalties and electricity prices partially offset by increased volumes

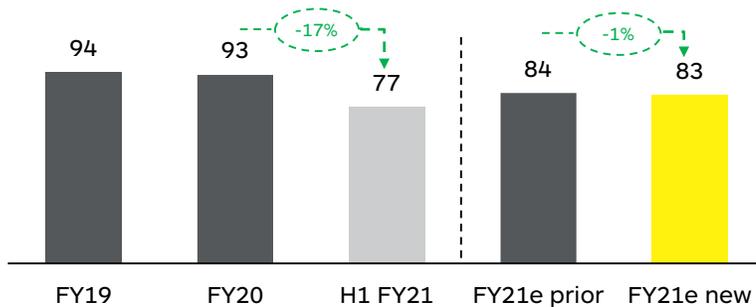
**South Africa Energy Coal (US\$/t)<sup>16</sup>**



**Guidance not provided**

Q3 FY21 costs expected to reflect adjustments to production volumes and a stronger South African rand

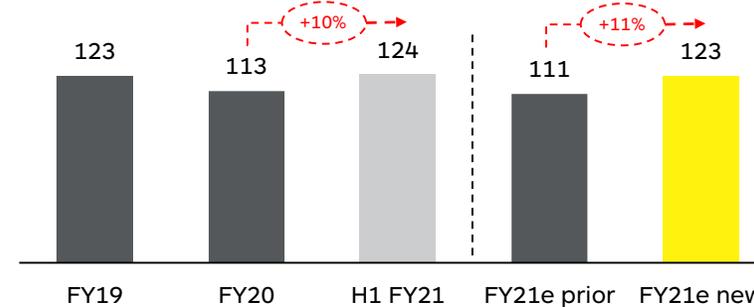
**Illawarra Metallurgical Coal (US\$/t)<sup>16</sup>**



**Guidance lowered by 1%**

Higher production volumes to more than offset a stronger Australian dollar

**Cannington (US\$/t)<sup>16,18</sup>**

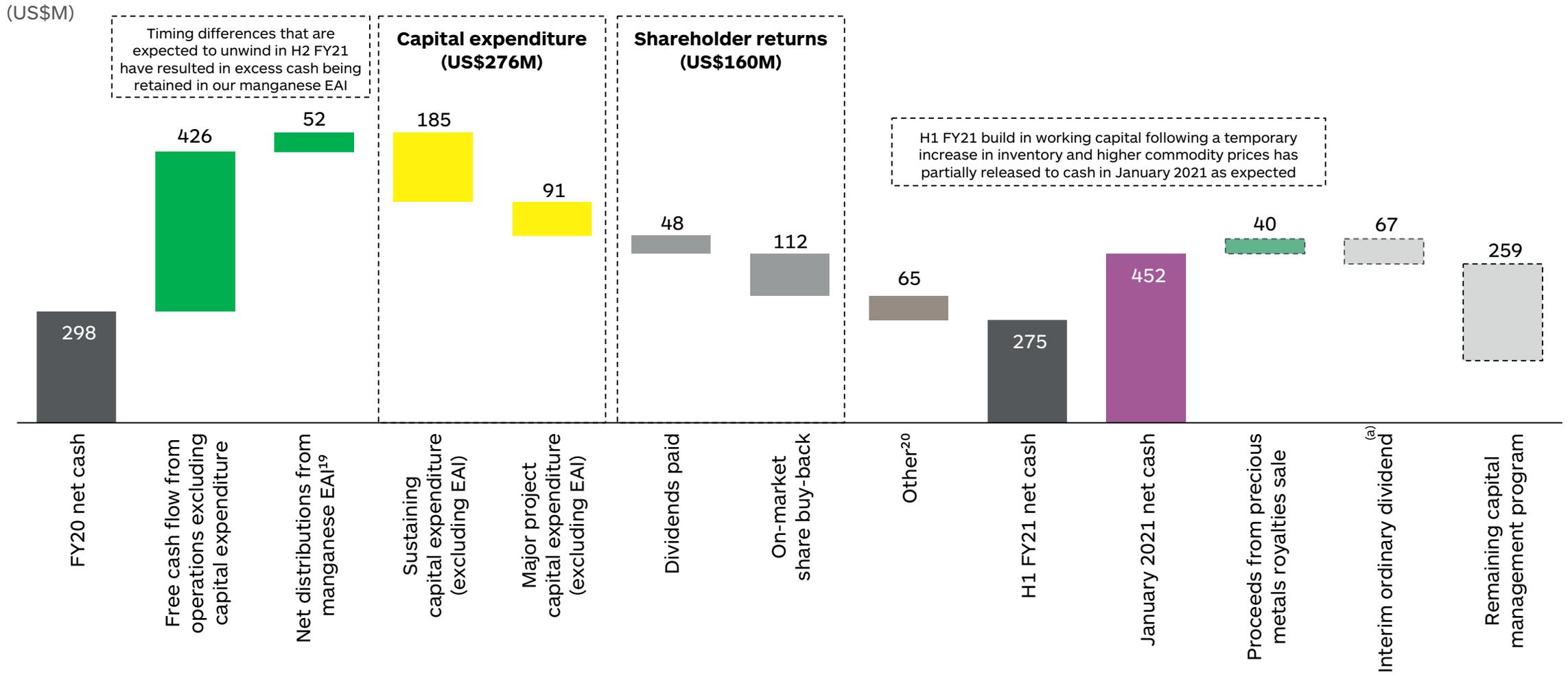


**Guidance increased by 11%**

Stronger Australian dollar and higher price-linked royalties

# CASH FLOW ANALYSIS

**Our disciplined approach to capital allocation balances investment in our business with returns to shareholders**



Notes:

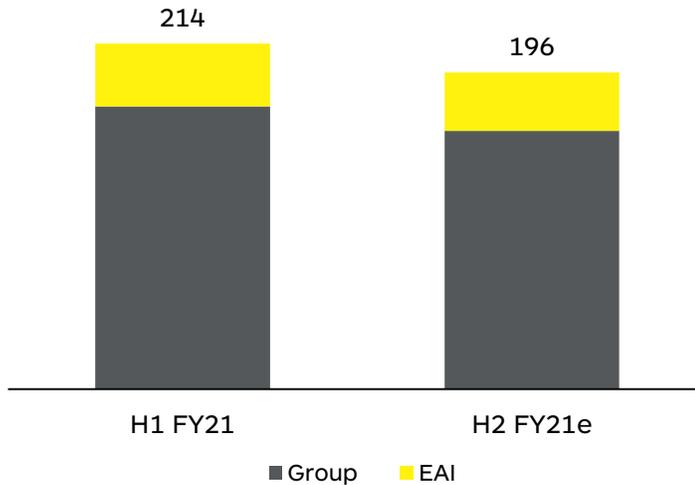
a. The Board has resolved to pay a fully franked ordinary dividend of US 1.4 cents per share (US\$67M) on 8 April 2021.

# CAPITAL EXPENDITURE ANALYSIS

**Additional capital to accelerate development of the Q&P project at Cerro Matoso**

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

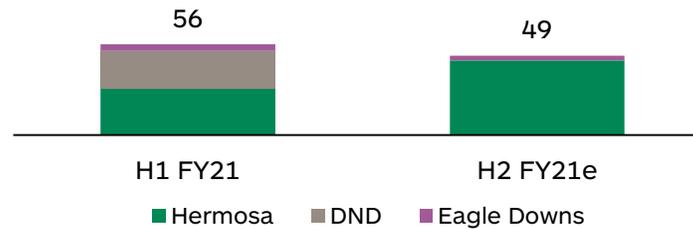
FY21 guidance unchanged at US\$410M despite stronger producer currencies and Q&P project development



**Major capital expenditure weighted to Hermosa in H2 FY21**

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

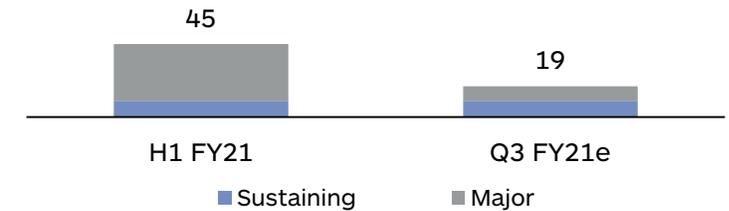
Dendrobium Next Domain guidance withdrawn while we assess the Independent Planning Commission's decision to refuse the application for the project



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

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

Q3 FY21 capital expenditure guidance provided for the first time





PORTFOLIO AND  
RETURNS OUTLOOK

# CAPITAL MANAGEMENT FRAMEWORK

**Our framework remains unchanged**

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

**Framework designed to reward shareholders as financial performance improves**

Capital management framework

**ROIC**

**Competition for excess capital**

- Investment in our business
- Acquisitions
- Greenfield exploration
- Share buy-backs
- Special dividends

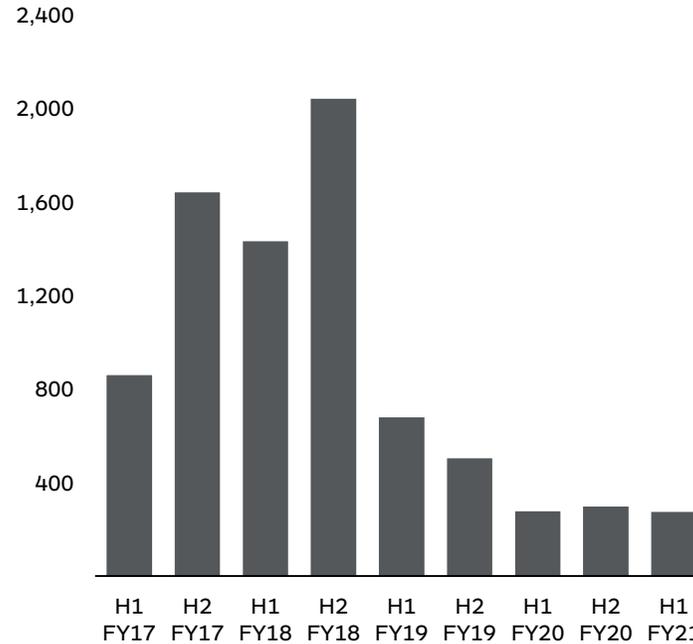
**Distribute a minimum 40% of Underlying earnings as ordinary dividends**

**Maintain safe and reliable operations and an investment grade credit rating through the cycle**

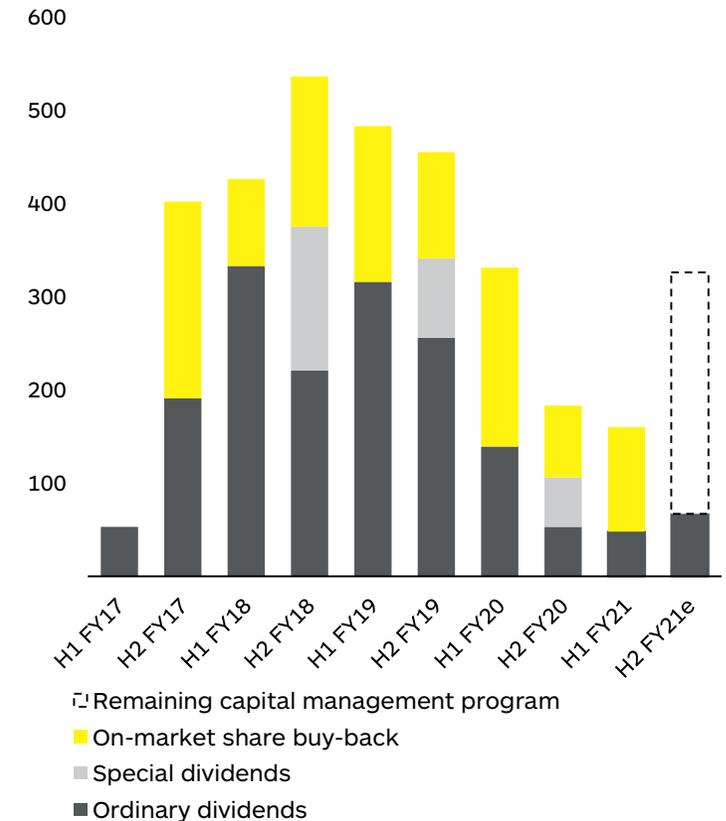
Maximise cash flow

Cash flow priorities

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



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



# CAPITAL MANAGEMENT PROGRAM

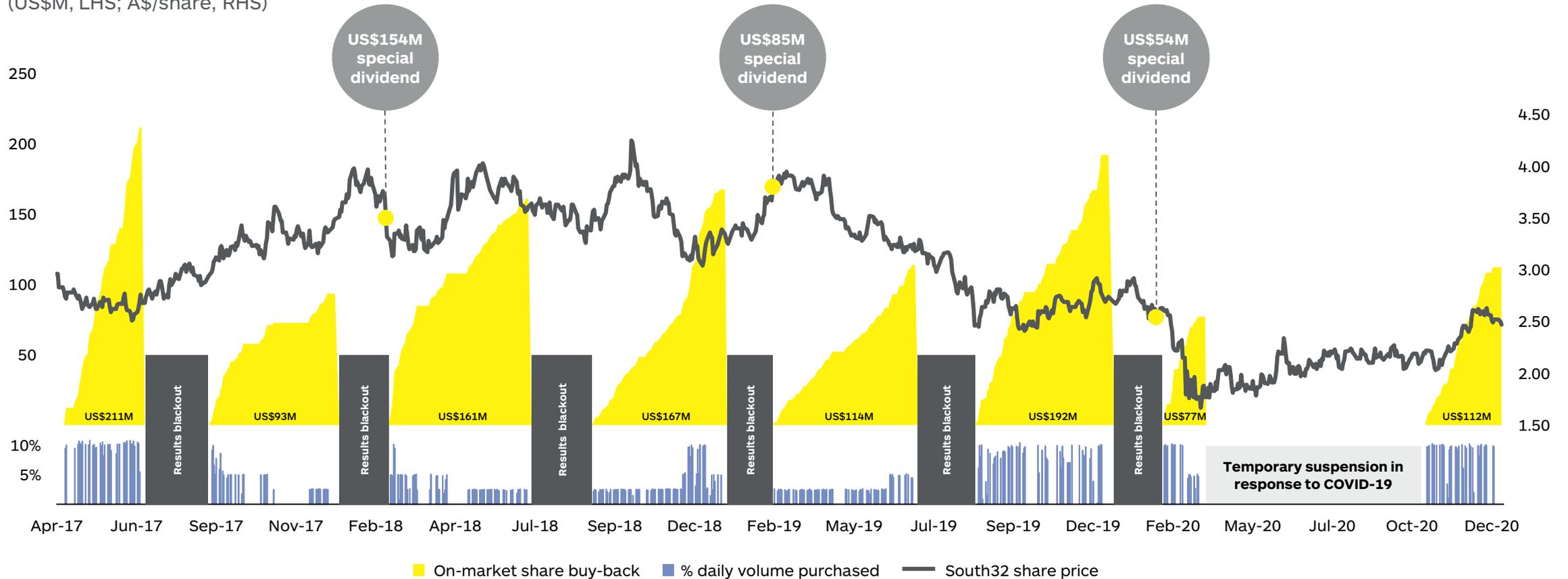
**Program is flexible to efficiently return excess capital**

**On-market share buy-back resumed in October 2020 returning a further US\$112M**

**Program expanded by US\$250M to US\$1.68B**  
**US\$259M remaining to be allocated**

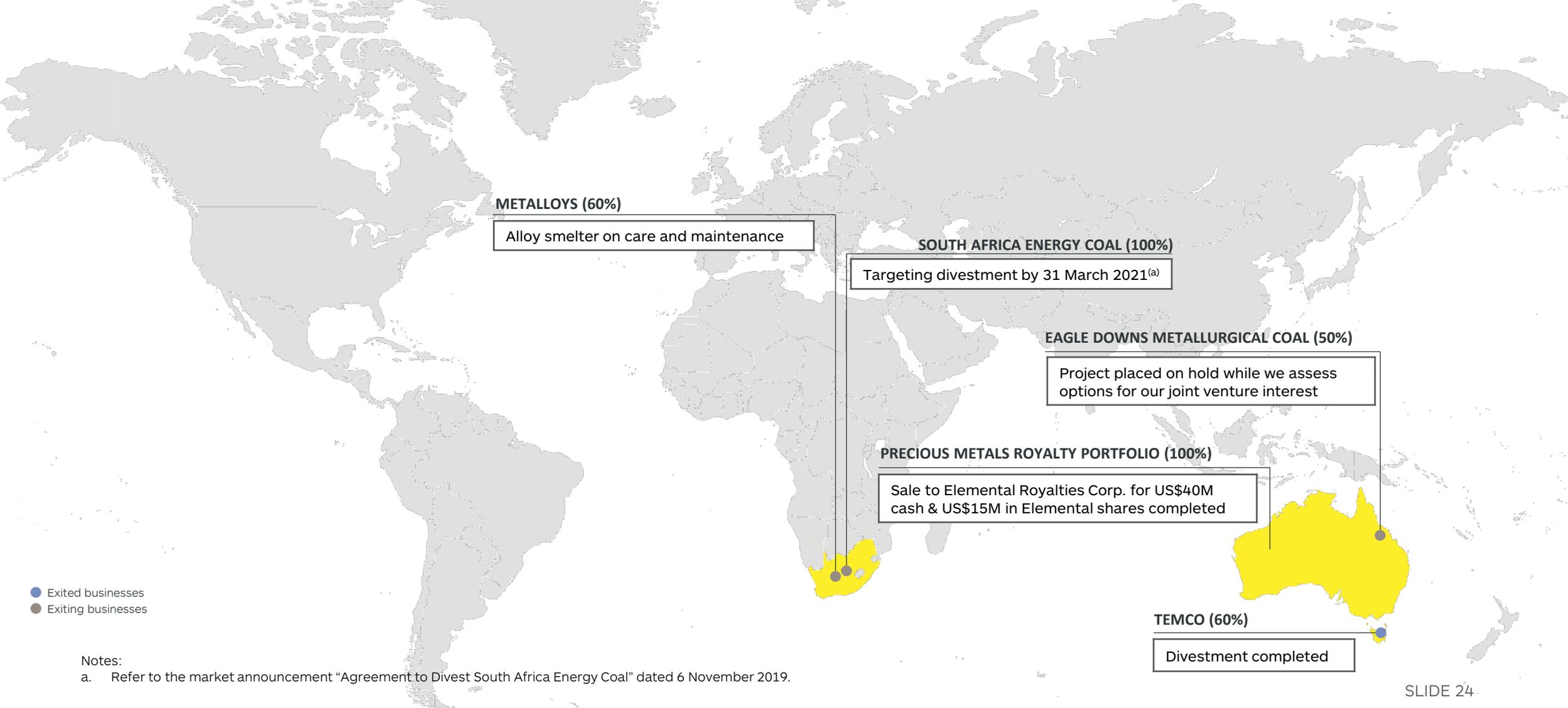
**Shares on issue reduced by 10% at an average price of A\$2.87/share since the program commenced**

**South32 capital management program**  
(US\$M, LHS; A\$/share, RHS)



# RESHAPING OUR PORTFOLIO

**We are simplifying our portfolio, exiting lower returning businesses**

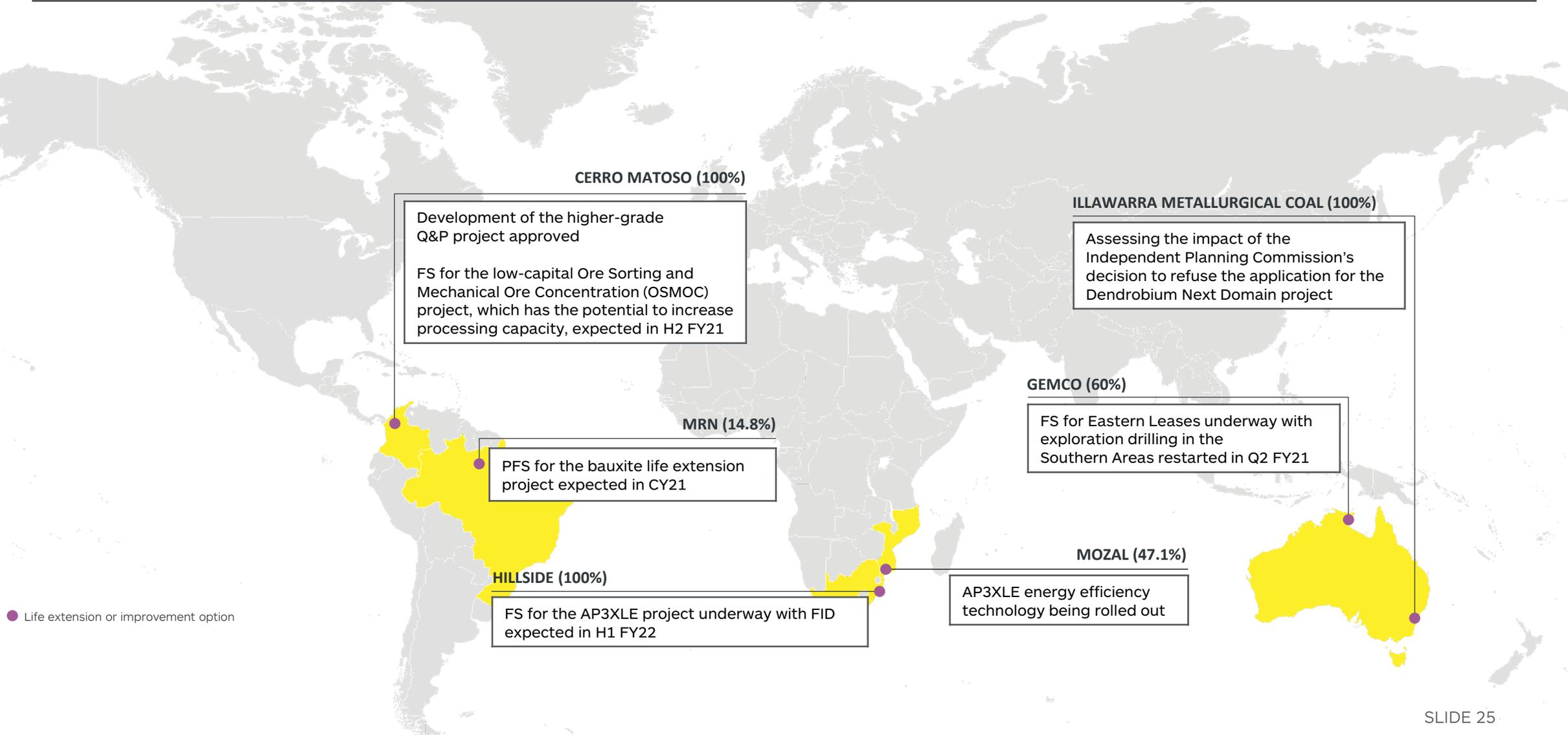


- Exited businesses
- Exiting businesses

Notes:  
a. Refer to the market announcement "Agreement to Divest South Africa Energy Coal" dated 6 November 2019.

# OUR LIFE EXTENSION AND IMPROVEMENT OPTIONS

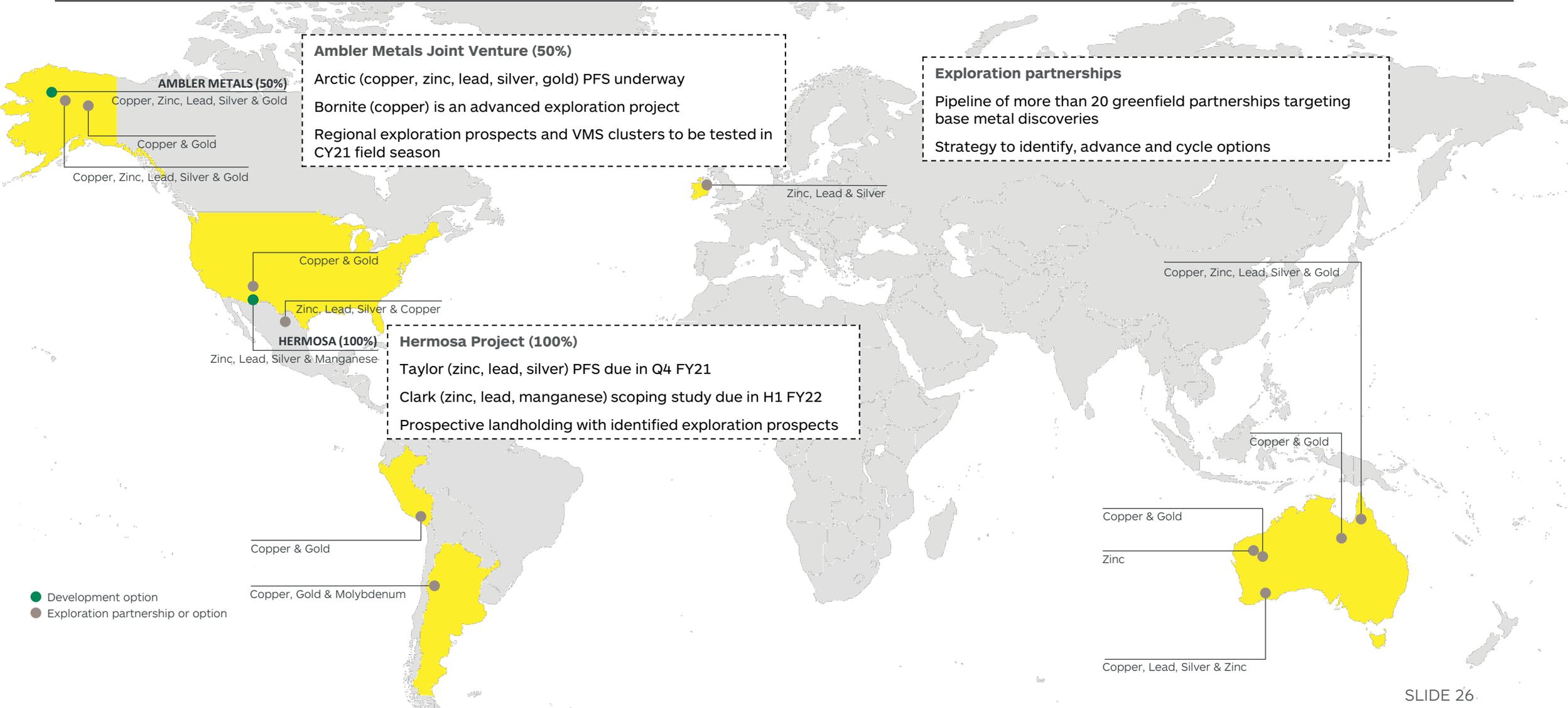
We are advancing options at our existing operations to compete for capital and grow returns



● Life extension or improvement option

# OUR GROWTH OPTIONS & EXPLORATION FOOTPRINT

**Our pipeline of growth opportunities and greenfield exploration partnerships has a bias to base metals**





# MARKETS OUTLOOK

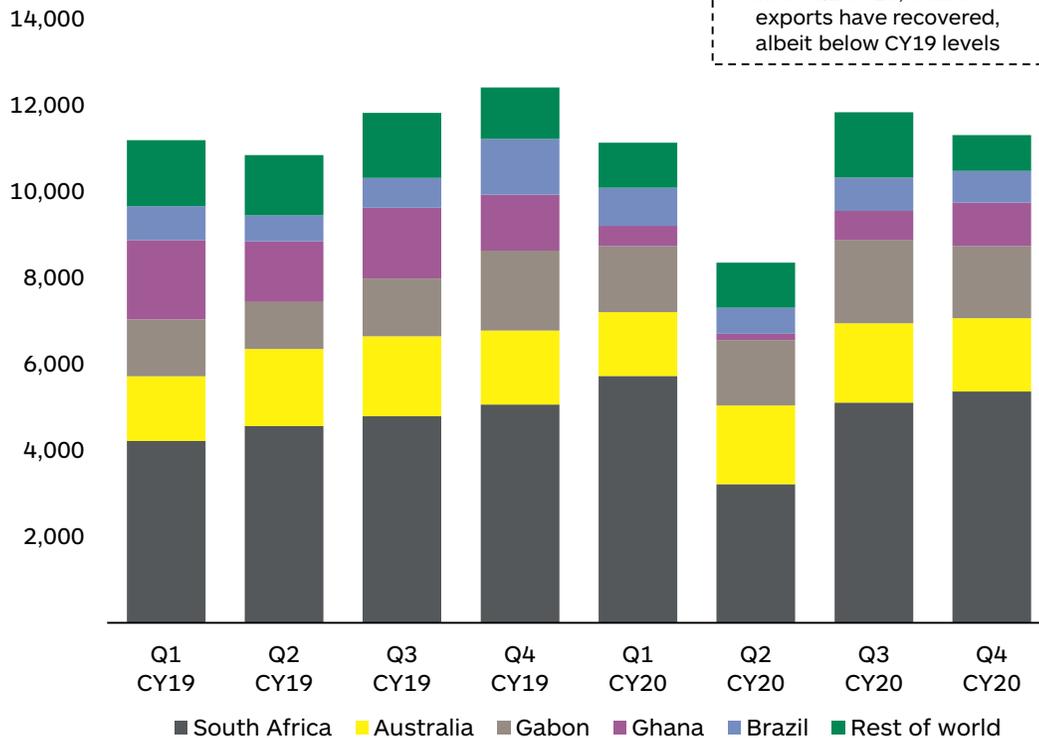
# MANGANESE MARKET

**Global supply remains tight despite rebound, supporting ore prices**

**CY21 outlook to be driven by supply with alloy demand expected to remain strong**

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

**Manganese ore supply**  
(Mt, Mn content unadjusted)  
**Seaborne exports**

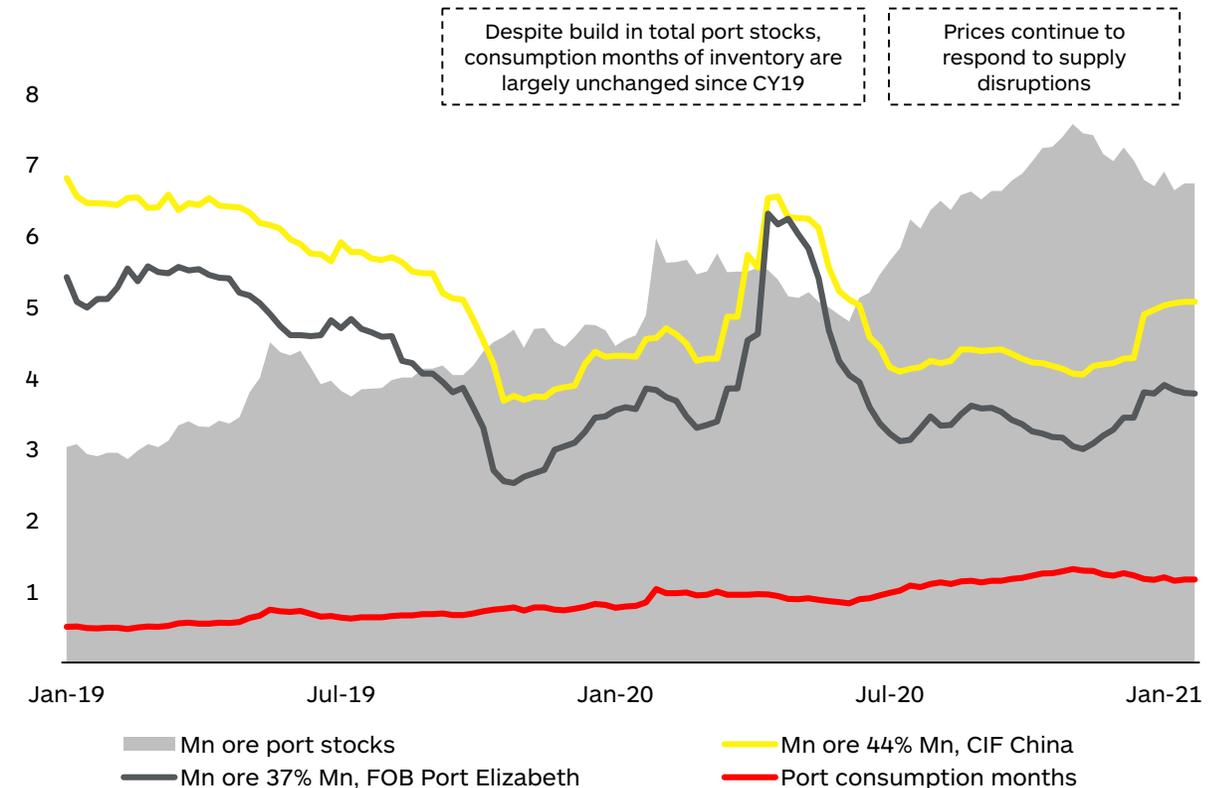


Source: GTIS.

Notes:

a. Port consumption months based on 12 month normalised demand from alloy producers.

**Manganese ore price and China port stocks<sup>(a)</sup>**  
(US\$/dmtu; Mt; months)



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

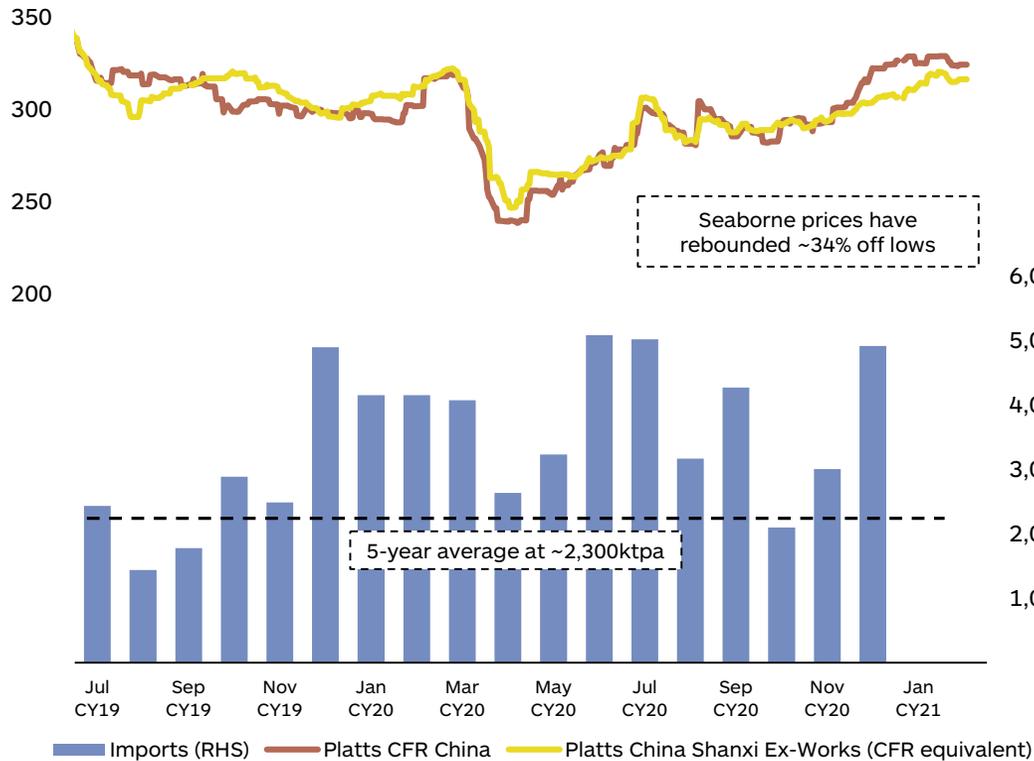
# ALUMINA MARKET

**Growth in Chinese imports and strong smelter margins have supported price recovery**

**Cost curve expected to shift upwards in CY21 due to rising energy and caustic soda costs**

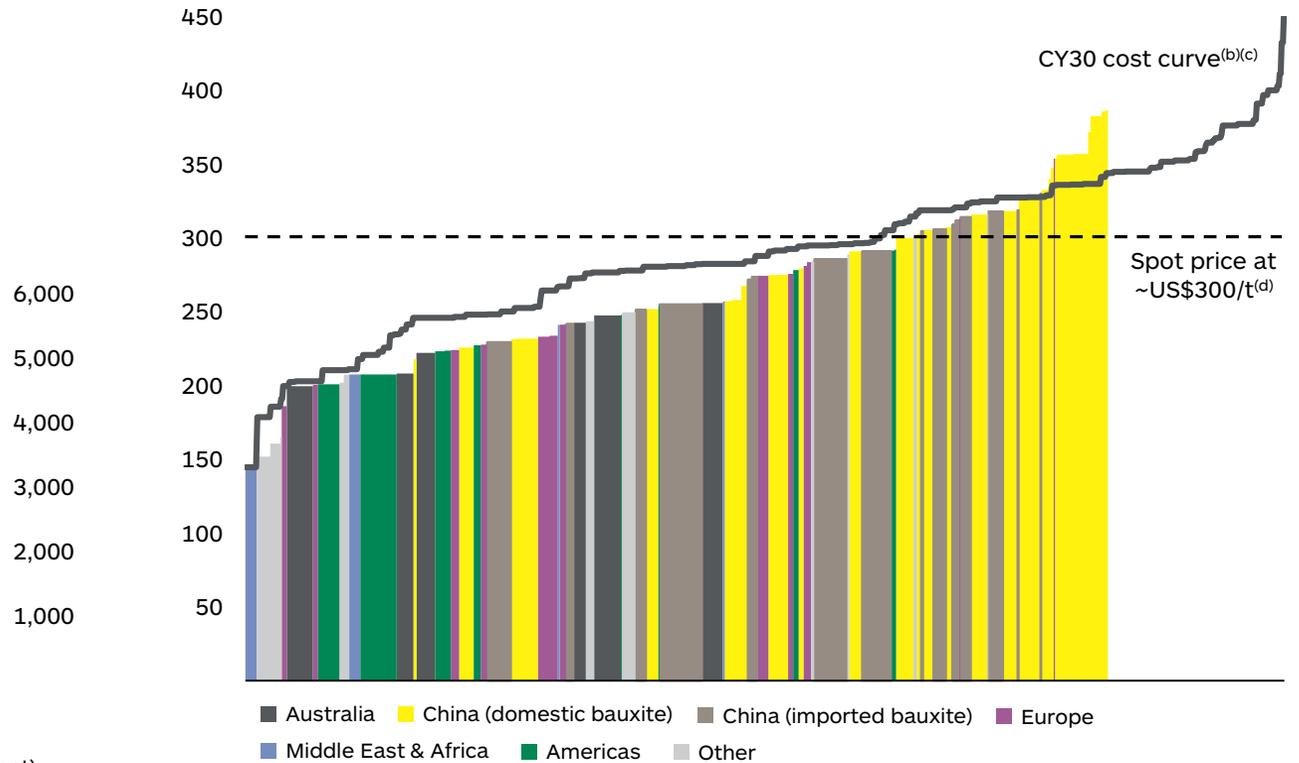
**Cost curve expected to lift in the long term due to raw material cost increases and deterioration of Chinese bauxite quality**

**China annualised monthly alumina imports and prices**  
(Alumina price US\$/t LHS; kt RHS)



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

**Alumina cost curve (CY21 and CY30)<sup>(a)</sup>**  
(US\$/t)



Source: CRU.

**Notes:**

- a. Illustrates business costs which represent cash costs net of premiums (normalised to FOB Australia price).
- b. CY30 cost curve in January 2021 real terms.
- c. Future production volumes include current and planned expansions and projects.
- d. Platts FOB Australia price as at 15 February 2021.

# METALLURGICAL COAL MARKET

**CY20 prices impacted by disruption in trade flows and weak ex-China demand**

**Trade flow disruption has led to higher demand for Australian coal in ex-China markets**

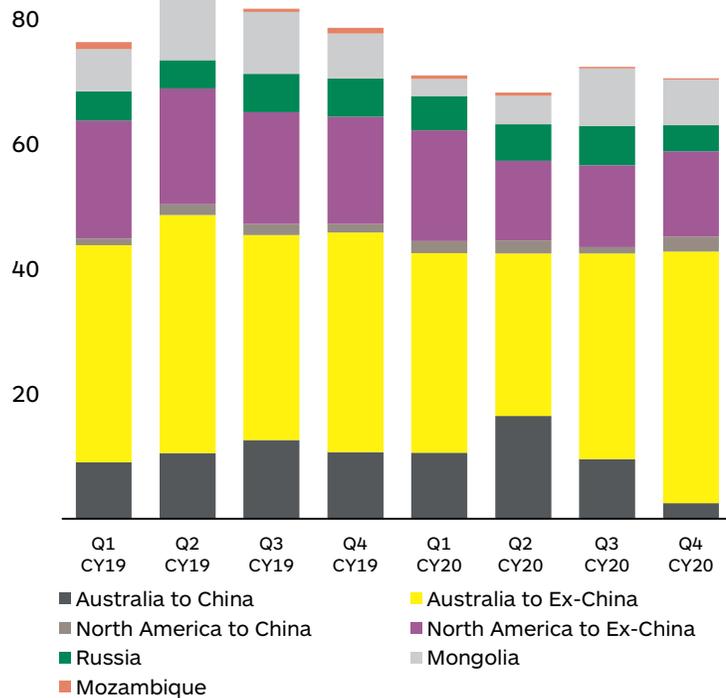
**CY21 outlook supported by strong ex-China demand while trade policy and supply response remain key**

**Increasing demand in India and emerging Asian economies expected to provide long term demand growth**

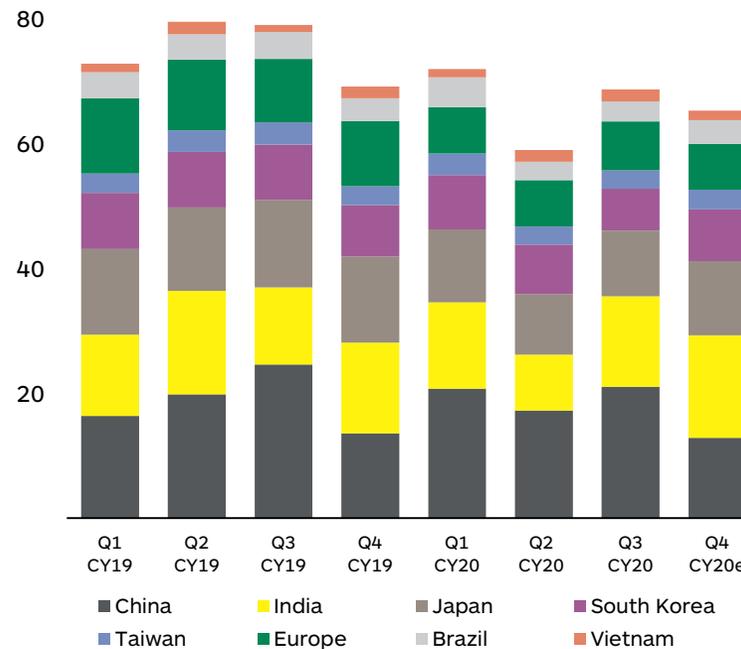
**Metallurgical coal seaborne trade by major regions<sup>(a)</sup>**

(Mt)

**Exports**

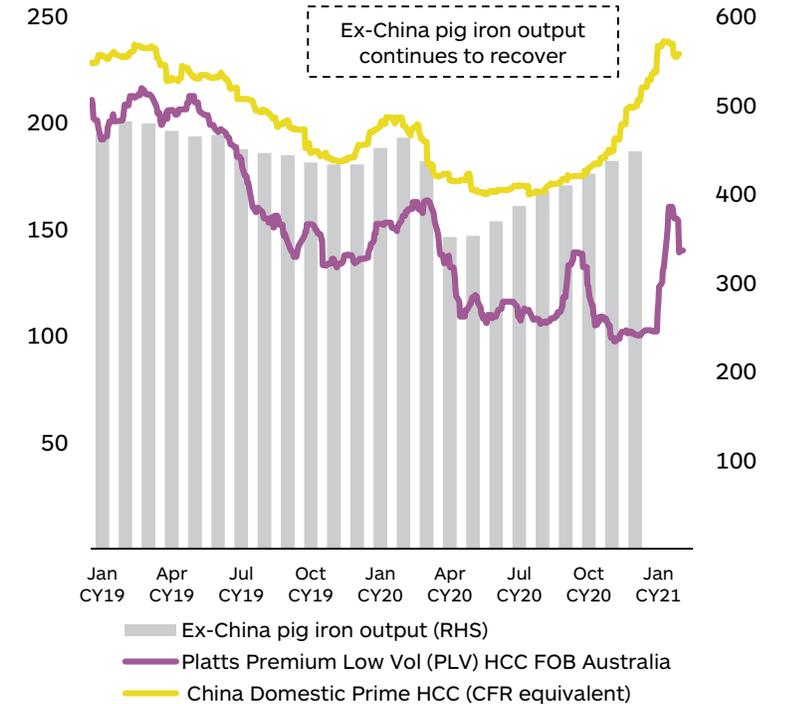


**Imports**



**Metallurgical coal prices (US\$/t LHS)**

**Annualised pig iron output (Mt RHS)**



Source: GTIS, IHS India Coal Report and South32 analysis.

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

Notes:

a. Metallurgical coal trade flow includes HCC, weak coking coal and PCI, and incorporates Mongolian coal exports to China.

# H1 FY21 SUMMARY

**Underlying EBITDA  
US\$633M**

**Operating margin 23%**

**Record production  
at 3 operations**

**H1 FY21 Operating unit costs  
in-line with or below guidance  
for the majority of operations**

**Net cash balance  
US\$275M**

**US\$160M returned  
to shareholders<sup>(a)</sup>**

**Interim ordinary dividend US\$67M  
(1.4 US cents per share)**

**Capital management program  
expanded by US\$250M  
with US\$259M remaining  
to be allocated**

**FY21 production guidance  
increased at 3 operations**

**Operating unit cost outlook well  
controlled, despite stronger FX**

**Exiting lower returning  
businesses and progressing  
our growth options in base metals**

Notes:

a. Includes FY20 final ordinary dividend of US\$48M and on-market share buy-back of US\$112M.

A photograph of an industrial facility at dusk. The scene is dominated by large, white cylindrical structures and complex piping. A worker in a red hard hat and dark clothing is walking across the foreground from right to left. The sky is a deep blue, and the ground is wet, reflecting the ambient light. A yellow banner is overlaid on the bottom left of the image.

# SUPPLEMENTARY INFORMATION

# EARNINGS SENSITIVITIES

| Annualised estimated impact on FY21e Underlying EBIT of a 10% change in commodity prices or currency <sup>(a)</sup> | EBIT impact +/- 10%<br>US\$M |
|---|------------------------------|
| Aluminium <sup>(b)</sup>  | 185                          |
| Alumina <sup>(b)</sup>  | 146                          |
| Manganese ore <sup>(c)</sup>  | 86                           |
| Metallurgical coal  | 67                           |
| Nickel  | 43                           |
| Silver  | 34                           |
| Energy coal <sup>(d)</sup>  | 31                           |
| Lead  | 22                           |
| Zinc  | 15                           |
| Australian dollar   | 180                          |
| South African rand  | 117                          |
| Colombian peso  | 19                           |
| Brazilian real  | 8                            |

- Notes:
- a. The sensitivities reflect the annualised estimated impact on FY21e Underlying EBIT of a 10% movement in H1 FY21 actual realised prices and H1 FY21 actual average exchange rates (weakening currency) applied to FY21e volumes and costs.
  - b. Aluminium sensitivity includes a one month LME price-linked electricity cost impact 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 impacts 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 9 months to 31 March 2021.

# OPERATING UNIT COSTS

| Operating unit costs  | H1 FY20 | H2 FY20 | H1 FY21 | H1 FY21 adjusted | FY21 prior guidance <sup>21</sup> | H1 FY21 actual vs. FY21 prior guidance |      |    |     | Commentary to guidance or H1 FY20   |
|---|---------|---------|---------|------------------|-----------------------------------|--|------|----|-----|---|
|   |         |         |         |                  |                                   | (15%)                                  | (5%) | 5% | 15% |   |
| <b>Worsley Alumina</b><br>(US\$/t)                              | 225     | 196     | 204     | 202              | 205                               |  |      |    |     | Record production volumes, lower caustic soda prices and cost efficiencies, more than offset a stronger Australian dollar (compared to guidance)  |
| <b>Brazil Alumina (non-operated)</b><br>(US\$/t)                | 257     | 231     | 206     | N/A              | Guidance not provided             |  |      |    |     | <b>Guidance not provided</b><br>Record production volumes, lower caustic soda, energy and bauxite prices (compared to H1 FY20)  |
| <b>Illawarra Metallurgical Coal</b><br>(US\$/t)                 | 91      | 95      | 77      | 74               | 84                                |  |      |    |     | Additional volumes of coal wash material and improved longwall performance supporting higher metallurgical coal sales, more than offset a stronger Australian dollar (compared to guidance) |
| <b>Australia Manganese<sup>17</sup></b><br>(FOB, US\$/dm tu)    | 1.62    | 1.48    | 1.39    | 1.35             | 1.48                              |  |      |    |     | Record volumes and cost efficiencies more than offset a stronger Australian dollar (compared to guidance)   |
| <b>South Africa Manganese<sup>17</sup></b><br>(FOB, US\$/dm tu) | 2.60    | 1.78    | 2.28    | 2.15             | 2.25                              |  |      |    |     | Higher volumes more than offset a stronger South African rand (compared to guidance)  |
| <b>Cerro Matoso</b><br>(US\$/lb)                                | 3.80    | 3.57    | 3.79    | 3.81             | 3.97                              |  |      |    |     | Cost efficiencies combined with a weaker Colombian peso and lower price-linked royalties (compared to guidance)   |
| <b>Cannington<sup>18</sup></b><br>(US\$/t)                      | 121     | 105     | 124     | 117              | 111                               |  |      |    |     | Cost efficiencies more than offset by inventory movements, a stronger Australian dollar and higher price-linked royalties (compared to guidance)  |
| <b>South Africa Energy Coal<sup>22</sup></b><br>(US\$/t)        | 43      | 40      | 42      | 39               | 36 - 39                           |  |      |    |     | Stronger South African rand and reduced activity in uneconomic pits (compared to guidance)  |

## Cost breakdown

### H1 FY21

|                                       |       |       |       |     |     |  |
|---------------------------------------|-------|-------|-------|-----|-----|--|
| <b>Hillside Aluminium</b><br>(US\$/t) | 1,657 | 1,413 | 1,536 | 48% | 52% | Lower raw material input costs and a weaker South African rand more than offset higher power costs (compared to H1 FY20) |
| <b>Mozal Aluminium</b><br>(US\$/t)    | 1,904 | 1,671 | 1,585 | 43% | 57% | Lower raw material input costs and a weaker South African rand (compared to H1 FY20)                                     |

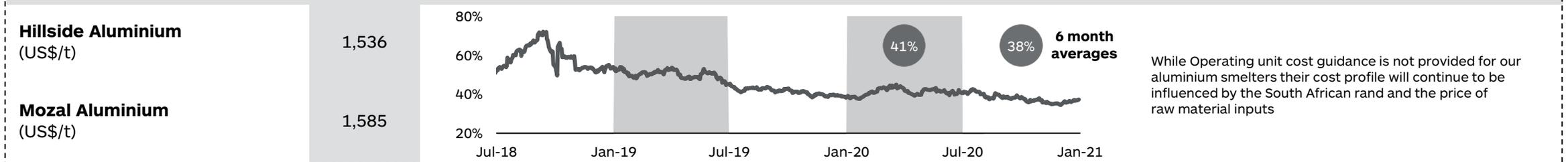
■ Foreign exchange ■ Price-linked costs (including royalties)<sup>23</sup> ■ Controllable costs ■ Raw material inputs ■ Other  
○ H1 FY21 actual vs. FY21 prior guidance % movement ○ ≤ 5% of guidance ○ >5% of guidance

# OPERATING UNIT COST GUIDANCE

| Operating unit costs  | H1 FY21 actual | FY21 prior guidance <sup>21</sup> | FY21 adjusted guidance | FY21 new guidance <sup>16</sup> | FY21 new guidance vs. FY21 prior guidance |      |    |     | Commentary  |
|---|----------------|-----------------------------------|------------------------|---------------------------------|---|------|----|-----|---|
|   |                |                                   |                        |                                 | (15%)                                     | (5%) | 5% | 15% |   |
| <b>Worsley Alumina</b><br>(US\$/t)                            | 204            | 205                               | 209                    | 210                             |   |      |    |     | Stronger Australian dollar partially offset by lower caustic prices   |
| <b>Brazil Alumina (non-operated)</b><br>(US\$/t)              | 206            | Guidance not provided             |                        | Guidance not provided           |   |      |    |     | Cost profile will continue to be influenced by the Brazilian real, prices for energy and raw material inputs                                |
| <b>Illawarra Metallurgical Coal</b><br>(US\$/t)               | 77             | 84                                | 89                     | 83                              |   |      |    |     | Increased production guidance to more than offset a stronger Australian dollar  |
| <b>Australia Manganese<sup>17</sup></b><br>(FOB, US\$/dmu)    | 1.39           | 1.48                              | 1.56                   | 1.49                            |   |      |    |     | Stronger Australian dollar partially offset by equipment productivity   |
| <b>South Africa Manganese<sup>17</sup></b><br>(FOB, US\$/dmu) | 2.28           | 2.25                              | 2.46                   | 2.44                            |   |      |    |     | Stronger South African rand and on-going use of higher cost trucking partially offset by cost efficiencies and lower price-linked royalties |
| <b>Cerro Matoso</b><br>(US\$/lb)                              | 3.79           | 3.97                              | 4.15                   | 4.10                            |   |      |    |     | Higher price-linked royalties and electricity prices partially offset by increased volumes  |
| <b>Cannington<sup>18</sup></b><br>(US\$/t)                    | 124            | 111                               | 123                    | 123                             |   |      |    |     | Stronger Australian dollar and higher price-linked royalties  |

## Smelter raw material basket cost inflation

(% of LME Aluminium)<sup>24</sup>



■ Foreign exchange ■ Price-linked costs (including royalties)<sup>23</sup> ■ Controllable costs  
○ FY21 new vs. FY21 prior guidance % movement ○ ≤ 5% of guidance ○ >5% of guidance

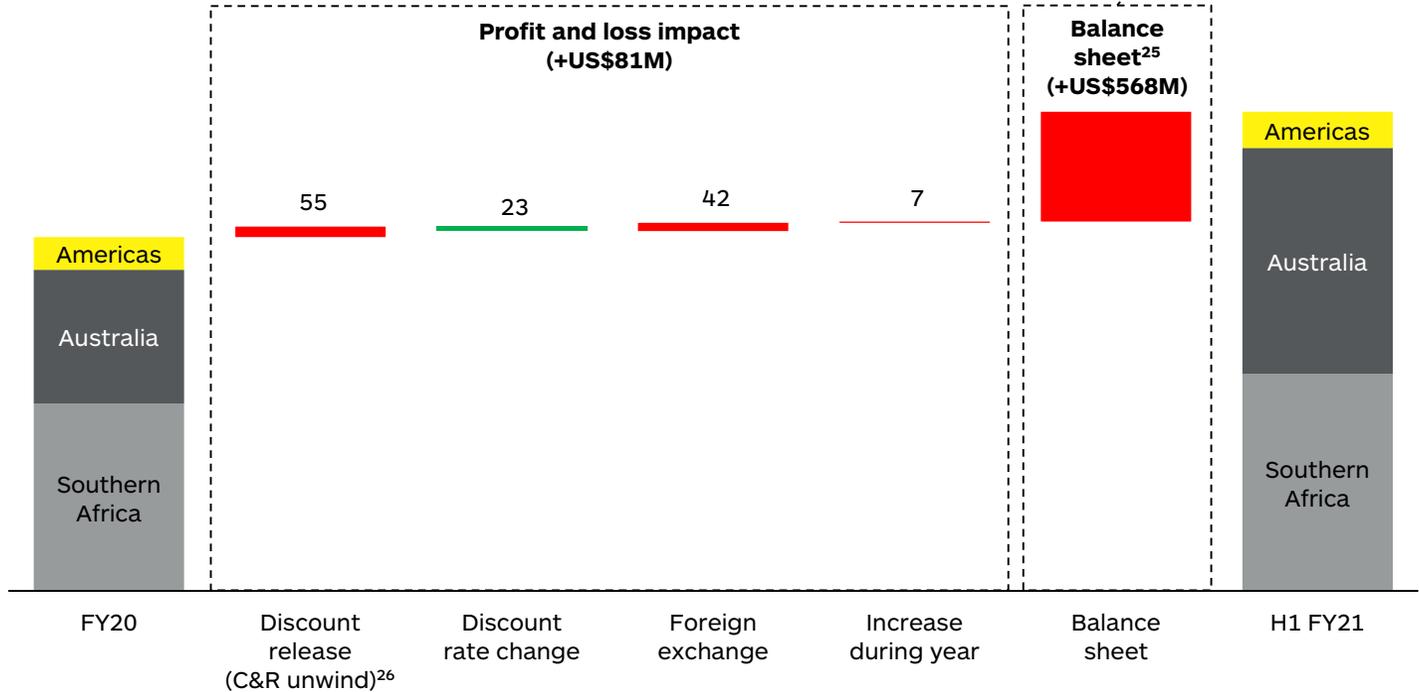
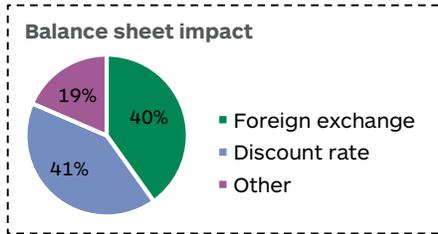
# CLOSURE & REHABILITATION PROVISIONS

Discount rate assumptions updated to reflect changes to long term outlook for risk free rates

Combined with a weaker US dollar and changes to our closure cost estimates to increase provisions by US\$568M

73% of the increase relates to South Africa Energy Coal and our long life Worsley Alumina operation

| Closure and rehabilitation provisions by operation (South32 share) | H1 FY21<br>US\$M | FY20<br>US\$M |
|--|------------------|---------------|
| South Africa Energy Coal   | 875              | 739           |
| Worsley Alumina  | 737              | 402           |
| Cannington   | 233              | 167           |
| Hillside Aluminium <sup>(a)</sup>                                  | 197              | 175           |
| Illawarra Metallurgical Coal                                       | 193              | 118           |
| Cerro Matoso   | 116              | 97            |
| Mozal Aluminium  | 50               | 54            |
| Brazil Alumina (non-operated)                                      | 41               | 44            |
| Hermosa  | 30               | 28            |
| Eagle Downs Metallurgical Coal                                     | 7                | 6             |
| <b>Total</b>   | <b>2,479</b>     | <b>1,830</b>  |



Notes:  
a. Includes the Bayside aluminium smelter.

# EARNINGS ADJUSTMENTS

| Earnings adjustments  | H1 FY21     | H1 FY20    |
|---|-------------|------------|
|   | US\$M       | US\$M      |
| <b>Adjustments to Underlying EBIT</b>   |             |            |
| Exchange rate (gains)/losses on restatement of monetary items                                     | 71          | 3          |
| Impairment losses   | 36          | -          |
| (Gains)/losses on non-trading derivative instruments and other investments measured at fair value | (19)        | 39         |
| Major corporate restructures  | 17          | -          |
| Earnings adjustments included in profit/(loss) of equity accounted investments                    | 7           | -          |
| <b>Total adjustments to Underlying EBIT</b>   | <b>112</b>  | <b>42</b>  |
| <b>Adjustments to net finance costs</b>   |             |            |
| Exchange rate variations on net debt  | 66          | (5)        |
| <b>Total adjustments to net finance costs</b>   | <b>66</b>   | <b>(5)</b> |
| <b>Adjustments to income tax expense</b>  |             |            |
| Tax effect of other earnings adjustments to Underlying EBIT                                       | (31)        | (11)       |
| Tax effect of earnings adjustments to net finance costs   | (9)         | 1          |
| Exchange rate variations on tax balances  | (55)        | 5          |
| <b>Total adjustments to income tax expense</b>  | <b>(95)</b> | <b>(5)</b> |
| <b>Total earnings adjustments</b>   | <b>83</b>   | <b>32</b>  |

# UNDERLYING INCOME TAX EXPENSE

| Underlying income tax expense reconciliation and Underlying effective tax rate | H1 FY21      | H1 FY20      |
|--|--------------|--------------|
|  | US\$M        | US\$M        |
| Underlying EBIT  | 282          | 293          |
| Include: Underlying net finance costs  | (60)         | (69)         |
| Remove: Share of profit/(loss) of equity accounted investments                 | (59)         | (100)        |
| <b>Underlying profit/(loss) before tax</b>                                     | <b>163</b>   | <b>124</b>   |
| <b>Income tax expense/(benefit)</b>  | <b>(9)</b>   | <b>88</b>    |
| Tax effect of earnings adjustments to Underlying EBIT                          | 31           | 11           |
| Tax effect of earnings adjustments to net finance costs                        | 9            | (1)          |
| Exchange rate variations on tax balances                                       | 55           | (5)          |
| <b>Underlying income tax expense</b>   | <b>86</b>    | <b>93</b>    |
| <b>Underlying effective tax rate</b>   | <b>52.8%</b> | <b>75.0%</b> |

# UNDERLYING NET FINANCE COSTS



| Underlying net finance costs reconciliation                           | H1 FY21      | H1 FY20     |
|---|--------------|-------------|
|   | US\$M        | US\$M       |
| Unwind of discount applied to closure and rehabilitation provisions   | (55)         | (54)        |
| Change in discount rate on closure and rehabilitation provisions      | 23           | -           |
| Interest on lease liabilities   | (27)         | (26)        |
| Other   | (1)          | 11          |
| <b>Underlying net finance costs</b>                                   | <b>(60)</b>  | <b>(69)</b> |
| Add back earnings adjustment for exchange rate variations on net debt | (66)         | 5           |
| <b>Net finance costs</b>  | <b>(126)</b> | <b>(64)</b> |

# CAPITAL EXPENDITURE GUIDANCE

## Capital expenditure (excluding exploration and intangibles) (South32 share)

| US\$M   | H1 FY21    | FY21e             |
|---|------------|-------------------|
| Worsley Alumina                                       | 28         | 57                |
| Brazil Alumina  | 15         | 27                |
| Hillside Aluminium                                    | 6          | 16                |
| Mozal Aluminium                                       | 6          | 10                |
| Illawarra Metallurgical Coal                          | 75         | 146               |
| Australia Manganese                                   | 29         | 58                |
| South Africa Manganese                                | 10         | 17                |
| Cerro Matoso  | 15         | 40                |
| Cannington  | 29         | 39                |
| South Africa Energy Coal                              | 10         | 20 <sup>(b)</sup> |
| Group & unallocated                                   | 1          | -                 |
| <b>Sustaining capital expenditure (including EAI)</b> | <b>224</b> | <b>430</b>        |
| Equity accounted adjustment <sup>(a)</sup>            | (39)       | (75)              |
| <b>Sustaining capital expenditure (excluding EAI)</b> | <b>185</b> | <b>355</b>        |
| Hermosa   | 29         | 75                |
| Illawarra Metallurgical Coal – Dendrobium Next Domain | 23         | 23 <sup>(c)</sup> |
| Eagle Downs Metallurgical Coal                        | 4          | 7                 |
| South Africa Energy Coal                              | 35         | 44 <sup>(b)</sup> |
| <b>Major project capital expenditure</b>              | <b>91</b>  | <b>149</b>        |
| <b>Total capital expenditure (including EAI)</b>      | <b>315</b> | <b>579</b>        |

Notes:

- 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.
- Guidance for South Africa Energy Coal is for the 9 months to 31 March 2021.
- H2 FY21 guidance for Dendrobium Next Domain withdrawn while we assess the impact of the Independent Planning Commission's decision to refuse the application for the project.

# FOOTNOTES



1. Metrics describing sustainability and Health, safety, environment and community performance apply to 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) 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 Administration (OSHA) guidelines for the recording and reporting of occupational injuries and illnesses.
3. 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 H1 FY20, FY20, H1 FY21, FY21e and FY22e.
4. 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). Refer to the FY20 Sustainability Report for additional information which is available at [www.south32.net](http://www.south32.net).
5. Refers to Africans, Coloureds and Indians who are citizens of the Republic of South Africa by birth or descent (as more fully defined in the Broad-Based Black Economic Empowerment Amendment Act 2013, South Africa).
6. H1 FY21 outcome reflects a definitional change (Presidents and Vice Presidents reporting to members of the South32 Lead Team to align with the Optimised Global Model). FY19 and FY20 outcomes are based on the previous definition (South32 leaders who report directly to the Lead Team). The Senior leadership target date is June 2021.
7. Operational leadership refers to all General Managers and Managers reporting to Vice President Operations and all Managers reporting to General Managers at an Operation, excluding Functional Managers. The Operational leadership target date is June 2021.
8. Operating margin comprises Underlying EBITDA excluding third party product EBITDA, divided by revenue excluding third party product revenue.
9. Other includes insurance proceeds, lower depreciation and amortisation, and higher third party product EBIT.
10. Underlying net finance costs and Underlying income tax expense are actual H1 FY21 results, not half-on-half variances.
11. Metallurgical coal (Platts Low-Vol Hard Coking Coal index (FOB Australia)); Energy coal (Argus McCloskey API4 Coal index 6,000Kcal NAR (FOB Richards Bay, South Africa)); Silver (Silver LME cash index); 44% manganese (Metal Bulletin 44% manganese lump ore index (CIF Tianjin, China)); Nickel (Nickel (LME) cash index); 37% manganese (Metal Bulletin 37% manganese lump ore index (FOB Port Elizabeth, South Africa)); Alumina (Platts Alumina Index (PAX) (FOB Australia)); Aluminium (Aluminium LME cash index); Lead (Lead LME cash index); and Zinc (Zinc LME cash index).
12. Price-linked costs reflects commodity price-linked and market traded consumables costs, including the impact of smelter power costs.
13. Other includes coke, freight and explosives.
14. H1 FY20 third party product cost is US\$17M for aluminium, US\$14M for alumina, US\$176M for coal, \$100M for freight services and US\$43M for aluminium raw materials. H1 FY21 third party product cost is US\$16M for aluminium, US\$16M for alumina, US\$85M for coal, US\$83M for freight services and US\$35M for aluminium raw materials.
15. Other includes accounting related adjustments.
16. FY21 new 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\$270/t; an average blended coal price (including coal wash sales) of US\$96/t for Illawarra Metallurgical Coal; a manganese ore price of US\$4.55/dmtu for 44% manganese product; a nickel price of US\$7.51/lb; a thermal coal price of US\$77/t (API4) for South Africa Energy Coal; a silver price of US\$25.15/troy oz; a lead price of US\$1,952/t (gross of treatment and refining charges); a zinc price of US\$2,597/t (gross of treatment and refining charges); an AUD:USD exchange rate of 0.75; a USD:ZAR exchange rate of 15.69; a USD:COP exchange rate of 3,594; and a reference price for caustic soda; all of which reflected forward markets as at January 2021 or our internal expectations.
17. FOB ore Operating unit cost is Revenue less Underlying EBITDA, freight and marketing costs, divided by ore sales volume.
18. Cannington Operating unit cost is Revenue less Underlying EBITDA divided by ore processed. Periodic movements in finished product inventory may impact Operating unit costs as related marketing costs may change.
19. Distributions include dividends and the net repayment of shareholder loans from manganese EAI.
20. Other includes investments in/proceeds from financial investments and net loan drawdowns from other EAI, the purchase of shares by South32 Limited Employee Incentive Plan Trusts, exchange rate variations on net debt, other movements in leases and capitalised exploration.
21. FY21 prior Operating unit cost guidance included royalties (where appropriate) and the influence of exchange rates, and included 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.
22. Operating unit cost illustrative comparison based on mid-point of guidance.
23. Price-linked costs reflect commodity price-linked and market traded consumables costs.
24. 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.
25. Balance sheet movement (US\$568M) reflects net impact of a US\$115M 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\$228M increase in provisions associated with the capitalisation of foreign exchange impacts on restatement of closure provisions relating to open sites, a US\$235M increase in provisions associated with the capitalisation of discount rate change impacts and a US\$10M decrease as a result of utilisation.
26. 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); pulverized coal injection (PCI); Illawarra Metallurgical Coal (IMC); Mineração Rio do Norte (MRN); Premium Concentrate Ore (PC02); pre-feasibility study (PFS); and feasibility study (FS).

